

**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, 2023. 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 2022-23 fiscal year by \$3,041,352,000 (*net position*). Of this amount, \$704,192,000 is restricted for specific purposes (*restricted net position*), \$1,704,129,000 is the *net investment in capital assets*, and the remaining portion of \$633,031,000 is *unrestricted net position*.
- The government’s total net position increased by \$477,201,000 during fiscal year 2022-23 due to increases in both governmental and business-type activities. Restricted net position increased by \$55,897,000, while unrestricted net position increased by \$347,887,000, for the current year primarily due to the recognition of the Coronavirus State and Local Fiscal Recover Funds (SLFRF) program for lost revenue. Net investment in capital assets increased by \$72,062,000 based on restated balances from a prior period adjustment increase of \$419,000. 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. Additional information is available on the prior period adjustment in Note 2 to the Basic Financial Statements.
- As of June 30, 2023, the County governmental funds reported combined fund balances of \$1,341,675,000, an increase of \$291,054,000 in comparison with the prior year.
- At the end of the fiscal year, unassigned General Fund fund balance was \$101,777,000, or 8 percent of total General Fund expenditures, reflecting an increase of \$17,854,000 from the prior fiscal year balance.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

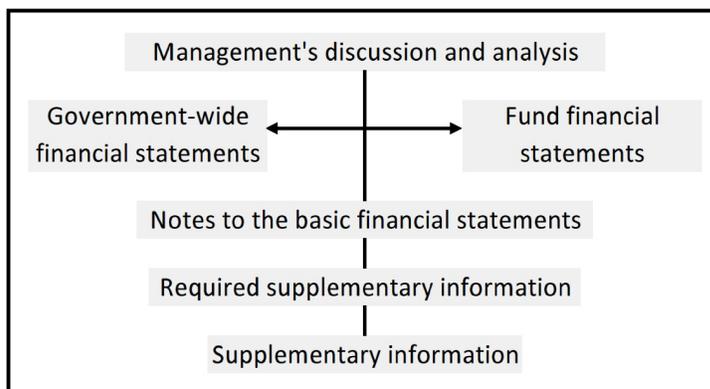
The Management’s Discussion and Analysis (MD&A) is intended to serve as an introduction to the County’s basic financial statements. The County’s basic financial statements include three components:

- 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, 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 occurs 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 three major governmental funds: the General Fund, 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-four separate governmental funds in this report. The equity for fund financial statements is displayed as fund balance. Purchase or lease of capital assets and payment of principal on debt or leases are shown as expenditures 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 - 47 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 details 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 statement of net position and allocated proportionally on the government-wide statement of activities.

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 48 - 51 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, private-purpose trusts, and custodial funds.

The fiduciary funds financial statements can be found on pages 52 - 53 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 55 - 135 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 (asset) and schedule of County's contributions, the Supplemental Retirement Plan (SRP) schedule of changes in net pension liability (asset) 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/FY23_BudgetToActual.pdf

Required supplementary information can be found on pages 138 - 152 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 - 215 of this report.

Statistical Information is provided beginning on page 217 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 \$3,041,352,000.

A summary of net position is as follows:

Summary of Net Position June 30, 2023 and 2022 (In Thousands)							
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2023	2022, as restated	2023	2022, as restated	2023	2022, as restated	
Assets:							
Current and other assets	\$ 2,097,519	\$ 2,426,785	\$ 372,075	\$ 452,870	\$ 2,469,594	\$ 2,879,655	(14)%
Capital assets	<u>1,455,265</u>	<u>1,414,130</u>	<u>632,294</u>	<u>627,180</u>	<u>2,087,559</u>	<u>2,041,310</u>	2%
Total assets	<u>3,552,784</u>	<u>3,840,915</u>	<u>1,004,369</u>	<u>1,080,050</u>	<u>4,557,153</u>	<u>4,920,965</u>	(7)%
Total deferred outflows of resources	<u>380,888</u>	<u>352,811</u>	<u>71,586</u>	<u>59,609</u>	<u>452,474</u>	<u>412,420</u>	10%
Liabilities:							
Current and other liabilities	290,725	541,525	135,116	115,648	425,841	657,173	(35)%
Long-term liabilities	<u>919,295</u>	<u>587,955</u>	<u>405,866</u>	<u>354,948</u>	<u>1,325,161</u>	<u>942,903</u>	41%
Total liabilities	<u>1,210,020</u>	<u>1,129,480</u>	<u>540,982</u>	<u>470,596</u>	<u>1,751,002</u>	<u>1,600,076</u>	9%
Total deferred inflows of resources	<u>103,115</u>	<u>890,769</u>	<u>114,158</u>	<u>277,034</u>	<u>217,273</u>	<u>1,167,803</u>	(81)%
Net position:							
Net investment in capital assets	1,365,721	1,309,361	338,408	322,706	1,704,129	1,632,067	4%
Restricted	701,901	645,988	2,291	2,307	704,192	648,295	9%
Unrestricted (deficit)	<u>552,915</u>	<u>218,128</u>	<u>80,116</u>	<u>67,016</u>	<u>633,031</u>	<u>285,144</u>	(122)%
Total net position	<u>\$ 2,620,537</u>	<u>\$ 2,173,477</u>	<u>\$ 420,815</u>	<u>\$ 392,029</u>	<u>\$ 3,041,352</u>	<u>\$ 2,565,506</u>	19%

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

A significant component of the County's net position totaling \$1,704,129,000 (56 percent) reflects the County's net investment in capital assets: (land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, infrastructure, and right-to-use lease structures and improvements, equipment, and subscription assets), net of accumulated depreciation/amortization, plus 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 \$704,192,000 (23 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 \$633,031,000 (21 percent).

At the end of the current fiscal year, the County reported positive balances in all categories of net position. The County's change in net position was an increase of \$477,201,000. The change in net position for governmental and business-type activities was \$448,415,000 and \$28,786,000 respectively.

General revenues for governmental activities increased by \$109,235,000, primarily due to increases in investment earnings and property taxes. Program revenues increased by \$96,679,000, primarily due to increased operating grants and contributions and continued COVID-19 relief and recovery, specifically the recognition of funding received for the Coronavirus State and Local Fiscal Revenue Funds (SLFRF) program. Total expenses increased by \$232,058,000, or 18 percent, primarily due to inflation in the costs of goods and services as well as increases to salaries and benefits and recovery projects.

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 \$46,134,000, or 7 percent, primarily due to increased charges for services and grant funding received by the Medical System. Total expenses increased by \$79,197,000, primarily in the Medical System due to an increase in contracted services and salaries and benefits. 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. Revenues for the County as a whole increased by \$256,805,000, or 10 percent, with increases primarily operating grants and contributions, interest and investment earnings, and property taxes of \$126,806,000, \$71,527,000, and \$51,266,000, respectively, offset by a decrease in capital grants and contributions of \$27,551,000. Additional information on major revenue streams is provided on pages 29-31.

