

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, 2025. 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 2024-25 fiscal year by \$3,542,673,000 (*net position*). Of this amount, \$880,389,000 is restricted for specific purposes (*restricted net position*), \$1,893,793,000 is the *net investment in capital assets*, and the remaining portion of \$768,491,000 is *unrestricted net position*.

The government's total net position increased by \$156,182,000 during fiscal year 2024-25 due to increases in both governmental and business-type activities. Restricted net position increased by \$95,448,000, while unrestricted net position decreased by \$44,203,000, primarily due to the recognition of the net Other Postemployment Benefits (OPEB) liability for the new Retiree Medical Expense Reimbursement Plan (RMERP). Net investment in capital assets increased by \$93,742,000. 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. Beginning net position was restated due to the implementation of a new accounting standard related to compensated absences. Additional information is available on the prior period adjustment in Note 2 to the Basic Financial Statements.

As of June 30, 2025, the County governmental funds reported combined fund balances of \$1,670,381,000, an increase of \$179,429,000 in comparison with the prior year.

At the end of the fiscal year, unassigned General Fund fund balance was \$43,536,000, or 3 percent of total General Fund expenditures, reflecting a decrease of \$9,484,000 from the prior fiscal year balance.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

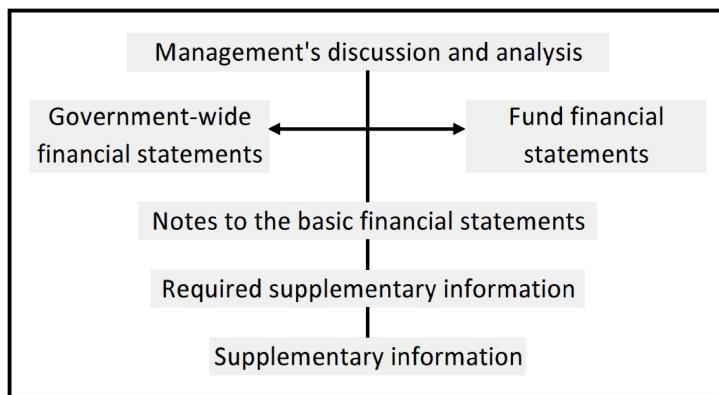
The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components:

- 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 and other postemployment benefits (OPEB), 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. 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. An example is the Fire 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 39 - 41 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 two major governmental funds: the General Fund and the Fire Protection District. There are two major enterprise funds: Medical System 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 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 42 - 45 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 in 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 46 - 49 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 and OPEB, investment, private-purpose trusts, and custodial funds.

The fiduciary funds financial statements can be found on pages 50 - 51 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 53 - 131 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 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, 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, and the County's Retiree Medical Expense Reimbursement Plan (RMERP) 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 the 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:

https://vcportal.venturacounty.gov/auditor/docs/financial-reports/FY25_BudgetToActual.pdf

Required supplementary information can be found on pages 134 - 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 - 217 of this report.

Statistical Information is provided beginning on page 219 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 \$3,542,673,000.

A summary of net position is as follows:

Summary of Net Position June 30, 2025 and 2024 (In Thousands)							
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2025	2024	2025	2024	2025	2024	
Assets:							
Current and other assets	\$ 2,607,881	\$ 2,503,182	\$ 316,900	\$ 313,155	\$ 2,924,781	\$ 2,816,337	4%
Capital assets	<u>1,607,738</u>	<u>1,527,858</u>	<u>665,713</u>	<u>650,925</u>	<u>2,273,451</u>	<u>2,178,783</u>	4%
Total assets	<u>4,215,619</u>	<u>4,031,040</u>	<u>982,613</u>	<u>964,080</u>	<u>5,198,232</u>	<u>4,995,120</u>	4%
Total deferred outflows of resources	530,578	268,983	112,317	46,464	642,895	315,447	104%
Liabilities:							
Current and other liabilities	349,362	425,745	125,064	118,863	474,426	544,608	(13)%
Long-term liabilities	<u>1,020,879</u>	<u>797,591</u>	<u>393,069</u>	<u>357,289</u>	<u>1,413,948</u>	<u>1,154,880</u>	22%
Total liabilities	<u>1,370,241</u>	<u>1,223,336</u>	<u>518,133</u>	<u>476,152</u>	<u>1,888,374</u>	<u>1,699,488</u>	11%
Total deferred inflows of resources	265,228	103,073	144,852	110,320	410,080	213,393	92%
Net position:							
Net investment in capital assets	1,505,248	1,433,703	388,545	366,348	1,893,793	1,800,051	5%
Restricted	<u>877,973</u>	<u>782,615</u>	<u>2,416</u>	<u>2,326</u>	<u>880,389</u>	<u>784,941</u>	12%
Unrestricted	<u>727,507</u>	<u>757,296</u>	<u>40,984</u>	<u>55,398</u>	<u>768,491</u>	<u>812,694</u>	(5)%
Total net position,	<u>\$ 3,110,728</u>	<u>\$ 2,973,614</u>	<u>\$ 431,945</u>	<u>\$ 424,072</u>	<u>\$ 3,542,673</u>	<u>\$ 3,397,686</u>	4%

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

A significant component of the County's net position totaling \$1,893,793,000 (53 percent), reflects the County's net investment in capital assets: land, easements, development 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 \$880,389,000 (25 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, certain 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 \$768,491,000 (22 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 \$156,182,000. The change in net position for governmental and business-type activities was \$147,037,000 and \$9,145,000, respectively. Please refer to the Statistical section for a 10-year trend of changes in net position.

General revenues for governmental activities increased by \$48,753,000, driven primarily by higher investment earnings resulting from increased market rates of return and growth in property tax revenues due to rising assessed property values. Program revenues decreased by \$33,973,000, primarily due to a reduction in operating grants and contributions, largely attributable to the recognition of the opioid settlement in the prior year. Total expenses increased by \$217,378,000, or 12 percent, primarily due to inflation in the costs of goods and services as well as increases in salaries and benefits due to general salary increases.

The current period increase in net position is attributable to business-type activities primarily resulted from an increase in the Medical System. Program revenues increased by \$87,865,000, or 11 percent, primarily due to increased charges for services by the Medical System. Business-type expenses increased by \$86,388,000, primarily in the Medical System due to an increase in salaries and benefits and medical supplies and services. Additional information is provided on pages 33-34 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 increased by \$103,614,000, or 4 percent, with increases primarily through charges for services, property taxes, and interest and investment earnings of \$146,559,000, \$36,354,000, and \$13,530,000, respectively. The increase was offset by a decrease in grants and contributions of \$101,692,000. 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, 2025 and 2024
(In Thousands)

