

MANAGEMENT’S DISCUSSION AND ANALYSIS **(Unaudited)**

This section of the County of Ventura’s (County) Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of the County’s financial performance during the fiscal year ended June 30, 2024. 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 2023-24 fiscal year by \$3,397,686,000 (*net position*). Of this amount, \$784,941,000 is restricted for specific purposes (*restricted net position*), \$1,800,051,000 is the *net investment in capital assets*, and the remaining portion of \$812,694,000 is *unrestricted net position*.

The government’s total net position increased by \$356,334,000 during fiscal year 2023-24 due to increases in both governmental and business-type activities. Restricted net position increased by \$80,749,000, while unrestricted net position increased by \$179,663,000, for the current year primarily due to the recognition of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program for lost revenue. Net investment in capital assets increased by \$95,922,000. 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. Additional information is available on the prior period adjustment in Note 2 to the Basic Financial Statements.

As of June 30, 2024, the County governmental funds reported combined fund balances of \$1,490,952,000, an increase of \$149,277,000 in comparison with the prior year.

At the end of the fiscal year, unassigned General Fund fund balance was \$53,020,000, or 4 percent of total General Fund expenditures, reflecting a decrease of \$48,757,000 from the prior fiscal year balance.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

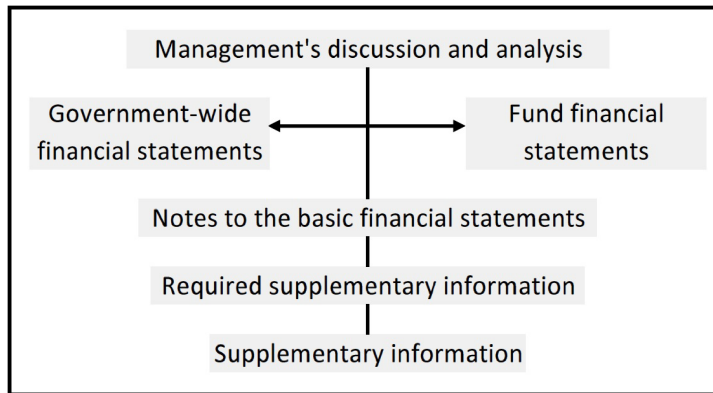
The Management’s Discussion and Analysis (MD&A) is intended to serve as an introduction to the County’s basic financial statements. The County’s basic financial statements include three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the basic financial statements

Required supplementary information, supplementary information, and statistical information are also included in the ACFR.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following diagram displays the interrelationships of this report:



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

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

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

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

The government-wide statements include only those funds/entities representing resources available to the County. Therefore, the financial information for the pension and other postemployment benefits (OPEB), investment, private-purpose trusts, and custodial funds are not included in the government-wide financial statements. The financial statements for the discretely presented component unit, Children and Families First Commission (Commission), are provided in a separate column.

The statement of activities distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In addition, the statement of activities compares the direct expenses and program revenue for each governmental function and each segment of business-type activities. The general revenue (non-program revenue) must then cover the net cost of the various activities. The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation services, public assistance, education, recreation, and cultural services. The business-type activities of the County include the hospitals, clinics, airports, utilities, recreation, and medical insurance.

Because the internal service funds primarily serve the governmental funds, the internal service funds activities are eliminated with net balances also reported in the governmental activities column. Additional elimination of transfers and activity occurs within the governmental activities and within the business-type activities.

Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. *Blended component units* have substantially the same governing board as the County or provide services entirely to the County and are reported on the fund statements and, if appropriate, as governmental activities on the government-wide financial statements. An example is the Fire Protection District. The Commission is reported as a *discretely presented component unit* because the County Board appoints the commission board members to serve at will. The Ventura County Employees' Retirement Association (VCERA) is a public entity separate from the County and is considered a *fiduciary component unit* of the County due to board control and financial burden because of the legal obligation to make contributions to the plan.

The government-wide financial statements can be found on pages 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 two major governmental funds: the General Fund and the Fire Protection District. There are two major enterprise funds: Medical System and Waterworks Districts. Individual fund data for each of the non-major funds is provided in the form of *combining statements* in the supplementary information section.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

All of the funds of the County can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. The governmental funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent fund. However, unlike the government-wide financial statements, governmental funds financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. The focus and basis emphasize the *near-term inflows and outflows of spendable resources*, as well as the balances of *spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

The County maintains over sixty individual governmental funds in its financial system and presents them grouped by related activities as twenty-three separate governmental funds in this report. The equity for fund financial statements is displayed as fund balance. Purchase or lease of capital assets and payment of principal on debt or leases are shown as expenditures on fund financial statements.

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

The governmental funds financial statements can be found on pages 44 - 47 of this report.