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

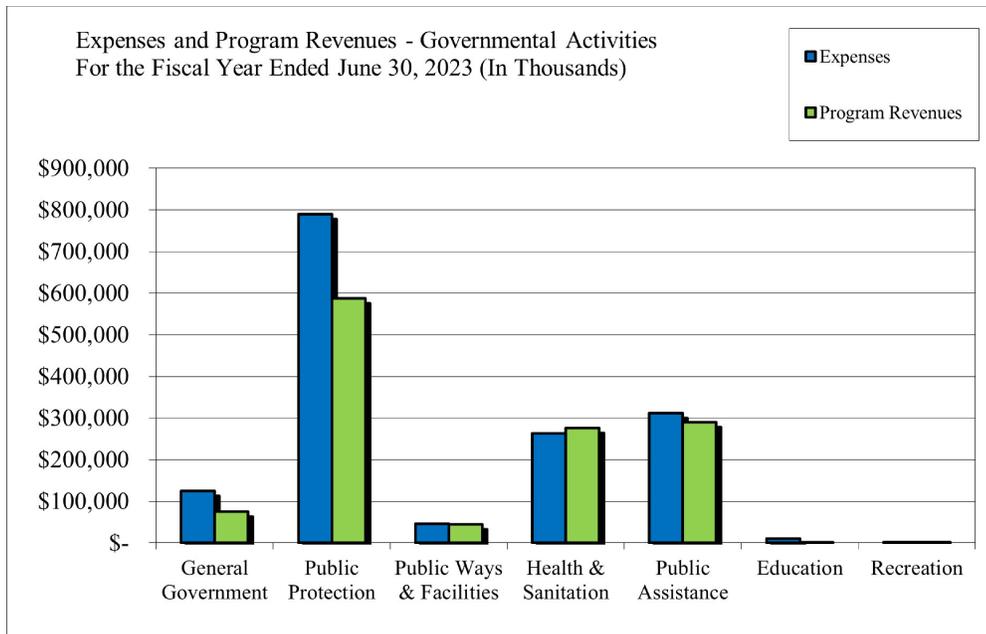
Summary of Activities
For the Fiscal Years Ended June 30, 2023 and 2022
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2023	2022, as restated	2023	2022, as restated	2023	2022, as restated	
Revenues:							
Program revenues:							
Charges for services	\$ 296,074	\$ 296,736	\$ 696,692	\$ 652,472	\$ 992,766	\$ 949,208	5%
Operating grants and contributions	952,986	838,519	30,595	18,256	983,581	856,775	15%
Capital grants and contributions	26,424	43,550	9,020	19,445	35,444	62,995	(44)%
General revenues:							
Property taxes	667,757	616,491	-	-	667,757	616,491	8%
Other taxes	23,050	24,627	-	-	23,050	24,627	(6)%
Aid from other governmental units	2,850	2,717	-	-	2,850	2,717	5%
Interest and investment earnings	47,079	(19,691)	7,674	2,917	54,753	(16,774)	426%
Other	18,137	25,494	-	-	18,137	25,494	(29)%
Total revenues	<u>2,034,357</u>	<u>1,828,443</u>	<u>743,981</u>	<u>693,090</u>	<u>2,778,338</u>	<u>2,521,533</u>	10%
Expenses:							
General government	125,462	154,917	-	-	125,462	154,917	(19)%
Public protection	790,315	632,221	-	-	790,315	632,221	25%
Public ways and facilities	45,517	26,374	-	-	45,517	26,374	73%
Health and sanitation services	262,930	225,779	-	-	262,930	225,779	16%
Public assistance	312,105	270,505	-	-	312,105	270,505	15%
Education	10,253	8,332	-	-	10,253	8,332	23%
Recreation	56	59	-	-	56	59	(5)%
Interest on long-term debt	5,052	1,445	-	-	5,052	1,445	250%
Medical System	-	-	605,157	530,961	605,157	530,961	14%
Department of Airports	-	-	9,024	6,557	9,024	6,557	38%
Waterworks - Water and Sewer	-	-	36,520	35,512	36,520	35,512	3%
Parks Department	-	-	6,794	5,732	6,794	5,732	19%
Channel Islands Harbor	-	-	10,514	9,785	10,514	9,785	7%
Health Care Plan	-	-	81,153	81,404	81,153	81,404	-%
Oak View District	-	-	285	299	285	299	(5)%
Total expenses	<u>1,551,690</u>	<u>1,319,632</u>	<u>749,447</u>	<u>670,250</u>	<u>2,301,137</u>	<u>1,989,882</u>	16%
Excess before transfers	482,667	508,811	(5,466)	22,840	477,201	531,651	(10)%
Transfers	<u>(34,252)</u>	<u>(34,126)</u>	<u>34,252</u>	<u>34,126</u>	<u>-</u>	<u>-</u>	0%
Change in net position	448,415	474,685	28,786	56,966	477,201	531,651	(10)%
Net position - beginning, as restated	<u>2,172,122</u>	<u>1,697,437</u>	<u>392,029</u>	<u>335,063</u>	<u>2,564,151</u>	<u>2,032,500</u>	26%
Net position - ending	<u>\$ 2,620,537</u>	<u>\$ 2,172,122</u>	<u>\$ 420,815</u>	<u>\$ 392,029</u>	<u>\$ 3,041,352</u>	<u>\$ 2,564,151</u>	19%

**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 \$448,415,000, accounting for 94 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 11 percent from the prior year.

