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December 28, 2015

To the Citizens of Ventura County:

The Comprehensive Annual Financial Report (CAFR) of the County of Ventura (County) for the fiscal year ended June 30, 2015, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

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

Vavrinek, Trine, Day & Co., LLP has issued an unmodified ("clean") opinion on the County of Ventura's financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The County of Ventura (County), approved by the State Legislature on March 22, 1872, effective January 1, 1873, was created out of the southeasterly portion of Santa Barbara County and covers an area of 1,873 square miles. It is bordered on the north by Kern County, on the northwest by Santa Barbara County, on the east by Los Angeles County, and on the south and southwest by the Pacific Ocean along 42 miles of coastline. There are ten incorporated cities within its borders: Ventura, Ojai, Oxnard, Port Hueneme, Camarillo, Santa Paula, Fillmore, Thousand Oaks, Moorpark and Simi Valley with a combined population including the unincorporated area of 848,073. The largest employment segments comprising over 80 percent of the total employment distribution include service industries, retail, government, manufacturing, and agriculture and food production. With its mild climate, geographical diversity including beaches and pristine and rugged wilderness, year-round recreational and cultural opportunities, and a reputation as one of the safest populated areas in the country, the County is a popular tourist destination.

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

With 8,454 full-time employees in June 2015, the County provides a full range of services, including general government (administration, central services, elections, and plant acquisition), public protection, (law enforcement, fire protection, watershed protection, County portion of judicial, and detention), public ways and facilities (construction and maintenance of roads), health and sanitation (public, behavioral, and environmental health), public assistance, and education (libraries). In addition, enterprise funds account for the operations of the Medical Center (Ventura County Medical Center and the Santa Paula Hospital), Health Care Plan, two airports, Channel Islands Harbor, Waterworks Districts (sanitation and water services), and Parks (recreational activities). The financial reporting entity includes all funds of the primary government (County of Ventura as legally defined), as well as all of its legally separate component units. The component units are reported as blended when they are in substance part of the primary government or discretely presented in a separate column on the government-wide financial statements to emphasize that they are legally separate from the primary government. Note 1 of the Notes to the Basic Financial Statements provides more information on the reporting entity.

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

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

Local Economy

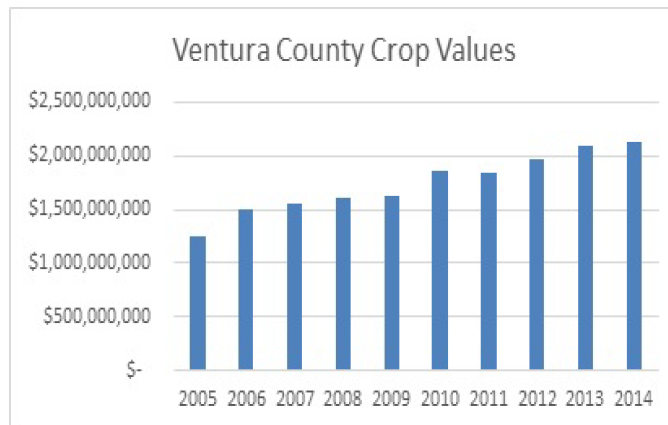
Historically, Ventura County has been closely allied with the economy of Southern California, and, for the calendar year 2015, the growth continued to be slow but consistent. The County's traditional economic strength in agriculture, food processing, and mineral production is supplemented by the prominence of the service industry, small manufacturing businesses, the electronics industry, tourism, the biotechnology giant, Amgen, and the military presence of the Naval Base Ventura County at Port Hueneme and Point Mugu.

• **Commercial and Agricultural Activity**

Taxable sales in 2014 were \$13.5 billion, topping the prior high in 2013 of \$12.8 billion. Retail sales for the County as a whole continued an upward trend posting a modest 2.5 percent increase in the first-quarter of 2015 and a 4 percent increase in the second-quarter as compared with the same periods in 2014. Though the County's taxable sales increased as a whole, several cities in the county saw decreases in the fuel and service stations taxable sales due to lower fuel prices.

The Port of Hueneme, a critical hub in Southern California, realized its highest cargo year in its 78 year history. The total tonnage for fiscal year 2014-15 jumped to 1,574,903 metric tons representing a 9.5 percent increase from the Port's all-time high in 2013 of 1,438,596 metric tons. Automobile imports increased by 10.6 percent to more than 321,000 autos, which accounted for 60 percent of the Port's business revenue. Niche markets of high and heavy cargos, fresh produce, fertilizer, and domestic commodities also had strong freight activity growth.

The region's crop totals exceeded \$2.137 billion in 2014, which represents a 2 percent increase over 2013. The leading crops were strawberries, lemons, raspberries and nursery stock with sales of \$628.0, \$269.4, \$240.7, and \$180.5 million, respectively.



Source: Ventura County Crop and Livestock Report

• **Academic Activity**

California State University, Channel Islands (CSUCI) opened in 2002 and is accredited by the Western Association of Schools and Colleges. Located on 833 acres it is one of the largest campuses in land size in the 23 campus California State University System. CSUCI offers undergraduate degrees in 23 areas of study, three teaching credential programs, and graduate degrees in five areas of study. During the 2014 fall term CSUCI had 5,879 students, up 14.3 percent from the prior year, as well as over 750 faculty, staff, and administrators.

