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December 30, 2014

To the Citizens of Ventura County:

The Comprehensive Annual Financial Report (CAFR) of the County of Ventura (County) for the fiscal year ended June 30, 2014, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Vavrinek, Trine, Day & Co., LLP has issued an unmodified ("clean") opinion on the County of Ventura's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The County of Ventura (County), approved by the State Legislature on March 22, 1872, effective January 1, 1873, was created out of the southeasterly portion of Santa Barbara County and covers an area of 1,873 square miles. It is bordered on the north by Kern County, on the northwest by Santa Barbara County, on the east by Los Angeles County, and on the south and southwest by the Pacific Ocean along 42 miles of coastline. There are ten incorporated cities within its borders: Ventura, Ojai, Oxnard, Port Hueneme, Camarillo, Santa Paula, Fillmore, Thousand Oaks, Moorpark and Simi Valley with a combined population including the unincorporated area of 842,967. The largest employment segments comprising over 80 percent of the total employment distribution include service industries, retail, government, manufacturing, and agriculture and food production. With its mild climate, geographical diversity including beaches and pristine and rugged wilderness, year-round recreational and cultural opportunities, and a reputation as one of the safest populated areas in the country, the County is a popular tourist destination.

The County is a General Law County with policymaking, budget approval, and legislative authority, vested in a five-member Board of Supervisors. The supervisors are elected on a nonpartisan basis by geographic districts for four-year staggered terms. Two or three supervisors are elected in alternating two year elections. The Board appoints the County Executive Officer who generally appoints the non-elected department heads that are not otherwise appointed by law. The County's elected department heads are the Assessor, Auditor-Controller, Clerk and Recorder, District Attorney, Sheriff, and Treasurer-Tax Collector. An organization chart and a listing of elected and appointed department heads are provided in the introductory section of this report.

With 8,345 full-time employees in June 2014, the County provides a full range of services, including general government (administration, central services, elections, and plant acquisition), public protection, (law enforcement, fire protection, watershed protection, County portion of judicial, and detention), public ways and facilities (construction and maintenance of roads), health and sanitation (public, behavioral, and environmental health), public assistance, and education (libraries). In addition, enterprise funds account for the operations of the Medical Center, Health Care Plan, two airports, Channel Islands Harbor, Waterworks Districts (sanitation and water services), and Parks (recreational activities). The financial reporting entity includes all funds of the primary government (County of Ventura as legally defined), as well as all of its legally separate component units. The component units are reported as blended when they are in substance part of the primary government or discretely presented in a separate column on the government-wide financial statements to emphasize that they are legally separate from the primary government. Note 1 of the Notes to the Basic Financial Statements provides more information on the reporting entity.

As required by state law, the County adopts a final budget no later than August 20 each year, generally in June. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for governmental and proprietary funds. The legal level of budgetary control is maintained at the department/budget unit and object level of expenditures, except capital assets which are controlled at the sub-object level. Appropriation transfers between departments must be approved by the Board. Supplemental appropriations normally financed by unanticipated revenues during the year must also be approved by the Board. The Board has delegated authority to the County Executive Officer to approve appropriation transfers between object levels within the same budget unit.

Unencumbered and unexpended appropriations lapse at the end of each fiscal year and become available to finance the next year's budget. Encumbered appropriations are reappropriated in the next year's budget. Encumbrances outstanding at year-end are included in restricted, committed, or assigned fund balance in the governmental funds.

### **Local Economy**

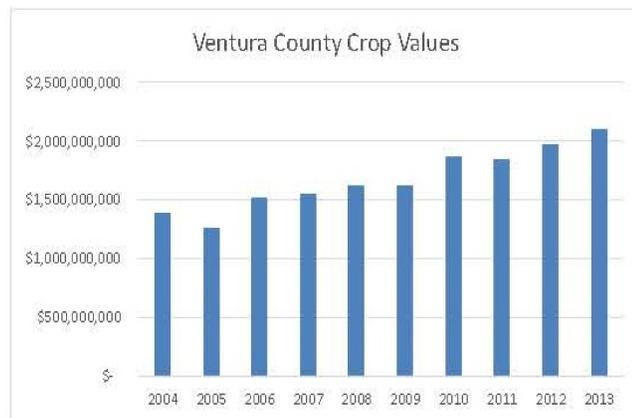
Historically, Ventura County has been closely allied with the economy of Southern California, and, for the calendar year 2014, the growth was slow but consistent. The County's traditional economic strength in agriculture, food processing, and mineral production is supplemented by the prominence of the service industry, small manufacturing businesses, the electronics industry, tourism, the biotechnology giant, Amgen, and the military presence of the Naval Base Ventura County at Port Hueneme and Point Mugu.

