

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the County of Ventura's (County) Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2019. 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 2018-19 fiscal year by \$1,856,242,000 (*net position*). Of this amount, \$433,306,000 is restricted for specific purposes (*restricted net position*), \$1,430,739,000 is the *net investment in capital assets*, and the remaining portion of negative \$7,803,000 is *unrestricted net position*. The deficit balance is a result of reporting the County's unfunded pension liability.
- The government's total net position increased by \$186,393,000 during fiscal year 2018-19, primarily due to an increase in governmental activities. Net investment in capital assets increased by \$13,922,000. 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. Restricted net position increased by \$26,326,000, while unrestricted net position increased by \$146,145,000.
- As of June 30, 2019, the County governmental funds reported combined fund balances of \$784,356,000, an increase of \$66,403,000 in comparison with the prior year.
- At the end of the fiscal year, unassigned General Fund fund balance was \$100,899,000, or 10 percent of total General Fund expenditures, reflecting a decrease of \$38,071,000 from the prior fiscal year balance.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

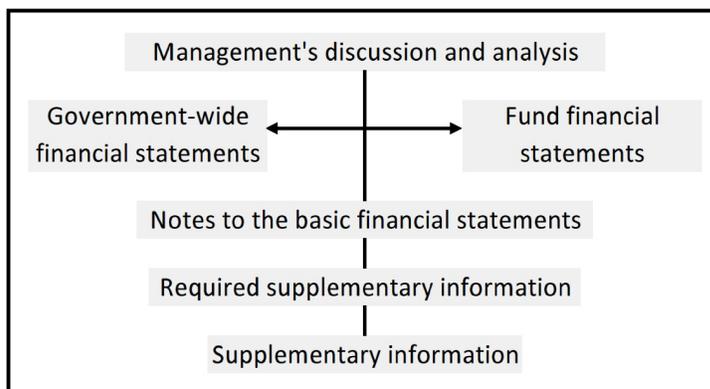
The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components:

- 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 CAFR.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following diagram displays the interrelationships of this report:



Government-wide Financial Statements provide readers with a broad overview of County finances in a manner similar to a private-sector business. The *statement of net position* and *statement of activities* use the flow of economic resources measurement focus and accrual basis of accounting. The focus and basis emphasize the long-term view of the County's finances.

The *statement of net position* presents information on all County assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the differences between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements continue to include the following concepts:

- The government-wide statements include only those funds/entities representing resources available to the County. Therefore, the financial information for the pension, investment, and private-purpose trusts 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 and cultural services. The business-type activities of the County include the hospital, 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 occur within the governmental activities and within the business-type activities.
- Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. *Blended component units* have substantially the same governing board as the County or provide services entirely to the County and are reported on the fund statements and, if appropriate, as governmental activities on the government-wide financial statements. Examples include the Fire Protection District and the County's Watershed Protection District. The Commission is reported as a *discretely presented component unit* because the County Board appoints the commission board members to serve at will.

The government-wide financial statements can be found on pages 41 - 43 of this report.

Fund Financial Statements report on groupings of related funds and accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. A fund is a separate accounting entity with a self-balancing set of accounts. The County, like other state and local governments, uses fund accounting to demonstrate finance-related legal compliance.

- The fund financial statements emphasize *major funds* as determined by minimum criteria set forth in GASB Statement No. 34 (GASB 34) with separate columns for each major fund. The non-major funds are presented in an aggregated single column on the governmental funds financial statements. There are four major governmental funds: the General Fund, Roads, Watershed Protection District, and the Fire Protection District. There are three major enterprise funds: Medical Center, Department of Airports and Waterworks Districts. Individual fund data for each of the non-major funds is provided in the form of *combining statements* in the supplementary information section.
- The GASB 34 fund financial statements include all balances of County funds held in agency funds with cash and other accounts recorded within the related fund. The remaining agency funds included in the fund financial statements contain amounts due to others outside of the government, such as property taxes to be distributed.

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 on this report. The equity for fund financial statements is displayed as fund balance. Purchase of capital assets and payment of principal on debt are expended on fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds financial statements can be found on pages 44 - 50 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 Center, Department of Airports, Waterworks Districts, Parks Department, Channel Islands Harbor, Health Care Plan, and Oak View District. Eighteen enterprise funds are reported in the County's financial system and grouped by related activities as seven enterprise funds on this report. The major funds are presented in the proprietary fund financial statements with detail 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 financial statements.

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 51 - 54 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fiduciary funds, including the *trust and agency funds*, are used to account for resources held for the benefit of parties outside the government. Trust funds consist of the Supplemental Retirement Plan (SRP) pension trust, the Investment Trust Fund, which includes external users of the County's investment pool, and the Ventura County Redevelopment Successor Agency Private-purpose trust. 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 agency funds is accrual, much like that used for proprietary funds. Agency funds are held for others and report only assets and liabilities.

