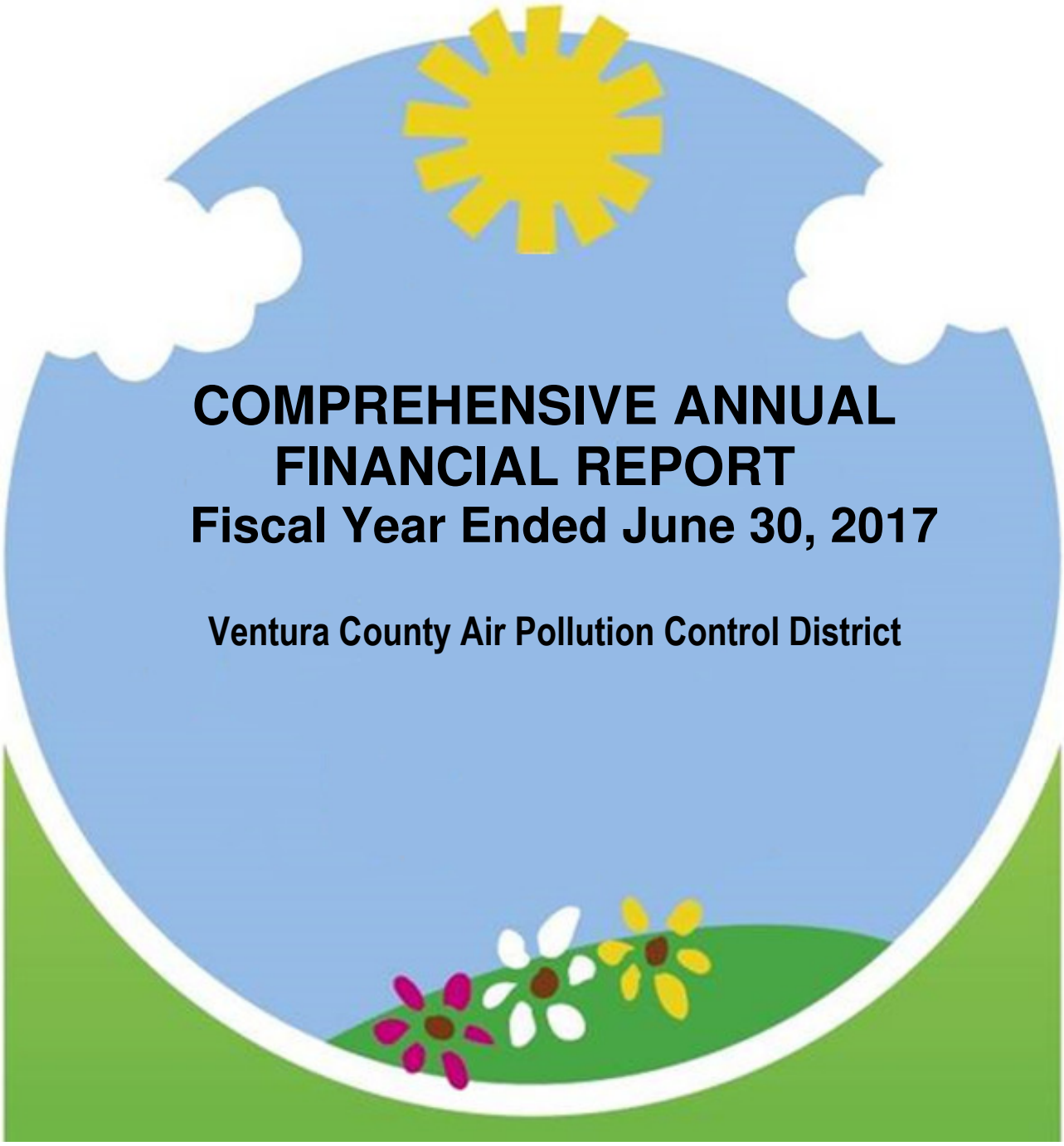

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

Ventura County Air Pollution Control District

669 County Square Drive, 2nd Floor
Ventura, CA 93003
www.vcapcd.org

Michael Villegas
APCO/Executive Officer

* Our Mission *

To protect public health and agriculture from the adverse effects of air pollution by identifying air pollution problems and developing a comprehensive program to achieve and maintain state and federal air quality standards.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2017

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VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2017

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Ventura County
Air Pollution
Control District

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Ventura, California 93003

tel 805/645-1400
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www.vcapcd.org

Michael Villegas
Air Pollution Control Officer

March 31, 2018

Air Pollution Control Board
Ventura County Air Pollution Control District
669 County Square Drive, 2nd Floor
Ventura, CA 93003

Members of the Ventura County Air Pollution Control District Board and Citizens of Ventura County:

The Comprehensive Annual Financial Report (CAFR) of the Ventura County Air Pollution Control District (District) is hereby submitted for the year ended June 30, 2017. District management is responsible for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the data presented is accurate in all material aspects; reported in a manner designed to fairly present the financial position and changes in financial position of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

This report is divided into three major sections: the Introductory Section, Financial Section, and Statistical Section. The Introductory Section includes the District's governing Board, organizational chart, and this Letter of Transmittal, which provides general comments on activities of interest to the reader. The Financial Section is comprised of the Independent Audit Opinion, Management's Discussion and Analysis, the Basic Financial Statements that include the notes to the basic financial statements, and required supplementary information. The Statistical Section provides important historical and trend information about the District.

Audits

The CAFR was prepared to satisfy the financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Further information regarding the reporting requirements can be found in Note 2 of the Notes to the Basic Financial Statements. Comparative analysis of the financial statements for June 30, 2017, and 2016 can be found in the Management's Discussion and Analysis.

Vavrinek, Trine, Day & Company, LLP (VTD), an independent certified public accounting firm audited the District's CAFR. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the District for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The results of the District's annual audit for fiscal year ended June 30, 2017, concluded that the District's annual financial statements as contained herein present fairly, in all material respects, the financial position and changes in financial position of the District in conformity with generally accepted accounting principles. The auditor's unmodified opinion is included in the financial section of this CAFR.

In addition, the District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Title 2, Part 200 of the Code of Federal Regulations (CFR), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This

federally mandated requirement is designed to meet the needs of the Federal grantor agencies. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, summary of auditors' results, and the independent auditors' reports on internal control and compliance with applicable laws and regulations are included in a separately issued publication available at the District.

Profile and Reporting Entity of the Ventura County Air Pollution Control District

The District was formed by the Ventura County (the County) Board of Supervisors in 1968 in response to the County's first air pollution study that identified Ventura County as having a severe air quality problem. The Air Pollution Control Board is composed of ten members, which includes five representatives from the County Board of Supervisors and five representatives from five of the ten cities in Ventura County. The Chair of the Board is elected by the board members to a one-year term.

Division 26 of the California Health and Safety Code establishes the District's structure, operating procedures, and authority. The District provides a full range of air pollution control activities, including permitting, facility inspection, air quality attainment planning, rule-making, air quality monitoring and incentive programs.

The District shares responsibility with the California Air Resources Board for ensuring that all state and federal air quality standards are achieved and maintained within Ventura County. The District's jurisdiction is limited principally to regulating non-vehicular sources of air pollution within the County of Ventura, primarily commercial and industrial emission sources. Any company wishing to build or modify a facility in Ventura County must first obtain a permit from the District to ensure that the facility complies with all applicable rules.

The District accounts for its financial position and results of operations in accordance with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the primary standard setting body for establishing governmental accounting and financial reporting principles. As required by GAAP, these financial statements present the District as the primary government entity for which it is considered to be financially accountable. Note 1 of the Notes to the Basic Financial Statements provides more information on the reporting entity.

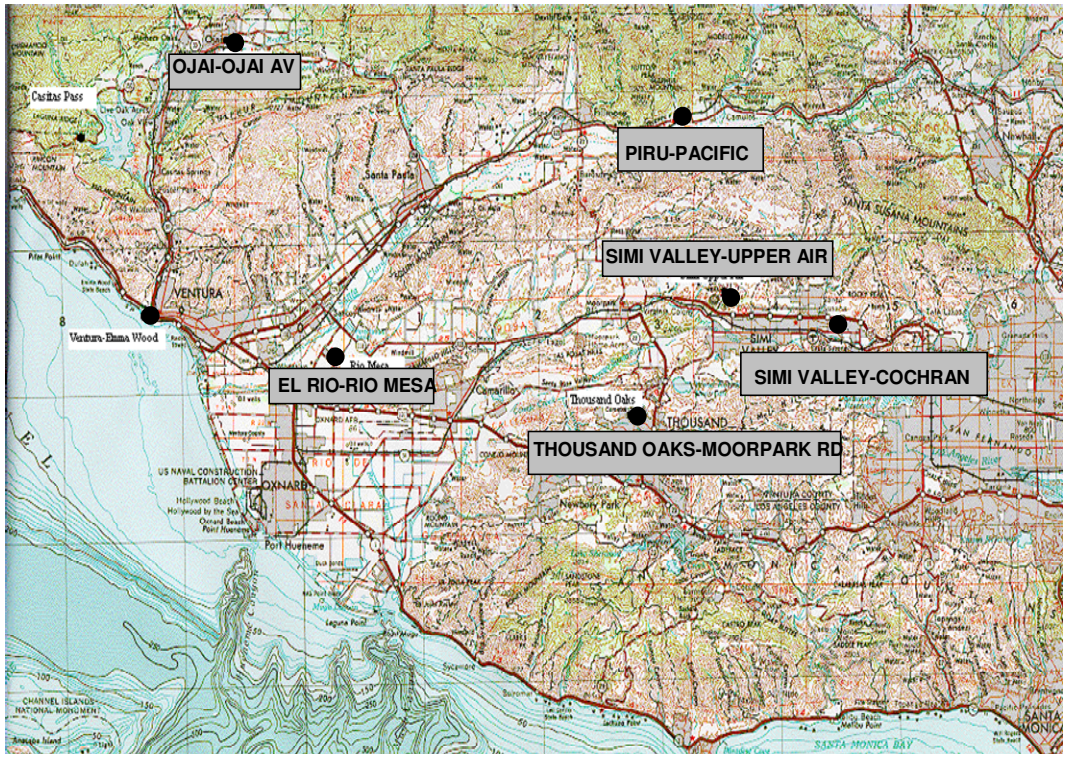
District management is responsible for establishing, maintaining, and evaluating the adequacy of an internal accounting control structure. Internal accounting control structure is designed to ensure that assets of the District are protected from loss, theft, or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that the costs of internal control should not exceed the benefits likely to be derived from it. It is our belief that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Air Pollution Control Board (District Board) adopts an annual budget in accordance with Health & Safety Code, Section 40130 et. seq. The legal level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is at the department/budget unit and object level of expenditures, except capital assets which are controlled at the sub-object level. The Executive Officer is authorized to transfer appropriations between object levels within the Air Pollution Control District's budget as provided in Government Code Section 29125.

All unencumbered and unexpended appropriations lapse at the end of each fiscal year and become available to finance the next year's budget. Encumbered appropriations are re-appropriated in the next year's budget. Additional budgetary information is included in the Required Supplementary Information section of the CAFR.

Ventura County Air Monitoring Station Locations



Ventura County has a serious air quality problem. The smoggiest days usually occur from May through October when high temperatures and poor atmospheric mixing tend to enhance smog formation and effectively trap pollutants in the inland valleys. The District is responsible for monitoring air pollution within the County and for developing and administering programs to reduce air pollution levels below the health-based standards established by the State and federal governments.

Since 1990, all areas of the county have enjoyed significant reductions in ozone levels despite a population increase of 28 percent. There were 138 days county-wide over the current (enacted in 2015) federal 8-hour ozone standard of 70 ppb in 1990, but only 20 in 2017.