Proprietary funds are maintained in two fund types: enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the operations of the Medical System, Department of Airports, Waterworks Districts, Parks Department, Channel Islands Harbor, Health Care Plan, and Oak View District. Eighteen enterprise funds are reported in the County's financial system and grouped by related activities as seven enterprise funds on this report. The major funds are presented in the proprietary fund financial statements with details of non-major funds provided in the combining statements in the supplementary information section.

Internal service funds are used to accumulate and allocate costs for services provided to the County's various departments. The County uses internal service funds to account for its public works services, heavy equipment, transportation, general insurance (liability and workers' compensation), information technology services, general services, employee benefits insurance, and personnel services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide statement of net position and allocated proportionally on the government-wide statement of activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County's eight internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the *combining financial statements* in the supplementary information section.

The proprietary funds financial statements can be found on pages 48 - 51 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fiduciary funds, including the *trust and custodial funds*, are used to account for fiduciary component units and resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting basis used for trust and custodial funds is accrual, much like that used for proprietary funds. Fiduciary fund types are pension and OPEB, investment, private-purpose trusts, and custodial funds.

The fiduciary funds financial statements can be found on pages 52 - 53 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 55 - 138 of this report and are also itemized in the Table of Contents.

Required Supplementary Information includes the Ventura County Employees' Retirement Association (VCERA) schedule of the County's proportionate share of the net pension liability (asset) and schedule of County's contributions, the Supplemental Retirement Plan (SRP) schedule of changes in net pension liability (asset) and related ratios, schedule of investment returns and schedule of County's contributions, the Management Retiree Health Benefits Program schedule of changes in total pension liability and related ratios, the Subsidized Retiree Health Benefits Program schedule of total OPEB liability and related ratios, the Ventura County Deputy Sheriffs' Association (VCDSA) Retiree Medical Reimbursement Plan schedule of net OPEB liability and related ratios and schedule of County's contributions, the Ventura County Professional Firefighters' Association (VCPFA) Premium Reimbursement Plan schedule of net OPEB liability (asset) and related ratios and schedule of County's contributions, and the County's Retiree Medical Expense Reimbursement Plan (RMERP) related ratios and schedule of County's contributions. These schedules provide trend data on pension and OPEB liabilities, contributions, and payroll amounts as well as factors that significantly affect these trends. In addition, budgetary schedules for the major general and special revenue funds are included.

The County adopts an annual appropriated budget for its governmental funds as required by 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/FY24_BudgetToActual.pdf

Required supplementary information can be found on pages 140 - 155 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 157 - 221 of this report.

Statistical Information is provided beginning on page 223 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Summary of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the County's net position was \$3,397,686,000.

A summary of net position is as follows:

Summary of Net Position June 30, 2024 and 2023 (In Thousands)							
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2024	2023	2024	2023	2024	2023	
Assets:							
Current and other assets	\$ 2,503,182	\$ 2,097,519	\$ 313,155	\$ 372,075	\$ 2,816,337	\$ 2,469,594	14%
Capital assets	<u>1,527,858</u>	<u>1,455,265</u>	<u>650,925</u>	<u>632,294</u>	<u>2,178,783</u>	<u>2,087,559</u>	4%
Total assets	<u>4,031,040</u>	<u>3,552,784</u>	<u>964,080</u>	<u>1,004,369</u>	<u>4,995,120</u>	<u>4,557,153</u>	10%
Total deferred outflows of resources	<u>268,983</u>	<u>380,888</u>	<u>46,464</u>	<u>71,586</u>	<u>315,447</u>	<u>452,474</u>	(30)%
Liabilities:							
Current and other liabilities	425,745	290,725	118,863	135,116	544,608	425,841	28%
Long-term liabilities	<u>797,591</u>	<u>919,295</u>	<u>357,289</u>	<u>405,866</u>	<u>1,154,880</u>	<u>1,325,161</u>	(13)%
Total liabilities	<u>1,223,336</u>	<u>1,210,020</u>	<u>476,152</u>	<u>540,982</u>	<u>1,699,488</u>	<u>1,751,002</u>	(3)%
Total deferred inflows of resources	<u>103,073</u>	<u>103,115</u>	<u>110,320</u>	<u>114,158</u>	<u>213,393</u>	<u>217,273</u>	(2)%
Net position:							
Net investment in capital assets	1,433,703	1,365,721	366,348	338,408	1,800,051	1,704,129	6%
Restricted	782,615	701,901	2,326	2,291	784,941	704,192	11%
Unrestricted	<u>757,296</u>	<u>552,915</u>	<u>55,398</u>	<u>80,116</u>	<u>812,694</u>	<u>633,031</u>	28%
Total net position	<u>\$ 2,973,614</u>	<u>\$ 2,620,537</u>	<u>\$ 424,072</u>	<u>\$ 420,815</u>	<u>\$ 3,397,686</u>	<u>\$ 3,041,352</u>	12%

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

A significant component of the County's net position totaling \$1,800,051,000 (53 percent) reflects the County's net investment in capital assets: (land, easements, development in progress, land improvements, structures and improvements, equipment, vehicles, software, infrastructure, and right-to-use lease structures and improvements, equipment, and subscription assets), net of accumulated depreciation/amortization, plus capital-related deferred outflows of resources, less capital-related debt and deferred inflows of resources. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of capital-related debt and deferred inflows of resources, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The restricted component of the County's net position, totaling \$784,941,000 (23 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 \$812,694,000 (24 percent).