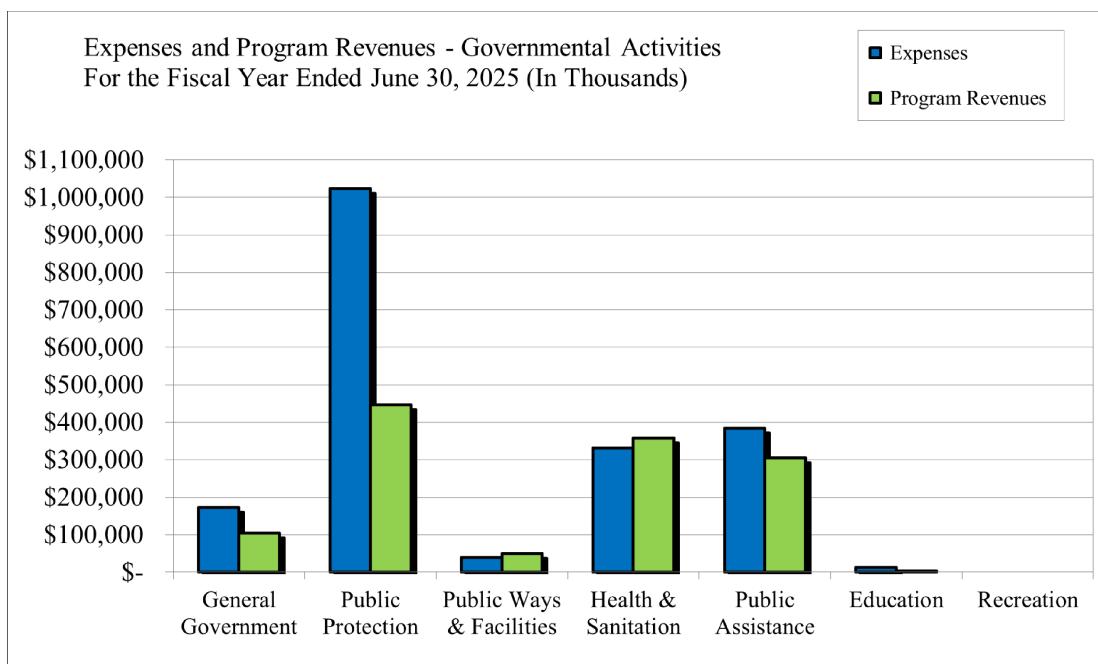
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2025	2024	2025	2024	2025	2024	
Revenues:							
Program revenues:							
Charges for services	\$ 383,437	\$ 330,593	\$ 842,783	\$ 749,068	\$ 1,226,220	\$ 1,079,661	14%
Operating grants and contributions	865,846	965,418	14,867	16,987	880,713	982,405	(10)%
Capital grants and contributions	15,661	2,906	9,510	13,240	25,171	16,146	56%
General revenues:							
Property taxes	746,976	710,622	-	-	746,976	710,622	5%
Other taxes	29,073	25,331	-	-	29,073	25,331	15%
Aid from other governmental units	2,710	2,720	-	-	2,710	2,720	-%
Interest and investment earnings	93,468	80,907	10,704	9,735	104,172	90,642	15%
Other	12,828	16,722	-	-	12,828	16,722	(23)%
Total revenues	<u>2,149,999</u>	<u>2,135,219</u>	<u>877,864</u>	<u>789,030</u>	<u>3,027,863</u>	<u>2,924,249</u>	4%
Expenses:							
General government	173,035	142,519	-	-	173,035	142,519	21%
Public protection	1,022,944	880,463	-	-	1,022,944	880,463	16%
Public ways and facilities	39,533	40,183	-	-	39,533	40,183	(2)%
Health and sanitation services	331,316	307,572	-	-	331,316	307,572	8%
Public assistance	384,013	358,590	-	-	384,013	358,590	7%
Education	12,765	13,002	-	-	12,765	13,002	(2)%
Recreation	6	4	-	-	6	4	50%
Interest on long-term debt	3,853	7,754	-	-	3,853	7,754	(50)%
Medical System	-	-	736,792	666,799	736,792	666,799	10%
Department of Airports	-	-	11,601	10,763	11,601	10,763	8%
Waterworks - Water and Sewer	-	-	46,378	38,306	46,378	38,306	21%
Parks Department	-	-	7,342	7,345	7,342	7,345	-%
Channel Islands Harbor	-	-	11,408	10,625	11,408	10,625	7%
Health Care Plan	-	-	90,357	83,682	90,357	83,682	8%
Oak View District	-	-	338	308	338	308	10%
Total expenses	<u>1,967,465</u>	<u>1,750,087</u>	<u>904,216</u>	<u>817,828</u>	<u>2,871,681</u>	<u>2,567,915</u>	12%
Excess (deficiency) before transfers	182,534	385,132	(26,352)	(28,798)	156,182	356,334	(56)%
Transfers	(35,497)	(32,055)	35,497	32,055	-	-	-%
Change in net position	<u>147,037</u>	<u>353,077</u>	<u>9,145</u>	<u>3,257</u>	<u>156,182</u>	<u>356,334</u>	(56)%
Net position - beginning, as previously reported	2,973,614	2,620,537	424,072	420,815	3,397,686	3,041,352	12%
Adjustment - change in accounting principle	(9,923)	-	(1,272)	-	(11,195)	-	-%
Net position - beginning, as restated*	<u>2,963,691</u>	<u>2,620,537</u>	<u>422,800</u>	<u>420,815</u>	<u>3,386,491</u>	<u>3,041,352</u>	11%
Net position - ending	<u><u>\$ 3,110,728</u></u>	<u><u>\$ 2,973,614</u></u>	<u><u>\$ 431,945</u></u>	<u><u>\$ 424,072</u></u>	<u><u>\$ 3,542,673</u></u>	<u><u>\$ 3,397,686</u></u>	4%

*Net position beginning balances for fiscal year 2025 reflect a prior period adjustment as a result of implementing GASB Statement No. 101.