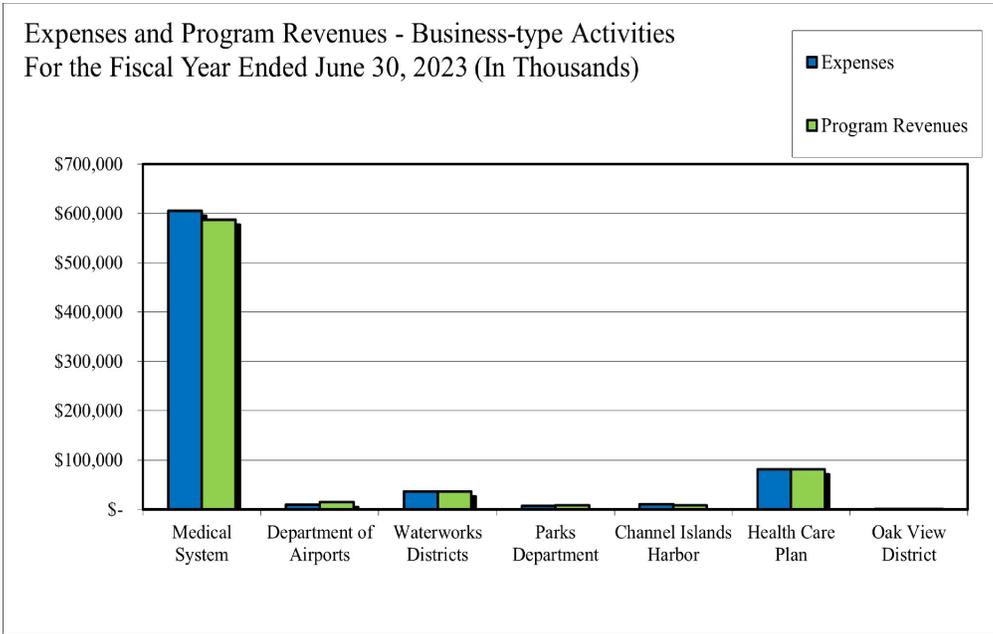
- Operating grants and contributions are revenues earned from entities outside of the County, primarily state and federal agencies, and are generally restricted to one or more specific programs. In 2022-23, the County reported \$952,986,000 in operating grants and contributions, which comprised 75 percent of the total program revenues in the current year. Operating grants and contributions increased by \$114,467,000 from the prior year, primarily in public protection due to the recognition of SLFRF funding for lost revenue. Operating grants and contributions represent the largest revenue source for governmental activities. The public protection, public assistance, and health and sanitation services functions received 95 percent of this funding source in fiscal year 2022-23.

**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 \$136,348,000, or 46 percent, of the total of \$296,074,000. 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 23 percent of total program revenues in 2022-23, decreasing 2 percent from the prior year.
- Capital grants and contributions of \$26,424,000 represented the smallest source of program revenues in 2022-23 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 \$667,757,000 reported in 2022-23, increased by 8 percent from 2021-22.

Expenses. Total program expenses for governmental activities were \$1,551,690,000 for the current fiscal year as compared to \$1,319,632,000 for the prior fiscal year, a decrease of 18 percent. Public protection at \$790,315,000 accounted for 51 percent of total expenses for governmental activities. Public assistance expenses were \$312,105,000, or 20 percent, followed by health and sanitation services at \$262,930,000, or 17 percent, general government at \$125,462,000, or 8 percent, and various other costs of \$60,878,000, or 4 percent, of total expenses. Expenses increased in most of the functions primarily due to increases in salaries and benefits along with inflation in the costs of goods and services.