The EPA sets National Ambient Air Quality Standards (NAAQS) as the maximum concentrations in the atmosphere for specific air contaminants in order to protect public health and welfare. The EPA has adopted NAAQS for ozone, carbon monoxide (CO), lead, nitrogen dioxide (NO_2), fine particulate matter (PM2.5), coarse particulate matter (PM10), and sulfur dioxide (SO_2). Ventura County is designated nonattainment for the federal 2015 ozone standard and attainment for all other federal air quality standards.

Most of the air quality improvements can be attributed to control strategies implemented by the District, the State, and the federal government. The District's regulatory program, in conjunction with State and federal programs, has decreased pollutant levels to meet the federal 84 ppb 8-hour ozone standard, in spite of significant population growth in Ventura County. There were 70 days countywide over the 1997 federal 8-hour ozone standard of 84 ppb in 1990 but only eight in 2009, four in 2010, and two in 2011. On September 14, 2012, the EPA found that Ventura County had attained the 1997 federal ozone standard of 84 ppb by its applicable attainment date of June 15, 2013. The EPA revoked the 1997 federal ozone standard effective April 6, 2015.

Factors Affecting Financial Condition

The District is a fee supported agency and does not receive sales or property tax support. Approximately 24 percent of its funding is derived from fees paid by stationary sources that emit air pollution; 24 percent from auto registration fees collected by the Department of Motor Vehicles and distributed to air districts throughout the State in support of motor vehicle emission reduction programs; 45 percent from federal grants, pass through grants, and state subvention; and 7 percent from general revenues such as penalties/settlements and interest earnings.

The District minimized increases in expenses by reviewing the current budget and year-to-date expenditures to ensure that all likely costs were identified and necessary steps were taken to scrutinize the service and supplies expenditure object for potential savings. The District's workload continued to increase due to additional federal and state mandates; however, the District was able to meet its program commitments and has successfully streamlined many of its operations thus, minimizing the cost of its programs. Overall, the District's fund balance has increased as a result of the positive financial performance in the current fiscal year.

Relevant Financial Policies

Cash Management Policies and Practices

The District participates in the County Treasurer's cash and investment pool. The County pool invests the District's funds in accordance with State statutes and the County's investment policy. Pooled investments are stated at fair value in accordance with GASB Statements No. 31 and 72. Further information is available in Note 4 of the Notes to the Basic Financial Statements, Cash and Investments.

Risk Management

The District participates in the County's Risk Management pool and pays an annual premium to the County for coverage. The County's Risk Management department administers the commercial and self-insurance aspects of the County's risk programs. The County is self-insured for various types of risks including general liability, property damage, unemployment and disability insurance, and for the deductible on medical malpractice premiums. In addition, the County is self-insured for workers' compensation.

Other Information

On-Line Information

Copies of this CAFR, the Single Audit Report, and the District's Adopted Budget may be obtained from the District office. The District's web page, http://www.vcapcd.org/, includes the CAFR, District's adopted budget, and information on the District's various air district programs, educational programs, air quality index and statistics, and health effects. In addition, information is also available on board meetings, board agendas, publications, and forms.

Acknowledgments

The completion of this report was made possible by the dedicated and coordinated team efforts of the entire District staff. We would like to acknowledge and express our appreciation to the special efforts of the Fiscal section, the Ventura County Auditor-Controller's Office, and our independent auditors, Vavrinek, Trine, Day & Company LLP, for their assistance in the report preparation.

Recognition is also given to the District Board for their continued leadership and support, and to all employees of the District who continue to push technology and improve operations to accomplish the District's mission of protecting public health from air pollution by working with community and businesses and other governmental agencies.

Respectfully submitted,

Michael Villegas
Executive Officer

Nancy Sison Mendoza
Fiscal & Administrative Services Manager

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VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

List of Governing Board

June 30, 2017

DAVID POLLOCK
Chair
Council Member, City of Moorpark

KELLY LONG
Vice-Chair
Board of Supervisors – District III

STEVE BENNETT
Board of Supervisors - District I

CARRIE BROGGIE
Mayor, City of Fillmore

LINDA PARKS
Board of Supervisors - District II

MIKE MORGAN
Council Member, City of Camarillo

PETER C. FOY
Board of Supervisors - District IV

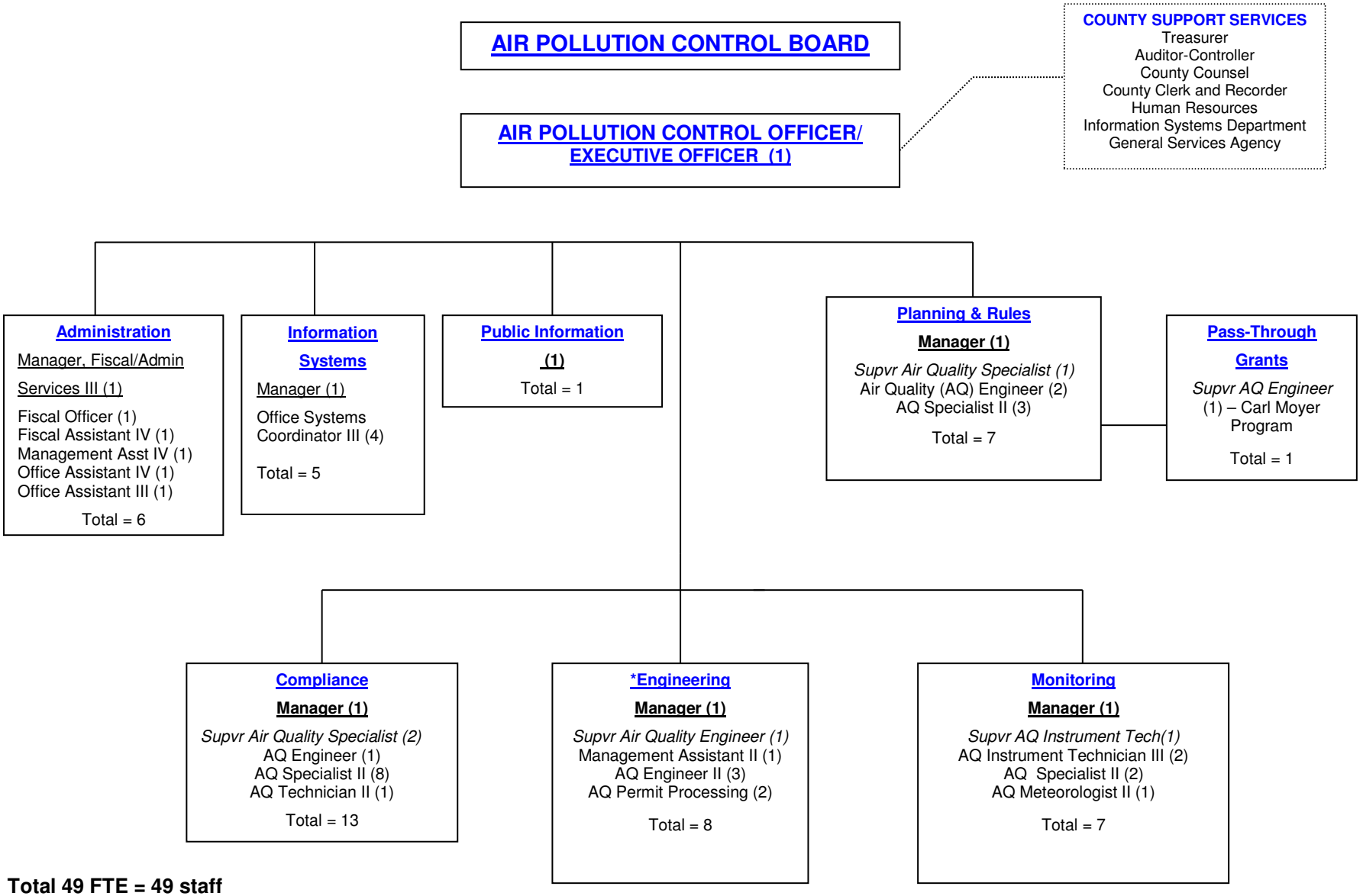
CARMEN RAMIREZ
Council Member, City of Oxnard

JOHN ZARAGOZA
Board of Supervisors – District V

JONATHAN SHARKEY
Council Member, City of Port Hueneme

MICHAEL VILLEGAS
Air Pollution Control Officer /
Executive Officer

VENTURA COUNTY
AIR POLLUTION CONTROL DISTRICT



Total 49 FTE = 49 staff

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITORS' REPORT

Air Pollution Control Board
Ventura County Air Pollution Control District
Ventura, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Ventura County Air Pollution Control District (District), as of and for the year ended June 30, 2017, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 11 – 20, general fund schedule of revenues, expenditures, and changes in fund balance – budget and actual and related notes on pages 45 and 46, schedule of the District's proportionate share of the net pension liability on page 47, and schedule of the District's contributions on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, California Air Resources Board – State Subvention Funds Revenue Detail, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
March 23, 2018

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

(Unaudited)

This section of the report presents the District's discussion and analysis for its financial performance during the fiscal year ended June 30, 2017. Please read this section in conjunction with the transmittal letter at the front of this report and the basic financial statements following this section.

Financial Highlights

- The government-wide assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the 2016-2017 fiscal year by $12,672,000 (net position). Of this amount, $5,765,000 is net investment in capital assets and the remaining portion of $6,907,000 (unrestricted net position) may be used to meet the District's ongoing obligations without constraints established by legal requirements.

- As of June 30, 2017, the District's governmental fund reported combined fund balances of $9,862,000 an increase of $938,000 in comparison to the prior year. The $9,862,000 represents the entire amount of the General Fund. Approximately 69 percent of the fund balance is available for spending, but bound by various levels of constraints that control the purposes for which specific amounts can be spent. Approximately 31 percent is not constrained as reported in other classifications, may be available to meet the District's current and future needs (unassigned fund balance).

- Out of the general fund balance of $9,862,000 at the end of the fiscal year, $6,829,000 was assigned and $3,033,000 was unassigned, which is 26% of the general fund expenditures. The District's fund balance policy is to maintain an unassigned fund balance between four to six months of operating expenses. A detailed analysis of fund balances can be found on page 31 in Note 3 of the Notes to Basic Financial Statements.

- On June 20, 2016, the District purchased the building at 4567 Telephone Rd in Ventura that will serve as the District's permanent office. The building will need repairs and improvements before the District can move-in. The District has assigned fund balance of $5,500,000 for the cost of the building renovation in fiscal year 2016-17.

Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements have three components:

Government-wide financial statements

Fund financial statements

Notes to basic financial statements

The Comprehensive Annual Financial Report also includes required supplementary information, supplementary financial information, and statistical information.

In general, the purpose of financial reporting is to provide external parties with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as

reasonably possible, the District, in accordance with required reporting standards, presents government-wide statements and fund financial statements.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. This set of financial statements, are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. These financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information on all District assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the differences between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information on how net position changed during the most recent fiscal year. Revenues and expenses are recognized as earned and incurred even though they may not have been received or paid in cash. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The District's government-wide financial statements can be found on pages 21-22 of this report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. They are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District is a single purpose, single-fund entity and utilizes government funds to account for its activities.

Governmental Funds

The fund financial statements consist of the balance sheet and statement of revenues, expenditures, and changes in fund balance. These are prepared on the modified-accrual basis of accounting. The government-wide statements are prepared on the full-accrual basis.

In general, these financial statements under the modified-accrual basis have a short-term emphasis and for the most part, measure and account for assets that are current financial resources and liabilities that are expected to be liquidated with current financial resources. Specifically, cash and receivables collectible within a very short period of time are reported on the balance sheet.

Fund liabilities include amounts that are to be paid within a very short period of time after the end of the fiscal year. The long-term liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The unassigned fund balance is not constrained and may be used to finance any District activities.