• **Commercial and Agricultural Activity**

Retail sales throughout the County continued an upward trend for the fourth year in a row, posting a 4.6 percent increase in 2013 compared to the year before. Taxable sales in 2013 were \$12.8 billion, topping the prior high in 2007 of \$12.7 billion.

The Port of Hueneme, a critical hub in Southern California, realized its highest year for international freight in its 77 year history and its second highest year for combined domestic and international freight. The total tonnage for fiscal year 2013-14 was 1,423,894 metric tons, which was less than a 1 percent decrease from last year's all-time high.

The region's crop totals exceeded \$2.095 billion in 2013. The leading crops were strawberries, avocados, raspberries and nursery stock with sales of \$608.8, \$209.7, \$196.4, and \$190.9 million, respectively. While crop values continue on an upward trend, some local economists warn that the State's drought could have a negative impact on agriculture heading into 2015.



Source: Ventura County Crop and Livestock Report

• **Academic Activity**

California State University, Channel Islands (CSUCI) opened in 2002 and is accredited by the Western Association of Schools and Colleges. Located on 833 acres it is one of the largest campuses in land size in the 23 campus California State University System. CSUCI offers undergraduate degrees in 24 areas of study, teaching and administrative credentials in eight disciplines, and graduate degrees in six areas of study. During the 2013 fall term CSUCI had 5,144 students, up 4.6 percent from the prior year, as well as 827 faculty, staff, and administrators.

California Lutheran University, opened in 1961, is accredited by the Western Association of Schools and Colleges and offers 36 undergraduate majors, 34 minors, Bachelor's degrees in seven professional programs, and graduate degrees in 10 areas of study. Enrollment for fall term 2013 was 4,282, up 1.8 percent from the prior year. Classes are offered at the 225-acre main campus in Thousand Oaks as well as five off-campus centers throughout the region.

The three Ventura County Community College campuses, Moorpark, Oxnard and Ventura, had a fall 2013 enrollment of 31,955 students, a decrease of 2 percent from the prior year, as well as 1,577 faculty, staff, and administrators. The colleges are accredited by the Western Association of Schools and Colleges. The three two-year colleges offer programs to transfer to four-year colleges and universities, occupational and career technical training, and basic skills instruction.

• **Income and Unemployment**

As of June 2014, farm jobs remained flat at 28,700 while total nonfarm jobs increased by 4,700 (1.6 percent) to 291,500. Increases were primarily in professional and business services, 1,300, educational and health services, 900, leisure and hospitality, 800, and manufacturing, 500.

Average wages in the County were flat in 2013 at \$52,308, while the State’s average wage decreased 1.1 percent to \$57,608 and the nation increased one percent to \$50,012.

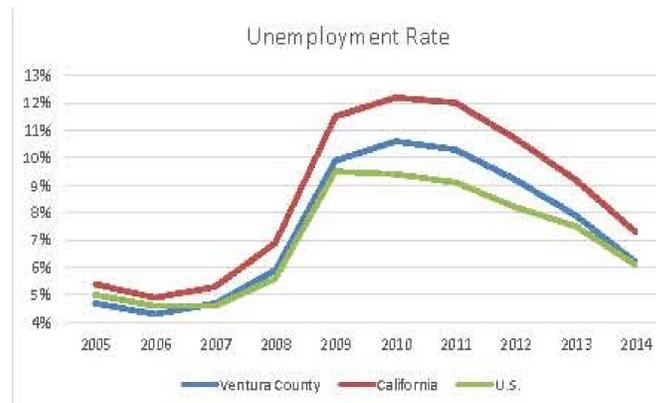


Source: U.S Department of Commerce, Bureau of Economic Analysis

In 2014 biotechnology giant Amgen, with headquarters in Thousand Oaks and the County’s largest private-sector employer, announced a company restructuring that involves a reduction of up to 20 percent of its U.S. workforce (up to 3,900 employees) by the end of 2015 and up to a 23 percent decrease in facilities. It is unclear how many of the layoffs or facilities reductions will occur in the County. Some economists predict that the layoffs within the County will be gradual and measured over a 12 to 18 month period and that overall other job creation should dilute the economic impact.