The fiduciary funds financial statements can be found on pages 55 - 56 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 57 - 126 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 and schedule of County's contributions, the SRP schedule of changes in net pension liability and related ratios and schedule of investment returns, and schedule of County's contributions, the Management Retiree Health Benefits Program schedule of changes in total pension liability and related ratios, the Subsidized Retiree Health Benefits Program schedule of total other postemployment benefits (OPEB) liability and related ratios, the Ventura County Deputy Sheriffs' Association (VCDSA) Retiree Medical Reimbursement Plan schedule of net OPEB liability and related ratios and schedule of County's contributions, and the Ventura County Professional Firefighters' Association (VCPFA) Premium Reimbursement Plan schedule of net OPEB liability (asset) and related ratios and schedule of County's contributions. These schedules provide trend data on pension and OPEB liabilities, contributions, and payroll amounts as well as factors that significantly affect these trends. In addition, budgetary schedules for the major general and special revenue funds are included.

The County adopts an annual appropriated budget for its governmental funds as required by Government Code. In the required supplementary information section, a budgetary comparison schedule is provided for all the major general and special revenue funds to demonstrate compliance with the final budget. Due to the large number of funds and departments, a separate Departmental Budget Report of Revenues and Expenditures – Budget and Actual on a Budgetary Basis has been prepared. The report demonstrates compliance at the legal level of budgetary control for those funds for which the County is legally required to adopt a budget. This document is available from the Auditor-Controller's Office, 800 South Victoria Avenue, Ventura, CA 93009-1540, or on the County website at: http://vcportal.ventura.org/auditor/docs/financial-reports/FY19_BudgetToActual.pdf

Required supplementary information can be found on pages 127 - 139 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 141 - 206 of this report.

Statistical Information is provided beginning on page 207 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 \$1,856,242,000.

A summary of net position is as follows:

Summary of Net Position June 30, 2019 and 2018 (In Thousands)							
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2019	2018	2019	2018	2019	2018	
Assets:							
Current and other assets	\$ 1,467,369	\$ 1,331,741	\$ 273,233	\$ 255,030	\$ 1,740,602	\$ 1,586,771	10%
Capital assets	<u>1,241,145</u>	<u>1,214,661</u>	<u>627,555</u>	<u>641,363</u>	<u>1,868,700</u>	<u>1,856,024</u>	1%
Total assets	<u>2,708,514</u>	<u>2,546,402</u>	<u>900,788</u>	<u>896,393</u>	<u>3,609,302</u>	<u>3,442,795</u>	5%
Total deferred outflows of resources	<u>336,855</u>	<u>267,208</u>	<u>46,477</u>	<u>36,193</u>	<u>383,332</u>	<u>303,401</u>	26%
Liabilities:							
Current and other liabilities	331,860	295,454	134,282	123,371	466,142	418,825	11%
Long-term liabilities	<u>1,063,709</u>	<u>1,046,924</u>	<u>462,008</u>	<u>469,660</u>	<u>1,525,717</u>	<u>1,516,584</u>	1%
Total liabilities	<u>1,395,569</u>	<u>1,342,378</u>	<u>596,290</u>	<u>593,031</u>	<u>1,991,859</u>	<u>1,935,409</u>	3%
Total deferred inflows of resources	<u>122,539</u>	<u>119,175</u>	<u>21,994</u>	<u>21,763</u>	<u>144,533</u>	<u>140,938</u>	3%
Net position:							
Net investment in capital assets	1,162,314	1,149,011	268,425	267,806	1,430,739	1,416,817	1%
Restricted	401,890	370,750	31,416	36,230	433,306	406,980	6%
Unrestricted (deficit)	<u>(36,943)</u>	<u>(167,704)</u>	<u>29,140</u>	<u>13,756</u>	<u>(7,803)</u>	<u>(153,948)</u>	95%
Total net position	<u>\$ 1,527,261</u>	<u>\$ 1,352,057</u>	<u>\$ 328,981</u>	<u>\$ 317,792</u>	<u>\$ 1,856,242</u>	<u>\$ 1,669,849</u>	11%

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

A significant component of the County's net position totaling \$1,430,739,000 (77 percent) reflects the County's net investment in capital assets (land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, and infrastructure), i.e. net of accumulated depreciation/amortization and 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 \$433,306,000 (24 percent), represents resources that are subject to external restrictions on how they may be used. Trust agreements relating to long-term debt restrict certain amounts for debt service. In addition, externally restricted funding received in advance of expenses is also reported as restricted, and therefore is not available for other uses by the County.

The third portion of the County's net position is unrestricted, totaling negative \$7,803,000 (negative 1 percent), due to reporting the County's unfunded pension liability.

At the end of the current fiscal year, the County reported positive balances in two categories of net position. The County's net position increased by \$186,393,000. The change in net position for governmental and business-type activities was \$175,204,000 and \$11,189,000 respectively.

General revenues for governmental activities increased by \$38,181,000, primarily from property taxes and interest earnings offset by a decrease in other revenue. Program revenues decreased by \$12,889,000, primarily due to decreases in operating grants and contributions in all areas except for an increase in public ways and facilities. Program expenses increased by \$14,912,000, or 1 percent, with increases primarily in public protection and public assistance offset with a decrease in health and sanitation services.

