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July 21, 2020

The Honorable Kent M. Kellegrew
Presiding Judge, Superior Court of California
County of Ventura
800 S. Victoria Avenue
Ventura, CA 93009

Ms. Anida Margolis
Foreperson, Ventura County Grand Jury
800 South Victoria Avenue
Ventura, CA 93009

Re: Auditor-Controller Response to 2019-2020 Ventura County Civil Grand Jury Final
Report: Financial Relationship Between Ventura County Medical Center and the Ventura
County General Fund

Dear Judge Kellegrew and Ms. Margolis,

Please find enclosed the County Auditor-Controller's response to the 2019-2020 Ventura
County Civil Grand Jury Final Report: Financial Relationship Between Ventura County
Medical Center and the Ventura County General Fund.

If you have any questions or require additional information, please do not hesitate to
contact me at (805) 654-3151. I appreciate the opportunity to respond to this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeffery S. Burgh", written over a horizontal line.

Jeffery S. Burgh
Auditor-Controller
County of Ventura

Enclosures

Response to Grand Jury Report Form

Report Title: Financial Relationship Between Ventura County Medical Center and the Ventura County General Fund

Report Date: April 2, 2020 (Delivered May 21, 2020)

Response by: Jeffery S. Burgh Title: Auditor-Controller

FINDINGS / CONCLUSIONS

- I (we) agree with the Facts / Conclusions numbered: C-01 and C-06
- I (we) disagree wholly or partially with the Facts / Conclusions numbered: C-02, C-03, C-04, and C-05
(Attach a statement specifying any portions of the Findings / Conclusions that are disputed; include an explanation of the reasons.)

RECOMMENDATIONS

- Recommendations numbered _____ have been implemented.
(Attach a summary describing the implemented actions and date completed.)
- Recommendations number _____ have not yet been implemented, but will be implemented in the future.
(Attach a time frame for the implementation.)
- Recommendations numbered _____ require further analysis.
- Recommendations numbered R-01 and R-03 will not be implemented because they are not warranted or are not reasonable.

Date: July 21, 2020

Signed: _____



Number of pages attached: 2

Response to Grand Jury Report Form

Report Title: Financial Relationship Between Ventura County Medical Center and the Ventura County General Fund

Report Date: April 2, 2020 (Delivered May 21, 2020)

Response by: Jeffery S. Burgh Title: Auditor-Controller Date: July 20, 2020

FINDINGS/CONCLUSIONS

C-02. The Grand Jury concluded the CAFR is unclear as to whether the advances to the Medical Center are reciprocal or nonreciprocal.

Response: Disagree - The County of Ventura's Comprehensive Annual Financial Report (CAFR) is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and follows those standards established by the Governmental Accounting Standards Board (GASB), as constituting U.S. GAAP Accounting. The CAFR is also annually audited by an outside independent auditor, to determine its adherence to U.S. GAAP standards.

When preparing the County's CAFR, we regularly refer to the Government Finance Officers Association's (GFOA) Governmental Accounting, Auditing, and Financial Reporting (GAAFR) publication, better known as the GFOA "Blue Book", for guidance on GAAP requirements for reporting and presentation of information. On page 49 of the 2012 "Blue Book", under Interfund Activity, Reciprocal Interfund Activity is "used to describe situations involving the exchange of equal or almost equal value between funds." It further goes on to state, "That is, reciprocal interfund activity is the intragovernmental equivalent of exchange and exchange like transactions." One type of Reciprocal Interfund Activity is identified as an Interfund Loan, often described as an "Advance" and are reported as an asset (receivable) of the lending Fund and as a liability (payable) to the borrowing Fund.

Given this understanding of GAAP accounting, page 76 of the June 30, 2019 County of Ventura CAFR properly, accurately, and clearly reflects the Reciprocal Interfund Activity of an Interfund Loan (Advance) between the County Medical Center Enterprise Fund and the General Fund.

C-03. The Grand Jury concluded that the funds advanced from the General Fund to the Medical Center do not require the payment of interest and there is no specific requirement of repayment. Advances are repaid by the Medical Center to the General Fund only when cash flow permits.

Response: Agree – No payment of Interest. Disagree – "There is no specific requirement of repayment" - As outlined in response to C-02, and as presented on page 76 of the June 30, 2019 County of Ventura CAFR, "repayment is expected when available cash is in excess of that needed for operations." Cash Flow projections provided by the Medical Center Enterprise Fund are used to establish anticipated repayment.

C-04. The Grand Jury concluded that advances from the General Fund to the Medical Center are not a "loan".

Response: Disagree – As outlined in response to C-02, and as discussed in the GAAFR, Reciprocal Interfund Activity such as an Interfund Loan is often described/referred to as an "advance". In the case of the Interfund Loan between the General Fund and Medical Center Enterprise Fund, the use of the term "loan" or "advance" are interchangeable.

C-05. The Grand Jury concluded references to the advances from the General Fund to the Medical Center as loans creates unfounded expectations with respect to repayment of the advances and interest thereon.

Response: Disagree – The County of Ventura's June 30, 2019 CAFR presents the Reciprocal Interfund Activity (Interfund Loan/Advance) between the General Fund and Medical Center Enterprise Fund accurately and in conformity with GAAP accounting.

RECOMMENDATIONS

R-01. The Grand Jury recommends the Auditor-Controller's Officer state in the CAFR that the Medical Center enterprise fund is a nonreciprocal fund.

Response: Disagree – Activities between Funds are either reciprocal or nonreciprocal, not the Funds themselves.

R-03. The Grand Jury recommends the Board adopt a written policy/procedure requiring an enterprise fund, such as the Medical Center, to consult with the Auditor-Controller's Office before disclosure of any projected financial information.

Response: Partially Agree – Open communication and collaboration are essential for clarity of message and delivery of accurate information. We at the County of Ventura do our best to ensure the delivery of clear and accurate information. I have met with management of the Medical Center and we agree to continue to work together in the delivery of information. I believe a policy or procedure would not be necessary at this time.