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 \$147,037,000, 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 1 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 2024-25, the County reported \$865,846,000 in operating grants and contributions, which comprised 68 percent of the total program revenues in the current year. Operating grants and contributions decreased by \$99,572,000 from the prior year, primarily in health and sanitation services due to decrease in the recognition of the National Opioid Settlement revenue and the timing of funding based on the availability period. Operating grants and contributions represent the largest revenue source for governmental activities. The public protection, public assistance, and health and sanitation services functions received 92 percent of this funding source in fiscal year 2024-25.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

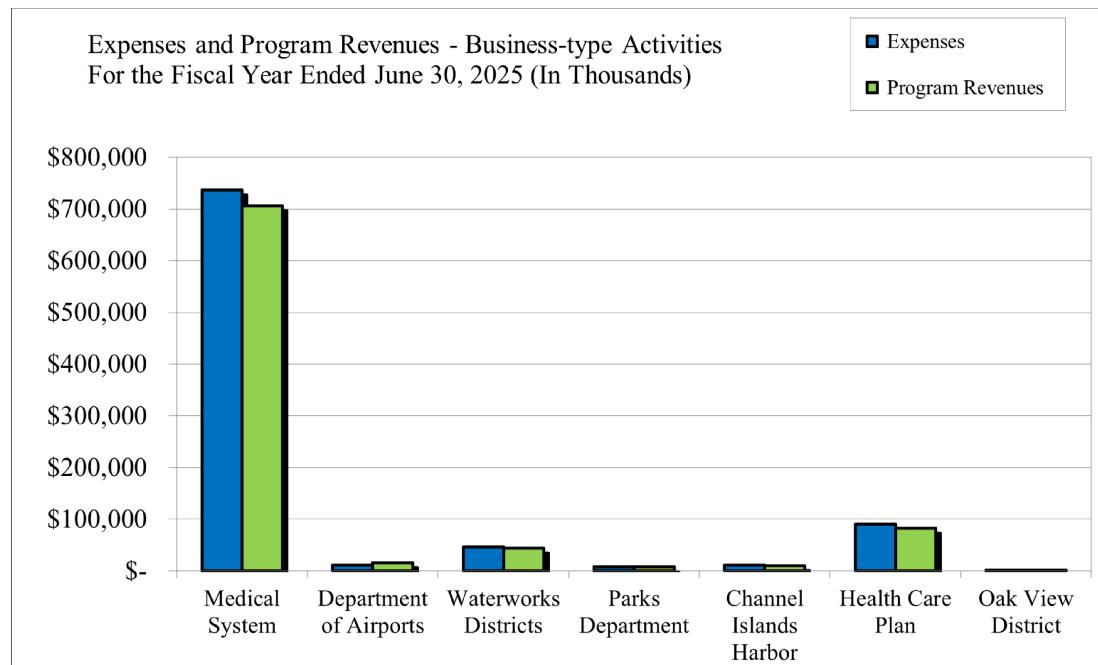
Charges for services are revenues earned from providing goods, services, or privileges to external customers. Fines, forfeitures, and penalties and licenses, permits, and franchises are also reported as charges for services. Public protection generated \$158,459,000, or 41 percent, of the total of \$383,437,000. 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. Charges for services provided 30 percent of total program revenues in 2024-25, increasing 16 percent from the prior year.

Capital grants and contributions of \$15,661,000 represented the smallest source of program revenues in 2024-25 at 1.2 percent of total program revenues. Revenue for capital grants and contributions increased by \$12,755,000 mainly due to receiving the final reimbursement for the Todd Road Jail construction project and funding for road construction from Caltrans.