The current period increase in net position attributable to business-type activities primarily resulted from an increase in the Medical Center, Waterworks Districts and Healthcare Plan. Program revenues increased by \$26,460,000, or 5 percent, primarily due to increased charges for services in the Medical Center and Health Care Plan. Program expenses increased by \$22,948,000, or 4 percent, primarily in the Medical Center and the Health Care Plan. Additional information is provided on pages 34-35 of this report.

Government-wide Summary of Activities

The following table depicts the revenue, expenses, and changes in net position for governmental and business-type activities. Revenue for the County as a whole increased by \$52,763,000, or 3 percent, with increases primarily in charges for services, property taxes and interest of \$31,204,000, \$32,148,000 and \$11,714,000, respectively, offset by a decrease in operating grants and contributions of \$23,442,000. Additional information on major revenue streams is provided on pages 29-31.

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

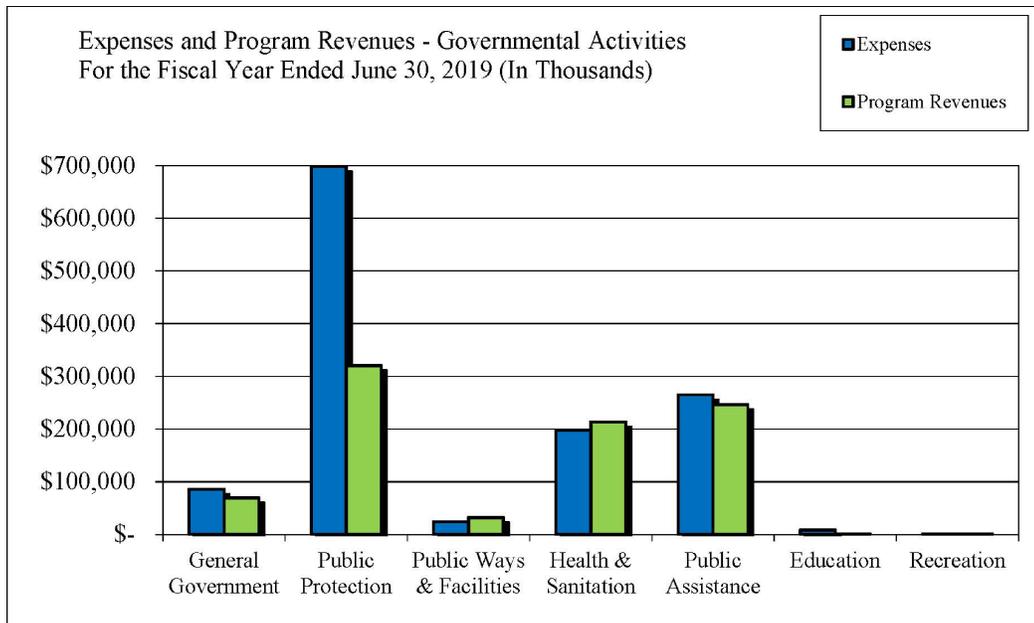
Summary of Activities
For the Fiscal Years Ended June 30, 2019 and 2018
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2019	2018	2019	2018	2019	2018	
Revenues:							
Program revenues:							
Charges for services	\$ 288,560	\$ 284,278	\$ 594,842	\$ 567,920	\$ 883,402	\$ 852,198	4%
Operating grants and contributions	580,473	600,613	2,288	5,590	582,761	606,203	(4)%
Capital grants and contributions	14,091	11,122	6,437	3,597	20,528	14,719	39%
General revenues:							
Property taxes	552,861	520,713	-	-	552,861	520,713	6%
Other taxes	17,698	16,516	-	-	17,698	16,516	7%
Aid from other governmental units	2,847	2,917	-	-	2,847	2,917	(2)%
Interest and investment earnings	25,170	14,467	2,118	1,107	27,288	15,574	75%
Other	19,877	25,659	-	-	19,877	25,659	(23)%
Total revenues	<u>1,501,577</u>	<u>1,476,285</u>	<u>605,685</u>	<u>578,214</u>	<u>2,107,262</u>	<u>2,054,499</u>	3%
Expenses:							
General government	86,013	85,241	-	-	86,013	85,241	1%
Public protection	698,234	678,940	-	-	698,234	678,940	3%
Public ways and facilities	23,656	22,005	-	-	23,656	22,005	8%
Health and sanitation services	197,672	207,606	-	-	197,672	207,606	(5)%
Public assistance	264,897	259,854	-	-	264,897	259,854	2%
Education	8,404	8,304	-	-	8,404	8,304	1%
Recreation	41	57	-	-	41	57	(28)%
Interest on long-term debt	5,734	7,732	-	-	5,734	7,732	(26)%
Medical Center	-	-	499,359	481,116	499,359	481,116	4%
Department of Airports	-	-	6,806	7,351	6,806	7,351	(7)%
Waterworks - Water and Sewer	-	-	34,699	34,189	34,699	34,189	1%
Parks Department	-	-	5,765	5,483	5,765	5,483	5%
Channel Islands Harbor	-	-	9,589	8,539	9,589	8,539	12%
Health Care Plan	-	-	79,736	76,318	79,736	76,318	4%
Oak View District	-	-	264	274	264	274	(4)%
Total expenses	<u>1,284,651</u>	<u>1,269,739</u>	<u>636,218</u>	<u>613,270</u>	<u>1,920,869</u>	<u>1,883,009</u>	2%
Excess (deficiency) before transfers	216,926	206,546	(30,533)	(35,056)	186,393	171,490	9%
Transfers	<u>(41,722)</u>	<u>(32,084)</u>	<u>41,722</u>	<u>32,084</u>	<u>-</u>	<u>-</u>	-
Change in net position	<u>175,204</u>	<u>174,462</u>	<u>11,189</u>	<u>(2,972)</u>	<u>186,393</u>	<u>171,490</u>	9%
Net position - beginning	1,352,057	1,273,614	317,792	320,764	1,669,849	1,594,378	5%
Prior period adjustment	-	(96,019)	-	-	-	(96,019)	-
Net position - beginning, as restated	<u>1,352,057</u>	<u>1,177,595</u>	<u>317,792</u>	<u>320,764</u>	<u>1,669,849</u>	<u>1,498,359</u>	11%
Net position - ending	<u>\$ 1,527,261</u>	<u>\$ 1,352,057</u>	<u>\$ 328,981</u>	<u>\$ 317,792</u>	<u>\$ 1,856,242</u>	<u>\$ 1,669,849</u>	11%