The operating statements for governmental funds report only those revenues and expenditures that were collected in cash or paid with cash during the current period or very shortly after the end of the year.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since the different accounting bases are used to prepare the above statements, reconciliation is required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation between the total fund balances and net position of governmental activities can be found on page 24.

The reconciliation of the total change in the fund balance for the governmental funds to the change in net position of governmental activities can be found on page 26.

The fund financial statements can be found on pages 23 and 25.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in pages 27 to 43 of this report.

Required and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual, Schedule of the District's Proportionate Share of the Net Pension Liability, Last Ten Fiscal Years, and Schedule of the District's Contributions, Last Ten Fiscal Years. It also includes supplementary information on the District's Revenue Detail. Required supplementary information can be found on page 45 to 48 of this report. Other supplementary information as required by the California Air Resources Board to report on the District's State Subvention Funds can be found on page 49 of this report. Statistical information is also provided beginning on page 51 of this report.

Government-Wide Financial Analysis

Government-wide Summary of Net Position

- The net position serves as a useful indicator of the District's financial position. At the close of fiscal year, the District's net position was $12,672,000. The District's net position increase of $862,000 from last fiscal year resulted from rental income, salary savings, and deferred expenditures.

Statement of Net Position
June 30, 2017 and 2016
(In Thousands)

	2017	2016	Percent Change
Assets:			
Current and other assets	$ 13,250	$ 12,910	3%
Capital Assets	5,765	5,951	-3%
Total Assets	19,015	18,861	1%
Deferred outflows of resources			
Deferred outflows related to pensions	2,658	1,690	57%
Total deferred outflows of resources	2,658	1,690	57%
Liabilities:			
Long-term liabilities outstanding	4,729	3,750	26%
Other liabilities	3,751	4,355	-14%
Total Liabilities	8,480	8,105	5%
Deferred inflows of resources			
Deferred inflows related to pensions	521	636	-18%
Total deferred inflows of resources	521	636	-18%
Net Position:			
Net Investment in capital assets	5,765	5,951	-3%
Unrestricted	6,907	5,859	18%
Total Net Position	$ 12,672	$ 11,810	7%

Net Position includes three components: net investment in capital assets, restricted net position, and unrestricted net position.

The largest component of the District's net position totaling $6,907,00 (55%) is unrestricted and may be used to meet ongoing obligations in carrying out day-to-day operations.

The remaining component of the District's net position of $5,765,000 (45%) reflects the District's investment in capital assets net of accumulated depreciation. The District uses these capital assets in carrying out its mission of protecting public health. Accordingly, these assets are not available for future spending.

The District has no restricted net position as of June 30, 2017.

Government-wide Summary of Activities

The following table shows the revenues, expenses, and changes in net position for governmental type activities:

Statement of Activities
For the Fiscal Year Ended June 30, 2017 and 2016
(In Thousands)

	2017	2016	Percent Change
Revenues:			
Program revenues:			
Charges for services	$ 3,352	$ 3,352	0%
Operating grants and contributions	8,738	7,343	19%
General revenues:			
Investment earnings	56	108	-48%
Rental Income	501	14	100%
Total Revenues	12,647	10,817	17%
Expenses:			
Public Protection	11,785	9,623	22%
Increase in net position	862	1,194	-28%
Net position:			
Beginning of year	11,810	10,616	11%
End of year	$ 12,672	$ 11,810	7%

Governmental Activities - The statement of activities presents information on how net position changed during the most recent fiscal year. The format also permits the reader to ascertain the extent to which the District is either self-financing or draws from net position in a given year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement include some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

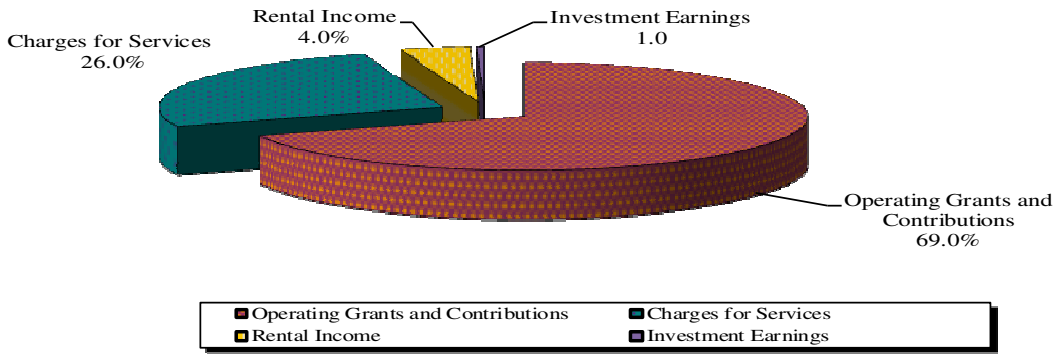
The statement of activities for the District presents its governmental activities, its sole purpose. Governmental functions of the District are predominantly supported by fees, grants, state subvention, penalties, and settlements. The primary governmental activities of the District include the following: Ensure Compliance with Clean Air Rules, Customer Service, Develop Programs to Achieve Clean Air, Develop Rules to Achieve Clean Air, Monitoring Air Quality, Permit Review, Public Information, Policy Support, and Advance Clean Air Technology.

The District's revenues were for air pollution control services and totaled $12,647,000. The graph and table on page 17 shows the total revenue for the District in 2016-17.

Operating grants and contributions are revenues earned from entities outside of the District, primarily state and federal agencies. In 2016-17, the District reported $8,738,000 in operating grants and contributions representing the largest revenue source for the District. Federal grants of $1,149,000 and Pass-through grants of $4,307,000 increased by 31% due mainly to the increase in the number of the Carl Moyer projects completed during the year.

Charges for services of $3,352,000 are revenues earned from providing goods and services to external customers. Charges for services provided 28 percent of total program revenues in 2016-17.

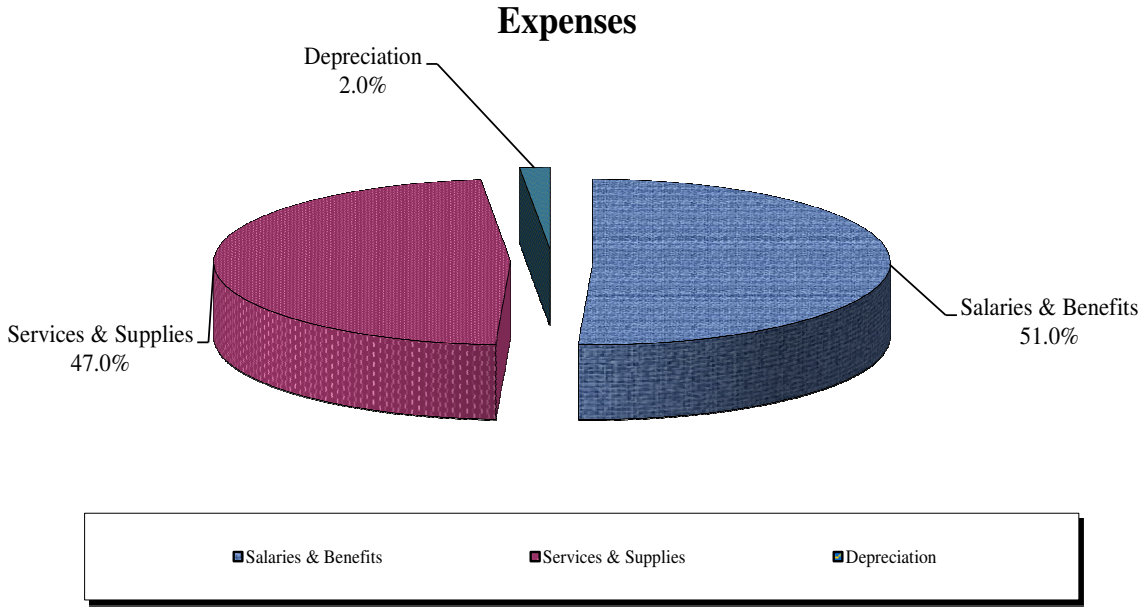
Revenues



Operating Grants and Contributions	FY 2016-2017	FY 2015-2016
DMV fees	$ 3,082,000	$ 2,985,000
State Subvention	200,000	200,000
Federal grants	1,149,000	1,120,000
Pass-through grants	4,307,000	3,038,000
Total	$ 8,738,000	$ 7,343,000

Charges for Services	FY 2016-2017	FY 2015-2016
Licenses, permits, and franchises	$ 3,061,000	$ 3,064,000
Charges for current services	7,000	3,000
Fines, forfeitures, and penalties	284,000	281,000
Other revenues	-	4,000
Total	$ 3,352,000	$ 3,352,000

All of the expenses of the District were for air pollution control services at a total of $11,785,000, an increase of 22% percent compared to the prior fiscal year. The majority of the increase was due mainly to the increase in number of Carl Moyer projects completed during the year. The graph and table below provide District expenses by object level.



Expenses	FY2016-17	FY2015-16
Salaries & Benefits	$ 5,987,000	$ 5,485,000
Services & Supplies	5,607,000	4,018,000
Depreciation	191,000	120,000
Total expenses	$ 11,785,000	$ 9,623,000

Financial Analysis of the District's Funds

At June 30, 2017, the District's general fund reported an ending fund balance of $9,862,000, an increase of $938,000 from prior year.

The General Fund is the operating fund of the District, and as a single-purpose entity, is the only fund reported. The General Fund has an unassigned fund balance of $3,033,000 which is available for spending in the future at the district's discretion within allowable use. The assigned amount of $6,829,000 represents the District's intended use of the financial resources in future periods. Its components are reported under Note 3 of the Notes to Basic Financial Statements. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance, and total fund balance to the total General Fund expenditures. The

unassigned fund balance is $3,033,000 which represents 26 percent of total expenditures for the year ended June 30, 2017, while the total fund balance represents 84 percent of that same total.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget, June 30, 2017

Appropriation for the General Fund final budget compared to the original budget reflected an increase in appropriations of $4,988,000. The changes to the budget were the result of Air Pollution Control Board actions that allocated additional funding to pass through grants after the budget was adopted. The largest change to the budget of approximately $4,515,000 was attributable to higher estimates in services and supplies related to the various pass-through grant programs, particularly the Carl Moyer program.

Estimated revenues for the General Fund final budget exceeded the original budget by $4,280,000. Aid from other governmental units increased as a result of the corresponding funding for the Carl Moyer program and other various pass-through grant programs above.

Final Budget to Actual Expenditures and Revenues, June 30, 2017

The final budget appropriations exceeded actual expenditures by $3,608,000, while the final budget estimated revenues exceeded actual revenues by $1,236,000. The resulting combined positive budgetary variance was $2,372,000. The largest revenue shortfall was $1,446,000, aid from other governmental units, due to pass-through grant projects that were allocated funding but were not completed at fiscal year-end and were carried over to the new fiscal year. The largest expenditure savings was $2,431,000 in services and supplies due mainly to pass-through grant projects that were not completed at fiscal year-end. Salary savings of $259,000 resulted from the deferment of filling vacant positions.

Budgetary information is included in the Required Supplementary Information (RSI) section.

Capital Assets

The net investment in capital assets is entirely for its governmental activities. The book value was $5,765,000 (net of accumulated depreciation of $1,131,000) as of June 30, 2017. This investment in capital assets includes the following: land, office building, laboratory equipment, air monitoring stations, vehicle, computer, and software. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures. The decrease in net capital assets reported under Note 6 of the Notes to the Basic Financial Statements, reflects the depreciation of the District's office building acquired in June, 2016.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2017-18 adopted budget (without pass-through grants) totals $8,842,000 an increase of about 4 percent or $338,000 when compared to the fiscal year 2016-17 adopted budget. The increase in Salaries and Benefits of $276,200 resulted from the negotiated General Salary Increase and filling in one unfunded position. The increase in Services and Supplies was due mainly to the planned replacement of all District desktop computer and peripherals of $128,000 in fiscal year 2017-18.

