

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the County of Ventura's (County) Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The government-wide assets and deferred outflows of resources of the County (governmental and business-type) exceeded liabilities and deferred inflows of resources at the close of the 2020-21 fiscal year by \$2,037,497,000 (*net position*). Of this amount, \$552,943,000 is restricted for specific purposes (*restricted net position*), \$1,548,478,000 is the *net investment in capital assets*, and the remaining portion of negative \$63,924,000 is *unrestricted net position*. The deficit balance is a result of reporting the County's unfunded pension liability.
- The government's total net position increased by \$130,695,000 during fiscal year 2020-21, due to increases in both governmental and business-type activities. Net investment in capital assets increased by \$78,927,000. The increase represents capital acquisitions net of accumulated depreciation/amortization and capital-related deferred outflows of resources, less capital-related debt and deferred inflows of resources. Restricted net position increased by \$113,964,000, while unrestricted net position decreased by \$77,768,000, for the current year and was offset with a prior period adjustment of \$15,572,000. Additional information is available on the prior period adjustment in Note 2 to the Basic Financial Statements.
- As of June 30, 2021, the County governmental funds reported combined fund balances of \$905,139,000, an increase of \$68,636,000 in comparison with the prior year.
- At the end of the fiscal year, unassigned General Fund fund balance was \$126,842,000, or 10 percent of total General Fund expenditures, reflecting an increase of \$18,153,000 from the prior fiscal year balance.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

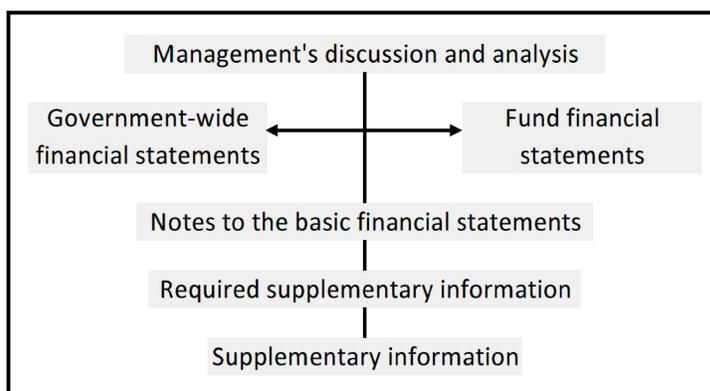
The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the basic financial statements

Required supplementary information, supplementary information, and statistical information are also included in the ACFR.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following diagram displays the interrelationships of this report:



Government-wide Financial Statements provide readers with a broad overview of County finances in a manner similar to a private-sector business. The *statement of net position* and *statement of activities* use the flow of economic resources measurement focus and accrual basis of accounting. The focus and basis emphasize the long-term view of the County's finances.

The *statement of net position* presents information on all County 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 of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal 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 are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements continue to include the following concepts:

- The government-wide statements include only those funds/entities representing resources available to the County. Therefore, the financial information for the pension, investment, private-purpose trusts, and custodial funds are not included in the government-wide financial statements. The financial statements for the discretely presented component unit, Children and Families First Commission (Commission), are provided in a separate column.
- The statement of activities distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- In addition, the statement of activities compares the direct expenses and program revenue for each governmental function and each segment of business-type activities. The general revenue (non-program revenue) must then cover the net cost of the various activities. The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation services, public assistance, education, and recreation and cultural services. The business-type activities of the County include the hospitals, clinics, airports, utilities, recreation, and medical insurance.
- Because the internal service funds primarily serve the governmental funds, the internal service funds activities are eliminated with net balances also reported in the governmental activities column. Additional elimination of transfers and activity occur within the governmental activities and within the business-type activities.
- Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. *Blended component units* have substantially the same governing board as the County or provide services entirely to the County and are reported on the fund statements and, if appropriate, as governmental activities on the government-wide financial statements. Examples include the Fire Protection District and the County's Watershed Protection District. The Commission is reported as a *discretely presented component unit* because the County Board appoints the commission board members to serve at will. The Ventura County Employees' Retirement Association (VCERA) is a public entity separate from the County and is considered a *fiduciary component unit* of the County due to board control and financial burden because of the legal obligation to make contributions to the plan.

The government-wide financial statements can be found on pages 41 - 43 of this report.

Fund Financial Statements report on groupings of related funds and accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. A fund is a separate accounting entity with a self-balancing set of accounts. The County, like other state and local governments, uses fund accounting to demonstrate finance-related legal compliance.

- The fund financial statements emphasize *major funds* as determined by minimum criteria set forth in GASB Statement No. 34 (GASB 34) with separate columns for each major fund. The non-major funds are presented in an aggregated single column on the governmental funds financial statements. There are four major governmental funds: the General Fund, Roads, Watershed Protection District, and the Fire Protection District. There are three major enterprise funds: Medical System, Department of Airports and Waterworks Districts. Individual fund data for each of the non-major funds is provided in the form of *combining statements* in the supplementary information section.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

All of the funds of the County can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. The governmental funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent fund. However, unlike the government-wide financial statements, governmental funds financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. The focus and basis emphasize the *near-term inflows and outflows of spendable resources*, as well as the balances of *spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

The County maintains over sixty individual governmental funds in its financial system and presents them grouped by related activities as twenty-three separate governmental funds in this report. The equity for fund financial statements is displayed as fund balance. Purchase of capital assets and payment of principal on debt are expended on fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds financial statements can be found on pages 44 - 50 of this report.