At the end of the current fiscal year, the County reported positive balances in all categories of net position. The County's change in net position was an increase of \$356,334,000. The change in net position for governmental and business-type activities was \$353,077,000 and \$3,257,000, respectively.

General revenues for governmental activities increased by \$77,429,000, primarily due to increases in investment earnings and property taxes. Program revenues increased by \$23,433,000, primarily due to a decrease in COVID-19 relief and recovery from the end of the federal Public Health Emergency for COVID-19 in May 2023. Total expenses increased by \$198,397,000, or 13 percent, primarily due to inflation in the costs of goods and services as well as increases to salaries and benefits and recovery projects.

The current period increase in net position attributable to business-type activities primarily resulted from an increase in the Medical System. Program revenues increased by \$42,988,000, or 6 percent, primarily due to increased charges for services and grant funding received by the Medical System. Business-type expenses increased by \$68,381,000, primarily in the Medical System due to an increase in salaries and benefits and medical supplies and services. Additional information is provided on pages 34-35 of this report.

Government-wide Summary of Activities

The following table depicts the revenues, expenses, and changes in net position for governmental and business-type activities. Revenues for the County increased by \$145,911,000, or 5 percent, with increases primarily through charges for services, property taxes, and interest and investment earnings of \$86,895,000, \$42,865,000, and \$35,889,000, respectively, offset by a decrease in capital grants and contributions of \$19,298,000. Additional information on major revenue streams is provided on pages 29-31.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