Information about the County’s principal employers and workforce sizes is provided in the statistical section of this report.

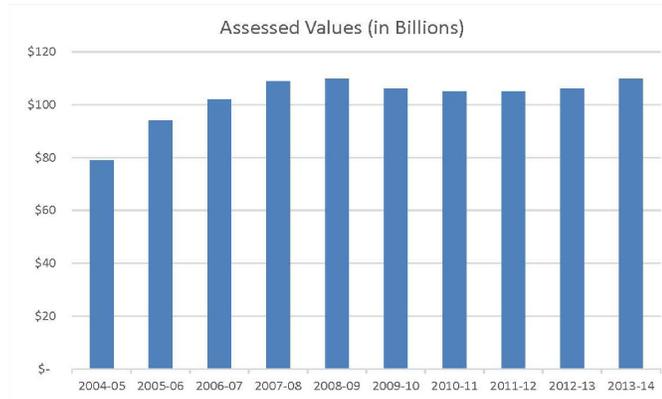
The County’s unemployment rate in June 2014 of 6.2 percent was down from 7.9 percent in the prior year and compares with California and the nation at 7.3 percent and 6.3 percent, respectively.



Source: State of California Employment Development Department

- **Real Estate**

Assessed values continue to trend upward. Fiscal year 2013-14 assessed values of \$110.4 billion represented a 4.2 percent increase compared to the prior year, and topped the previous high in 2008-09 of \$109.8 billion.



Source: County of Ventura Auditor-Controller

The number of sales in the County declined 4.9 percent but prices have increased when comparing June 2014 to June 2013. The composite median sales price for new and existing homes increased 1.5 percent from \$562,800 in June 2013, to \$571,250 in June 2014, which is substantially less than the 31 percent gain in June 2013, when the prices were compared to \$429,520 in June 2012. The June 2014 median sales price in California was up 6.6 percent to \$457,160, and the nation was up 4.4 percent to \$212,400, when compared to the prior year

Housing affordability for the second quarter of 2014 was 54 percent, a 3 percentage point decline from the second quarter of 2013 at 57 percent. Availability of affordable housing continues to be a critical economic factor which may impact future job growth. Some mitigating factors are the desirability of living in Ventura County due to its strong public safety presence, quality of life, climate, relatively clean air, and proximity to the Los Angeles metropolitan area.

### **Major Initiatives**

- The fiscal year 2014-15 State Budget was signed into law by Governor Brown on June 20, 2014. The budget increases funding in a number of areas including education, public safety, the environment, health care, public works, and CalWORKS. In addition, the budget proposes a multiyear plan to reduce debt, establish a rainy day fund and begin the process of stabilizing the teacher pension system (CalSTRS). The budget includes appropriations of \$100 million to begin reimbursing local governments for costs incurred for state mandated programs. Ventura County received its share of \$2.2 million in October 2014. Additional reimbursements may be made if certain state revenue targets are reached during the fiscal year.
- The County's 2014-15 Assessment Roll closed with an overall increase of 5.7 percent, reflecting Ventura County's continued economic rebound. Assessed value increased \$6.17 billion, resulting in \$114 billion of taxable property. The roll increased for the third consecutive year and reflects Ventura County's highest total assessed value.

- The actuarially determined composite contribution rate for Retirement contributions increased from 26.6 percent in fiscal year 2013-14 to 28.2 percent of covered payroll in fiscal year 2014-15, however, due to the early implementation of the 50-50 normal cost share the employer contribution rate is reduced to 26.8 percent. Retirement costs are projected to continue to increase through 2015-16 then decrease beginning in 2016-17.
- As a result of mandates arising from the Katie A. Litigation, the County Human Services Agency Child and Family Services and Health Care Agency Behavioral Health are implementing an integrated approach to improve mental health and welfare services to children who are served by the County's foster care or family maintenance programs. Estimated total costs of mandated services to be provided could reach \$8 million, which would be partially offset by federal funding.
- The Affordable Care Act (ACA) continues to impact the County as a service provider, as well as an employer. The expanded Medi-Cal and Covered California programs under the ACA require increased staff and contract resources for both the County Human Services Agency and the Health Care Agency. The long-term impacts of health care reform are still being determined.