The fiscal year 2017-18 adopted budget (without pass-through grants) as compared to prior year actual expenditures includes an overall increase of 11 percent in salaries and benefits. This is due mainly to increases in salaries, retirement contributions, medical group insurance, and workers' compensation insurance. Adopted budget for services and supplies (without pass-through grants) in fiscal year 2017-18 is 41 percent higher as compared to prior year actual expenditures. This is due mainly to increases in appropriations for Other Professional Services and Computer parts and services. Capital Outlay increased by $61,000 due to the planned replacement of aging laboratory equipment in fiscal year 2017-18.

The District's fund balance increased in fiscal year 2016-17 as a result of increases in revenue and decreases in expenditures. However, Fiscal year 2017-2018 adopted budget shows that expenditures will exceed revenues. If the current economic situation continues, revenue from permits may likely decrease due to business closures, along with the possibility of federal grants remaining flat, if not reduced. Furthermore, any potential increase in retirement costs in the coming fiscal years, any increase from bargaining agreements and/or cost of living adjustments for management, and anticipated office building renovation costs will contribute to reducing the fund balance. The District's fund balance is able to support these unforeseen events but staff will continue to explore all potential revenues and ensure the expenses generated provides the highest benefits to District's programs.

Request for Information

This financial information is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal and Administrative Services Manager, Ventura County Air Pollution Control District, 669 County Square Drive, 2nd Floor, Ventura CA 93003.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Statement of Net Position

June 30, 2017

(In thousands)

	Governmental Activities
Assets:	
Cash & investments	$ 12,707
Accounts receivable	532
Due from the County of Ventura	9
Deposit with Others	2
Capital assets (Note 6):	
Nondepreciable	2,547
Depreciable, net	3,218
Total assets	19,015
Deferred Outflows of Resources:	
Deferred outflows related to pension (Note 11)	2,658
Liabilities:	
Accounts payable	62
Accrued liabilities	286
Due to the County of Ventura	9
Unearned revenue	3,031
Noncurrent liabilities:	
Due within one year	363
Due in more than one year	4,729
Total liabilities	8,480
Deferred Inflows of Resources:	
Deferred inflows related to pension (Note 11)	521
Net Position:	
Net Investment in capital assets	5,765
Unrestricted	6,907
Total net position	**$ 12,672**

See accompanying notes to financial statements.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2017

(In thousands)

		Program revenues		Net (expense) revenue and changes in net position
	Expenses	Charges for services	Operating grants and contributions	Governmental activities
Function/program activities:				
Governmental activities:				
Public protection	$ 11,785	3,352	8,738	305
Total governmental activities	11,785	3,352	8,738	305
General revenues:				
Interest earnings				56
Rental Income				501
Total general revenues				557
Changes in net position				862
Net position, beginning of year				11,810
Net position, end of year				$ 12,672

See accompanying notes to financial statements.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Balance Sheet

Governmental Fund

June 30, 2017

(In thousands)

Assets		General Fund
Cash and investments	$	12,707
Accounts receivable, net		532
Due from the County of Ventura		9
Deposit with Others		2
Total assets		13,250
Liabilities and Fund Balance		
Liabilities:		
Accounts payable		62
Accrued liabilities		286
Due to the County of Ventura		9
Unearned Revenue		3,031
Total liabilities		3,388
Fund balance		
Assigned:		
Building Renovation		5,500
Appropriated Fund Balance for FY 2017-18		756
Litigation		300
Capital Asset Acquisition		200
Motor Vehicle Fee Projects		73
Unassigned		3,033
Total fund balance		9,862
Total liabilities and fund balance	$	13,250

See accompanying notes to financial statements.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Reconciliation of the Balance Sheet of the

Governmental Fund to Statement of Net Position

June 30, 2017

(In thousands)

Fund Balance - total governmental fund (page 23)	$ 9,862
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,765
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds:	
Compensated absences	(657)
Net Pension Liability	(4,435)
Deferred outflows of resources related to pensions are not reported in the governmental funds	2,658
Deferred inflows of resources related to pensions are not reported in governmental funds	(521)
Net position of governmental activities (page 21)	$ 12,672

See accompanying notes to financial statements

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Fiscal Year ended June 30, 2017

(In thousands)

	General Fund
Revenues:	
Aid from other governmental units	$ 8,738
Licenses, permits, and franchises	3,061
Fines, forfeitures, and penalties	284
Use of money and property	557
Charges for current services	7
Total revenues	12,647
Expenditures:	
Current:	
Public protection	11,704
Capital outlay	5
Total expenditures	11,709
Net change in fund balance	938
Fund balance, beginning of year	8,924
Fund balance, end of year	$ 9,862

See accompanying notes to financial statements

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and

Changes in Fund Balances of Governmental Fund to Statement of Activities

For the Fiscal Year ended June 30, 2017

(In thousands)

Net changes in fund balance - total governmental fund (page 25)		$	938
Amounts reported for governmental activities in the statement of activities are different because:			
The governmental fund reports capital outlay and other capital projects as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Expenditures for capital assets acquisition	5		
Less: Current year depreciation	(189)		(184)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds:			
Compensated absences			5
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Current year District's pension contributions in excess of pension expense			105
Loss on Disposal of Capital Assets			(2)
Change in net position of governmental activities (page 22)		$	862

See accompanying notes to financial statements

(1) The Financial Reporting Entity

Reporting Entity

The Ventura County Air Pollution Control District (the District) was formed by the Ventura County (the County) Board of Supervisors in 1968 in response to the County's first air pollution study that identified Ventura County as having a severe air quality problem. The District's 10-member Board includes five representatives from the County Board of Supervisors and five representatives from the cities of Camarillo, Oxnard, Moorpark, Port Hueneme, and Fillmore.

Division 26 of the California Health and Safety Code establishes the District's structure, operating procedures, and authority. The District shares responsibility with the California Air Resources Board for ensuring that all state and federal air quality standards are achieved and maintained within Ventura County. The District's jurisdiction is limited principally to policing non-vehicular sources of air pollution within the County of Ventura, primarily industry pollution. Any company wishing to build or modify a facility in Ventura County must first obtain a permit from the District to ensure that the facility complies with all applicable rules.

The District accounts for its financial position and results of operations in accordance with accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for establishing governmental accounting and financial reporting principles. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District as the primary government entity for which it is considered to be financially accountable.

(2) Summary of Significant Accounting Policies

(a) New Accounting Pronouncements

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, 2017, 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 District has determined that this statement did not have a material effect on the 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. The new requirements are not applicable to the District.

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

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 District intends to implement the new requirements for the fiscal year 2017-18 financial statements.

GASB Statement No. 85, *Omnibus 2017*, effective for reporting periods beginning after June 15, 2017, enhances consistency in accounting and financial reporting requirements specifically relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The District intends to implement the new requirements for the fiscal year 2017-18 financial statements.

GASB Statement No. 87, *Leases*, effective for reporting periods beginning after December 15, 2019, improves accounting and financial reporting for leases and requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District intends to implement the new requirements for the fiscal year 2019-20 financial statements.

(b) Government-wide and Fund Financial Statements

Government-wide Financial Statements

The District's government-wide financial statements include a statement of net position and statement of activities. These statements are presented on an economic resources measurement focus and the accrual basis of accounting.

Statement of Net Position

The government-wide statement of net position utilizes a net position presentation. This reports the District's assets and deferred outflow of resources and liabilities and deferred inflow of resources, and what is leftover is net position. The net position are categorized as net investment in capital assets, restricted, and unrestricted.

(1) *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

(2) *Restricted Net Position* – This category represents assets subject to external restrictions imposed by creditors, grantors, contributions, or laws or regulations and other governmental restrictions imposed by law through constitutional provisions.

(3) *Unrestricted Net Position* – These are the resources that do not fall into net investment in capital assets or restricted net position. They can be used for any purposes, though they are not necessarily liquid.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures. Proceeds of long-term debt are also recorded in the government-wide financial statements as a liability rather than as a financial source.

Statement of Activities

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants and contributions for operational or capital requirements of a particular program. In the statement of activities, the cost of capital assets is allocated over their estimated useful life as depreciation expense. Additionally, the statement of activities for the District presents its governmental activities, its sole purpose.

Governmental Fund Financial Statements

The fund financial statements provide information about the District's funds. The General Fund, considered a major governmental fund, is the general operating fund of the District. It accounts for the legally authorized activities of the District and is the only fund of the District. The District is a special-purpose government engaged in a single governmental program and is presented, accordingly, in the basic financial statements.

The District follows the measurement focus and modified accrual basis of accounting. Measurement focus determines the accounting and financial reporting treatment applied to a fund. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the governmental fund balance sheet.

Operating statements of governmental fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current resources.

All governmental fund types are accounted for using the modified-accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" is defined as an amount that can be determined. "Available" is defined as collectible in the current period or 6 months following the end of the fiscal year.

Revenues that are considered susceptible to accrual include federal and state grants, interest, and charges for current services. Unbilled receivable items are included in accounts receivable. Revenues that are not considered susceptible to accrual include certain licenses, permits, fines, forfeitures, DMV registration fees and penalties. Expenditures are generally recorded under the modified-accrual basis of accounting when the fund liability is incurred, except payments on compensated absences, which are recognized when matured.

(c) External Investment Trust

The District's cash and investments are included in the external investment trust fund of the County Treasurer's investment pool. The County Treasurer's investment pool is defined as an external investment pool in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The external investment pool commingles the moneys of more than one legally separate entity, not part of the sponsor's reporting entity, and invests on the participants' behalf in an investment portfolio.

The external investment pool includes both voluntary and involuntary participants for whom the County Treasurer holds cash and investments. Legal provisions require certain special districts to participate in the County Treasurer's investment pool, including public school districts, cemetery districts, recreation, park districts, and the Air Pollution Control District. Voluntary participants include the consolidated courts.

(d) Cash and Investments

The District's cash and investments include cash in banks and investments held by the County Treasurer in a cash management pool. 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.

(e) Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund is determined by its measurement focus. Acquisitions of equipment are recorded as expenditures in the governmental fund types at the time of purchase.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. They are capitalized and depreciated on the government-wide statements; however, in the fund financial statements, the depreciation is not charged to expenditures. Depreciation is provided over the assets' estimated useful lives using the straight line method.

The capitalization level and estimated useful lives are as follows:

Category	Capitalization Level	Useful Life
Equipment	$ 5,000	2-30
Structures and Improvements	25,000	30-75*
Land Improvements	5,000	5-75

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

The costs of normal maintenance and repairs are not capitalized. Betterments or major improvements that add to the value of the assets or materially extend the useful lives of the assets are capitalized and depreciated over the remaining useful lives of the related capital assets, if applicable. The cost and

related accumulated depreciation from a retired or sold capital asset is removed from the respective accounts and any loss or gain is included in the results of operations.

(f) Deferred Outflow of Resources

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

(g) Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District'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 to 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.

(h) Compensated Absences (Accrued Vacation, Sick Leave, and Compensatory Time)

District policy permits employees to accumulate earned but unused vacation, sick pay, and compensatory time. A liability for all vacation pay and compensated absences 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 financial statements. In accordance with GASB Interpretation No. 16, 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 District from current available resources.

(i) Deferred Inflow of Resources

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

(j) Unearned Revenues

Unearned Revenues are advanced funds from the Carl Moyer Program, DMV AB923 Program, Reliant Energy Mandalay, and Clean Air Fund. The Reliant Energy Mandalay, LLC-mitigation fees and DMV AB923 fees are used as matching funds for state funded programs. The Carl Moyer and DMV AB923 funds are awarded by the California Air Resource Board as pass-through grants.

(k) Use of Estimates

The preparation of the District's basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures of the basic financial statements. Actual results could differ from those estimates.

