

JEFFERY S. BURGH
AUDITOR-CONTROLLER



COUNTY OF VENTURA
800 SOUTH VICTORIA AVE.
VENTURA, CA 93009-1540

ASSISTANT
AUDITOR-CONTROLLER
JOANNE McDONALD

CHIEF DEPUTIES
BARBARA BEATTY
AMY HERRON
JILL WARD
MICHELLE YAMAGUCHI

February 21, 2020

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, 2019, 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.

Eide Bailly, LLP has issued an unmodified ("clean") opinion on the County of Ventura's financial statements for the year ended June 30, 2019. The independent auditors' 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 1,843 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: Camarillo, Fillmore, Moorpark, Ojai, Oxnard, Port Hueneme, Santa Paula, Simi Valley, Thousand Oaks, and Ventura with a combined population including the unincorporated area of 856,598. The largest employment segments comprising 80 percent of the total employment distribution include professional and business services, educational and health services, retail, government, leisure and hospitality, 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 organizational chart and a listing of elected and appointed department heads are provided in the introductory section of this report.

With 8,632 full-time employees in June 2019, 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, the Santa Paula Hospital, and clinics), 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 or project 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

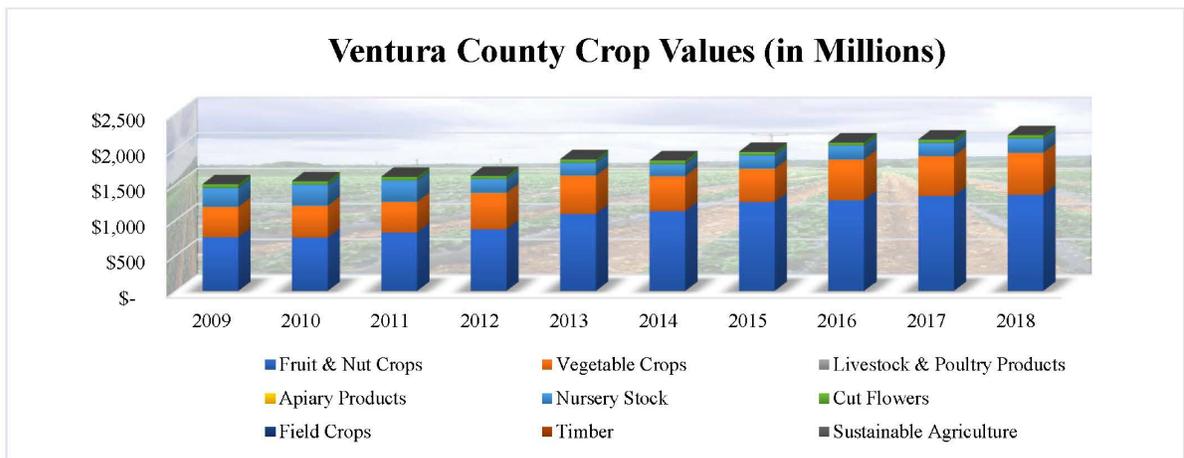
Historically, Ventura County has been closely aligned with the economy of Southern California, and for the fiscal year 2018-19, the growth continued to be slow but consistent. The County's traditional economic strength in agriculture, food processing, and mineral production is supplemented by the prominence 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 year 2018 was \$14.5 billion, an increase of 3.3 percent over 2017. Heading into 2019, retail sales for the County as a whole started with an upward trend, posting an increase of 14.9 percent and 15.5 percent in the first and second quarter of 2019 respectively, as compared with the same periods in 2018. Similarly, taxable sales in the Southern California region posted an increase of 15.3 percent in the first quarter, and 19.5 percent in the second quarter of 2019.

The Port of Hueneme is one of Southern California’s critical hubs and the only deep-water harbor between Los Angeles and the San Francisco Bay. The total tonnage for fiscal year 2018-19 increased to 1,657,881 metric tons, a 3.3 percent increase from the prior year of 1,604,452 metric tons. Automobile imports and exports increased by 11.1 percent to 342,510 autos. Other import and export niche markets of bananas, fresh fruit and vegetables, fertilizers, and domestic oil had a modest increase of 2.5 percent as compared to the prior year.