General revenue for governmental activities primarily consisted of taxes. Property tax revenue, the largest source of general revenue with \$746,976,000 reported in 2024-25, increased by 5 percent from 2024-25 due to continued increase in assessed property tax values driven by the limited housing supply in the County.

Expenses. Total program expenses for governmental activities were \$1,967,465,000 for the current fiscal year as compared to \$1,750,087,000 for the prior fiscal year, an increase of 12 percent. Public protection at \$1,022,944,000 accounted for 52 percent of total expenses for governmental activities. Public assistance expenses were \$384,013,000, or 20 percent, followed by health and sanitation services at \$331,316,000, or 17 percent, general government at \$173,035,000, or 9 percent, and various other costs of \$56,157,000, or 3 percent, of total expenses. Expenses increased across most functions, primarily due to higher salaries and benefits resulting from general salary increases and the recognition of a new RMRP OPEB expense, which was partially offset by cost savings from pension-related activity. In addition, broader economic factors, including inflation, contributed to higher costs for goods and services.

Business-type activities. Business-type activities increased the County's net position in the current period by \$9,145,000, 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 two major business-type activities: the Medical System (hospitals and clinics) 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, 97 percent, or \$842,783,000, of total program revenues were generated from charges for services, as compared to the prior year's 96 percent, or \$749,068,000. The Medical System accounted for 81 percent of total program revenues for business-type activities at \$706,439,000 and the Health Care Plan accounted for 10 percent of total program revenues, an equal percentage when 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 \$904,216,000 in 2024-25 compared to \$817,828,000 in 2023-24, representing an increase of 11 percent. About 82 percent of total expenses, or \$736,792,000, were incurred by the Medical System. The Health Care Plan accounted for 10 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 \$30,689,000.

The Medical System salaries and benefits increased \$49,908,000 or 16 percent compared to fiscal year 2023-24. Over half of the increase is due to the \$25,599,000 RMRP OPEB expense adjustment, which was new in fiscal year 2024-25 and had no comparable amount in the prior year. The remaining \$24,309,000 increase is due, in large part, to salary and benefit rate increases and filling vacancies. The Medical System services and supplies had an increase of \$8,061,000 or less than three percent in fiscal year 2024-25, primarily due to increases in pharmaceuticals, medical and laboratory supplies, and professional medical services as a result of both increased patient volumes and overall increased rates totaling \$12,748,000, increased County cost allocation plan charges of \$1,420,000, offset by decreases in other professional services of \$3,197,000, and decreased minor equipment, building and improvement maintenance costs and building leases and rentals totaling \$4,725,000.

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 and the Fire Protection District.

At June 30, 2025, the County's governmental funds reported total fund balances of \$1,670,381,000, an increase of \$179,429,000 from the prior year. Approximately \$263,593,000 or 16 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 84 percent or \$1,406,788,000 is available to meet the County's current and future needs.

Revenues for governmental funds totaled \$2,167,947,000 for the year ended June 30, 2025, increased by \$121,803,000 compared to the fiscal year ended June 30, 2024. This was primarily attributable to an increase in property taxes and revenues from use of money and property, which increased due to greater investment rate of returns in the County Treasury Pool. Expenditures, at \$1,977,459,000, increased by \$116,787,000 or 6

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

percent when compared to the fiscal year ended June 30, 2024, with increases primarily in public protection, health and sanitation services, and public assistance. The increase in governmental fund expenditures is primarily due to rising costs from inflation and general salary increases.

GENERAL FUND

The General Fund is the primary operating fund of the County. At June 30, 2025, the General Fund's total fund balance was \$1,084,386,000, increasing \$120,080,000 or 12 percent from the prior year. The increase is mainly due to an increase in revenues from use of money and property, aid from other governmental units, and charges for services. The nonspendable portion of fund balance was \$260,459,000 and the spendable portion was \$823,927,000. 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 78 percent of total General Fund expenditures while spendable fund balance equates to 59 percent. Of the General Fund spendable fund balance, \$347,144,000, or 42 percent, is restricted, and \$12,088,000, or 1 percent, is committed.