**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 \$175,204,000, 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 2 percent from the prior year.

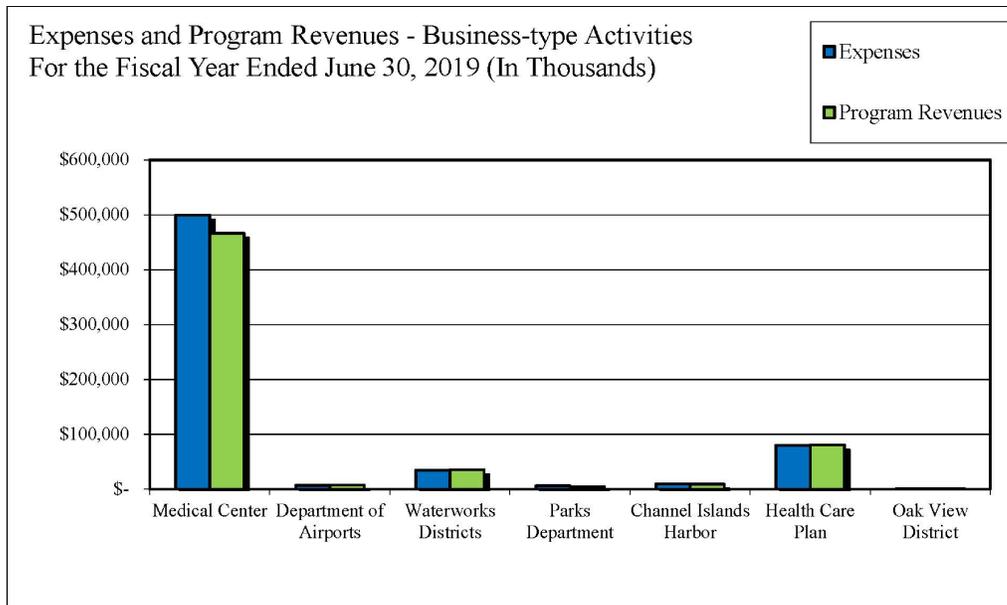
- Operating grants and contributions are revenues earned from entities outside of the County, primarily state and federal agencies, and are generally restricted to one or more specific programs. In 2018-19, the County reported \$580,473,000 in operating grants and contributions, which comprised 66 percent of the total program revenues in the current year. Operating grants and contributions decreased by \$20,140,000 from the prior year, primarily in public assistance due to a decrease in Senate Bill No. 90 (SB 90) and Realignment, offset by an increase in public ways and facilities due to additional State Highway User Tax (HUTA) revenue from Senate Bill No. 1 (SB 1). Operating grants and contributions represent the largest revenue source for governmental activities. The public protection, health and sanitation services, and public assistance functions received 94 percent of this funding source in fiscal year 2018-19.

**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 \$139,967,000, or 49 percent, of the total of \$288,560,000. Among the major sources are contracted law enforcement services provided by the Sheriff’s Office to several cities, emergency and contract services performed by the Fire Protection District for various governmental agencies, and various assessments generated by the Watershed Protection District. Charges for services provided 32 percent of total program revenues in 2018-19, remaining flat as compared to the prior year.
- Capital grants and contributions of \$14,091,000 represented the smallest source of program revenues in 2018-19 at 2 percent of total program revenues.
- General revenue for governmental activities primarily consisted of taxes. Property tax revenue, the largest source of general revenue with \$552,861,000 reported in 2018-19, increased by 6 percent from 2017-18.