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 total remained at \$2.1 billion in 2018.



Source: Ventura County Crop and Livestock Report

• **Academic Activity**

California State University, Channel Islands (CSUCI) opened in 2002 and is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges (WASC). It is located on over 1,200 acres and is undergoing more than \$233 million in building and renovation projects. CSUCI offers twenty-three undergraduate majors, five graduate, three teaching credential programs and eight centers and institutes that support regional prosperity and the University mission. During the 2018 fall term, CSUCI had 7,095 students, up 0.6 percent from the prior year.

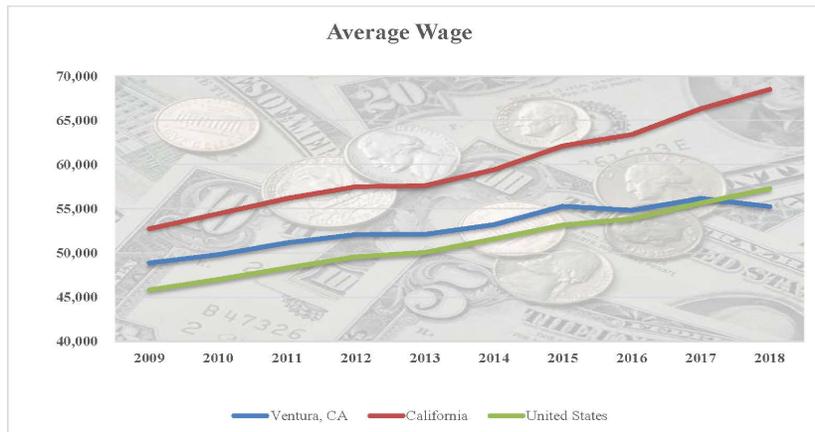
California Lutheran University, (CLU) opened in 1961, is accredited by the Accrediting Commission for Senior Colleges and Universities of the WASC. Thirty-eight majors and forty-one minors are offered in the traditional undergraduate program. The Bachelor’s Degree for Professionals program offers degrees in seven majors. Graduate programs include doctorates in educational leadership, higher education leadership, clinical psychology and theology; and master’s degrees in education, psychology, business, economics, information technology, public policy and administration, divinity, and theological studies. Enrollment for fall term 2018 was 4,383, an increase of 3.5 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 2018 enrollment of 31,632 students, an increase of 2.9 percent from the prior year’s adjusted number, and approximately 1,740 faculty, staff and administrators in spring of 2018. The colleges are accredited by the Accrediting Commission for Community and Junior Colleges of the WASC. 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**

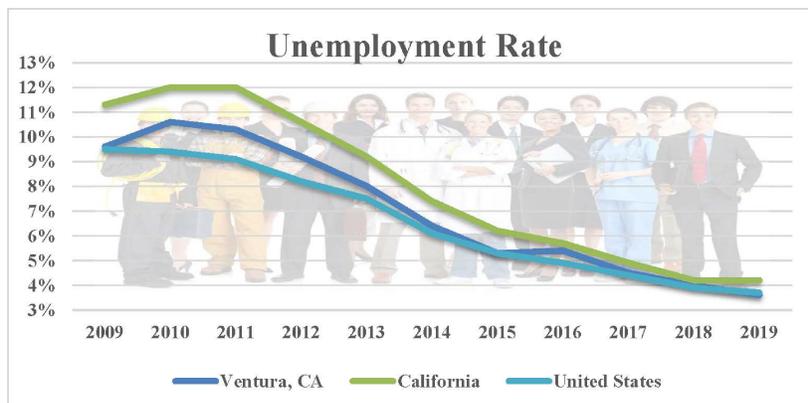
When comparing June 2019 to revised June 2018 figures, total farm jobs increased by 400 (1.4 percent) to 28,000, while total nonfarm jobs had a slight increase by 1,200 (0.4 percent) to 310,800. Increases for nonfarm jobs were primarily in construction and manufacturing 700, and Local government 500. Information about the County’s principal employers and workforce sizes is provided in the statistical section of this report.