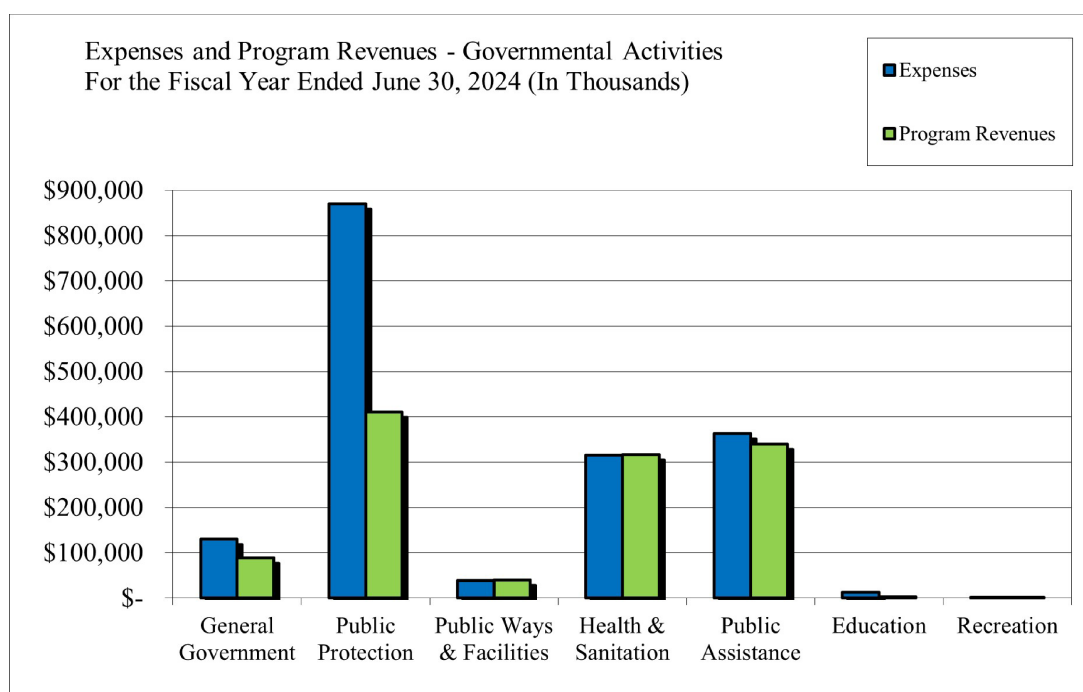
Summary of Activities For the Fiscal Years Ended June 30, 2024 and 2023 (In Thousands)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2024	2023	2024	2023	2024	2023	
Revenues:							
Program revenues:							
Charges for services	\$ 330,593	\$ 296,074	\$ 749,068	\$ 696,692	\$ 1,079,661	\$ 992,766	9%
Operating grants and contributions	965,418	952,986	16,987	30,595	982,405	983,581	0%
Capital grants and contributions	2,906	26,424	13,240	9,020	16,146	35,444	(54)%
General revenues:							
Property taxes	710,622	667,757	-	-	710,622	667,757	6%
Other taxes	25,331	23,050	-	-	25,331	23,050	10%
Aid from other governmental units	2,720	2,850	-	-	2,720	2,850	(5)%
Interest and investment earnings	80,907	47,079	9,735	7,674	90,642	54,753	66%
Other	16,722	18,137	-	-	16,722	18,137	(8)%
Total revenues	<u>2,135,219</u>	<u>2,034,357</u>	<u>789,030</u>	<u>743,981</u>	<u>2,924,249</u>	<u>2,778,338</u>	5%
Expenses:							
General government	142,519	125,462	-	-	142,519	125,462	14%
Public protection	880,463	790,315	-	-	880,463	790,315	11%
Public ways and facilities	40,183	45,517	-	-	40,183	45,517	(12)%
Health and sanitation services	307,572	262,930	-	-	307,572	262,930	17%
Public assistance	358,590	312,105	-	-	358,590	312,105	15%
Education	13,002	10,253	-	-	13,002	10,253	27%
Recreation	4	56	-	-	4	56	(93)%
Interest on long-term debt	7,754	5,052	-	-	7,754	5,052	53%
Medical System	-	-	666,799	605,157	666,799	605,157	10%
Department of Airports	-	-	10,763	9,024	10,763	9,024	19%
Waterworks - Water and Sewer	-	-	38,306	36,520	38,306	36,520	5%
Parks Department	-	-	7,345	6,794	7,345	6,794	8%
Channel Islands Harbor	-	-	10,625	10,514	10,625	10,514	1%
Health Care Plan	-	-	83,682	81,153	83,682	81,153	3%
Oak View District	-	-	308	285	308	285	8%
Total expenses	<u>1,750,087</u>	<u>1,551,690</u>	<u>817,828</u>	<u>749,447</u>	<u>2,567,915</u>	<u>2,301,137</u>	12%
Excess (deficiency) before transfers	385,132	482,667	(28,798)	(5,466)	356,334	477,201	(25)%
Transfers	<u>(32,055)</u>	<u>(34,252)</u>	<u>32,055</u>	<u>34,252</u>	<u>-</u>	<u>-</u>	0%
Change in net position	<u>353,077</u>	<u>448,415</u>	<u>3,257</u>	<u>28,786</u>	<u>356,334</u>	<u>477,201</u>	(25)%
Net position - beginning	<u>2,620,537</u>	<u>2,172,122</u>	<u>420,815</u>	<u>392,029</u>	<u>3,041,352</u>	<u>2,564,151</u>	19%
Net position - ending	<u>\$ 2,973,614</u>	<u>\$ 2,620,537</u>	<u>\$ 424,072</u>	<u>\$ 420,815</u>	<u>\$ 3,397,686</u>	<u>\$ 3,041,352</u>	12%

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 \$353,077,000, accounting for 99 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 5 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 2023-24, the County reported \$965,418,000 in operating grants and contributions, which comprised 74 percent of the total program revenues in the current year. Operating grants and contributions increased by \$12,432,000 from the prior year, primarily in health and sanitation services due to the recognition of the National Opioid Settlement revenue. Operating grants and contributions represent the largest revenue source for governmental activities. The public protection, public assistance, and health and sanitation services functions received 94 percent of this funding source in fiscal year 2023-24.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