Expenses. Total program expenses for governmental activities were \$1,284,651,000 for the current fiscal year as compared to \$1,269,739,000 for the prior fiscal year, an increase of 1 percent. Public protection at \$698,234,000 accounted for 54 percent of total expenses for governmental activities. Public assistance expenses were \$264,897,000, or 21 percent, followed by health and sanitation services at \$197,672,000, or 15 percent, general government at \$86,013,000, or 7 percent, and various other costs of \$37,835,000, or 3 percent, of total expenses. Expenses increased in all functions except health and sanitation services and recreation, which had decreases.

Business-type activities. Business-type activities increased the County’s net position in the current period by \$11,189,000, or 6 percent, of the total current period change in the County’s net position, primarily due to the Medical Center, Healthcare Plan and Waterworks Districts. The bar chart below depicts the relationships of the business-type activities direct expenses to program revenues:



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues. The County has three major business-type activities: the Medical Center, Department of Airports, and Waterworks Districts - Water and Sewer. Business-type activities recover a significant portion of their costs through user fees and charges. For the current year, 99 percent, or \$594,842,000, of total program revenues were generated from charges for services, as compared to the prior year's, 98 percent, or \$567,920,000. The Medical Center accounted for 77 percent of total program revenues for business-type activities at \$466,164,000 and the Health Care Plan accounted for 13 percent of total program revenues, the same as in the prior year. The Waterworks Districts' combined water and sewer activities generated 6 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 \$636,218,000 in 2018-19 compared to \$613,270,000 in 2017-18, representing an increase of about 4 percent. About 78 percent of total expenses, or \$499,359,000, were incurred by the Medical Center. The Health Care Plan accounted for 13 percent of the total cost, while Waterworks - Water and Sewer activities, accounted for 5 percent. The remaining 4 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 \$22,424,000.

The increase in expense for the business-type activities was primarily due to increased salaries and benefits and interest expense offset by a decrease in depreciation at the Medical Center, and an increased provision for claims for the Health Care Plan. Medical Center salaries and benefits increases were primarily due to fiscal and information technology positions being transferred from General Fund Health Care Agency administration to the Medical Center. The decrease in depreciation is due to the electronic health record system being fully depreciated. The increase in provision for claims for the Health Care Plan is due to inflation of medical expenses combined with a higher level of acuity of the illnesses treated.

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, Roads Fund, Watershed Protection District, and the Fire Protection District.

At June 30, 2019, the County's governmental funds reported total fund balances of \$784,356,000, an increase of \$66,403,000 from the prior year. Approximately \$133,423,000 or 17 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. Nonspendable fund balance increased \$60,146,000 primarily due to an increase in the General Fund's advance to the Medical Center of \$60,400,000. The remaining 83 percent or \$650,933,000 is available to meet the County's current and future needs.

Revenues for governmental funds totaled \$1,482,969,000 in the year ended June 30, 2019, representing an increase of about 1 percent from the fiscal year ended June 30, 2018. This was primarily attributable to an increase in taxes and revenues from the use of money offset by a decrease in aid from other governmental units. Expenditures, at \$1,381,803,000, decreased 1 percent when compared to the fiscal year ended June 30, 2018, with increases primarily in public protection, offset by decreases in health and sanitation services, debt service, and capital outlay.

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

GENERAL FUND

The General Fund is the primary operating fund of the County. At June 30, 2019, the General Fund's total fund balance was \$492,813,000, increasing \$38,765,000 from the prior year. The nonspendable portion of fund balance was \$130,579,000 and the spendable portion was \$362,234,000. The nonspendable fund balance increased \$59,972,000, or 85 percent, primarily due to an increase of \$60,400,000 in the General Fund's advance to the Medical Center. 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 49 percent of total General Fund expenditures while spendable fund balance equates to 36 percent. Of the General Fund spendable fund balance, \$141,709,000, or 39 percent, is restricted, and \$6,100,000, or 2 percent, is committed.

ROADS FUND - SPECIAL REVENUE FUND

This fund accounts for planning, design, construction, maintenance, and administration of County roads. It also engages in traffic safety and other transportation planning activities. Revenues consist primarily of the County's share of state highway use taxes and fuel taxes. At June 30, 2019, this fund had a total fund balance of \$37,949,000, of which \$19,813,000 was restricted, \$16,900,000 was committed, and \$1,236,000 was assigned. Total fund balance increased by 28 percent when compared to the prior year.

WATERSHED PROTECTION DISTRICT - SPECIAL REVENUE FUND

The function of this fund is the control of flood and storm waters, and the conservation of such waters for beneficial public use. Total fund balance at June 30, 2019, of \$72,823,000, increased 16 percent or \$10,268,000 from the prior year. Restricted fund balance of \$70,991,000 accounted for 97 percent of the total fund balance.

FIRE PROTECTION DISTRICT - SPECIAL REVENUE FUND

The Fire Protection District provides fire protection to the unincorporated areas of the County, as well as the cities of Camarillo, Moorpark, Ojai, Port Hueneme, Santa Paula, Simi Valley, and Thousand Oaks. Support is derived principally from property taxes. At June 30, 2019, the Fire Protection District's total fund balance was \$95,337,000, a decrease of \$3,684,000 from the prior year. Fund balance included a nonspendable portion of \$1,649,000. Restricted fund balance totaled \$88,706,000, or 93 percent, with the remaining \$4,982,000 classified as committed.