Average wages in the County decreased 1.7 percent from revised 2017 numbers to \$55,235, while the State’s average wage increased 3.3 percent to \$68,478 and the nation increased 2.9 percent to \$57,266.



Source: U.S Department of Labor, Bureau of Labor Statistics

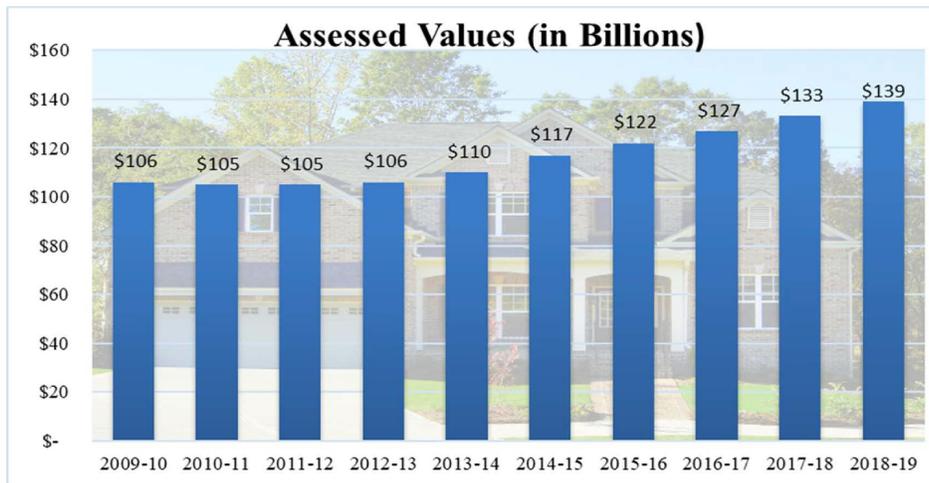
The County’s unemployment rate in June 2019 of 3.6 percent was down from 4.0 percent in the prior year and compares with California and the nation at 4.2 percent and 3.7 percent, respectively.



Source: State of California Employment Development Department and U.S. Department of Labor & Statistics

- **Real Estate**

Assessed values continue to trend upward. Fiscal year 2018-19 assessed values of \$139.0 billion represented a 4.9 percent increase compared to the prior year of \$132.7 billion.



Source: County of Ventura Auditor-Controller

The number of single-family home sales in the County increased 0.6 percent from the prior year. The composite median sales price for new and existing homes decreased 4.1 percent from \$675,000 in June 2018, to \$647,000 in June 2019. The June 2019 median single-family home sales price in California was up 1.4 percent to \$611,420, and the nation for all housing types was up 4.3 percent to \$285,700, when compared to the prior year.

County housing affordability for the second quarter of 2019 increased to 50 percent, since the second quarter of 2018. Availability of affordable housing continues to be a critical economic factor, which may affect 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.

Disaster Recovery and Preparedness

The County continues to recover from the December 2017 Thomas fire that burned over 281,000 acres, destroyed 281 structures and damaged an additional 1,063 structures. At the time it was the largest wildfire in California’s history. The County worked with the California Office of Emergency Services to offer property owners a debris removal program. Both the County and the City of Ventura streamlined the permitting process to help expedite the re-building process.

Less than a year later in November 2018 the Hill and Woolsey fires burned over 101,000 acres, destroyed 185 structures and damaged an additional 116 structures in Ventura County. There was no damage to any County facilities as a result of these 2018 fires. A debris removal program and streamlined permitting were again put into place to assist property owners to re-build. The estimated property tax loss Countywide in fiscal year 2018-19 is \$0.7 million and \$1.1 million in fiscal year 2019-20. The estimated impact of property tax loss on the General Fund revenue is \$0.1 million in fiscal year 2018-19 and \$0.2 million in fiscal year 2019-20. However, the State’s fiscal year 2018-19 and 2019-20 budgets included funding to backfill the property tax losses incurred by local government because of the wildfires.

In November 2019 the County reached a settlement with Southern California Edison to resolve claims resulting from the 2017 Thomas fire and 2018 Woolsey fire. In December 2019 the County received settlement amounts totaling \$16.6 million, net of costs and attorney's fees.