(3) Fund Balance

As of June 30, 2017, the District's fund balance is categorized below:

Nonspendable: amounts are not in a spendable form or are required to be maintained intact (e.g. inventories, prepaid, or principal of an endowment).

Restricted: amounts subject to specific purposes as stipulated by externally enforceable legal restrictions, constitution or through enabling legislation.

Committed: amounts that can be used only for specific purposes determined by the approval or resolution of the Air Pollution Control Board for the District and can only be changed or lifted by the same Board, taking same approval or resolution, that originally imposed the constraint.

Assigned: amounts that reflect a government's intended use of resources. The intent is established at either the highest level of decision making (the Air Pollution Control Board) or by a body (e.g., Standing Committee) or an official (Air Pollution Control Officer) designated for that purpose. The government cannot assign resources that it does not have; thus, the amount reported as assigned fund balance could never exceed total fund balance less its nonspendable, restricted, and committed components. The Air Pollution Control Board following the recommendations of the Air Pollution Control Officer approves the assigned resources and delegates the Air Pollution Control Officer to use the assigned funds for their intended purpose.

Unassigned: the residual classification for the general fund and includes all amounts not contained in the other classifications.

As of June 30, 2017, fund balance is composed of the following:

			General Fund
Assigned:			
Building Renovation	$ 5,500,000		
Appropriated Fund Balance for FY 2017-18	756,000	(a)	
Litigation	300,000		
Capital Asset Acquisition	200,000		
Motor Vehicle Projects	73,000		6,829,000
Unassigned			3,033,000
Total Fund Balance			$ 9,862,000

(a) FY 2017-18 Budget Deficit

If at fiscal year end, the available financing exceeds the financing requirements for the District's fund, the surplus financing shall be applied as a provision for increase in the Unassigned Fund Balance. If the financing requirements for the fund exceed available financing, the unassigned fund balance will be used before the assigned fund balance. When restricted and unrestricted resources are available, restricted resources are generally considered to be used first followed by committed, assigned, and unassigned as they are needed.

(4) Cash and Investments

The District participates in the County Treasurer's cash and investment pool. The District's total cash and investment at June 30, 2017, was $12,707,000.

Per GASB 31, *Accounting and Financial Reporting for Certain Investment and for External Pools*, as amended by GASB 72, *Fair Value Measurement and Application*, the District's investments were reported at fair market value of June 30, 2017. Calculations of the fair value at fiscal year-end were based on market values provided by the County Treasurer. The net change in fair value from June 30, 2016 to June 30, 2017, was an increase of approximately $3,000.

Applicable disclosures to the County Treasurer's Cash and Investment pool, are provided in Ventura County's Fiscal Year 2017 CAFR. That report may be obtained by contacting the County of Ventura, Auditor Controller, 800 South Victoria Avenue, Ventura CA 93009.

Investment Policy Statement

The County pool invests the District's funds in accordance with State statutes and the County's investment policy. The District has adopted the Investment Policy Statement (IPS) of the County, 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 Corporation (S&P) or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase and reverse repurchase agreements, corporate notes, negotiable certificates of deposits, obligations of the State of California, and obligations of any local agency within.

Fair Value Measurement

GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying a fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value:

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.

The District's additions and withdrawals from the County pool are made on the basis of $1. Accordingly, the District's fair value for the investment in the County pool is based on uncategorized inputs, not defined as Level 1, 2, or 3.

(5) Accounts Receivables

The District accrues revenues at fiscal year-end. Included are revenues from permits, rule 47, variances, renewals, air toxics, and title V. A portion of these revenues estimated at $11,377 may not be collectible and accounts receivable is reported at net.

(6) Capital Assets

Changes in the capital assets by asset type during the year ended June 30, 2017, are as follows (in thousands):

	June 30, 2016	Additions	Deletions	June 30, 2017
Governmental Activities:				
Capital assets, nondepreciable:				
Land	$ 1,551	$ -	$ -	$ 1,551
Construction in progress-Software	79	-	-	79
Construction in progress-Building	912	5	-	917
Total capital assets, nondepreciable	2,542	5	-	2,547
Capital assets, depreciable:				
Building	3,012	-	-	3,012
Equipment	1,197	-	39	1,158
Vehicle	28	-	-	28
Software	151	-	-	151
Total capital assets, depreciable	4,388	-	39	4,349
Less accumulated depreciation for:				
Building	-	103	-	103
Equipment	807	84	37	854
Vehicle	23	1	-	24
Software	149	1	-	150
Total accumulated depreciation	979	189	37	1,131
Total capital assets, depreciable, net	3,409	(189)	2	3,218
Governmental activities capital assets, net	$ 5,951	$ (184)	$ 2	$ 5,765

Depreciation expense is charged to the public protection function in the Statement of Activities.

(7) Long-Term Liabilities

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund financial statement but only in the government-wide financial statements.

Long-term liabilities of the District consist of compensated absences and the net pension liability.

The following schedule represents changes in the long-term liabilities relating to compensated absences during the year ended June 30, 2017 (in thousands):

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due within one year
Employee compensated absences	$ 662	360	365	657	363

Liabilities for vacation and vested sick leave benefits, as required by GASB Statement No. 16, *Accounting for Compensated Absences*, are recorded when benefits are earned.

The following schedule represents changes in the long-term liabilities relating to net pension liability during the year ended June 30, 2017 (in thousands):

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Net Pension Liability	$ 3,457	1,796	818	4,435	–

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the County's Risk Management pool and pays an annual premium to the County for such coverage. For the year ended June 30, 2017, the District paid premiums of $27,633 to the County. There were no claims or losses for the past three years that have exceeded the coverage amounts.

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, and thereafter covered by excess commercial liability insurance up to $42 million per occurrence.

(9) Commitments and Contingencies

District management is not aware of any outstanding claims or litigation. However, $300,000 of the District's fund balance is assigned and approved by the District Board for unforeseen litigation. (see note 3 of the Notes to the Basic Financial Statements).

The District participates in a number of state and federal assisted programs. Although the District's grant programs have been audited through June 30, 2017, in accordance with the requirements of the Federal Single Audit Act of 1996 and the related Title 2, Part 200, Subpart F of the Code of Federal Regulations,

these programs may be subject to financial and compliance audits by the reimbursing agencies. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District has entered into various board approved contracts, which have outstanding balances totaling $1,121,394 as of June 30, 2017. Majority of these contracts involve pass-through grants for the Carl Moyer and DMV AB923 programs.

(10) Leases

Operating Leases as Lessee

The District has entered into a lease agreement with the County of Ventura. This is for the 20,971 square feet of office space it occupies at 669 County Square Drive. The agreement is for a five year term, from July 1, 2009, through June 30, 2015, with an option for the District to terminate with 90 days written notice after July 1, 2011. The rent is for $36,699 per month ($440,388 per year) for the first two years with 3 percent annual increases thereafter during the term of the agreement and any holdover period. The District has become a tenant on a month-to-month basis after June 30, 2015 subject to the rental increases described above for the holdover period. Total office rental expenditure for FY 2016-17 was $525,846. The District will continue to lease until the building that was purchased for its office is renovated and is ready for move-in.

The District leases the Simi Valley monitoring station under an operating lease. Annual rental expense for the operating leases was $300 for the year ended June 30, 2017. Future obligations under these agreements total $300 for the year ended June 30, 2018, and $300 for the year ended June 30, 2019.

Operating Leases as Lessor

The District leases portions of the purchased office building to three tenants. The lease income for FY 2016-17 was $500,908. One of the leases expired on April 30, 2017. The second lease will expire in FY 2017-18. The third lease will expire in fiscal year 2022-23. Future minimum lease revenues under the lease agreements are $303,600 for the year ended June 30, 2018, and $274,106 for the year ended June 30, 2019.

The following is a summary of future minimum rental revenues at June 30, 2017:

Year ending June 30	Amount
2018	$ 303,600
2019	274,106
2020	282,340
2021	290,826
2022	299,565
2023	282,140
Total	$ 1,732,577

Leased capital asset carrying value of approximately $5,480,000 is reported under Note 6 of the Notes to the Basic Financial Statements. Below were the carrying values of the property leased to the three tenants at June 30, 2017:

Tenant	Amount
Dialysis Centers of Ventura County	$ 1,404,556
Farmers Insurance Exchange	685,437
InteractACT PMPTI Inc.	922,104
	$ 3,012,097

(11) Pension

The District participates in the VCERA which is subject to GASB Statement No. 68. A summary of the pension amounts for the District's plan at June 30, 2017 is as follows (in thousands):

	VCERA
Deferred outflows related to pensions	$ 2,658
Net pension liability	4,435
Deferred inflows related to pensions	521
Pension expense	782

VCERA PLAN

Plan Description: The District participates in a contributory defined benefit plan (Plan) which is administered by the Ventura County Employees Retirement Association (VCERA). The plan was 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 primary government 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 by state law and resolutions and ordinances adopted by the Board of Retirement and Board of Supervisors. VCERA issues a stand-alone 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. The District has only General members. 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.

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.

Retirement Benefits: VCERA provides retirement, disability, death, and survivor benefits to its members and qualified beneficiaries. A General member with 10 or more years of District service is entitled to an annual retirement allowance beginning at age 50. General members with 30 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. 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:

Tier:	Benefit Formula
General Tier 1	2% @ 58.5
General Tier 2	2% @ 61
PEPRA General	2.5% @ 67

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 Tier 1 employees. Certain General Tier 2 members also receive a fixed two percent cost of living adjustment on eligible SEIU service.

Contributions: The District contributes 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 District were $887,000 for the year ended June 30, 2017. Contribution rates, based on pensionable payroll, are as follows:

	Employer Contribution Rates	Employee Contribution Rates
General Tier 1	23.85%	10.09%
General PEPRA Tier 1	N/A	N/A
General Tier 2	16.80%	7.16%
General PEPRA Tier 2	16.67%	7.03%
General Tier 2C*	20.52%	9.79%
General PEPRA Tier 2C*	20.33%	9.66%

*2C (with COLA)

Pension Liabilities, Pension Expenses, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2017, the District reported a liability of $4,435,000 for its proportionate share of the Net Pension Liability (NPL). The NPL was measured as of June 30, 2016. 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, 2015. The District's proportion of the NPL was based on the ratio of the District's compensation by tier to the total compensation for the tier. This ratio was then applied to the NPL for the tier. The District's NPL is the sum of the NPL for each tier. At June 30, 2016, the District's proportion was 0.42 percent, which was an increase of .02 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $782,000. At June 30, 2017, the District 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	$ -	$ 482
Net difference between projected and actual earnings on Retirement plan investments	980	
Changes in proportion and differences between District Contributions and proportionate share of contributions	189	39
Changes of assumptions or other inputs	602	
District contributions subsequent to the measurement date	887	
Total	$ 2,658	$ 521

$887,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2018.

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
2018	$ 219
2019	219
2020	544
2021	268
2022	-
Total	$ 1,250

Actuarial Assumptions: The TPL was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

		Assumptions
(1)	Rate of return on investment	7.50%
(2)	Projected salary increases	4.00% - 11.50%
	Amount attributable to inflation	3.00%
	Amount attributable to merit and longevity	0.50% - 8.00%
	Amount attributable to real "across the board"	0.50%
(3)	Annual cost of living increases after retirement (Tier I 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%
(4)	Mortality	RP-2000 Combined Health Mortality Table

The actuarial assumptions used in the June 30, 2015 valuation, which was rolled forward to June 30, 2016, were based on the results of an experience study for the period July 1, 2011 through June 30, 2014 and June 30, 2015 Economic Actuarial Assumptions Report both dated April 14, 2015.

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	Allocation	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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to changes in the discount rate: The following table presents the District's proportionate share of the NPL calculated using the discount rate of 7.50 percent, as well as what the District'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%
District's proportionate share of the net pension liability	$ 7,472	4,435	1,957

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued VCERA financial report.