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

NON-MAJOR GOVERNMENTAL FUNDS

As compared with the prior year, the total fund balances of the remaining governmental funds increased \$12,850,000 or by 18 percent. This increase was primarily attributable to increases in the Mental Health Services Act special revenue fund and in the Public Financing Authority capital project fund.

Additional information on fund balances is provided in Note 11 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, 2019 and 2018
(In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Increase (Decrease)
	2019	2018	2019	2018	2019	2018	Change
General Fund	\$ 1,102,104	\$ 1,096,263	\$ 1,063,339	\$ 1,031,974	\$ 38,765	\$ 64,289	\$ (25,524)
Roads	32,796	24,652	24,592	24,414	8,204	238	7,966
Watershed Protection District	43,488	44,177	33,220	40,266	10,268	3,911	6,357
Fire Protection District	179,718	177,657	183,402	188,213	(3,684)	(10,556)	6,872
Non-major funds	152,209	175,012	139,359	168,607	12,850	6,405	6,445
Total	<u>\$ 1,510,315</u>	<u>\$ 1,517,761</u>	<u>\$ 1,443,912</u>	<u>\$ 1,453,474</u>	<u>\$ 66,403</u>	<u>\$ 64,287</u>	<u>\$ 2,116</u>

GENERAL FUND

Taxes, aid from other governmental units, and charges for services comprise 93 percent of total revenues. Taxes increased by \$22,409,000, or 6 percent, while aid from other governmental units decreased \$11,656,000, primarily due to a decrease in SB 90 revenues. Charges for services decreased \$4,085,000, primarily from fiscal and information technology positions being transferred from General Fund Health Care Agency administration to the Medical Center, offset by increases in mental health services, cost allocation plan charges and contractual services. All other revenues decreased \$4,473,000 except revenue from use of money which increased \$3,646,000.

ROADS

Fund balance increased at June 30, 2019, by \$8,204,000, compared to an increase in the prior year of \$238,000. Revenues and other financing sources increased by \$8,144,000, with expenditures and other financing uses increasing by \$178,000. The increase in revenue was primarily due to an increase in State HUTA revenue from SB 1.

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

WATERSHED PROTECTION DISTRICT

Fund balance increased by \$10,268,000 in 2018-19, compared with an increase in the prior fiscal year of \$3,911,000. Revenues and other financing sources in 2018-19 of \$43,488,000, were less than revenues and other financing sources in 2017-18 of \$44,177,000 by \$689,000, primarily from an increase in property tax revenue and revenue from use of money offset by decreases in aid from other governments and insurance proceeds from the Thomas fire. Expenditures and other financing uses in 2018-19 of \$33,220,000, decreased by \$7,046,000, when compared with the prior year, primarily due to decreases in maintenance projects and construction project activity.

FIRE PROTECTION DISTRICT

The District's fund balance decreased by \$3,684,000, compared to a decrease of \$10,556,000, in 2017-18. Revenues and other financing sources at June 30, 2019, totaled \$179,718,000, an increase of \$2,061,000 from the prior fiscal year, primarily from increased property tax and revenue from use of money and other revenue from the City of Santa Paula for a future fire station and was offset by decreased aid from other governmental units and charges for services due to the Thomas fire. Expenditures and other financing uses were \$183,402,000, decreasing by \$4,811,000, when compared to 2017-18, due to a decrease in the acquisition of land offset by an increase in expense related to the cost share agreement for the Hill and Woolsey fires.

NON-MAJOR GOVERNMENTAL FUNDS

Fund balances at June 30, 2019, increased by \$12,850,000, compared with a prior year increase of \$6,405,000. The increase is primarily attributable to increases in the Mental Health Services Act special revenue fund and in the Public Financing Authority capital project fund.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide business-type activity financial statements, but in more detail. The tables below depict current year and prior year Enterprise Fund actual revenues, expenses, transfers, and changes in fund net position:

Summary of Revenues, Expenses, Transfers and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2019
(In Thousands)

	<u>Major Funds</u>				<u>Total</u>
	<u>Medical Center</u>	<u>Department of Airports</u>	<u>Waterworks Districts</u>	<u>Non-major Funds</u>	
Operating revenues	\$ 460,315	\$ 6,820	\$ 33,046	\$ 94,223	\$ 594,404
Operating expenses	<u>(485,733)</u>	<u>(6,807)</u>	<u>(34,327)</u>	<u>(95,424)</u>	<u>(622,291)</u>
Operating income (loss)	(25,418)	13	(1,281)	(1,201)	(27,887)
Non-operating revenues (expenses) and capital grants and contributions, net	<u>(7,777)</u>	<u>962</u>	<u>3,013</u>	<u>1,043</u>	<u>(2,759)</u>
Income (loss) before transfers	(33,195)	975	1,732	(158)	(30,646)
Transfers	<u>39,976</u>	<u>-</u>	<u>(138)</u>	<u>1,884</u>	<u>41,722</u>
Change in net position	6,781	975	1,594	1,726	11,076
Net position - beginning	80,514	55,225	133,807	47,149	316,695
Net position - ending	<u>\$ 87,295</u>	<u>\$ 56,200</u>	<u>\$ 135,401</u>	<u>\$ 48,875</u>	<u>\$ 327,771</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, 2018
(In Thousands)