Proprietary funds are maintained in two fund types: enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the operations of the Medical System, Department of Airports, Waterworks Districts, Parks Department, Channel Islands Harbor, Health Care Plan, and Oak View District. Eighteen enterprise funds are reported in the County's financial system and grouped by related activities as seven enterprise funds on this report. The major funds are presented in the proprietary fund financial statements with detail of non-major funds provided in the combining statements in the supplementary information section.

Internal service funds are used to accumulate and allocate costs for services provided to the County's various departments. The County uses internal service funds to account for its public works services, heavy equipment, transportation, general insurance (liability and workers' compensation), information technology services, general services, employee benefits insurance, and personnel services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County's eight internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the *combining financial statements* in the supplementary information section.

The proprietary funds financial statements can be found on pages 51 - 54 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Fiduciary funds, including the *trust and custodial funds*, are used to account for fiduciary component units and resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting basis used for trust and custodial funds is accrual, much like that used for proprietary funds. Fiduciary fund types are pension, investment, and private-purpose trusts, and custodial funds.

The fiduciary funds financial statements can be found on pages 55 - 56 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These informative notes can be found on pages 57 - 136 of this report and are also itemized in the Table of Contents.

Required Supplementary Information includes the Ventura County Employees' Retirement Association (VCERA) schedule of the County's proportionate share of the net pension liability and schedule of County's contributions, the Supplemental Retirement Plan (SRP) schedule of changes in net pension liability and related ratios, schedule of investment returns, and schedule of County's contributions, the Management Retiree Health Benefits Program schedule of changes in total pension liability and related ratios, the Subsidized Retiree Health Benefits Program schedule of total other postemployment benefits (OPEB) liability and related ratios, the Ventura County Deputy Sheriffs' Association (VCDSA) Retiree Medical Reimbursement Plan schedule of net OPEB liability and related ratios and schedule of County's contributions, and the Ventura County Professional Firefighters' Association (VCPFA) Premium Reimbursement Plan schedule of net OPEB liability (asset) and related ratios and schedule of County's contributions. These schedules provide trend data on pension and OPEB liabilities, contributions, and payroll amounts as well as factors that significantly affect these trends. In addition, budgetary schedules for the major general and special revenue funds are included.

The County adopts an annual appropriated budget for its governmental funds as required by Government Code. In the required supplementary information section, a budgetary comparison schedule is provided for all the major general and special revenue funds to demonstrate compliance with the final budget. Due to the large number of funds and departments, a separate Departmental Budget Report of Revenues and Expenditures – Budget and Actual on a Budgetary Basis has been prepared. The report demonstrates compliance at the legal level of budgetary control for those funds for which the County is legally required to adopt a budget. This document is available from the Auditor-Controller's Office, 800 South Victoria Avenue, Ventura, CA 93009-1540, or on the County website at: http://vcportal.ventura.org/auditor/docs/financial-reports/FY21_BudgetToActual.pdf

Required supplementary information can be found on pages 138 - 151 of this report.

Supplementary Information includes the combining and individual governmental, enterprise, internal service, and fiduciary fund statements, budgetary comparison schedules for all non-major governmental funds for which the County is legally required to adopt a budget, and information on capital assets used in the operation of governmental funds.

Supplementary information can be found on pages 153 - 222 of this report.

Statistical Information is provided beginning on page 223 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Summary of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the County's net position was \$2,037,497,000.

A summary of net position is as follows:

Summary of Net Position June 30, 2021 and 2020 (In Thousands)							
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2021	2020	2021	2020	2021	2020	
Assets:							
Current and other assets	\$ 1,648,048	\$ 1,676,058	\$ 270,374	\$ 281,005	\$ 1,918,422	\$ 1,957,063	(2)%
Capital assets	<u>1,309,442</u>	<u>1,268,159</u>	<u>610,125</u>	<u>614,769</u>	<u>1,919,567</u>	<u>1,882,928</u>	2%
Total assets	<u>2,957,490</u>	<u>2,944,217</u>	<u>880,499</u>	<u>895,774</u>	<u>3,837,989</u>	<u>3,839,991</u>	-%
Total deferred outflows of resources	<u>391,964</u>	<u>317,637</u>	<u>50,936</u>	<u>41,506</u>	<u>442,900</u>	<u>359,143</u>	23%
Liabilities:							
Current and other liabilities	350,457	462,580	119,192	167,738	469,649	630,318	(25)%
Long-term liabilities	<u>1,265,498</u>	<u>1,081,163</u>	<u>467,284</u>	<u>435,690</u>	<u>1,732,782</u>	<u>1,516,853</u>	14%
Total liabilities	<u>1,615,955</u>	<u>1,543,743</u>	<u>586,476</u>	<u>603,428</u>	<u>2,202,431</u>	<u>2,147,171</u>	3%
Total deferred inflows of resources	<u>30,533</u>	<u>109,552</u>	<u>10,428</u>	<u>20,037</u>	<u>40,961</u>	<u>129,589</u>	(68)%
Net position:							
Net investment in capital assets	1,242,718	1,193,415	305,760	276,136	1,548,478	1,469,551	5%
Restricted	550,615	436,346	2,328	2,633	552,943	438,979	26%
Unrestricted (deficit)	<u>(90,367)</u>	<u>(21,202)</u>	<u>26,443</u>	<u>35,046</u>	<u>(63,924)</u>	<u>13,844</u>	(562)%
Total net position	<u>\$ 1,702,966</u>	<u>\$ 1,608,559</u>	<u>\$ 334,531</u>	<u>\$ 313,815</u>	<u>\$ 2,037,497</u>	<u>\$ 1,922,374</u>	6%

Net position includes three components: *Net investment in capital assets; restricted; and unrestricted.*

A significant component of the County's net position totaling \$1,548,478,000 (76 percent) reflects the County's net investment in capital assets (land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, and infrastructure), i.e. net of accumulated depreciation/amortization and capital-related deferred outflows of resources, less capital-related debt and deferred inflows of resources. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of capital-related debt and deferred inflows of resources, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The restricted component of the County's net position, totaling \$552,943,000 (27 percent), represents resources that are subject to external restrictions on how they may be used. Trust agreements relating to long-term debt restrict certain amounts for debt service. In addition, externally restricted funding received in advance of expenses is also reported as restricted, and therefore is not available for other uses by the County.