(12) Other Postemployment Benefits (OPEB)

Subsidized Retiree Health Benefits Program

Plan Description: The District participates in the Subsidized Retiree Health Benefits Program, a 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. 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 financial statements and required supplementary information of the Plan are included in the County of Ventura's fiscal year 2017 CAFR.

Funding Policy: The contribution requirements of plan members and the District are those established for the County of Ventura and may be amended by the County Board of Supervisors. The County currently funds postemployment health benefits on a pay-as-you-go basis. For the fiscal year ended, June 30, 2017, the District's obligation was reported as part of County of Ventura's net OPEB obligation in fiscal year 2016-2017.

For additional details, actuarial assumptions, funded status of the plan and required supplementary information, refer to the Ventura County's CAFR.

(13) Related Party Transactions

The District contracts with the County to provide accounting, banking and investment, human resources, risk management, motor pool, building lease, information technology, legal services, purchasing, mailing, printing, copier program, health services, clerking services, warehouse, and other administrative services.

The District incurred expenses totaling $852,732 for County of Ventura Services provided during the fiscal year ended June 30, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Required Supplementary Information

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2017

(In thousands)

(Unaudited)

	Budgeted amounts		Actual amounts	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Aid from other governments units	$ 6,031	$ 10,184	$ 8,738	$ (1,446)
Licenses, permits, and franchises	3,425	3,425	3,061	(364)
Fines, forfeitures, and penalties	102	102	284	182
Use of money and property	40	40	557	517
Charges for current services	5	5	7	2
Other revenue	—	—	—	0
Transfer in from other fund	—	127	—	(127)
Total revenues	9,603	13,883	12,647	(1,236)
Expenditures:				
Current – public protection:				
Salaries and benefits	6,430	6,355	6,096	259
Services and supplies	3,524	8,039	5,608	2,431
Contingencies	300	96	—	96
Transfer out to other fund	—	127	—	127
Total public protection	10,254	14,617	11,704	2,913
Capital outlay:				
Building renovation	—	625	5	620
Equipment	66	66	—	66
Computer	9	9	—	9
Total capital outlay	75	700	5	695
Total expenditures	10,329	15,317	11,709	3,608
Excess (deficiency) of revenues over (under) expenditures	(726)	(1,434)	938	2,372
Fund balance, beginning of year	8,924	8,924	8,924	—
Fund balance, end of year	$ 8,198	$ 7,490	$ 9,862	$ 2,372

See notes to Required Supplementary Information.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Notes to Required Supplementary Information

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

June 30, 2017

(Unaudited)

Budgetary Information

The Air Pollution Control Board (District Board) is legally required to adopt a final annual budget as set forth in Section 40130 et. seq. of the Health & Safety Code. The District adheres to the provisions of the applicable sections of the California Government Code concerning budgetary matters, commonly known as the County Budget Act. Annually, the District Board conducts two public hearings to hear public comments of the proposed budget prior to adoption. At the conclusion of the hearing, and no later than August 30, the District Board adopts the final budget, including revisions by resolution.

The Air Pollution Control Officer is authorized to transfer appropriations between object levels within the Air Pollution Control District's budget unit, as provided in Government Code Section 29125. The adopted budget is revised by the District Board during the fiscal year to give consideration to unanticipated or anticipated revenues and expenditures, but in excess of estimates thereof. The final revised budget is presented in the accompanying schedule of revenues, expenditures, and changes in fund balance.

Legal Level of Budgetary Control

The legal level for budgetary control (the level at which expenditures may not legally exceed appropriations) is at the department/budget unit and object level except for capital assets, which are controlled at the sub-object level. Object level expenditures are as follows: Salaries and benefits, services and supplies, other charges, fixed assets, other financing uses, and contingencies. Sub-object levels of expenditures for capital assets are building renovation, equipment and computer. Expenditures are classified as public protection and capital outlay.

Encumbrances

All unencumbered and unexpended appropriations lapse at the end of each fiscal year and become available for the financing of next year's budget. Encumbered appropriations are re-appropriated in the next year's budget. Purchases and other significant commitments are recorded in governmental fund types as encumbrances when purchase orders or contracts are issued. When the related goods or services are received, the encumbrance is reversed and an expenditure and liability for payment to the vendor are recorded.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years*

For the Year Ended June 30, 2017

(In thousands)

	2015	2016	2017
District's proportion of the net pension liability	$ 2,339	$ 3,457	$ 4,435
District's proportionate share of the net pension liability	0.42%	0.40%	0.42%
District's covered payroll	4,421	4,438	4,526
District's proportionate share of the net pension liability as a percentage of its covered payroll	52.91%	77.90%	97.99%
Plan's fiduciary net position as a percentage of the total pension liability	88.54%	83.63%	80.47%
Measurement Date	6/30/2014	6/30/2015	6/30/2016

(1) Restated to covered payroll in 2015-16

* Information from fiscal years ended 2008 to 2014 is not presented as required by GASB Statement 68 as 2015 was the first year of implementation. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of June 30.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Required Supplementary Information

Schedule of the District's Contributions

Last Ten Fiscal Years*

For the Year Ended June 30, 2017

(In thousands)

	2015	2016	2017
Actuarially determined contribution	$ 809	$ 843	$ 887
Contributions in relation to the actuarially determined contribution	809	843	887
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll (1)	$ 4,438	$ 4,526	$ 4,575
Contributions as a percentage of covered payroll (1)	18.23%	18.63%	19.39%

(1) Restated to covered payroll in 2015-16

* Information from fiscal years ended 2008 to 2014 is not presented as required by GASB Statement 68 as 2015 was the first year of implementation. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of June 30.

OTHER FINANCIAL INFORMATION

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Supplementary Financial Information

California Air Resources Board – State Subvention Funds

Revenue Detail

For the Year Ended June 30, 2017

(In thousands)

	Budgeted Revenue	Financial Report		Actual Revenue
Revenue Sources				
Local Sources:				
Fees & Permits:				
Operating Permits	$675	$376		$376
Variance/Hearing Board	7	12		12
Engineering (Permit Renewals/AtoC)	2,400	2,292		2,292
Agricultural Engine Registration	52	48		48
Portable Engine Registration Program	40	53		53
AB 2766/DMV Surcharge	2,910	3,082		3,082
AB 2588/Hot Spots	12	8		8
Source Tests	205	226		226
Asbestos	18	26		26
Title V Certification	16	20		20
Fines	102	284		284
Interest	40	56	[1]	56
Rental Income	-	501		501
Other:				
Misc. Revenue	-	0		0
Charges for Services	5	7		7
Subtotal	$6,482	$6,991		$6,991
State Sources:				
Subvention	200	200		200
Other Sources non-matching:				
Federal Grants	1,095	1,149		1,149
Carl Moyer Grant Program	474	1,301		1,301
Clean Air-Tire Voucher Program	122	48		48
DMV AB 923	1,155	2,427		2,427
Simi-Valley Mitigation	-	428		428
Reliant Mitigation Fund	-	56		56
Voluntary Accelerated Vehicle Retirement	-	40		40
Other Grants	75	7		7
Total Revenue	**$9,603**	**$12,647**		**$12,647**

[1] Adjusted to properly state cash and investments at its fair market value at 6/30/2017.

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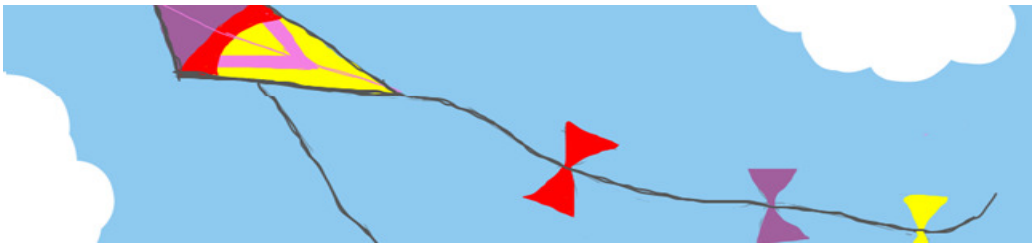

STATISTICAL SECTION

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

STATISTICAL NARRATIVE

(Unaudited)

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

Contents **Page**

Financial Trends 53

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity 57

These schedules contain information to help the reader assess the District's revenue sources.

Economic and Demographic Information 61

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the District's financial activities take place.

Operating Information 64

These schedules contain information about the county's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

Sources:
Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year. Some schedules contained here has 2016-17 information only, as relevant.

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VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Net Position by Component – Last Ten Fiscal Years

(Accrual Basis of Accounting)

(In thousands)

(Unaudited)

	Governmental Activities		
Year Ended	Net Investment in Capital Assets	Unrestricted	Total Net Position
2008	$ 447	$ 6,619	$ 7,066
2009	364	7,963	8,327
2010	286	8,533	8,819
2011	451	9,169	9,620
2012	520	9,974	10,494
2013	534	10,830	11,364
2014	584	11,813	12,397
2015	546	10,070	10,616
2016	5,951	5,859	11,810
2017	5,765	6,907	12,672

Source: Ventura County Air Pollution Control District Financial Statements

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Changes in Net Position – Last Ten Fiscal Years

(Accrual Basis of Accounting)

(In thousands)

(Unaudited)

Year Ended	Governmental Activities							
	Program Revenues:					General Revenues		
	Expenses: Public Protection	Charges for Services	Operating Grants and Contributions	Total Program Revenues	Net(Expense)/ Revenue	Investment Earnings	Rental Income	Change in Net Position
2008	$ 11,444	$ 3,566	$ 8,506	$ 12,072	$ 628	$ 361	$ -	$ 989
2009	9,562	3,639	6,866	10,505	943	318	-	1,261
2010	14,265	3,354	11,369	14,723	458	34	-	492
2011	11,240	3,319	8,634	11,953	713	88	-	801
2012	10,015	3,307	7,542	10,849	834	40	-	874
2013	10,151	3,259	7,756	11,015	864	6	-	870
2014	10,294	3,261	8,034	11,295	1,001	32	-	1,033
2015	8,995	3,860	6,657	10,517	1,522	58	-	1,580
2016	9,623	3,352	7,343	10,695	1,072	108	14	1,194
2017	11,785	3,352	8,738	12,090	305	56	501	862

Source: Ventura County Air Pollution Control District Financial Statements

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Fund Balance – Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(In thousands)

(Unaudited)

	2007-08	2008-09	2009-10
Fund Balances:			
Reserved :			
General reserve	$ 100	$ 100	$ 100
Reserved for encumbrances	4,571	4,571	2,589
Total reserved	4,671	4,671	2,689
Unreserved :			
Designated	3,966	3,966	6,565
Total unreserved	3,966	3,966	6,565
Total Fund Balance	**$8,637**	**$ 8,637**	**$ 9,254**

Fund Balances per GASB 54:

APCD has implemented the requirements of GASB Statement No. 54 starting Fiscal Year 2010-11. GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the level of government commitment to honor fiscal constraints on fund expenditures.