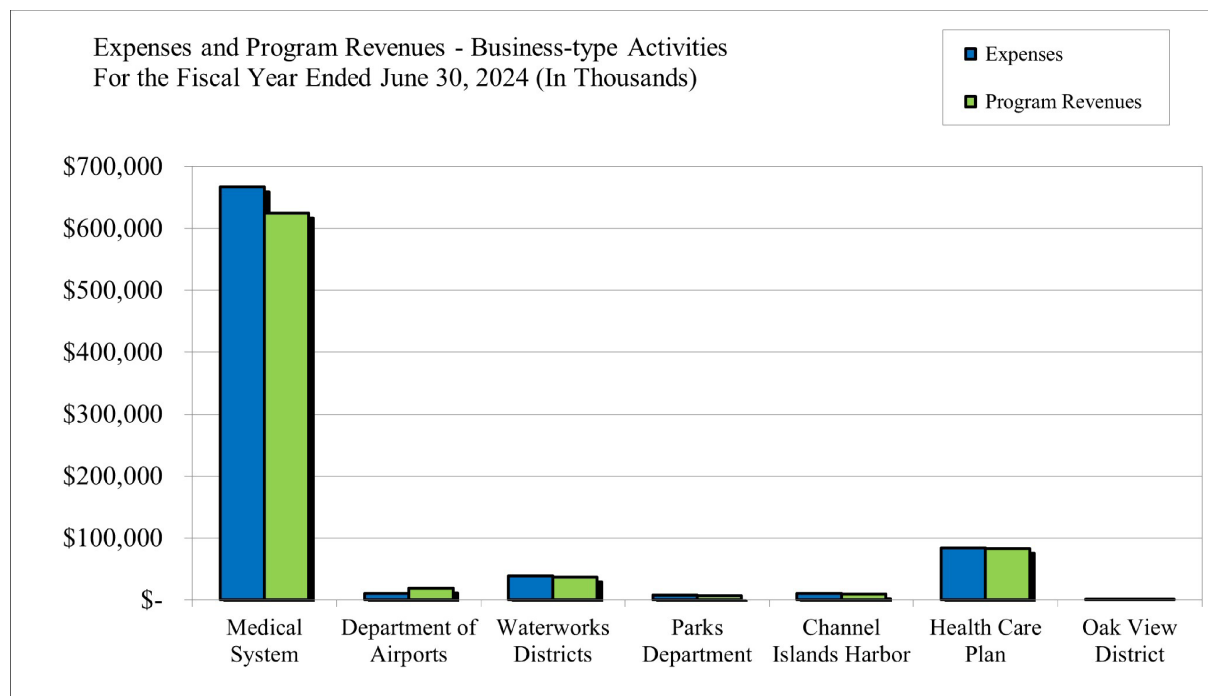
Charges for services are revenues earned from providing goods, services, or privileges to external customers. Fines, forfeitures, and penalties and licenses, permits, and franchises are also reported as charges for services. Public protection generated \$138,184,000, or 42 percent, of the total of \$330,593,000. Among the major sources are contracted law enforcement services provided by the Sheriff's Office to several cities, emergency and contract services performed by the Fire Protection District for various governmental agencies. Charges for services provided 25 percent of total program revenues in 2023-24, increasing 1 percent from the prior year.

Capital grants and contributions of \$2,906,000 represented the smallest source of program revenues in 2023-24 at 0.2 percent of total program revenues. Revenue for capital grants and contributions decreased by \$23,518 mainly due to the completion of the Todd Road Jail construction project.

General revenue for governmental activities primarily consisted of taxes. Property tax revenue, the largest source of general revenue with \$710,622,000 reported in 2023-24, increased by 7 percent from 2022-23 due to increases in assessed property tax values driven by the limited housing supply.

Expenses. Total program expenses for governmental activities were \$1,750,087,000 for the current fiscal year as compared to \$1,551,690,000 for the prior fiscal year, an increase of 13 percent. Public protection at \$880,463,000 accounted for 50 percent of total expenses for governmental activities. Public assistance expenses were \$358,590,000, or 20 percent, followed by health and sanitation services at \$307,572,000, or 18 percent, general government at \$142,519,000, or 8 percent, and various other costs of \$60,943,000, or 3 percent, of total expenses. Expenses increased in most of the functions primarily due to increases in salaries and benefits along with inflation in the costs of goods and services.

Business-type activities. Business-type activities increased the County's net position in the current period by \$3,257,000, or 1 percent, of the total current period change in the County's net position, primarily due to the Medical System. The bar chart below depicts the relationships of the business-type activities direct expenses to program revenues:



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues. The County has two major business-type activities: the Medical System (hospitals and clinics) and Waterworks Districts - Water and Sewer. Business-type activities recover a significant portion of their costs through user fees and charges. For the current year, 96 percent, or \$749,068,000, of total program revenues were generated from charges for services, as compared to the prior year's 95 percent, or \$696,692,000. The Medical System accounted for 80 percent of total program revenues for business-type activities at \$624,733,000 and the Health Care Plan accounted for 11 percent of total program revenues, an equal percent when compared to the prior year. The Waterworks Districts' combined water and sewer activities generated 5 percent of total program revenues, and all other business-type activities accounted for the remaining 4 percent.

Expenses. Total expenses for business-type activities were \$817,828,000 in 2023-24 compared to \$749,447,000 in 2022-23, representing an increase of 9 percent. About 82 percent of total expenses, or \$666,799,000, were incurred by the Medical System. The Health Care Plan accounted for 10 percent of the total cost, while Waterworks - Water and Sewer activities, accounted for 5 percent. The remaining 3 percent of expenses were incurred by the Department of Airports, Parks Department, Channel Islands Harbor, and the Oak View District business activities, with a combined total of \$29,041,000.