The third portion of the County's net position is unrestricted, totaling negative \$63,924,000 (negative 3 percent) due to reporting the County's unfunded pension liability.

At the end of the current fiscal year, the County reported positive balances in two categories of net position. The County's change in net position increased by \$130,695,000. The change in net position for governmental and business-type activities was \$94,407,000 and \$36,288,000 respectively.

General revenues for governmental activities increased by \$41,261,000, primarily due to an increase in property taxes offset by a decrease in interest earnings. Program revenues increased by \$163,013,000, primarily due to increased operating grants and contributions related to public assistance, health and sanitation services, general government, and public protection for the COVID-19 response. Total expenses increased by \$180,607,000, or 12 percent, with increases primarily in public assistance, public protection, general government, and health and sanitation services.

The current period increase in net position attributable to business-type activities primarily resulted from an increase in the Medical System. Program revenues increased by \$97,610,000, or 17 percent, primarily due to increased charges for services in the Medical System. Total expenses increased by \$39,023,000, primarily in the Medical System. Additional information is provided on pages 34-35 of this report.

Government-wide Summary of Activities

The following table depicts the revenues, expenses, and changes in net position for governmental and business-type activities. Revenue for the County as a whole increased by \$300,514,000, or 14 percent, with increases primarily in operating grants and contributions, charges for services and property taxes of \$175,319,000, \$86,162,000 and \$56,573,000, respectively, offset by a decrease in interest of \$22,905,000. Additional information on major revenue streams is provided on pages 29-31.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

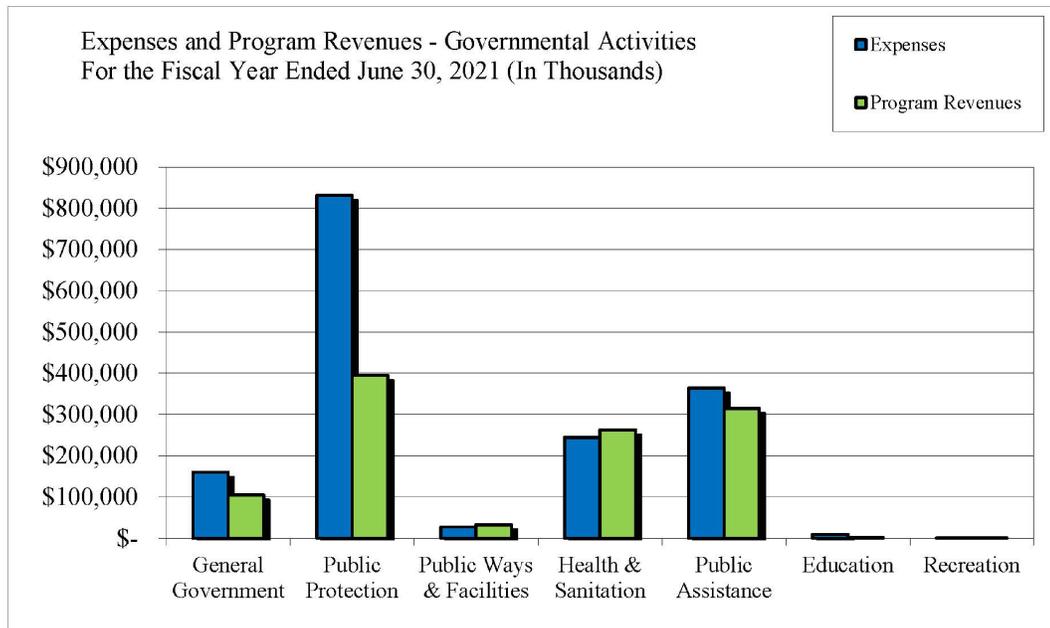
Summary of Activities
For the Fiscal Years Ended June 30, 2021 and 2020
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2021	2020	2021	2020	2021	2020	
Revenues:							
Program revenues:							
Charges for services	\$ 307,606	\$ 278,196	\$ 622,583	\$ 565,831	\$ 930,189	\$ 844,027	10%
Operating grants and contributions	784,740	649,221	48,184	8,384	832,924	657,605	27%
Capital grants and contributions	21,067	22,983	7,745	6,687	28,812	29,670	(3)%
General revenues:							
Property taxes	608,863	552,290	-	-	608,863	552,290	10%
Other taxes	21,524	17,090	-	-	21,524	17,090	26%
Aid from other governmental units	2,744	2,789	-	-	2,744	2,789	(2)%
Interest and investment earnings	(2,921)	18,614	151	1,521	(2,770)	20,135	(114)%
Other	26,133	24,299	-	-	26,133	24,299	8%
Total revenues	<u>1,769,756</u>	<u>1,565,482</u>	<u>678,663</u>	<u>582,423</u>	<u>2,448,419</u>	<u>2,147,905</u>	14%
Expenses:							
General government	159,713	110,322	-	-	159,713	110,322	45%
Public protection	831,406	780,099	-	-	831,406	780,099	7%
Public ways and facilities	27,995	30,208	-	-	27,995	30,208	(7)%
Health and sanitation services	244,791	225,726	-	-	244,791	225,726	8%
Public assistance	364,418	298,456	-	-	364,418	298,456	22%
Education	9,784	9,179	-	-	9,784	9,179	7%
Recreation	98	45	-	-	98	45	118%
Interest on long-term debt	5,997	9,560	-	-	5,997	9,560	(37)%
Medical System	-	-	537,069	495,850	537,069	495,850	8%
Department of Airports	-	-	7,813	7,825	7,813	7,825	0%
Waterworks - Water and Sewer	-	-	38,708	38,116	38,708	38,116	2%
Parks Department	-	-	5,500	6,072	5,500	6,072	(9)%
Channel Islands Harbor	-	-	9,705	9,886	9,705	9,886	(2)%
Health Care Plan	-	-	74,436	76,495	74,436	76,495	(3)%
Oak View District	-	-	291	255	291	255	14%
Total expenses	<u>1,644,202</u>	<u>1,463,595</u>	<u>673,522</u>	<u>634,499</u>	<u>2,317,724</u>	<u>2,098,094</u>	10%
Excess (deficiency) before transfers and extraordinary item	125,554	101,887	5,141	(52,076)	130,695	49,811	162%
SCE Settlement	-	16,321	-	-	-	16,321	(100)%
Transfers	(31,147)	(36,910)	31,147	36,910	-	-	0%
Change in net position	<u>94,407</u>	<u>81,298</u>	<u>36,288</u>	<u>(15,166)</u>	<u>130,695</u>	<u>66,132</u>	98%
Net position - beginning	1,608,559	1,527,261	313,815	328,981	1,922,374	1,856,242	4%
Prior period adjustment	-	-	(15,572)	-	(15,572)	-	0%
Net position - beginning, as restated	<u>1,608,559</u>	<u>1,527,261</u>	<u>298,243</u>	<u>328,981</u>	<u>1,906,802</u>	<u>1,856,242</u>	3%
Net position - ending	<u>\$ 1,702,966</u>	<u>\$ 1,608,559</u>	<u>\$ 334,531</u>	<u>\$ 313,815</u>	<u>\$ 2,037,497</u>	<u>\$ 1,922,374</u>	6%