	Major Funds				Total
	Medical Center	Department of Airports	Waterworks Districts	Non-major Funds	
Operating revenues	\$ 434,721	\$ 7,252	\$ 33,877	\$ 90,961	\$ 566,811
Operating expenses	<u>(468,543)</u>	<u>(7,375)</u>	<u>(34,491)</u>	<u>(90,736)</u>	<u>(601,145)</u>
Operating income (loss)	(33,822)	(123)	(614)	225	(34,334)
Non-operating revenues (expenses) and capital grants and contributions, net	<u>(5,163)</u>	<u>953</u>	<u>291</u>	<u>1,646</u>	<u>(2,273)</u>
Income (loss) before transfers	(38,985)	830	(323)	1,871	(36,607)
Transfers	<u>31,173</u>	<u>-</u>	<u>(241)</u>	<u>1,152</u>	<u>32,084</u>
Change in net position	(7,812)	830	(564)	3,023	(4,523)
Net position - beginning	<u>88,326</u>	<u>54,395</u>	<u>134,371</u>	<u>44,126</u>	<u>321,218</u>
Net position - ending	<u>\$ 80,514</u>	<u>\$ 55,225</u>	<u>\$ 133,807</u>	<u>\$ 47,149</u>	<u>\$ 316,695</u>

The net loss before transfers of \$30,646,000 for all enterprise funds resulted primarily from the net loss before transfers in the Medical Center of \$33,195,000, offset by net income from the Department of Airports, Waterworks Districts, Channel Islands Harbor, and the Health Care Plan. Net transfers of \$39,976,000 to the Medical Center from the General Fund up from \$31,173,000 in the prior year, resulted in an increase in net position of \$6,781,000 for the Medical Center. The increase in the Medical Center operating revenues of \$25,594,000, or 6 percent, primarily resulted from increased funding from the Enhanced Payment Program, Quality Improvement Program and Hospital Fees, as well as increased net patient revenues from increased outpatient volume.

Medical Center operating expenses increased by \$17,190,000, or 4 percent, from the prior year, resulting in an operating loss of \$25,418,000, compared to the prior year operating loss of \$33,822,000. Salaries and benefits increased \$21,327,000 or 9 percent, primarily due to fiscal and information technology services positions being transferred from General Fund Health Care Agency administration to the Medical Center, services and supplies were relatively flat with an increase of \$497,000, and depreciation decreased by \$6,551,000 primarily due to the electronic health record system being fully depreciated.

The change in net position for all other enterprise funds except for the Medical Center totaled an increase of \$4,295,000, compared to an increase of \$3,289,000 in 2017-18. Operating revenues and expenses were \$134,089,000 and \$136,558,000, respectively, increasing by 2 percent and 3 percent, respectively, from the prior year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget, June 30, 2019

Appropriations for the General Fund final budget, including transfers out, exceeded the original budget by \$29,596,000. 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. Over \$14,400,000 was transferred in 2018-19. Capital outlay increased by \$12,604,000, for required maintenance projects that were reclassified from services and supplies for the new Voting System, continuing work on the new Property Tax Assessment and Collection System, the Ventura County Human Resources/Payroll System upgrade, Sheriff Fingerprint System upgrade, and a number of projects approved during the year. Appropriations for transfers out increased by about \$19,204,000. Approximately \$7,880,000, 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, 2019

The final budget appropriations for the General Fund exceeded actual expenditures, including transfers out, by \$104,476,000, while the final budget estimated revenues were more than actual revenues, including other financing sources, by \$40,200,000. The largest component of excess appropriations over expenditures was \$39,317,000 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 \$30,172,000 were encumbered for expenditure in 2019-20. The largest revenue shortfall in comparison with the final budget was in aid from other governmental units in the amount of \$35,989,000.

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, 2019, amounted to \$2,779,542,000 at cost or \$1,868,700,000 net of accumulated depreciation. This investment in capital assets includes land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, and infrastructure. The total increase in the County's investment in capital assets net of accumulated depreciation for the current period was 1 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
	2019	2018	2019	2018	2019	2018	
Land	\$ 52,157	\$ 50,898	\$ 22,958	\$ 22,766	\$ 75,115	\$ 73,664	2%
Easements	200,264	200,195	1,297	1,297	201,561	201,492	-%
Construction in progress	73,706	54,952	17,307	30,109	91,013	85,061	7%
Land improvements	51,675	51,157	84,100	84,849	135,775	136,006	-%
Structures and improvements	564,181	554,051	674,221	652,841	1,238,402	1,206,892	3%
Equipment	110,900	104,018	83,656	80,866	194,556	184,884	5%
Vehicles	111,149	107,264	1,083	1,083	112,232	108,347	4%
Software	97,092	84,479	52,220	51,834	149,312	136,313	10%
Infrastructure	581,576	579,520	-	-	581,576	579,520	-%
Total	<u>\$ 1,842,700</u>	<u>\$ 1,786,534</u>	<u>\$ 936,842</u>	<u>\$ 925,645</u>	<u>\$ 2,779,542</u>	<u>\$ 2,712,179</u>	2%

