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February 13, 2017

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, 2016, 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, 2016. 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 auditors’ 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 856,508. The largest employment segments comprising over 80 percent of the total employment distribution include professional and business services, educational and health services, 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 9,082 full-time employees in June 2016, 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, education (libraries), and recreation and cultural services. In addition, enterprise funds account for the operations of the Medical Center (Ventura County Medical Center and the Santa Paula Hospital), 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

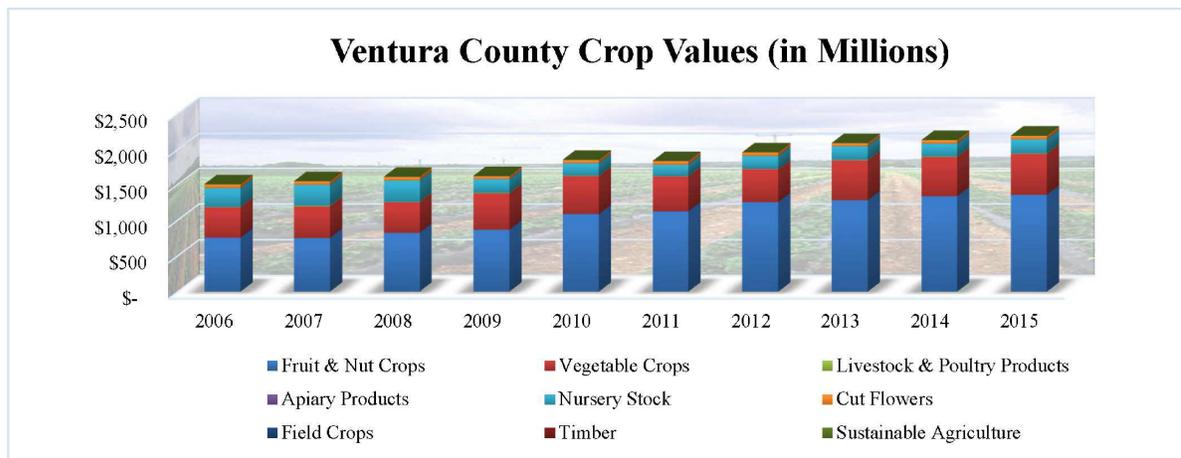
Historically, Ventura County has been closely aligned with the economy of Southern California, and for the fiscal year 2015-16, the growth continued to be slow but consistent. The County's traditional economic strength in agriculture, food processing, and mineral production is supplemented by the prominence 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

Taxable sales in calendar 2015 were \$13.9 billion, a modest increase of 3.0 percent over 2014 of \$13.5 billion. However, heading into 2016 retail sales for the County as a whole stalled its upward trend posting a small 0.4 percent increase in the first-quarter of 2016 before posting a 1.7 percent decrease in the second-quarter as compared with the same periods in 2015. In comparison, the Southern California region posted a higher increase of 3.0 percent in the first quarter of 2016 and a smaller decrease of 0.7 percent in the second quarter of 2016.

With its 79 year history the Port of Hueneme is a critical hub in Southern California and the only deep water harbor between Los Angeles and the San Francisco Bay. The Port realized another strong cargo year in fiscal year 2015-16 but less than the prior year. Records were set the prior year as a result of cargo diversion from other congested west coast ports. The total tonnage for fiscal year 2015-16 dropped to 1,412,981 metric tons representing a 10.3 percent decrease from the Port’s all-time high in 2014-15 of 1,574,903 metric tons. Automobile imports and exports continue to be strong with an increase of 5.3 percent to 338,041 autos while other niche markets of bananas, fertilizer and other fresh fruit imports still had strong freight activity.

Farmers use Science, Technology, Engineering and Math (STEM) for efficient and effective fertilization and irrigation management programs to achieve quality and optimum yields while maintaining sustainable farming practices. The region’s crop totals exceeded \$2.2 billion in 2015, which represents a 2.9 percent increase over 2014. The leading crops were strawberries, lemons, raspberries, nursery stock, celery and avocados with sales of \$617.8, \$259.5, \$228.2, \$195.8, \$194.8 and \$188.8 million, respectively.



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 1,193 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, three teaching credential programs, and graduate degrees in five areas of study. During the 2015 fall term, CSUCI had 6,167 students, up 4.9 percent from the prior year.