**MANAGEMENT’S DISCUSSION AND ANALYSIS
(CONTINUED)**

Governmental activities. Governmental activities, as reflected in the Statement of Activities, increased the County’s net position in the current period by \$94,407,000, accounting for 72 percent of the total current period change in the County’s net position. The Statement of Activities displays the direct expenses and the program revenues for the governmental and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipients of goods or services offered by the programs, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including almost all taxes, are presented as general revenues. Sales tax and vehicle license fee monies for health and welfare realignment and public safety are defined as program revenue.

The bar chart below depicts the relationships of the governmental activities direct expenses to program revenues:



Revenues. Total revenues from governmental activities increased by 13 percent from the prior year.

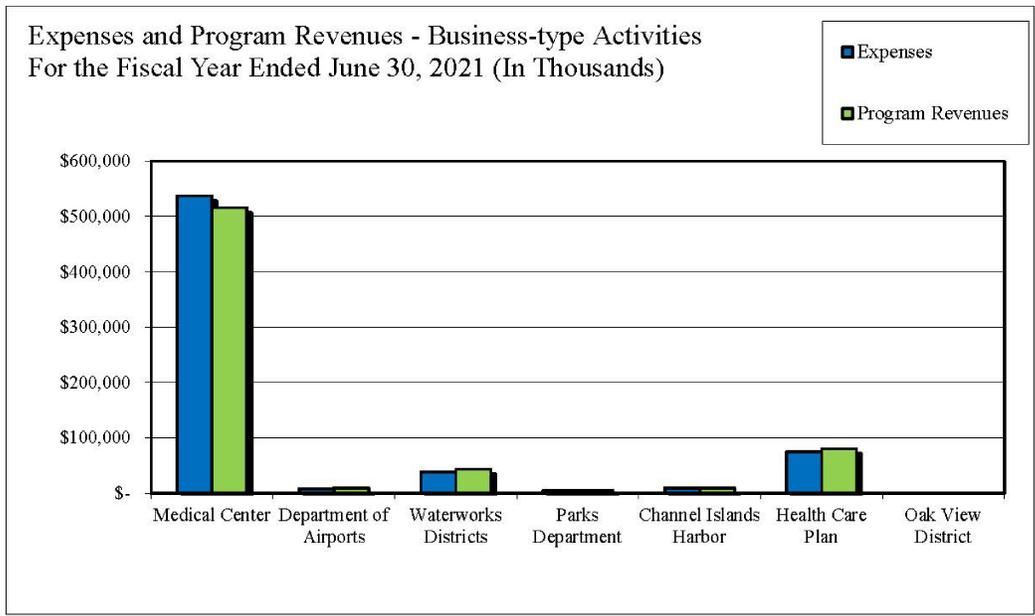
- Operating grants and contributions are revenues earned from entities outside of the County, primarily state and federal agencies, and are generally restricted to one or more specific programs. In 2020-21, the County reported \$784,740,000 in operating grants and contributions, which comprised 70 percent of the total program revenues in the current year. Operating grants and contributions increased by \$135,519,000 from the prior year, primarily in public assistance, health and sanitation services and general government due to revenue recognized from the Coronavirus Relief Fund (CRF). Operating grants and contributions represent the largest revenue source for governmental activities. The public protection, health and sanitation services, and public assistance functions received 90 percent of this funding source in fiscal year 2020-21.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
(CONTINUED)**

- Charges for services are revenues earned from providing goods, services, or privileges to external customers. Fines, forfeitures, and penalties and licenses, permits, and franchises are also reported as charges for services. Public protection generated \$146,778,000, or 48 percent, of the total of \$307,606,000. Among the major sources are contracted law enforcement services provided by the Sheriff’s Office to several cities, emergency and contract services performed by the Fire Protection District for various governmental agencies, and various assessments generated by the Watershed Protection District. Charges for services provided 28 percent of total program revenues in 2020-21, decreasing 1 percent from the prior year.
- Capital grants and contributions of \$21,067,000 represented the smallest source of program revenues in 2020-21 at 2 percent of total program revenues.
- General revenue for governmental activities primarily consisted of taxes. Property tax revenue, the largest source of general revenue with \$608,863,000 reported in 2020-21, increased by 10 percent from 2019-20.