The Medical System salaries and benefits increased \$33,241,000 or 12 percent compared to fiscal year 2022-23. Nearly a third of the increase is due to the actuarial valuation pension adjustment which was \$10,500,000 less favorable in fiscal year 2023-24 compared to the prior year (\$6,600,000 compared to \$17,100,000). The remaining \$22,741,000 increase is due to salary and benefit rate increases and filling vacancies. The Medical System services and supplies had an increase of \$28,692,000 or 10 percent in fiscal year 2023-24, primarily due to increases in pharmaceuticals, medical and laboratory supplies, other medical services and professional medical services as a result of both increased patient volumes and overall increased rates totaling \$13,799,000, increased County cost allocation plan charges of \$4,643,000, and increased building and improvement maintenance costs of \$1,547,000.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The County's general government functions are accounted for in the County's general, special revenue, debt service, capital projects, and permanent funds. Included in these funds are the special districts governed by the Board of Supervisors (Board). The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. Major governmental funds reported by the County include the General Fund and the Fire Protection District.

At June 30, 2024, the County's governmental funds reported total fund balances of \$1,490,952,000, an increase of \$149,277,000 from the prior year. Approximately \$235,985,000 or 16 percent of the total is Nonspendable fund balance, which are amounts that are not in spendable form or amounts that are legally or contractually required to be maintained intact. The remaining 84 percent or \$1,254,967,000 is available to meet the County's current and future needs.

Revenues for governmental funds totaled \$2,046,144,000 for the year ended June 30, 2024, with no appreciable difference from the fiscal year ended June 30, 2023. This was primarily attributable to an increase in taxes, revenues from use of money and property, and other sources being offset by a decrease in aid from other governmental units. Expenditures, at \$1,860,672,000, increased 9 percent when compared to the fiscal year ended June 30, 2023, with increases primarily in public protection, health and sanitation services, and public assistance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GENERAL FUND

The General Fund is the primary operating fund of the County. At June 30, 2024, the General Fund's total fund balance was \$964,306,000, increasing \$94,072,000 from the prior year, as adjusted. The nonspendable portion of fund balance was \$232,818,000 and the spendable portion was \$731,488,000. As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance equates to 72 percent of total General Fund expenditures while spendable fund balance equates to 54 percent. Of the General Fund spendable fund balance, \$320,435,000, or 44 percent, is restricted, and \$11,175,000, or 2 percent, is committed.

FIRE PROTECTION DISTRICT - SPECIAL REVENUE FUND

The Fire Protection District provides fire protection to the unincorporated areas of the County, as well as the cities of Camarillo, Moorpark, Ojai, Port Hueneme, Santa Paula, Simi Valley, and Thousand Oaks. Support is derived principally from property taxes. At June 30, 2024, the Fire Protection District's total fund balance was \$183,931,000, an increase of \$15,458,000 from the prior year. Fund balance included a nonspendable portion of \$2,010,000. Restricted fund balance totaled \$178,068,000, or 97 percent, with the remaining \$3,853,000 classified as committed.

NON-MAJOR GOVERNMENTAL FUNDS

As compared with the prior year, the total fund balances of the remaining governmental funds increased \$39,747,000 or by 22 percent. In fiscal year 2023-24, the Watershed Protection District fund was reclassified from a major fund to a non-major fund, so its balance is included in the calculations for non-major governmental funds for this comparison. The increase was primarily attributable Mental Health Services fund receiving a \$36,000,000 apportionment adjustment.

Additional information on fund balances is provided in Note 13 of the Notes to the Basic Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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, 2024 and 2023
(In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Increase (Decrease) Change
	2024	2023	2024	2023	2024	2023	
General Fund	\$ 1,512,609	\$ 1,544,168	\$ 1,418,537	\$ 1,296,106	\$ 94,072	\$ 248,062	\$ (153,990)
Watershed Protection District*	-	49,147	-	35,177	-	13,970	(13,970)
Fire Protection District	254,513	239,319	239,055	218,743	15,458	20,576	(5,118)
Non-major funds	321,666	253,091	281,919	244,645	39,747	8,446	31,301
Total	<u>\$ 2,088,788</u>	<u>\$ 2,085,725</u>	<u>\$ 1,939,511</u>	<u>\$ 1,794,671</u>	<u>\$ 149,277</u>	<u>\$ 291,054</u>	<u>\$ (141,777)</u>

*Watershed Protection District fund was reclassified to non-major funds in fiscal year 2023-24.

GENERAL FUND

Taxes, aid from other governmental units, and charges for services comprise 90 percent of total revenues. Taxes increased by \$32,538,000, or 7 percent, due to an increase in assessed property tax values. Aid from other governmental units decreased \$142,778,000, primarily due to the end of COVID-19 relief and recovery funding. Revenue from use of money increased by \$12,848,000, based on increased interest rates and investment earnings. The remaining revenue classifications had a net increase of \$57,311,000.

FIRE PROTECTION DISTRICT

The District's fund balance increased by \$15,458,000, compared to an increase of \$20,576,000, in 2022-23. Revenues and other financing sources at June 30, 2024, totaled \$254,513,000, an increase of \$15,194,000 from the prior fiscal year, primarily from an increase in taxes and revenues from use of money and property. The increase in taxes is mainly due to an increase in assessed property tax values. Similarly, revenues from use of money and property were due to an increase in the rate of return from County Treasury investment pool. Expenditures and other financing uses were \$239,055,000, increasing by \$20,312,000, when compared to 2022-23, primarily due to an increase in capital outlay for the purchase of a new headquarters building in Thousand Oaks, California.