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, 2025, the Fire Protection District's total fund balance was \$193,098,000, an increase of \$9,167,000 from the prior year. The increase was mainly due to an increase of \$16,390,000 in charges for services, primarily for reimbursements for emergency services, and a \$9,299,000 in taxes. Fund balance included a nonspendable portion of \$1,981,000. Restricted fund balance totaled \$191,117,000, or 99 percent.

NON-MAJOR GOVERNMENTAL FUNDS

As compared with the prior year, the total fund balances of the remaining governmental funds increased \$50,182,000 or by 15 percent. The increase is for the most part due to the Mental Health Service Act Fund for higher Medi-Cal revenue for services from of service increases to client volume and rate increases with due to the CalAIM Behavioral Health Payment Reform.

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, 2025 and 2024
(In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Increase (Decrease) Change
	2025	2024	2025	2024	2025	2024	
General Fund	\$ 1,569,516	\$ 1,512,609	\$ 1,449,436	\$ 1,418,537	\$ 120,080	\$ 94,072	\$ 26,008
Fire Protection District	277,668	254,513	268,501	239,055	9,167	15,458	(6,291)
Non-major funds	376,320	321,666	326,138	281,919	50,182	39,747	10,435
Total	\$ 2,223,504	\$ 2,088,788	\$ 2,044,075	\$ 1,939,511	\$ 179,429	\$ 149,277	\$ 30,152

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GENERAL FUND

Taxes, aid from other governmental units, and charges for services comprise 92 percent of total revenues. Taxes increased by \$28,676,000, or 6 percent, due to an increase in assessed property tax values. Aid from other governmental units slightly decreased by \$10,469,000. However, this decline was offset by an increase of \$10,784,000 in revenue generated from the use of money and property, driven by the increase rate of return from the County Treasury Pool. The remaining revenue classifications had a net decrease of \$36,225,000.

FIRE PROTECTION DISTRICT

The District's fund balance increased by \$9,167,000, compared to an increase of \$15,458,000, in 2023-24. Revenues and other financing sources at June 30, 2025, totaled \$277,668,000, an increase of \$23,155,000 from the prior fiscal year, primarily from an increase in taxes and charges for services. The increase in taxes is mainly due to an increase in assessed property tax values in County. While the increase in charges for services is due to an increase in emergency service reimbursements from an increase in incidents. Expenditures were \$268,501,000, increasing by \$29,446,000, when compared to 2023-24, primarily due to an increase in salaries and benefits from general salary increases and increase in overtime due to an increase in fire related incidents.

NON-MAJOR GOVERNMENTAL FUNDS

Fund balances at June 30, 2025, increased by \$50,182,000, compared to the prior year increase of \$39,747,000. Revenue and other financing sources increased by \$54,654,000, which was mainly due to an \$24,972,000 increase in aid from other governmental units and a \$23,368,000 increase for charges for services.

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, 2025

(In Thousands)

	Major Funds			
	Medical System	Waterworks Districts	Non-major Funds	Total
Operating revenues	\$ 689,129	\$ 43,156	\$ 107,684	\$ 839,969
Operating expenses	(714,830)	(45,153)	(121,020)	(881,003)
Operating loss	(25,701)	(1,997)	(13,336)	(41,034)
Non-operating revenues (expenses) and capital grants and contributions, net	(910)	1,888	16,555	17,533
Income (loss) before transfers	(26,611)	(109)	3,219	(23,501)
Transfers	34,453	(65)	1,109	35,497
Change in net position	7,842	(174)	4,328	11,996
Net position - beginning, as restated	109,506	150,114	161,249	420,869
Net position - ending	<u><u>\$ 117,348</u></u>	<u><u>\$ 149,940</u></u>	<u><u>\$ 165,577</u></u>	<u><u>\$ 432,865</u></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, 2024
(In Thousands)