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

Construction in progress had a net increase of \$5,952,000. Additions totaling \$39,045,000 included General Fund projects \$11,537,000, Roads projects \$757,000, Watershed Protection District projects \$4,056,000, Fire Protection District projects \$11,465,000, Capital projects \$4,968,000, Network Services projects \$2,140,000, Medical Center and Clinic improvements \$889,000, Airports projects \$1,048,000, Waterworks projects \$909,000, and various other projects \$1,276,000. Construction in progress was reduced by \$33,093,000 including transfers of completed projects of \$32,804,000 to structures and improvements, equipment, software, and vehicles.

Software had a net increase of \$12,999,000 primarily due to Information Technology Services entering into various multi-year software contracts.

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 6 of the Notes to the Basic Financial Statements.

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

Debt Administration - Government-wide Financial Statements

At June 30, 2019, the County had total debt outstanding of \$400,024,000, excluding capital leases, compensated absences, and other liabilities. The following table summarizes the categories of debt. During the year, retirement of debt amounted to \$17,226,000 and additions amounted to \$8,700,000. The following table summarizes the debt outstanding balances at June 30, 2019 and 2018 (in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Certificates of participation and lease revenue bonds	\$ 34,143	\$ 39,675	\$ 326,310	\$ 334,568	\$ 360,453	\$ 374,243
Revolving credit agreement notes from direct borrowings	24,255	17,883	3,045	3,617	27,300	21,500
Loans payable from direct borrowings	7,809	8,100	4,462	4,707	12,271	12,807
Total	<u>\$ 66,207</u>	<u>\$ 65,658</u>	<u>\$ 333,817</u>	<u>\$ 342,892</u>	<u>\$ 400,024</u>	<u>\$ 408,550</u>

For the fiscal year 2018-19, County debt limit is determined by statute at 1.25 percent of total assessed valuation or approximately \$1,738,637,000. The County's general obligation bonded debt subject to the debt limit is \$0, which is under the debt limit by \$1,738,637,000.

The County's debt utilization policy establishes the review process by the Financial Planning Committee before submission to the Board of Supervisors and central coordination by the County Executive Officer. The policy outlines a fiscally conservative basis for borrowing to include short-term needs and borrowing for certain assets with substantial economic lives. The benchmarks include County debt outstanding at less than one percent of the assessed valuation and debt service payments not greater than six percent of total General Fund expenditures.

The County, like other local governments, has an annual borrowing program which finances operations during periods of low cash flows due to periodic collection dates for property taxes. On July 2, 2018, the County issued \$143,515,000 in Tax and Revenue Anticipation Notes (TRANs). Standard & Poor's Ratings Services and Moody's Investors Services gave the TRANs the highest rating for short-term securities of SP-1+ and MIG 1, respectively. TRANs was paid with interest on July 1, 2019, the maturity date of the notes, leaving an outstanding balance of \$143,515,000 at June 30, 2019.

Additional information on long-term debt activity is provided in Note 9 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 2019-20 adopted budget for all County funds totals \$2,309,153,000, an increase of 3 percent when compared to the prior year. The General Fund 2019-20 budget of \$1,143,126,000 was structurally balanced using projected ongoing available financing sources, as well as \$3,300,000 of assigned fund balance as a funding source for General Fund one-time projects. 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 4.69 percent for the 2019-20 fiscal year when compared with 2018-19. Property tax revenues were budgeted with an increase of 3.5 percent.
- The 2019-20 budget includes an increase in salaries and benefits of 8.72 percent as compared to the prior year's actual expenditures with increases primarily in regular salaries, retirement contributions, call back staffing, and group insurance offset by a reduction in overtime.

Additional information is provided in Notes 18 and 19 of the Notes to the Basic Financial Statements, as well as the transmittal letter on page 5 of this report.

REQUESTS FOR INFORMATION

County information is available on-line at: www.ventura.org

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Further requests for information on this report or for the separate report for the Public Financing Authority should be addressed to the Auditor-Controller, 800 South Victoria Avenue, Ventura, CA 93009-1540.

Questions concerning any of the information provided in this report regarding the discretely presented component unit, Children and Families First Commission, or requests for additional information should be addressed to the Executive Director, 2580 East Main Street, Suite 203, Ventura, CA 93003.

Questions concerning any of the information provided in this report or requests for additional information on the separate financial report of Ventura County Employees' Retirement Association should be addressed to the Retirement Administrator, 1190 South Victoria Avenue, Suite 200, Ventura, CA 93003-6572.