NON-MAJOR GOVERNMENTAL FUNDS

Fund balances at June 30, 2024, increased by \$39,747,000, compared to the prior year increase of \$22,416,000, which includes the reclassified Watershed Protection District fund to non-major governmental funds. The increase was primarily attributable to Mental Health Services apportionment adjustment noted on page 32.

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

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, 2024
(In Thousands)

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

Note: Department of Airports was reclassified to non-major funds in fiscal year 2023-24.

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, 2023 (In Thousands)

	Major Funds				
	Medical System	Department of Airports	Waterworks Districts	Non-major Funds	Total
Operating revenues	\$ 559,431	\$ 7,431	\$ 31,147	\$ 96,941	\$ 694,950
Operating expenses	(596,395)	(9,010)	(35,682)	(98,831)	(739,918)
Operating income (loss)	(36,964)	(1,579)	(4,535)	(1,890)	(44,968)
Non-operating revenues (expenses) and capital grants and contributions, net	20,308	8,556	5,795	5,914	40,573
Income (loss) before transfers	(16,656)	6,977	1,260	4,024	(4,395)
Transfers	34,017	(50)	(888)	1,173	34,252
Change in net position	17,361	6,927	372	5,197	29,857
Net position - beginning	107,144	73,595	147,504	60,926	389,169
Net position - ending	<u>\$ 124,505</u>	<u>\$ 80,522</u>	<u>\$ 147,876</u>	<u>\$ 66,123</u>	<u>\$ 419,026</u>

The net loss before transfers of \$28,940,000 for all enterprise funds resulted primarily from the Medical System. Net transfers of \$27,899,000 to the Medical System from the General Fund were down from \$34,017,000 in the prior year.

The Medical System's net position decreased \$13,895,000 for the year. Operating revenues increased \$46,284,000, or 8 percent, and operating expenses increased \$62,755,000, a 11 percent increase from fiscal year 2022-23, resulting in an operating loss of \$53,435,000 compared to the prior year operating loss of \$36,964,000. The increase in operating loss is primarily due to a \$13,400,000 reduction in the Medical System's share of fiscal year 2014-15 disproportionate share close out funding updated by the state during fiscal year 2023-24 which impacted all California designated public hospital systems. The increase in operating revenues was primarily attributable to an increase in claims-based reimbursement rates, increased patient volumes, and new incentive programs, offset by the decrease attributable to the disproportionate share close out.

The change in net position for all other enterprise funds except for the Medical System totaled an increase of \$17,010,000, compared to an increase of \$12,496,000 in fiscal year 2022-23. Operating revenues and expenses were \$141,589,000 and \$149,871,000, respectively, each representing an increase by 4 percent from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget, June 30, 2024

Appropriations for the General Fund final budget, including transfers out, exceeded the original budget by \$145,351,000. Final budget appropriations for salaries and benefits increased in all areas except general government, primarily due to transfers of appropriations for vacation/annual leave buydowns. For control purposes, vacation/annual leave buydowns are budgeted in a general government budget unit and are transferred as related expenditures are incurred. Approximately \$18,421,000 was transferred in 2023-24. Services and supplies increased by \$28,645,000, primarily in general government. Capital outlay increased by \$62,546,000 for required maintenance projects that were reclassified from services and supplies, right-to-use assets (leases and subscriptions), and other projects approved during the year, which predominately includes fiscal recovery projects. Appropriations for transfers out increased by \$9,784,000. Approximately \$7,846,000 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, 2024

The final budget appropriations for the General Fund exceeded actual expenditures, including transfers out, by \$301,336,000, while the final budget estimated revenues were more than actual revenues, including other financing sources, by \$57,287,000. The largest component of excess appropriations over expenditures was \$108,963,000 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 \$85,281,000 were encumbered for expenditure in 2024-25. The largest revenue shortfall in comparison with the final budget was in aid from other governmental units in the amount of \$76,128,000, primarily due to the budgeting of multiyear grants.