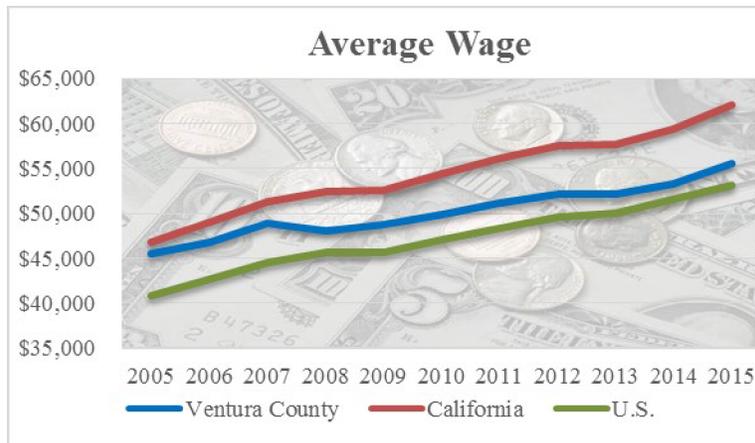
California Lutheran University, opened in 1961, is accredited by the Western Association of Schools and Colleges and offers 36 undergraduate majors, 35 minors, Bachelor’s degrees in seven professional programs, and graduate degrees in 6 areas of study. Enrollment for fall term 2015 was 4,126, a decrease of 0.8 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 2015 enrollment of 29,699 students, a decrease of 1.0 percent from the prior year, as well as 1,725 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**

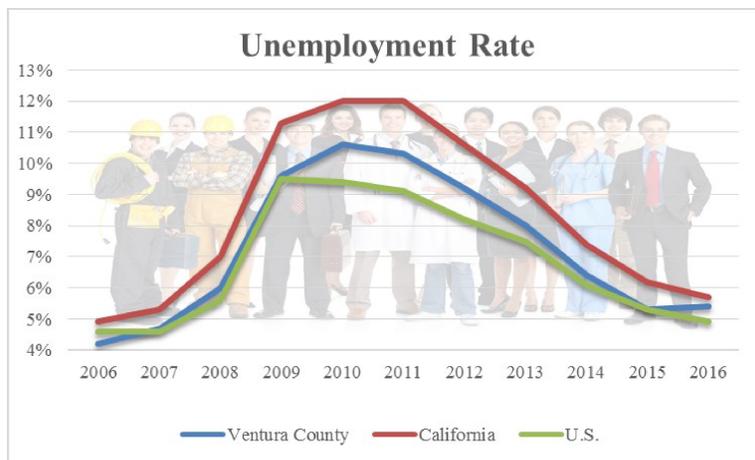
When comparing June 2016 to revised June 2015 figures, total farm jobs decreased 800 (2.8 percent) to 27,400 while total nonfarm jobs increased by 5,200 (1.8 percent) to 299,800. Increases were primarily in leisure and hospitality 2,200, educational and health services 1,400, professional and business services 1,000 and government 900. Information about the County’s principal employers and workforce sizes is provided in the statistical section of this report.

Average wages in the County increased 4.2 percent in 2015 to \$55,500, while the State’s average wage increased 4.6 percent to \$62,104 and the nation increased 3.1 percent to \$53,162.



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

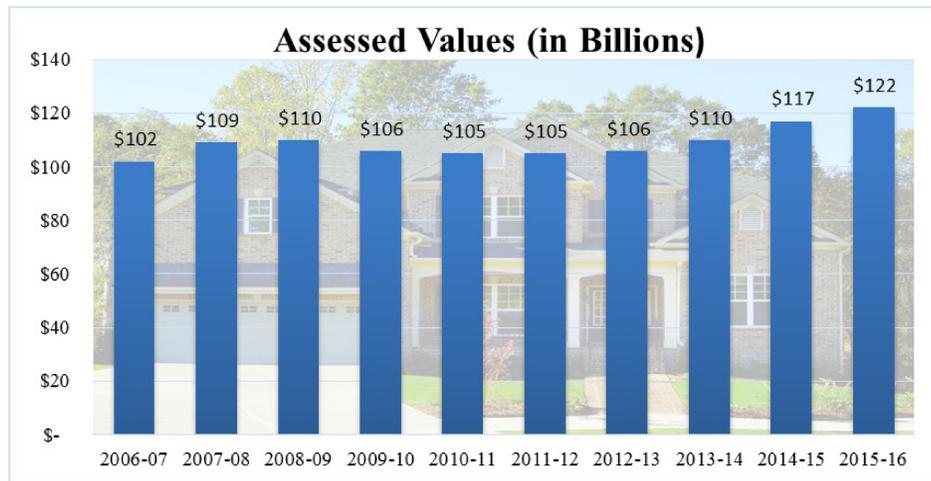
The County’s unemployment rate in June 2016 of 5.4 percent was up slightly from 5.3 percent in the prior year and compares with California and the nation at 5.7 percent and 4.9 percent, respectively.