	<u>Major Funds</u>			
	Medical System	Waterworks Districts	Non-major Funds	Total
Operating revenues	\$ 605,715	\$ 35,048	\$ 106,541	\$ 747,304
Operating expenses	(659,150)	(37,477)	(112,394)	(809,021)
Operating income (loss)	(53,435)	(2,429)	(5,853)	(61,717)
Non-operating revenues (expenses) and capital grants and contributions, net	11,641	2,855	18,281	32,777
Income (loss) before transfers	(41,794)	426	12,428	(28,940)
Transfers	27,899	1,812	2,344	32,055
Change in net position	(13,895)	2,238	14,772	3,115
Net position - beginning	124,505	147,876	146,645	419,026
Net position - ending	<u>\$ 110,610</u>	<u>\$ 150,114</u>	<u>\$ 161,417</u>	<u>\$ 422,141</u>

The net loss before transfers of \$23,501,000 for all enterprise funds resulted primarily from the Medical System. Net transfers of \$34,453,000 to the Medical System increased from \$27,899,000 in the prior year, primarily due to additional contributions from the General Fund to the Medical System to help offset the implementation of interest charges on their cash flow advance.

The Medical System's net position increased \$7,842,000 for the year. Operating revenues increased \$83,414,000, or 14 percent, and operating expenses increased \$55,680,000, an 8 percent increase from fiscal year 2023-24, resulting in an operating loss of \$25,701,000 compared to the prior year operating loss of \$53,435,000. The decrease in operating loss is attributable, in large part, to operating revenues growing more than operating expenses. Rate negotiations with payors and rate setting efforts on behalf of the clinics and increase in volumes contributed to a \$49,831,000 increase in claims-based reimbursement. A combined \$21,593,000 increase in Quality Incentive Program funding and Enhanced Payment Program funding earned during fiscal year 2024-25 also contributed to the increase in operating revenues.

The change in net position for all other enterprise funds except for the Medical System totaled an increase of \$4,154,000, compared to an increase of \$17,010,000 in fiscal year 2023-24. Operating revenues and expenses were \$150,840,000 and \$166,173,000, respectively, each representing an increase of 7 percent from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget, June 30, 2025

Appropriations for the General Fund final budget, including transfers out, exceeded the original budget by \$140,449,000. 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 \$18,808,000 was transferred in 2024-25. Services and supplies increased by \$55,831,000, primarily in general government. Capital outlay increased by \$46,218,000 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. Appropriations for transfers out increased by \$23,863,000. Approximately \$5,563,000 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, 2025

The final budget appropriations for the General Fund exceeded actual expenditures, including transfers out, by \$353,169,000, while the final budget estimated revenues were more than actual revenues, including other financing sources, by \$97,728,000. The largest component of excess appropriations over expenditures was \$149,817,000 for services and supplies, primarily in general government, public protection, and health and sanitation services. Unexpended appropriations for services and supplies and capital outlay of \$95,467,000 were encumbered for expenditure in 2025-26. The largest revenue shortfall in comparison with the final budget was in aid from other governmental units in the amount of \$120,116,000, 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, 2025, amounted to \$3,625,881,000 at cost or \$2,273,451,000 net of accumulated depreciation. This investment in capital assets includes land, easements, development 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 4 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
	2025	2024	2025	2024	2025	2024	
Land	\$ 55,090	\$ 53,743	\$ 23,188	\$ 23,188	\$ 78,278	\$ 76,931	2%
Easements	200,423	200,451	1,047	1,047	201,470	201,498	-%
Development in progress	212,848	169,157	110,845	108,048	323,693	277,205	17%
Land improvements	65,409	60,721	92,022	90,874	157,431	151,595	4%
Structures and improvements	730,731	717,021	703,889	682,383	1,434,620	1,399,404	3%
Equipment	200,821	181,776	102,176	99,096	302,997	280,872	8%
Vehicles	163,504	157,209	1,107	1,098	164,611	158,307	4%
Software	99,999	84,437	52,966	53,183	152,965	137,620	11%
Infrastructure	625,327	625,327	-	-	625,327	625,327	-%
Right-to-use lease structures and improvements	65,080	51,136	31,200	22,616	96,280	73,752	31%
Right-to-use lease equipment	7,485	6,518	656	2,314	8,141	8,832	(8)%
Right-to-use subscription assets	67,030	47,769	13,038	11,958	80,068	59,727	34%
Less accumulated depreciation and amortization	(886,009)	(827,407)	(466,421)	(444,880)	(1,352,430)	(1,272,287)	6%
Total capital assets	<u>\$ 1,607,738</u>	<u>\$ 1,527,858</u>	<u>\$ 665,713</u>	<u>\$ 650,925</u>	<u>\$ 2,273,451</u>	<u>\$ 2,178,783</u>	4%