Expenses. Total program expenses for governmental activities were \$1,644,202,000 for the current fiscal year as compared to \$1,463,595,000 for the prior fiscal year, an increase of 12 percent. Public protection at \$831,406,000 accounted for 50 percent of total expenses for governmental activities. Public assistance expenses were \$364,418,000, or 22 percent, followed by health and sanitation services at \$244,791,000, or 15 percent, general government at \$159,713,000, or 10 percent, and various other costs of \$43,874,000, or 3 percent, of total expenses. Expenses increased in all functions except public ways and facilities and interest, which had decreases. The increase in expenses is primarily attributable to the County's response efforts to the COVID-19 pandemic.

Business-type activities. Business-type activities increased the County’s net position in the current period by \$36,288,000, or 28 percent, of the total current period change in the County’s net position, primarily due to the Medical System. The bar chart below depicts the relationships of the business-type activities direct expenses to program revenues:



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues. The County has three major business-type activities: the Medical System (hospitals and clinics), Department of Airports, and Waterworks Districts - Water and Sewer. Business-type activities recover a significant portion of their costs through user fees and charges. For the current year, 92 percent, or \$622,583,000, of total program revenues were generated from charges for services, as compared to the prior year's, 97 percent, or \$565,831,000. The Medical System accounted for 78 percent of total program revenues for business-type activities at \$529,724,000 and the Health Care Plan accounted for 12 percent of total program revenues, one percent less than the prior year. The Waterworks Districts' combined water and sewer activities generated 6 percent of total program revenues, and all other business-type activities accounted for the remaining 4 percent.

Expenses. Total expenses for business-type activities were \$673,522,000 in 2020-21 compared to \$634,499,000 in 2019-20, representing an increase of about 6 percent. About 80 percent of total expenses, or \$537,069,000, were incurred by the Medical System. The Health Care Plan accounted for 11 percent of the total cost, while Waterworks - Water and Sewer activities, accounted for 6 percent. The remaining 3 percent of expenses were incurred by the Department of Airports, Parks Department, Channel Islands Harbor, and the Oak View District business activities, with a combined total of \$23,309,000.

The increase in expense for the business-type activities was primarily due to increased salaries and benefits and services and supplies in the Medical System offset by a decrease in provision for claims at the Health Care Plan. Medical System salaries and benefits increased \$28,260,000 and were primarily due to increased staffing requirements and expanded operations support. Medical System services and supplies increased \$18,978,000 and were primarily due to additional services rendered for COVID-19 response including increases in pharmaceutical costs, medical supplies and other professional services. The decrease in provision for claims of \$2,725,000 in the Health Care Plan was primarily due to pharmacy rebate increases combined with negotiated savings of pricing guarantees.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The County's general government functions are accounted for in the County's general, special revenue, debt service, capital projects, and permanent funds. Included in these funds are the special districts governed by the Board of Supervisors (Board). The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. Major governmental funds reported by the County include the General Fund, Roads Fund, Watershed Protection District, and the Fire Protection District.

At June 30, 2021, the County's governmental funds reported total fund balances of \$905,139,000, an increase of \$68,636,000 from the prior year. Approximately \$137,257,000 or 15 percent of the total is Nonspendable fund balance, which are amounts that are not in spendable form or amounts that are legally or contractually required to be maintained intact. The remaining 85 percent or \$767,882,000 is available to meet the County's current and future needs.

Revenues for governmental funds totaled \$1,770,745,000 in the year ended June 30, 2021, representing an increase of about 13 percent from the fiscal year ended June 30, 2020. This was primarily attributable to an increase in aid from other governmental units. Expenditures, at \$1,671,713,000, increased 13 percent when compared to the fiscal year ended June 30, 2020, with increases primarily in public assistance, public protection, general government, health and sanitation services and capital outlay, offset by a decrease in public ways and facilities and interest and fiscal charges.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

GENERAL FUND

The General Fund is the primary operating fund of the County. At June 30, 2021, the General Fund's total fund balance was \$517,495,000, increasing \$11,583,000 from the prior year. The nonspendable portion of fund balance was \$134,300,000 and the spendable portion was \$383,195,000. As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance equates to 41 percent of total General Fund expenditures while spendable fund balance equates to 31 percent. Of the General Fund spendable fund balance, \$205,204,000, or 54 percent, is restricted, and \$8,068,000, or 2 percent, is committed.

ROADS FUND - SPECIAL REVENUE FUND

This fund accounts for planning, design, construction, maintenance, and administration of County roads. It also engages in traffic safety and other transportation planning activities. Revenues consist primarily of the County's share of state highway use taxes and fuel taxes. At June 30, 2021, this fund had a total fund balance of \$45,802,000, of which \$23,061,000 was restricted, \$18,130,000 was committed, and \$4,611,000 was assigned. Total fund balance increased by 8 percent when compared to the prior year.

WATERSHED PROTECTION DISTRICT - SPECIAL REVENUE FUND

The function of this fund is the control of flood and storm waters, and the conservation of such waters for beneficial public use. Total fund balance at June 30, 2021, of \$93,578,000, increased 13 percent or \$10,542,000 from the prior year. Restricted fund balance of \$88,144,000 accounted for 94 percent of the total fund balance.