Business-type activities. Business-type activities increased the County’s net position in the current period by \$28,786,000, or 6 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, 95 percent, or \$696,692,000, of total program revenues were generated from charges for services, as compared to the prior year's 95 percent, or \$652,472,000. The Medical System accounted for 80 percent of total program revenues for business-type activities at \$587,477,000 and the Health Care Plan accounted for 11 percent of total program revenues, a decrease of one percent compared to the prior year. The Waterworks Districts' combined water and sewer activities generated 5 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 \$749,447,000 in 2022-23 compared to \$670,250,000 in 2021-22, representing an increase of 12 percent. About 81 percent of total expenses, or \$605,157,000, 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 5 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 \$26,617,000.

The Medical System salaries and benefits increased \$35,503,000 or 14 percent compared to fiscal year 2021-22. The increase included salary and benefit rate increases, State Healthcare Worker Retention bonuses, the transition of Health Care Agency administration salaries, and filling vacancies in Ambulatory Care staffing. The increase in salaries and benefits was offset by a favorable pension actuarial valuation. The Medical System services and supplies had an increase of \$34,600,000 in fiscal year 2022-23, primarily due to an increase in registry costs needed to cover vacancies in nursing positions and other positions critical to meeting patient care needs.

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, Watershed Protection District, and the Fire Protection District.

At June 30, 2023, the County's governmental funds reported total fund balances of \$1,341,675,000, an increase of \$291,054,000 from the prior year. Approximately \$185,726,000 or 14 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 86 percent or \$1,155,949,000 is available to meet the County's current and future needs.

Revenues for governmental funds totaled \$2,032,952,000 in the year ended June 30, 2023, representing an increase of about 12 percent from the fiscal year ended June 30, 2022. This was primarily attributable to an increase in aid from other governmental units, taxes, and revenues from use of money and property. Expenditures, at \$1,709,123,000, increased 5 percent when compared to the fiscal year ended June 30, 2022, with increases primarily in public protection, health and sanitation services, public ways and facilities, and public assistance, offset by a decrease in general government.

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

GENERAL FUND

The General Fund is the primary operating fund of the County. At June 30, 2023, the General Fund's total fund balance was \$870,180,000, increasing \$248,062,000 from the prior year, as restated. The nonspendable portion of fund balance was \$182,636,000 and the spendable portion was \$687,544,000. 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 72 percent of total General Fund expenditures while spendable fund balance equates to 57 percent. Of the General Fund spendable fund balance, \$288,211,000, or 42 percent, is restricted, and \$10,447,000, or 2 percent, is committed.

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, 2023, of \$118,425,000, increased 13 percent or \$13,970,000 from the prior year. Restricted fund balance of \$113,204,000 accounted for 96 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, 2023, the Fire Protection District's total fund balance was \$168,473,000, an increase of \$20,576,000 from the prior year. Fund balance included a nonspendable portion of \$1,931,000. Restricted fund balance totaled \$162,163,000, or 96 percent, with the remaining \$4,379,000 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 \$8,446,000 or by 5 percent. In fiscal year 2022-23, the Roads fund was reclassified from a major fund to a non-major fund, so its balance is included in the calculations for non-major governmental funds for this comparison. The increase was primarily attributable to General Fund contributions for the Ventura County Integrated Justice Information System (VCIJIS) capital project fund offset by decreases to the Mental Health Services Act and Roads special revenue funds.