A formal After-Action Review for the Thomas fire was presented to the Board of Supervisors in December 2018. Similarly, an After-Action Review for the Hill and Woolsey fires was presented to the Board of Supervisors in January 2020. The after-action review reports measure strengths and identify potential areas of improvement, documented in improvement plans that will serve as a framework to enhance the outcome of future emergency management efforts.

Major Initiatives

- The fiscal year 2019-20 State Budget was signed into law by Governor Newsom on June 27, 2019. The budget provides funds to invest in K-14 education, higher education, affordable housing, homelessness emergency aid and mental health support, healthcare, emergency preparation, response and recovery, and criminal justice. The budget is projected to end the year at June 2020 with total reserves of \$19.2 billion, including \$16.5 billion in the Rainy Day Fund, \$1.4 billion in the Special Fund for Economic Uncertainties, \$900 million in the Safety Net Reserve and nearly \$400 million in the Public School System Stabilization Account.
- The County's 2019-20 Assessment Roll closed with an overall increase of 4.6 percent, reflecting Ventura County's continued strength in property values. Assessed value increased \$6.2 billion, resulting in \$141.1 billion of taxable property, the County's highest total assessed value. This is the eighth consecutive increase to the Assessment Roll values. Assessed values were reduced nearly \$100 million on approximately 270 properties due to damage caused by the Hill and Woolsey fires. In addition, more than 760 properties are still subject to reduced assessments while property owners rebuild after the Thomas fire.
- The actuarially determined composite contribution rate for retirement contributions increased from 27.1 percent to 28.5 percent of covered payroll in fiscal year 2019-20. The contribution rate is applied to a higher payroll, resulting in an increase in General Fund retirement costs of approximately \$12.8 million over fiscal year 2018-19 budgeted amounts. The rates incorporate adjustments as a result of the actuarial update of demographic and economic assumptions performed every three years.
- Investments in technology include the December 2019 approvals for an \$860,000 Debt Management Module for the Ventura County Financial Management System to assist with the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, and a \$750,000 Crime Data Analytics and Case Management Software System for the Sheriff's Office.
- The County also invested in facilities to provide programs and services. In November 2019 the Ventura County Family Justice Center opened as a one-stop shop of resources for innocent victims of crime with the assistance of a \$400,000 state grant. The facility is based on a national model for victims, survivors and their families to receive law enforcement, legal, medical, and mental health assistance in one location.
- The County continues to invest in programs, services and facilities to address homelessness, with the January 2020 opening of the ARCH, All Roads Connect to Housing, a year-round permanent shelter. This is a collaborative effort between the County and the City of Ventura that renovated a vacant County owned building to accommodate up to 55 persons on a year-round basis. Tenant

improvement costs totaling \$3.0 million were offset by a \$1.5 million Homeless Emergency Aid Program state grant, with the remaining costs shared between the County and the City. The cost to operate the shelter will be shared equally between the County and the City.

Long-term Planning

- General Fund fund balance in the 2019-20 adopted budget totaled \$267.0 million, an increase of \$35.1 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 maintaining the highest 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 \$149.7 million is approximately 13.1 percent of estimated appropriations, above our minimum of 10 percent but less than our long-term goal of 15 percent.
- The fiscal year ended 2020-24 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 seven 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 a fuel tank replacement project at the Government Center, Animal Services shelter improvements, design a new Fire Department training and administration facility, Medical Center Fainer Wing Remodel, county bridge improvements, an upgrade to the Ventura County Financial Management System, a next generation public safety radio communication system, an upgrade to the Ventura County Integrated Justice Information System and a number of other building and system improvement projects. The plan is available on-line:<https://vcpublicworks.org/fiveyearplan/>.

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.

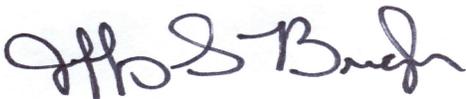
Awards and Acknowledgments

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, 2018. This was the thirty-fifth 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, Eide Bailly, 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,



JEFFERY S. BURGH
Auditor-Controller