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

Development in progress had a net increase of \$46,488,000. Additions totaling \$112,531,000 included General Fund projects \$21,432,000, Fire Protection District projects \$30,110,000, Airports projects \$11,065,000, Medical System projects \$8,853,000, Information Technology Network projects \$3,842,000, Waterworks projects \$3,258,000, Roads projects \$14,276,000, VCIJIS project \$5,023,000, Watershed Protection District projects \$8,632,000, Mental Health Services Act project \$1,127,000, Transportation Projects \$1,050,000, and various other projects \$3,863,000. Reductions to development in progress totaled \$66,043,000. Major projects placed in service included the Property Tax Assessment and Collection software \$16,609,000, VCMC Fainer Pediatric Wing \$12,564,000, and VCMC Heliport \$6,151,000.

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

As of June 30, 2025, the County had total debt outstanding of \$376,805,000, excluding compensated absences and other liabilities. The following table summarizes the categories of debt. During the year, retirement of debt amounted to \$52,697,000 and additions amounted to \$53,214,000. The following table summarizes the debt outstanding balances at June 30, 2025 and 2024 (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Certificates of participation and lease revenue bonds	\$ 8,643	\$ 12,498	\$ 251,207	\$ 263,800	\$ 259,850	\$ 276,298
Revolving credit agreement notes from direct borrowings	17,487	15,593	2,813	3,207	20,300	18,800
Loans payable from direct borrowings	5,941	6,268	3,092	3,269	9,033	9,537
Structure and improvement leases	28,742	26,020	11,131	7,828	39,873	33,848
Equipment leases	3,542	3,706	210	402	3,752	4,108
SBITA	<u>38,090</u>	<u>30,055</u>	<u>5,907</u>	<u>3,642</u>	<u>43,997</u>	<u>33,697</u>
Total	<u><u>\$ 102,445</u></u>	<u><u>\$ 94,140</u></u>	<u><u>\$ 274,360</u></u>	<u><u>\$ 282,148</u></u>	<u><u>\$ 376,805</u></u>	<u><u>\$ 376,288</u></u>

For the fiscal year 2024-25, County debt limit is determined by statute at 1.25 percent of total assessed valuation or approximately \$2,328,430,000. The County's general obligation bonded debt subject to the debt limit is \$0, which is under the debt limit by \$2,328,430,000.

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.

At June 30, 2025, the County did not issue a new Tax and Revenue Anticipation Notes (TRAN) to meet cash flow requirements for operational needs.

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 2025-26 adopted budget for all County funds totals \$3,228,910,000, an increase of 6.1 percent when compared to the prior year. The General Fund 2025-26 budget of \$1,502,300,000 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 4.2 percent for the 2025-26 fiscal year when compared with 2024-25. Property tax revenues were budgeted with an increase of 4.1 percent.

The 2025-26 budget includes an increase of 10 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.

Subsequent to year-end, House Resolution 1 (H.R.1) was signed into law on July 4, 2025. The County is exposed to changes in federal policy, as a substantial portion of Countywide revenue is derived from federal sources that support essential County services.

H.R.1 includes provisions affecting healthcare funding and Medi-Cal eligibility that may increase the number of uninsured or underinsured residents and increase demand for uncompensated care at the Ventura County Medical System (VCMS). In addition, the legislation may affect certain supplemental hospital funding mechanisms that are significant to VCMS operations. The timing and extent of these impacts remain uncertain and are subject to federal and state implementation guidance.

Management will continue to monitor developments and assess potential operational and financial impacts, including possible implications for General Fund support.

Additional information is provided in 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.venturacounty.gov

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.