Additional information on fund balances is provided in Note 13 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, 2023 and 2022
(In Thousands)

	<u>Revenues and Other Financing Sources</u>		<u>Expenditures and Other Financing Uses</u>		<u>Net Change in Fund Balances</u>		Increase (Decrease) Change
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
General Fund	\$ 1,544,168	\$ 1,348,025	\$ 1,296,106	\$ 1,237,986	\$ 248,062	\$ 110,039	\$ 138,023
Roads*	-	43,046	-	38,114	-	4,932	(4,932)
Watershed Protection District	49,147	48,735	35,177	37,858	13,970	10,877	3,093
Fire Protection District	239,319	218,617	218,743	199,145	20,576	19,472	1,104
Non-major funds	<u>253,091</u>	<u>185,838</u>	<u>244,645</u>	<u>180,260</u>	<u>8,446</u>	<u>5,578</u>	<u>2,868</u>
Total	<u>\$ 2,085,725</u>	<u>\$ 1,844,261</u>	<u>\$ 1,794,671</u>	<u>\$ 1,693,363</u>	<u>\$ 291,054</u>	<u>\$ 150,898</u>	<u>\$ 140,156</u>

*Roads fund was reclassified to non-major funds in fiscal year 2022-23.

GENERAL FUND

Taxes, aid from other governmental units, and charges for services comprise 94 percent of total revenues. Taxes increased by \$34,108,000, or 8 percent, while aid from other governmental units increased \$131,782,000, primarily due to the recognition of SLFRF funding. Revenue from use of money increased by \$32,330,000, based on an increase interest rates and investment earnings. The remaining revenue classifications had a slight net increase of \$3,968,000.

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

WATERSHED PROTECTION DISTRICT

Fund balance increased by \$13,970,000 in 2022-23, compared with an increase in the prior fiscal year of \$10,877,000. Revenues and other financing sources in 2022-23 of \$49,147,000, were greater than revenues and other financing sources in 2021-22 by \$412,000, primarily from increases in taxes and revenues from use of money and property which offset reductions in aid from other governments. Expenditures and other financing uses in 2022-23 of \$35,177,000, increased by \$2,681,000, when compared with the prior year, primarily due to inflation in the costs of goods and services.

FIRE PROTECTION DISTRICT

The District's fund balance increased by \$20,576,000, compared to an increase of \$19,472,000, in 2021-22. Revenues and other financing sources at June 30, 2023, totaled \$239,319,000, an increase of \$20,702,000 from the prior fiscal year, primarily from an increase in taxes and aid from other governments for the reimbursement of capital outlay. This was offset by a decrease in charges for services based on a reduction of services provided during the fire season. Expenditures and other financing uses were \$218,743,000, increasing by \$19,598,000, when compared to 2021-22, primarily due to an increase in capital outlay for equipment upgrades including the replacement of radios and fire station construction projects.

NON-MAJOR GOVERNMENTAL FUNDS

Fund balances at June 30, 2023, increased by \$8,446,000, compared to the prior year increase of \$10,510,000, which includes the reclassified Roads fund to non-major governmental funds. The increase was primarily attributable to General Fund contributions for the Ventura County Integrated Justice Information System (VCIJIS) capital project 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, 2023
(In Thousands)

	<u>Major Funds</u>				<u>Total</u>
	<u>Medical System</u>	<u>Department of Airports</u>	<u>Waterworks Districts</u>	<u>Non-major Funds</u>	
Operating revenues	\$ 559,431	\$ 7,431	\$ 31,147	\$ 96,941	\$ 694,950
Operating expenses	(596,395)	(9,010)	(35,682)	(98,831)	(739,918)
Operating loss	(36,964)	(1,579)	(4,535)	(1,890)	(44,968)
Non-operating revenues (expenses) and capital grants and contributions, net	20,308	8,556	5,795	5,914	40,573
Income (loss) before transfers	(16,656)	6,977	1,260	4,024	(4,395)
Transfers	34,017	(50)	(888)	1,173	34,252
Change in net position	17,361	6,927	372	5,197	29,857
Net position - beginning	107,144	73,595	147,504	60,926	389,169
Net position - ending	<u>\$ 124,505</u>	<u>\$ 80,522</u>	<u>\$ 147,876</u>	<u>\$ 66,123</u>	<u>\$ 419,026</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, 2022
(In Thousands)