FIRE PROTECTION DISTRICT - SPECIAL REVENUE FUND

The Fire Protection District provides fire protection to the unincorporated areas of the County, as well as the cities of Camarillo, Moorpark, Ojai, Port Hueneme, Santa Paula, Simi Valley, and Thousand Oaks. Support is derived principally from property taxes. At June 30, 2021, the Fire Protection District's total fund balance was \$128,425,000, an increase of \$11,283,000 from the prior year. Fund balance included a nonspendable portion of \$1,791,000. Restricted fund balance totaled \$121,152,000, or 94 percent, with the remaining \$5,482,000 classified as committed.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

NON-MAJOR GOVERNMENTAL FUNDS

As compared with the prior year, the total fund balances of the remaining governmental funds increased \$31,912,000 or by 36 percent. This increase was primarily attributable to the Mental Health Services Act special revenue fund.

Additional information on fund balances is provided in Note 12 of the Notes to the Basic Financial Statements.

The following schedule presents a summary of revenues and other financing sources, expenditures and other financing uses, and net changes in fund balances for the County's major and non-major funds for the current and previous fiscal years:

Governmental Funds
Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2021 and 2020
(In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Increase (Decrease)
	2021	2020	2021	2020	2021	2020	Change
General Fund	\$ 1,319,405	\$ 1,174,242	\$ 1,307,822	\$ 1,161,143	\$ 11,583	\$ 13,099	\$ (1,516)
Roads	34,808	39,138	31,492	34,601	3,316	4,537	(1,221)
Watershed Protection District	44,035	49,759	33,493	39,546	10,542	10,213	329
Fire Protection District	210,096	199,630	198,813	177,825	11,283	21,805	(10,522)
Non-major funds	188,095	154,637	156,183	152,144	31,912	2,493	29,419
Total	<u>\$ 1,796,439</u>	<u>\$ 1,617,406</u>	<u>\$ 1,727,803</u>	<u>\$ 1,565,259</u>	<u>\$ 68,636</u>	<u>\$ 52,147</u>	<u>\$ 16,489</u>

GENERAL FUND

Taxes, aid from other governmental units, and charges for services comprise 95 percent of total revenues. Taxes increased by \$52,422,000, or 14 percent, while aid from other governmental units increased \$110,859,000, primarily due to CRF revenue. Charges for services increased by \$7,205,000, while all other revenues had a net decrease of \$25,323,000. Revenue from use of money decreased by \$10,580,000 and revenue from extraordinary items decreased \$16,321,000, due to a Southern California Edison litigation settlement that was received in FY 2019-20.

ROADS

Fund balance increased at June 30, 2021, by \$3,316,000, compared to an increase in the prior year of \$4,537,000. Revenues and other financing sources decreased by \$4,330,000, with expenditures and other financing uses decreasing by \$3,109,000. The decrease in revenue and other financing sources was primarily due to an decrease in transfers of \$2,962,000 from the General Fund which only included a bike lane project contribution.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

WATERSHED PROTECTION DISTRICT

Fund balance increased by \$10,542,000 in 2020-21, compared with an increase in the prior fiscal year of \$10,213,000. Revenues and other financing sources in 2020-21 of \$44,035,000, were lower than revenues and other financing sources in 2019-20 by \$5,724,000, primarily from a decrease in aid from other governments, revenue use of money, and miscellaneous revenue. Expenditures and other financing uses in 2020-21 of \$33,493,000, decreased by \$6,053,000, when compared with the prior year, primarily due to decreases in construction project activity and services and supplies.

FIRE PROTECTION DISTRICT

The District's fund balance increased by \$11,283,000, compared to an increase of \$21,805,000, in 2019-20. Revenues and other financing sources at June 30, 2021, totaled \$210,096,000, an increase of \$10,466,000 from the prior fiscal year, primarily from an increase in charges for services, and property tax. This was offset by a decrease in revenue use of money and transfers in. Expenditures and other financing uses were \$198,813,000, increasing by \$20,988,000, when compared to 2019-20, primarily due to an increase in capital outlay from the construction costs of two fire stations and upgrade costs of two Fire Hawk helicopters.

NON-MAJOR GOVERNMENTAL FUNDS

Fund balances at June 30, 2021, increased by \$31,912,000, compared with a prior year increase of \$2,493,000. The increase is primarily attributable to increases in the area of aid from other governmental units and charges for services in the Mental Health Services Act Fund.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide business-type activity financial statements, but in more detail. The tables below depict current year and prior year Enterprise Fund actual revenues, expenses, transfers, and changes in fund net position:

Summary of Revenues, Expenses, Transfers and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(In Thousands)

	Major Funds				Total
	Medical System	Department of Airports	Waterworks Districts	Non-major Funds	
Operating revenues	\$ 480,013	\$ 7,331	\$ 40,140	\$ 94,803	\$ 622,287
Operating expenses	(528,578)	(7,803)	(38,233)	(90,064)	(664,678)
Operating income (loss)	(48,565)	(472)	1,907	4,739	(42,391)
Non-operating revenues (expenses) and capital grants and contributions, net	41,545	2,384	3,235	728	47,892
Income (loss) before transfers	(7,020)	1,912	5,142	5,467	5,501
Transfers	30,108	-	(408)	1,447	31,147
Change in net position	23,088	1,912	4,734	6,914	36,648
Net position - beginning	72,648	57,652	135,285	49,017	314,602
Prior period adjustment	(15,572)	-	-	-	(15,572)
Net position - beginning, as restated	57,076	57,652	135,285	49,017	299,030
Net position - ending	<u>\$ 80,164</u>	<u>\$ 59,564</u>	<u>\$ 140,019</u>	<u>\$ 55,931</u>	<u>\$ 335,678</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Summary of Revenues, Expenses, Transfers and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2020
(In Thousands)