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Assigned:							
Building Acquisition	$ -	$ -	$ 4,000	$ 4,000	$ 4,000	$ -	$ 5,500
Appropriated Fund Balance for next fiscal year	434	233	442	569	710	726	756
Capital Asset Acquisition	200	200	200	200	200	200	200
Litigation	300	300	300	300	300	300	300
Motor Vehicle Fee Projects	200	200	200	200	200	200	73
Total Assigned	1,134	933	5,142	5,269	5,410	1,426	6,829
Unassigned	8,756	9,689	6,306	7,180	8,216	7,498	3,033
Total Fund Balance	**$9,890**	**$10,622**	**$11,448**	**$12,449**	**$13,626**	**$8,924**	**$ 9,862**

Source: Ventura County Air Pollution Control District Financial Statements

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Changes in Fund Balance – Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(In thousands)

(Unaudited)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Revenues:										
Aid from other governmental units	$ 8,506	$6,866	$ 11,369	$ 8,634	$ 7,542	$ 7,756	$ 8,034	$6,657	$ 7,343	$8,738
Licenses, permits, and franchises	3,039	3,108	2,974	3,054	3,039	2,846	3,070	3,110	3,064	3,061
Fines, forfeitures, and penalties	452	451	342	215	222	407	172	744	281	284
Use of money and property	361	318	34	88	40	6	32	58	122	557
Charges for current services	49	47	38	41	42	6	6	4	3	7
Other revenue	26	33	-	9	4	-	13	2	4	-
Total revenues	12,433	10,823	14,757	12,041	10,889	11,021	11,327	10,575	10,817	12,647
Expenditures:										
Current:										
Public protection	11,280	9,450	14,097	11,143	10,003	10,060	10,146	9,302	9,994	11,704
Capital outlay	134	34	43	262	154	135	180	96	5,525	5
Total expenditures	11,414	9,484	14,140	11,405	10,157	10,195	10,326	9,398	15,519	11,709
Net Change in Fund Balance	**$ 1,019**	**$1,339**	**$ 617**	**$ 636**	**$ 732**	**$ 826**	**$ 1,001**	**$1,177**	**$ (4,702)**	**$ 938**

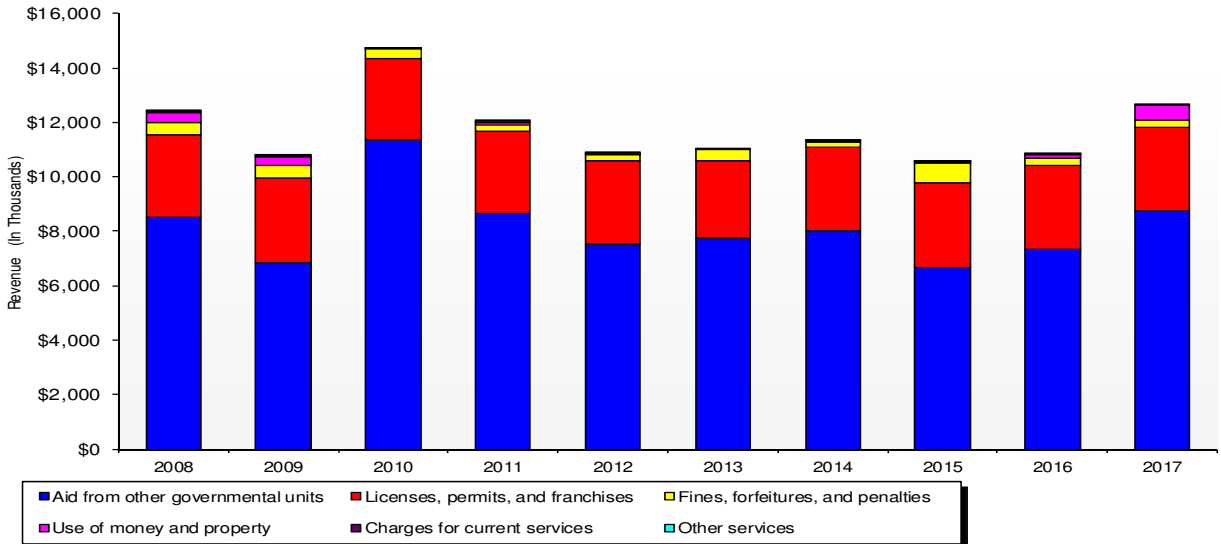
Source: Ventura County Air Pollution Control District Financial Statements

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Total Revenue Sources - Last Ten Fiscal Years

(In thousands)

(Unaudited)



Year Ended	Aid from other governmental units	Licenses, permits, and franchises	Fines, forfeitures, and penalties	Use of money and property	Charges for current services	Other services	Total revenues
2008	$ 8,506	$ 3,039	$ 452	$ 361	$ 49	$ 26	$ 12,433
2009	6,866	3,108	451	318	47	33	10,823
2010	11,369	2,974	342	34	38	-	14,757
2011	8,634	3,054	215	88	41	9	12,041
2012	7,542	3,039	222	40	42	4	10,889
2013	7,756	2,846	407	6	6	-	11,021
2014	8,034	3,070	172	32	6	13	11,327
2015	6,657	3,110	744	58	4	2	10,575
2016	7,343	3,064	281	122	3	4	10,817
2017	8,738	3,061	284	557	7	-	12,647
	(1)	(2)	(3)	(4)	(5)	(6)	

(1) Subvention, DMV fees, 105 & 103 Federal Grant, and Pass-Through Grants
(2) Permit, Emission, Variance, Rule 47, Title V, Asbestos, and Air Toxics Fees
(3) Fines and Penalties
(4) Interest Earnings
(5) Land Use-EIR and Outside Contracts
(6) Internal Service Fund (ISF) Credits/Refunds, Cost Allocation Plan (A-87) Credit, and Other Miscellaneous Revenu

Source: Ventura County Air Pollution Control District Financial Statements

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Local Revenue Sources - Last Ten Fiscal Years

(In thousands)

(Unaudited)

Year Ended	Permits	Emission	Rule 47	Title V	Asbestos	DMV	Air Toxics	Variance	Agricultural Permits & Renewals	(1) PERP Fees	Total Local Revenues
2008	$ 477	$ 2,206	$ 207	$ 25	$ 27	$ 2,853	$ 24	$ 4	$ 46	$ 23	$ 5,892
2009	471	2,198	251	18	17	2,813	23	14	56	60	5,921
2010	383	2,191	228	17	21	2,818	22	20	59	33	5,792
2011	368	2,226	246	26	20	2,831	20	11	75	62	5,885
2012	362	2,276	228	18	18	2,833	17	13	54	53	5,872
2013	339	2,109	241	19	22	2,836	15	-	51	50	5,682
2014	409	2,265	227	17	24	2,932	18	8	51	52	6,003
2015	321	2,365	243	14	36	2,944	18	8	51	54	6,054
2016	316	2,331	241	24	28	2,985	20	2	50	52	6,049
2017	376	2,292	226	20	26	3,082	8	12	48	53	6,143

[1] Portable Engine Registration Program (PERP)

Source: Ventura County Air Pollution Control District Accounting Records

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Top Ten Payers of Emission Fees

Fiscal Year 2016-17

(Unaudited)

Company Name	Emission Fees	Rank	Percentage of Total Emission Fees
NRG California South LP*	$ 506,995	1	22.1%
Venoco, Inc.*	211,230	2	9.2%
DCOR, LLC*	135,788	3	5.9%
California Resources Production Corporation*	128,243	4	5.6%
Aera Energy LLC	106,637	5	4.7%
Naval Base Ventura County	82,321	6	3.6%
County of Ventura *	53,522	7	2.3%
Procter & Gamble Paper Prods.	49,160	8	2.1%
Seneca Resources Corporation	25,153	9	1.1%
New-Indy Oxnard, LLC	21,798	10	1.0%
Total Paid by Largest Payers for emission fees	$ 1,320,847		57.6%
Total Emission Fees Paid By All Emitters	$ 2,291,493		

* Located at separate sites

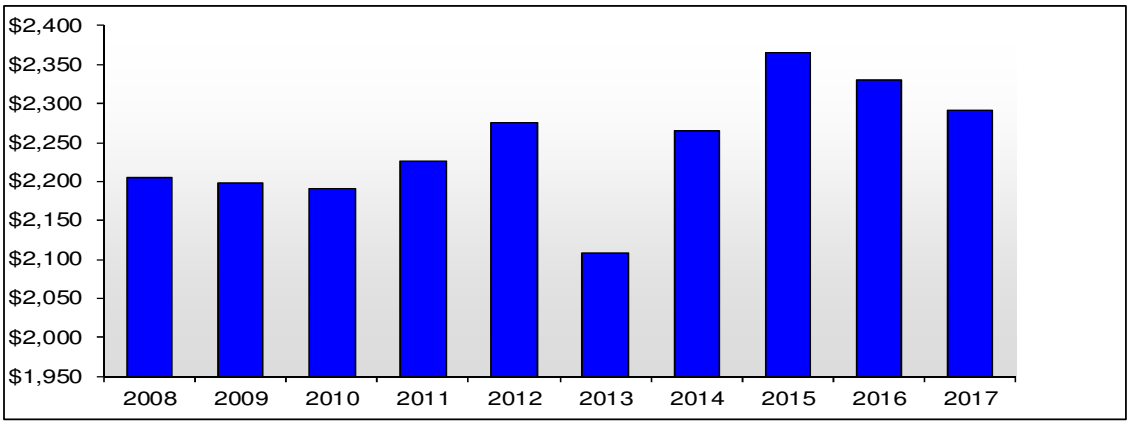
Source: Ventura County Air Pollution Control District Accounting Records

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Total Emission Fees – Last Ten Fiscal Years

(In thousands)

(Unaudited)



	Emission Fees
2008	$ 2,206
2009	2,198
2010	2,191
2011	2,226
2012	2,276
2013	2,109
2014	2,265
2015	2,365
2016	2,331
2017	2,292

Source: Ventura County Air Pollution Control District
Accounting Records

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Ventura County Population (by Cities) – Last Ten Years

(In thousands)

(Unaudited)

Year	Camarillo	Fillmore	Moorpark	Ojai	Oxnard	Port Hueneme	Buena-Ventura	Santa Paula	Simi Valley	Thousand Oaks	Total Incorporated	
2008	65.12	15.54	36.62	8.11	193.89	22.09	107.71	29.39	125.00	127.98	731.45	(1)
2009	66.08	15.62	37.05	8.15	196.89	22.15	108.69	29.69	125.70	128.44	738.46	(1)
2010	65.20	14.90	34.39	7.46	197.90	21.04	106.43	29.31	124.24	126.66	727.53	(1)
2011	66.14	15.09	34.63	7.49	199.27	21.55	106.23	29.46	124.73	127.26	731.85	(1)
2012	66.41	15.14	34.83	7.54	200.39	21.68	107.17	29.88	125.32	128.03	736.39	(1)
2013	66.43	15.18	34.90	7.55	200.86	22.02	108.29	29.95	125.56	128.14	738.88	(1)
2014	66.75	15.34	35.17	7.59	203.65	22.40	108.96	30.45	126.31	129.04	745.66	(1)
2015	67.15	15.44	35.73	7.61	206.15	22.77	109.34	30.56	126.48	129.35	750.58	(1)
2016	69.92	15.53	36.72	7.48	207.00	22.70	108.56	30.75	127.17	132.36	758.19	(1)
2017	69.62	15.68	36.83	7.55	207.77	22.81	109.28	30.65	127.31	131.46	758.96	(1)

(1) City/County Population Estimates with Annual Percent Change January 1, 2016 and 2017

Source: http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-1/

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Ventura County Economic and Demographic Statistics

Last Ten Calendar Years

(Unaudited)

Year	Population		Personal Income (in millions)		Per Capita Personal Income		Unemployment Rate	
2008	806,353	(a)	$ 37,551	(a)	$ 46,569		6.3%	(d)
2009	815,130		36,440		44,704		9.6%	
2010	825,298		37,605		45,566		10.8%	
2011	831,130		39,627		47,679		10.2%	
2012	835,416		41,294		49,429		9.1%	
2013	840,964		41,728		49,619		7.9%	
2014	846,119		43,608		51,539		6.6%	
2015	850,536		46,060		54,155		5.6%	
2016	853,893		46,000		53,549		5.2%	
2017	857,386	(b)	48,200	(c)	54,245	(c)	4.5%	

Notes:

1) Revised in 2016-17 to reflect data from the U.S. Department of Commerce (last updated: March 2016.)

Sources:

(a) U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, CA1 Personal Income Summary, as of November 2016. Population numbers reflect Census Bureau midyear population estimates for 2010-2015 reflect County population as of March 2016. All dollar estimates are in current dollars (not adjusted for inflation).