	Major Funds				Total
	Medical System	Department of Airports	Waterworks Districts	Non-major Funds	
Operating revenues	\$ 507,256	\$ 6,688	\$ 39,447	\$ 98,985	\$ 652,376
Operating expenses	(522,763)	(6,651)	(36,384)	(96,579)	(662,377)
Operating income (loss)	(15,507)	37	3,063	2,406	(10,001)
Non-operating revenues (expenses) and capital grants and contributions, net	9,286	14,040	4,465	1,043	28,834
Income (loss) before transfers	(6,221)	14,077	7,528	3,449	18,833
Transfers	32,965	(46)	(43)	1,250	34,126
Change in net position	26,744	14,031	7,485	4,699	52,959
Net position - beginning	80,164	59,564	140,019	55,931	335,678
Prior period adjustment	236	-	-	296	532
Net position - beginning, as restated	80,400	59,564	140,019	56,227	336,210
Net position - ending	<u>\$ 107,144</u>	<u>\$ 73,595</u>	<u>\$ 147,504</u>	<u>\$ 60,926</u>	<u>\$ 389,169</u>

The net loss before transfers of \$4,395,000 for all enterprise funds resulted primarily from the Medical System and offset by the Department of Airports. Net transfers of \$34,017,000 to the Medical System from the General Fund were up from \$32,965,000 in the prior year.

The Medical System's net position increased \$17,361,000 for the year. Operating revenues increased \$52,175,000, or 10 percent, and operating expenses increased \$73,632,000, a 14 percent increase from fiscal year 2021-22, resulting in an operating loss of \$36,964,000 compared to the prior year operating loss of \$15,507,000. Increase in operating loss is primarily due to an increase in registry costs needed to cover vacancies in nursing positions and other critical positions. The increase in operating revenues was primarily attributable to an increase in supplemental funding.

The change in net position for all other enterprise funds except for the Medical System totaled an increase of \$12,496,000, compared to an increase of \$26,215,000 in fiscal year 2021-22. Operating revenues and expenses were \$135,519,000 and \$143,523,000, respectively, decreasing by 7 percent and increasing 3 percent, respectively, from the prior year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget, June 30, 2023

Appropriations for the General Fund final budget, including transfers out, exceeded the original budget by \$253,077,000. 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. Approximately \$18,754,000 was transferred in 2022-23. Services and supplies increased by \$55,271,000, primarily in general government. Capital outlay increased by \$87,189,000 for required maintenance projects that were reclassified from services and supplies, right-to-use assets (leases and subscriptions), and other projects approved during the year, which predominately includes fiscal recovery projects. Appropriations for transfers out increased by \$60,540,000. Approximately \$7,846,000 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, 2023

The final budget appropriations for the General Fund exceeded actual expenditures, including transfers out, by \$332,708,000, while the final budget estimated revenues were more than actual revenues, including other financing sources, by \$49,849,000. The largest component of excess appropriations over expenditures was \$126,461,000 for services and supplies, primarily in general government and health and sanitation services. Unexpended appropriations for services and supplies and capital outlay of \$61,078,000 were encumbered for expenditure in 2023-24. The largest revenue shortfall in comparison with the final budget was in aid from other governmental units in the amount of \$54,429,000, primarily due to the budgeting of multiyear grants.