	Major Funds				Total
	Medical System	Department of Airports	Waterworks Districts	Non-major Funds	
Operating revenues	\$ 432,348	\$ 7,149	\$ 35,272	\$ 90,607	\$ 565,376
Operating expenses	<u>(480,709)</u>	<u>(7,779)</u>	<u>(37,104)</u>	<u>(92,719)</u>	<u>(618,311)</u>
Operating loss	(48,361)	(630)	(1,832)	(2,112)	(52,935)
Non-operating revenues (expenses) and capital grants and contributions, net	<u>(1,897)</u>	<u>2,082</u>	<u>1,645</u>	<u>1,026</u>	<u>2,856</u>
Income (loss) before transfers	(50,258)	1,452	(187)	(1,086)	(50,079)
Transfers	<u>35,611</u>	<u>-</u>	<u>71</u>	<u>1,228</u>	<u>36,910</u>
Change in net position	(14,647)	1,452	(116)	142	(13,169)
Net position - beginning	<u>87,295</u>	<u>56,200</u>	<u>135,401</u>	<u>48,875</u>	<u>327,771</u>
Net position - ending	<u>\$ 72,648</u>	<u>\$ 57,652</u>	<u>\$ 135,285</u>	<u>\$ 49,017</u>	<u>\$ 314,602</u>

The net gain before transfers of \$5,501,000 for all enterprise funds resulted primarily from the net loss before transfers to the Medical System of \$7,020,000, offset by net income primarily from the Waterworks Districts, the Department of Airports and Health Care Plan. Net transfers of \$30,108,000 to the Medical System from the General Fund were down from \$35,611,000 in the prior year. The Medical System's net position increased \$23,088,000 for the year. The increase in Medical System operating revenues of \$47,665,000, or 11 percent, was attributable, in large part, to an increase in the portion of healthcare services and supplemental funding program costs covered through Federal Matching Percentage (FMAP) and an increase in non-operating state and federal grants was primarily due to COVID-19 of \$39,243,000.

Medical System's operating expenses increased \$47,869,000, or 10 percent, from the prior year. The Medical System is reporting an operating loss of \$48,565,000, (prior to transfers), compared to prior year operating loss of \$48,361,000. Salaries and benefits and services and supplies increased by \$28,260,000 and \$18,978,000, respectively. This was primarily attributable to an increase in staffing and operational support in response to COVID-19, notably the regional surge of COVID-19 admissions and high ICU utilization from November 2020 through February 2021.

The change in net position for all other enterprise funds except for the Medical System totaled an increase of \$13,560,000, compared to an increase of \$1,478,000 in 2019-20. Operating revenues and expenses were \$142,274,000 and \$136,100,000, respectively, increasing by 7 percent and decreasing by 1 percent, respectively, from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget, June 30, 2021

Appropriations for the General Fund final budget, including transfers out, exceeded the original budget by \$277,408,000. Final budget appropriations for salaries and benefits increased in all areas except general government, primarily due to transfers of appropriations for vacation/annual leave buydowns. For control purposes, vacation/annual leave buydowns are budgeted in a general government budget unit and are transferred as related expenditures are incurred. Over \$15,000,000 was transferred in 2020-21. Services and supplies increased by \$220,242,000, in public protection, general government, health and sanitation, and public assistance, primarily due to the COVID-19 public health emergency. Capital outlay increased by \$31,402,000, for required maintenance projects that were reclassified from services and supplies, for the continued work on 3760 Calle Tecate in Camarillo purchase, continuing work on the new Property Tax Assessment and Collection System, the Ventura County Human Resources/Payroll System upgrade, and a number of other projects approved during the year. Appropriations for transfers out increased by \$11,799,000. Approximately \$7,396,000, related to certain debt service costs, was budgeted in the General Fund for control purposes but reported in non-major debt service funds and was offset by decreases in debt service appropriations.

Final Budget Compared to Actual Expenditures and Revenues, June 30, 2021

The final budget appropriations for the General Fund exceeded actual expenditures, including transfers out, by \$207,340,000, while the final budget estimated revenues were more than actual revenues, including other financing sources, by \$178,134,000. The largest component of excess appropriations over expenditures was \$122,498,000 for services and supplies, primarily in general government, public protection, health and sanitation services, and public assistance. Unexpended appropriations for services and supplies and capital outlay of \$47,369,000 were encumbered for expenditure in 2021-22. The largest revenue shortfall in comparison with the final budget was in aid from other governmental units in the amount of \$159,272,000, primarily in general government, public protection, health and sanitation services, and public assistance.

Budgetary information is included in the Required Supplementary Information (RSI) section, which also contains Notes to the RSI.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Government-wide Financial Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$2,964,346,000 at cost or \$1,919,567,000 net of accumulated depreciation. This investment in capital assets includes land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, and infrastructure. The total increase in the County's investment in capital assets net of accumulated depreciation for the current period was 2 percent.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2021	2020	2021	2020	2021	2020	
Land	\$ 53,088	\$ 52,157	\$ 22,958	\$ 22,958	\$ 76,046	\$ 75,115	1%
Easements	200,451	200,314	1,297	1,297	201,748	201,611	0%
Construction in progress	111,881	95,013	40,629	26,376	152,510	121,389	26%
Land improvements	55,076	53,722	84,386	84,366	139,462	138,088	1%
Structures and improvements	595,023	582,252	680,726	676,961	1,275,749	1,259,213	1%
Equipment	144,395	123,281	88,063	85,314	232,458	208,595	11%
Vehicles	122,944	118,185	1,083	1,083	124,027	119,268	4%
Software	104,091	102,951	53,314	52,410	157,405	155,361	1%
Infrastructure	604,941	585,112	-	-	604,941	585,112	3%
Less accumulated depreciation	(682,448)	(644,828)	(362,331)	(335,996)	(1,044,779)	(980,824)	7%
Total	<u>\$ 1,309,442</u>	<u>\$ 1,268,159</u>	<u>\$ 610,125</u>	<u>\$ 614,769</u>	<u>\$ 1,919,567</u>	<u>\$ 1,882,928</u>	2%