Budgetary information is included in the Required Supplementary Information (RSI) section, which also contains Notes to the RSI.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Government-wide Financial Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounted to \$3,451,070,000 at cost or \$2,178,783,000 net of accumulated depreciation. This investment in capital assets includes land, easements, development in progress, land improvements, structures and improvements, equipment, vehicles, software, infrastructure, and right-to-use lease and subscription assets. The total increase in the County's investment in capital assets net of accumulated depreciation for the current period was 3 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
	2024	2023	2024	2023	2024	2023	
Land	\$ 53,743	\$ 53,053	\$ 23,188	\$ 23,188	\$ 76,931	\$ 76,241	1%
Easements	200,451	200,451	1,047	1,297	201,498	201,748	0%
Development in progress	169,157	212,562	108,048	86,693	277,205	299,255	(7)%
Land improvements	60,721	58,524	90,874	84,490	151,595	143,014	6%
Structures and improvements	717,021	617,371	682,383	686,651	1,399,404	1,304,022	7%
Equipment	181,776	173,964	99,096	89,195	280,872	263,159	7%
Vehicles	157,209	142,080	1,098	1,083	158,307	143,163	11%
Software	84,437	85,558	53,183	53,859	137,620	139,417	(1)%
Infrastructure	625,327	609,118	-	-	625,327	609,118	3%
Right-to-use lease structures and improvements	51,136	48,272	22,616	21,992	73,752	70,264	5%
Right-to-use lease equipment	6,518	6,518	2,314	5,559	8,832	12,077	(27)%
Right-to-use subscription assets	47,769	20,655	11,958	4,708	59,727	25,363	135%
Less accumulated depreciation and amortization	(827,407)	(772,861)	(444,880)	(426,421)	(1,272,287)	(1,199,282)	6%
Total capital assets	<u>\$ 1,527,858</u>	<u>\$ 1,455,265</u>	<u>\$ 650,925</u>	<u>\$ 632,294</u>	<u>\$ 2,178,783</u>	<u>\$ 2,087,559</u>	4%

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

Development in progress had a net decrease of \$22,050,000. Additions totaling \$105,617,000 included General Fund projects \$31,910,000, Fire Protection District projects \$12,957,000, Airports projects \$17,062,000, Medical System projects \$15,983,000, Information Technology Network projects \$7,425,000, Waterworks projects \$4,252,000, Roads projects \$3,721,000, VCIJIS project \$2,514,000, Todd Road Expansion project \$2,296,000, Watershed Protection District projects \$2,234,000, Mental Health Services Act project \$1,876,000, Transportation projects \$1,050,000, and various other projects \$2,337,000. Reductions to development in progress totaled \$127,667,000, which increased by \$99,534,000 compared to prior year. This increase was primarily due to the placement of the Todd Road Jail project (\$65,191,000) into service.

The County's infrastructure assets for both the watershed protection network and the roads network are recorded at historical cost in the government-wide financial statements as required by GASB 34.

Additional information on capital asset activity is provided in Note 7 of the Notes to the Basic Financial Statements.

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

Debt Administration - Government-wide Financial Statements

As of June 30, 2024, the County had total debt outstanding of \$376,288,000, excluding compensated absences and other liabilities. The following table summarizes the categories of debt. During the year, retirement of debt amounted to \$51,929,000 and additions amounted to \$40,366,000. The following table summarizes the debt outstanding balances at June 30, 2024 and 2023 (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Certificates of participation and lease revenue bonds	\$ 12,498	\$ 16,561	\$ 263,800	\$ 275,910	\$ 276,298	\$ 292,471
Revolving credit agreement notes from direct borrowings	15,593	19,221	3,207	3,579	18,800	22,800
Loans payable from direct borrowings	6,268	6,589	3,269	3,445	9,537	10,034
Structure and improvement leases	26,020	31,100	7,828	12,565	33,848	43,665
Equipment leases	3,706	4,642	402	933	4,108	5,575
SBITA	30,055	11,478	3,642	1,828	33,697	13,306
Total	<u>\$ 94,140</u>	<u>\$ 89,591</u>	<u>\$ 282,148</u>	<u>\$ 298,260</u>	<u>\$ 376,288</u>	<u>\$ 387,851</u>

For the fiscal year 2023-24, County debt limit is determined by statute at 1.25 percent of total assessed valuation or approximately \$2,235,935,000. The County's general obligation bonded debt subject to the debt limit is \$0, which is under the debt limit by \$2,235,935,000.

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 1, 2023, the County issued \$90,000,000 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 had an outstanding balance of \$90,000,000 at June 30, 2024.

Additional information on long-term debt activity is provided in Note 11 of the Notes to the Basic Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The fiscal year 2024-25 adopted budget for all County funds totals \$3,044,778,000, an increase of 6.5 percent when compared to the prior year. The General Fund 2024-25 budget of \$1,437,048,000 was structurally balanced using projected ongoing available financing sources. Year-end fund balance is not considered an ongoing financing source and is used to maintain policy-set fund balance levels and fund one-time expenditures.

Assessed property valuations increased by 4.4 percent for the 2024-25 fiscal year when compared with 2023-24. Property tax revenues were budgeted with an increase of 3.0 percent.

The 2024-25 budget includes an increase of 254 full-time equivalent position allocations as compared to prior year. In general, increases in appropriations are the result of negotiated salary increases, merit increases, and increased position allocations.

Additional information is provided in Notes 21 and 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.