### **Long-term Planning**

- General Fund fund balance in the 2014-15 adopted budget totaled \$161.6 million, an increase of \$14.0 million from the prior year adopted budget, based on estimated year-end fund balance. Obligated fund balance (Nonspendable, Restricted, Committed, and Assigned) plays an important role in preserving the County's overall financial health including: strengthening the County's overall financial position (including cash) with an emphasis toward upgrading our debt rating and consequently lowering our borrowing costs; preparing the County for future capital needs; establishing the ability to fund expenses such as litigation costs and audit disallowances without affecting operations; and shield the County against extraordinary events and significant fluctuations in revenues. Unassigned fund balance can be used to monitor fund balance as a percent of General Fund appropriations/revenue. The County's recommended minimum level is 10 percent of total appropriations/revenue. The estimated Unassigned fund balance of \$113.9 million is approximately 11.9 percent of estimated appropriations/revenue, above our minimum of 10 percent but less than our long term goal of 15 percent.
- The 2014-19 Five-Year Capital Improvement Plan (Plan) was updated through a process involving the review by all County departments of capital and major equipment needs and includes six high priority project requests pending identification of funding sources. Requests are submitted to the Capital Planning Committee for review and prioritization as noted below. Projects are prioritized by a ranking system that uses various criteria such as life and safety concerns, compliance with legal or regulatory requirements, and preservation of existing assets. Among the projects included in the Plan are the Medical/Mental Health Housing Unit at the Todd Road Jail, Sheriff Facilities, the Government Center Solar Project, Airport Apron and Hangars at Camarillo Airport, Harbor Administration Building, and a number of other building and system improvement projects. The plan is available on-line: [http://portal.countyofventura.org/portal/page/portal/PUBLIC\\_WORKS/centralServices/CIP\\_2014\\_2019\\_CEO\\_web.pdf](http://portal.countyofventura.org/portal/page/portal/PUBLIC_WORKS/centralServices/CIP_2014_2019_CEO_web.pdf)

### **Relevant Financial Policies**

- The Board of Supervisors approved a Capital Planning Policy and Five-Year Capital Improvement Plan which includes evaluation of plans for acquisition, maintenance, replacement, and retirement of capital assets and serves as the basis for long-range planning to meet the County's capital asset needs. A Capital Planning Committee comprised of the County Executive Officer, Auditor-Controller, General Services Agency Director, and Public Works Agency Director, is responsible for evaluating capital planning matters and providing recommendations to the Board of Supervisors regarding the prioritization of capital projects, major equipment purchases, long-term lease administration, lease versus purchase options, and other capital planning and expenditure issues.
- The Financial Planning Committee of the County, comprised of the Chair and Vice Chair of the Board of Supervisors, Auditor-Controller, County Treasurer, County Executive Officer, and County Counsel, reviews all financial planning matters. The Committee provides recommendations to the Board regarding levels of debt service, debt balances, financing of planned capital asset acquisitions, and any proposal utilizing public finance methods.
- The Information Technology Committee (ITC) is responsible for planning and reviewing project proposals to ensure consistency with the goals, guidelines and policies of the County's technology strategy, compatibility with other systems and infrastructure, and conformance with other County priorities. The ITC is comprised of two members of the Board of Supervisors, the County Executive Officer, Auditor-Controller, Sheriff, Fire Protection District Chief, Human Services Agency Director, Resource Management Agency Director, Health Care Agency Director, and the IT Services Department Director.

### **Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2013. This was the thirtieth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the Auditor-Controller's Office. I wish to express my appreciation to the members of the Auditor-Controller's Office and our independent auditors, Vavrinek, Trine, Day & Co., LLP, who assisted in and contributed to the preparation of this report. I also thank the Board of Supervisors and the County Executive Office for their interest and support in planning and conducting the financial operations of the County in a responsive and effective manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeffery S. Burgh". The signature is written in a cursive, flowing style.

JEFFERY S. BURGH  
Auditor-Controller