(b) State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State, January, 2011-2017 with a 2010 Census benchmark as of May 2017.

(c) 2017 Los Angeles County and Ventura County Economic Outlook, Ventura County Economic Forecast Summary, 2011-2016 History, 2017-2021 Forecast.

(d) State of California, Employment Development Department, Labor Market Information Division, Unemployment Rates (Labor Force) Report June 2017. Historical Civilian Labor Force; data not seasonally adjusted. 2008 to 2016 rates are annual averages. The 2017 rate is a six-month average.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Ventura County Principal Employers

Current Year and Nine Years Ago

(Unaudited)

	2017(a)			2008(b)		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
United States Naval Base	14,210	1	4.35%	17,000	1	5.46%
County of Ventura	9,151	2	2.80%	7,919	3	2.54%
Amgen, Inc.	5,500	3	1.68%	10,600	2	3.40%
Anthem, Inc. (previously Wellpoint, Inc.)	2,860	4	0.88%	3,635	5	1.17%
Simi Unified School District	2,737	5	0.84%	2,405	6	0.77%
Community Memorial Hospital	2,100	6	0.64%			
Conejo Unified School District	1,999	7	0.61%	2,229	8	0.72%
Dignity Health	1,904	8	0.58%			
Ventura Unified School District	1,834	9	0.56%	2,189	10	0.70%
Ventura Community College District	1,741	10	0.53%			
Countrywide Financial Corp				5,588	4	1.79%
Vons				2,282	7	0.73%
Verizon Communications				2,200	9	0.71%
	44,036		13.47%	56,047		17.99%

Note:

(a) 2017 Ventura County Economic Outlook as of January, 2017

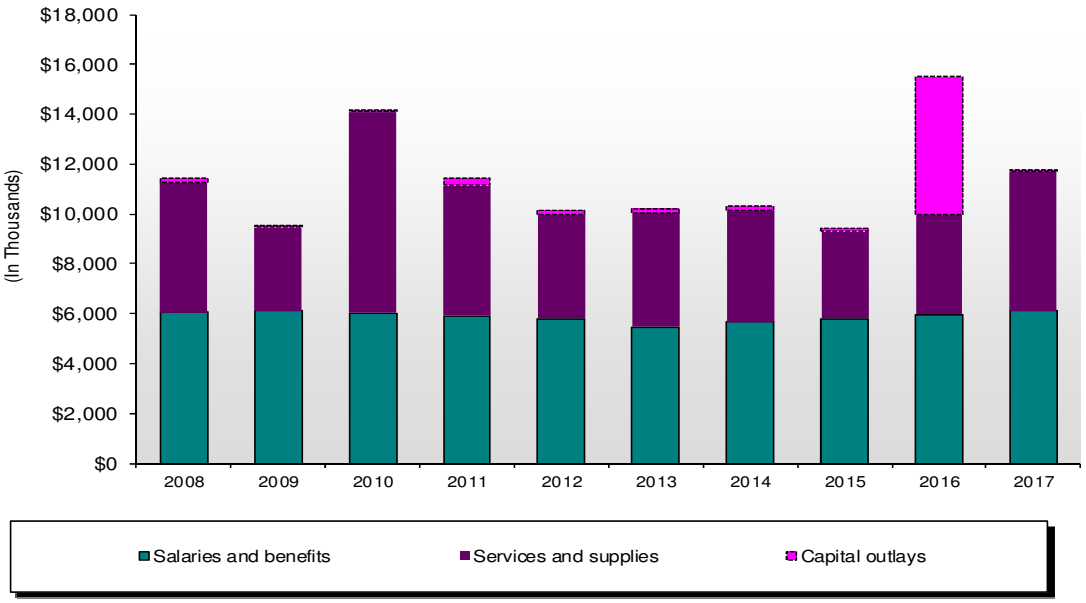
(b) UCSB Economic Forecast Project as of February, 2008

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Expenditures by Category – Last Ten Years

(In thousands)

(Unaudited)



Year Ended	Salaries and benefits	Services and supplies	Capital outlays	Total expenditures
2008	$ 6,050	$ 5,230	$ 134	$ 11,414
2009	6,098	3,352	34	9,484
2010	6,023	8,074	43	14,140
2011	5,904	5,239	262	11,405
2012	5,797	4,206	154	10,157
2013	5,453	4,607	135	10,195
2014	5,648	4,498	180	10,326
2015	5,801	3,501	96	9,398
2016	5,977	4,017	5,525	15,519
2017	6,096	5,608 (1)	5	11,709

(1) Public Protection

Source: Ventura County Air Pollution Control District Financial Statements

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Full-Time Equivalent Employees – Last Ten Fiscal Years

(Unaudited)

	FISCAL YEAR									
POSITION TITLE	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
APCD-Fiscal Assistant IV	1	1	1	1	1	1	1	1	1	1
APCD-Air Pollution Control Officer	1	1	1	1	1	1	1	1	1	1
APCD-Mgr, Fiscal/Admin Services	1	1	1	1	1	1	1	1	1	1
APCD-Mgr, Office Systems	1	1	1	1	1	1	1	1	1	1
APCD-Mgr, Public Info Services	1	1	1	1	1	1	1	1	1	1
APCD-Mgr, Engineering	0	0	0	0	1	1	1	1	1	1
APCD-Mgr, Monitoring	0	0	0	0	1	1	1	1	1	1
APCD-Mgr, Compliance	0	0	0	0	1	1	1	1	1	1
APCD-Mgr,Planning & Rules	0	0	0	0	1	1	1	1	1	1
APCD-Fiscal Officer	1	1	1	1	1	1	1	1	1	1
APCD-AQ Permit Processing Specialist I/II	0	0	0	0	0	1	1	2	1	1
APCD-AQ Engineer II	6	6	6	6	6	6	6	6	6	6
APCD-Supervising AQ Engineer	3	3	3	2	2	2	2	2	2	2
APCD-AQ Chemist II	1	1	1	1	1	1	1	0	0	0
APCD-Supervising AQ Chemist	1	1	1	1	1	0	0	0	0	0
APCD-AQ Specialist II	15	15	14	15	13	13	13	13	13	13
APCD-Supervising AQ Specialist	5	5	5	5	5	4	4	3	3	3
APCD-AQ Meteorologist II	1	1	1	1	1	1	1	1	1	1
APCD-Supervising AQ Meteorologist	1	1	1	1	0	0	0	0	0	0
APCD-Sr Mgr, Engineering	0	0	0	0	0	0	0	0	0	0
APCD-Sr Mgr, MTS/Planning	0	0	0	0	0	0	0	0	0	0
APCD-Sr Mgr, Compliance	1	1	1	1	0	0	0	0	0	0
APCD-Mgmt Asst IV-Confidential	1	1	1	1	1	1	1	1	1	1
APCD-AQ Instrument Technician III	2	2	2	2	2	2	1	2	2	2
APCD-Supervising AQ Instrument Tech	1	1	1	1	1	1	1	1	1	1
APCD-AQ Technician II	2	2	2	2	2	2	2	2	2	1
APCD-Office Systems Coordinator III	4	4	4	3	3	3	3	3	3	4
APCD-Management Assistant II	2	1	1	1	1	1	1	1	1	1
APCD-Office Assistant III	1	2	2	2	2	2	2	2	2	2
TOTAL STAFFING*	53.0	53.0	52.0	51.0	51.0	50.0	49.0	49.0	48.0	48.0

* Information based on VCAPCD Adopted Budget of Fiscal Year. It does not include staffing changes during the fiscal year and extra-help.

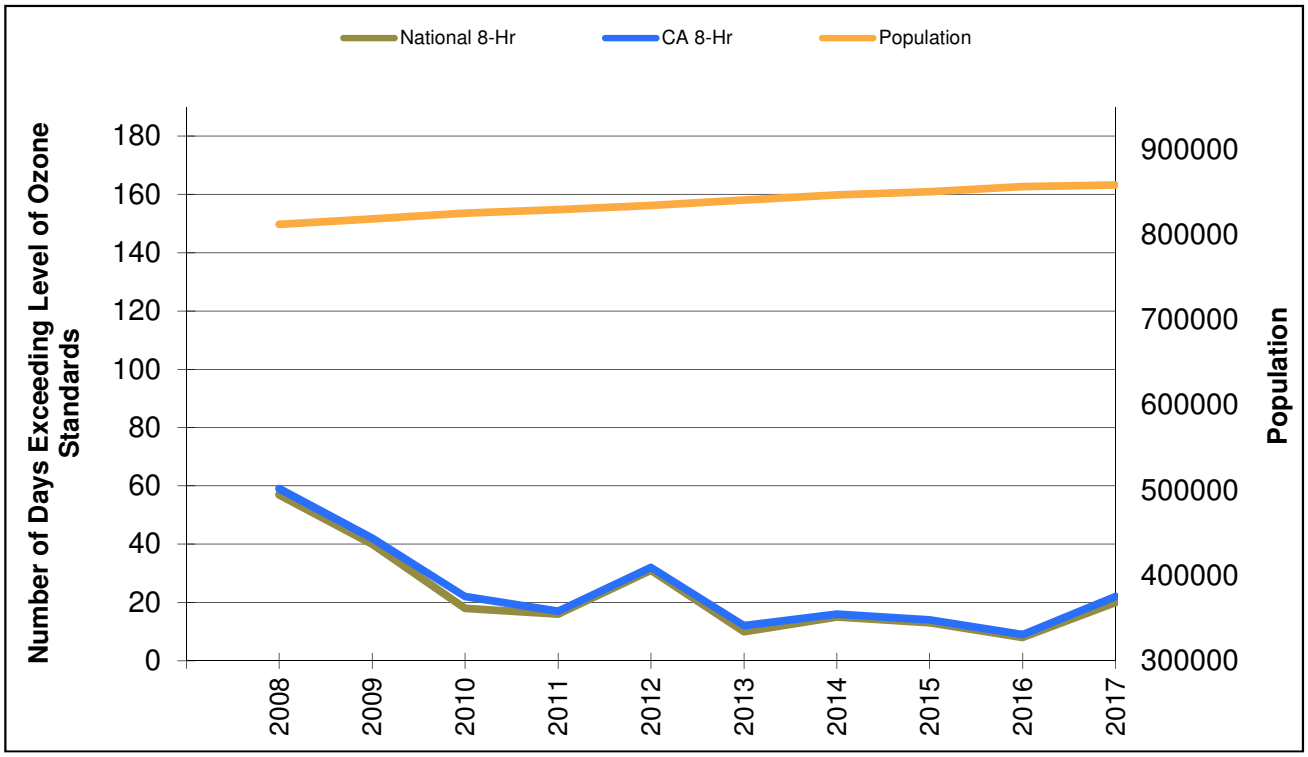
VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Ventura County Smog Trend

Last Ten Calendar Years

(Unaudited)

County-wide Ozone v. Population



Notes: 1) 2017 air quality data is preliminary and is subject to change.
2) 2002 - 2010 population estimates are from the California Department of Finance (DOF).
2011 - 2017 population estimates are from Table P-1 Populations for Counties 2010 - 2060 with 2010 Benchmark.
3) National 8-hr standard and CA 8-hr standard is 0.070 parts per million.

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT

Capital Assets– Last Ten Fiscal Years

(In thousands)

(Unaudited)

Year Ended	Capital Assets	Accumulated Depreciaton	Capital Assets, net
2008	$ 1,498	$ (1,051)	$ 447
2009	1,508	(1,144)	364
2010	1,256	(970)	286
2011	1,384	(933)	451
2012	1,525	(1,005)	520
2013	1,622	(1,088)	534
2014	1,630	(1,046)	584
2015	1,405	(859)	546
2016	6,930	(979)	5,951
2017	6,896	(1,131)	5,765

Source: Ventura County Air Pollution Control District Accounting Records

- END OF REPORT –