Source: State of California Employment Development Department

- **Real Estate**

Assessed values continue to trend upward. Fiscal year 2015-16 assessed values of \$122.3 billion represented a 4.6 percent increase compared to the prior year of \$116.9 billion.



Source: County of Ventura Auditor-Controller

The number of single-family home sales in the County increased 9.0 percent from the prior year. The composite median sales price for new and existing homes increased 6.3 percent from \$634,190 in June 2015, to \$674,310 in June 2016. The June 2016 median sales price in California was up 5.5 percent to \$519,440, and the nation was up 4.9 percent to \$240,700, when compared to the prior year.

Housing affordability for the second quarter of 2016 was 51 percent, a 2 percentage point increase from the second quarter of 2015 at 49 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 2016-17 State Budget was signed into law by Governor Brown on June 27, 2016. The budget increases funding in education and directs \$1.75 billion to the Special Fund for Economic Uncertainties. In addition to the constitutionally required \$1.3 billion deposit, the budget directs an additional \$2.0 billion contribution to the Rainy Day Fund, bringing the state's reserve fund to \$6.7 billion. In accordance with the provisions of Proposition 2, \$1.3 billion of debt is expected to be paid down.
- The County's 2016-17 Assessment Roll closed with an overall increase of 3.7 percent, reflecting Ventura County's continued economic rebound. Assessed value increased \$4.4 billion, resulting in \$123.1 billion of taxable property. The roll increased for the fifth consecutive year and reflects Ventura County's highest total assessed value.

- The actuarially determined composite contribution rate for Retirement contributions decreased from 28.1 percent to 27.7 percent of covered payroll in fiscal year 2016-17. The contribution rates are applied to a higher payroll, resulting in an increase in retirement costs of approximately \$12.2 million over fiscal year 2015-16 budgeted amounts.
- The County continues to invest in facilities to provide programs and services. The \$2.0 million Children’s Crisis Stabilization Center, the \$9.4 million Horizon View Mental Health Rehabilitation Center and the \$305.0 million Ventura County Medical Center Hospital Replacement Wing are all expected to open in fiscal year 2016-17. In addition, the County has committed \$6.1 million as required match for a \$55.1 million state grant to design and construct the new Health and Programming Unit at the Todd Road Jail, which is expected to be open in 2020.
- The County continues to invest in technology, including the new \$13.3 million integrated Property Tax Assessment and Collection System, a collaborative effort between the Assessor’s Office, Auditor-Controller’s Office and the Tax Collector’s Office.
- The County continues to invest in planning. A \$4.4 million comprehensive General Plan Update is in progress and is expected to take four to five years to complete. The last comprehensive General Plan Update was completed in 1988.
- The Countywide Continuum of Care (CoC) is a priority for the County, which includes among other things the development of a Coordinated Entry System (CES) known as *Pathway’s to Home* to identify, target and strategically allocate resources to achieve the best possible outcomes for persons experiencing homelessness. The County is working with the National Alliance to End Homelessness, community leaders and community partners on best practices and strategies to pursue the goals of *Opening Doors*, the nation’s first comprehensive strategy to prevent and end homelessness. Internally, the CEO is leading the *Homeless Coordinating Council*, comprised of all County agencies that provide services to people and families experiencing homelessness, in order to improve coordination and sharing of information across County services and direct clients to the resources that best fit their unique needs. The goal is to ensure that homelessness in Ventura County will be rare, brief and nonrecurring.

Long-term Planning

- General Fund fund balance in the 2016-17 adopted budget totaled \$179.9 million, a decrease of \$16.9 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 \$136.0 million is approximately 12.9 percent of estimated appropriations/revenue, above our minimum of 10 percent but less than our long term goal of 15 percent.

- The fiscal year ended 2017-21 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 Public Safety Enterprise Content Management System, Airport Apron and Hangars at Camarillo Airport, Broadband Network Expansion, and a number of other building and system improvement projects. The plan is available on-line: <http://vcpublicworks.org/engineering-services-department/capital-projects-five-year-plan>

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, 2015. This was the thirty-second 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