Major capital asset events during the current fiscal year included the following:

Construction in progress had a net increase of \$31,121,000. Additions totaling \$74,379,000 included Fire Protection District projects \$23,017,000, Capital projects \$14,061,000, General Fund projects \$9,858,000, Airports projects \$6,155,000, Watershed Protection District projects \$5,934,000, Roads projects \$5,923,000, Medical System improvements \$5,204,000, Waterworks projects \$2,842,000, and various other projects \$1,385,000. Construction in progress was reduced by \$43,258,000, including transfers of completed projects of \$42,232,000 to structures and improvements, equipment, software, and vehicles.

The County's infrastructure assets for both the watershed protection network and the roads network are recorded at historical cost in the government-wide financial statements as required by GASB 34.

Additional information on capital asset activity is provided in Note 7 of the Notes to the Basic Financial Statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

Debt Administration - Government-wide Financial Statements

At June 30, 2021, the County had total debt outstanding of \$364,362,000, excluding capital leases, compensated absences, and other liabilities. The following table summarizes the categories of debt. During the year, retirement of debt amounted to \$23,582,000 and additions amounted to \$7,500,000. The following table summarizes the debt outstanding balances at June 30, 2021 and 2020 (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Certificates of participation and lease revenue bonds	\$ 24,485	\$ 28,616	\$ 299,605	\$ 314,302	\$ 324,090	\$ 342,918
Revolving credit agreement notes from direct borrowings	24,415	23,345	4,685	2,455	29,100	25,800
Loans payable from direct borrowings	7,211	7,513	3,961	4,213	11,172	11,726
Total	<u>\$ 56,111</u>	<u>\$ 59,474</u>	<u>\$ 308,251</u>	<u>\$ 320,970</u>	<u>\$ 364,362</u>	<u>\$ 380,444</u>

For the fiscal year 2020-21, County debt limit is determined by statute at 1.25 percent of total assessed valuation or approximately \$1,889,347,000. The County's general obligation bonded debt subject to the debt limit is \$0, which is under the debt limit by \$1,889,347,000.

The County's debt utilization policy establishes the review process by the Financial Planning Committee before submission to the Board of Supervisors and central coordination by the County Executive Officer. The policy outlines a fiscally conservative basis for borrowing to include short-term needs and borrowing for certain assets with substantial economic lives. The benchmarks include County debt outstanding at less than one percent of the assessed valuation and debt service payments not greater than six percent of total General Fund expenditures.

The County, like other local governments, has an annual borrowing program which finances operations during periods of low cash flows due to periodic collection dates for property taxes. On July 1, 2020, the County issued \$120,450,000 in Tax and Revenue Anticipation Notes (TRANs). Standard & Poor's Ratings Services and Moody's Investors Services gave the TRANs the highest rating for short-term securities of SP-1+ and MIG 1, respectively. TRANs was paid with interest on June 30, 2021, the maturity date of the notes, leaving an outstanding balance of \$0 at June 30, 2021.

Additional information on long-term debt activity is provided in Note 10 of the Notes to the Basic Financial Statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The fiscal year 2021-22 adopted budget for all County funds totals \$2,548,008,000, an increase of 4.0 percent when compared to the prior year. The General Fund 2021-22 budget of \$1,238,864,000 was structurally balanced using projected ongoing available financing sources. Year-end fund balance is not considered an ongoing financing source and is used to maintain policy-set fund balance levels and fund one-time expenditures.
- Assessed property valuations increased by 3.60 percent for the 2021-22 fiscal year when compared with 2020-21. Property tax revenues were budgeted with an increase of 3.5 percent.
- The 2021-22 budget includes an increase in salaries and benefits of 17.06 percent as compared to the prior year's actual expenditures with increases primarily in the Medical System. During the latter part of fiscal year 2020-21 the Medical System added 690 positions for staff and physicians related to the integration of 18 ambulatory clinics into the County. Onboarding of the new employees began at the end of June 2021. The integration will be completed in fiscal year 2021-22 and will allow for increased efficiencies of staff resources and shared services across the network of clinics. The Medical System's fiscal year 2021-22 adopted budget reflects a full year of certain costs now reflected in salaries and benefits which were previously reported in services and supplies.

Additional information is provided in Notes 20 and 21 of the Notes to the Basic Financial Statements, as well as the transmittal letter on page 5 of this report.

REQUESTS FOR INFORMATION

County information is available on-line at: www.ventura.org

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Further requests for information on this report or for the separate report for the Public Financing Authority should be addressed to the Auditor-Controller, 800 South Victoria Avenue, Ventura, CA 93009-1540.

Questions concerning any of the information provided in this report regarding the discretely presented component unit, Children and Families First Commission, or requests for additional information should be addressed to the Executive Director, 2580 East Main Street, Suite 203, Ventura, CA 93003.

Questions concerning any of the information provided in this report or requests for additional information on the separate financial report of Ventura County Employees' Retirement Association should be addressed to the Retirement Administrator, 1190 South Victoria Avenue, Suite 200, Ventura, CA 93003-6572.