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, 2023, amounted to \$3,286,841,000 at cost or \$2,087,559,000 net of accumulated depreciation. This investment in capital assets includes land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, infrastructure, and right-to-use lease and subscription assets. The total increase in the County's investment in capital assets net of accumulated depreciation for the current period was 3 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
	2023	2022, as restated	2023	2022, as restated	2023	2022, as restated	
Land	\$ 53,053	\$ 53,088	\$ 23,188	\$ 22,958	\$ 76,241	\$ 76,046	0%
Easements	200,451	200,451	1,297	1,297	201,748	201,748	0%
Construction in progress	212,562	174,192	86,693	62,918	299,255	237,110	26%
Land improvements	58,524	58,524	84,490	84,490	143,014	143,014	-%
Structures and improvements	617,371	604,654	686,651	682,617	1,304,022	1,287,271	1%
Equipment	173,964	148,000	89,195	85,214	263,159	233,214	13%
Vehicles	142,080	129,798	1,083	1,083	143,163	130,881	9%
Software	85,558	84,627	53,859	53,860	139,417	138,487	1%
Infrastructure	609,118	608,907	-	-	609,118	608,907	-%
Right-to-use lease structures and improvements	48,272	42,903	21,992	17,973	70,264	60,876	15%
Right-to-use lease equipment	6,518	6,518	5,559	5,261	12,077	11,779	3%
Right-to-use subscription assets	20,655	18,957	4,708	2,749	25,363	21,706	17%
Less accumulated depreciation and amortization	<u>(772,861)</u>	<u>(717,844)</u>	<u>(426,421)</u>	<u>(393,240)</u>	<u>(1,199,282)</u>	<u>(1,111,084)</u>	8%
Total capital assets	<u>\$ 1,455,265</u>	<u>\$ 1,412,775</u>	<u>\$ 632,294</u>	<u>\$ 627,180</u>	<u>\$ 2,087,559</u>	<u>\$ 2,039,955</u>	2%

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

Construction in progress had a net increase of \$62,145,000. Additions totaling \$90,278,000 included General Fund projects \$15,189,000, Fire Protection District projects \$13,177,000, Todd Road Expansion project \$13,172,000, Medical Center and Clinic improvements \$12,039,000, Waterworks projects \$7,895,000, Roads projects \$6,541,000, Airports projects \$5,107,000, Watershed Protection District projects \$3,087,000, Information Technology Network projects \$2,602,000, Harbor projects \$2,423,000, Parks projects \$1,639,000, VCIJIS project \$1,510,000, Library projects \$1,000,000, and various other projects \$4,897,000. Construction in progress was reduced by \$28,133,000, including transfers of completed projects of \$25,525,000 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, 2023, the County had total debt outstanding of \$374,545,000, excludes compensated absences and other liabilities. The following table summarizes the categories of debt. During the year, retirement of debt amounted to \$37,603,000 and additions amounted to \$14,012,000. The following table summarizes the debt outstanding balances at June 30, 2023 and 2022 (in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022, as restated</u>	<u>2023</u>	<u>2022, as restated</u>	<u>2023</u>	<u>2022, as restated</u>
Certificates of participation and lease revenue bonds	\$ 16,561	\$ 20,520	\$ 275,910	\$ 287,875	\$ 292,471	\$ 308,395
Revolving credit agreement notes from direct borrowings	19,221	19,947	3,579	3,954	22,800	23,901
Loans payable from direct borrowings	6,589	6,903	3,445	3,705	10,034	10,608
Equipment finance purchase	-	-	-	428	-	428
Structure and improvement leases	31,100	34,061	12,565	13,654	43,665	47,715
Equipment leases	4,642	5,584	933	1,505	5,575	7,089
Total	<u>\$ 78,113</u>	<u>\$ 87,015</u>	<u>\$ 296,432</u>	<u>\$ 311,121</u>	<u>\$ 374,545</u>	<u>\$ 398,136</u>

For the fiscal year 2022-23, County debt limit is determined by statute at 1.25 percent of total assessed valuation or approximately \$2,127,357,000. The County's general obligation bonded debt subject to the debt limit is \$0, which is under the debt limit by \$2,127,357,000.

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, 2022, the County issued \$87,000,000 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. On June 30, 2023, the maturity date of the notes, the outstanding balance was paid with interest, leaving a balance of \$0 at June 30, 2023.

Additional information on long-term debt activity is provided in Note 11 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 2023-24 adopted budget for all County funds totals \$2,856,940,000, an increase of 6.0 percent when compared to the prior year. The General Fund 2023-24 budget of \$1,346,966,000 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 7.3 percent for the 2023-24 fiscal year when compared with 2022-23. Property tax revenues were budgeted with an increase of 3.0 percent.
- The 2023-24 budget includes an increase of 89.3 full-time equivalent position allocations as compared to prior year. In general, increases in appropriations are the result of negotiated salary increases, merit increases, and increased position allocations.

Additional information is provided in Notes 21 and 22 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.