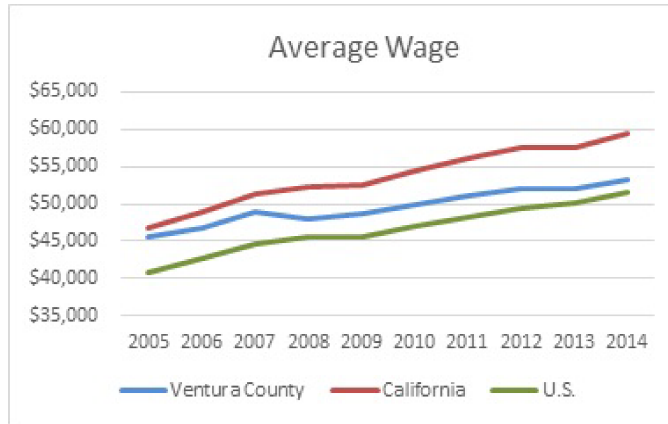
California Lutheran University, opened in 1961, is accredited by the Western Association of Schools and Colleges and offers 35 undergraduate majors, 34 minors, Bachelor's degrees in seven professional programs, and graduate degrees in 6 areas of study. Enrollment for fall term 2014 was 4,160, a decrease of 2.8 percent from the prior year. Classes are offered at the 225-acre main campus in Thousand Oaks as well as five off-campus centers throughout the region.

The three Ventura County Community College campuses, Moorpark, Oxnard and Ventura, had a fall 2014 enrollment of 29,989 students, an increase of 0.2 percent from the prior year, as well as 1,615 faculty, staff, and administrators. The colleges are accredited by the Western Association of Schools and Colleges. The three two-year colleges offer programs to transfer to four-year colleges and universities, occupational and career technical training, and basic skills instruction.

• **Income and Unemployment**

As of June 2015, total farm jobs decreased to 26,200 while total nonfarm jobs increased by 4,200 (1.4 percent) to 298,300. Increases were primarily in professional and business services, 2,200, retail trade, 900, and government, 900.

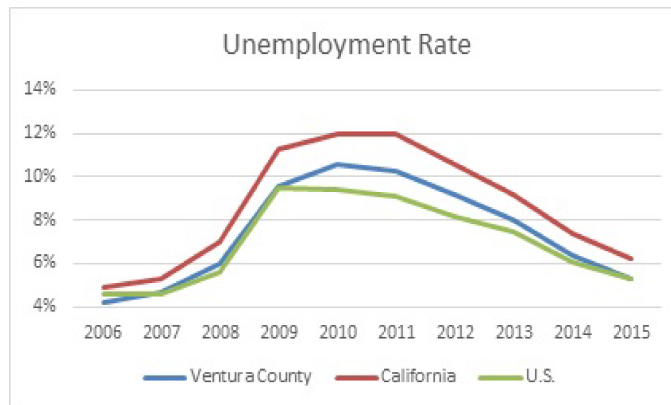
Average wages in the County increased 2.1 percent in 2014 to \$53,257, while the State’s average wage increased 3.1 percent to \$59,391 and the nation increased 3 percent to \$51,552.



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

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

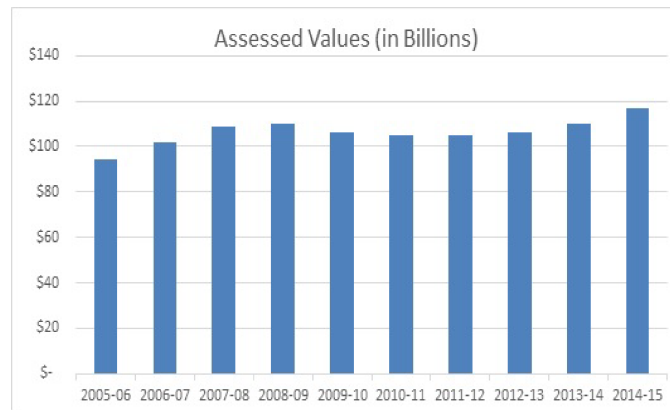
The County’s unemployment rate in June 2015 of 5.3 percent was down from 6.4 percent in the prior year and compares with California and the nation at 6.2 percent and 5.3 percent, respectively.



Source: State of California Employment Development Department

- **Real Estate**

Assessed values continue to trend upward. Fiscal year 2014-15 assessed values of \$116.9 billion represented a 5.9 percent increase compared to the prior year, of \$110.4 billion.



Source: County of Ventura Auditor-Controller

The number of single-family home sales in the County increased 20.8 percent from the prior year. The composite median sales price for new and existing homes increased 11 percent from \$571,250 in June 2014, to \$634,190 in June 2015. The June 2015 median sales price in California was up 7 percent to \$489,560, and the nation was up 8.2 percent to \$229,400, when compared to the prior year.

Housing affordability for the second quarter of 2015 was 49 percent, a 5 percentage point decline from the second quarter of 2014 at 54 percent. Availability of affordable housing continues to be a critical economic factor which may impact future job growth. Some mitigating factors are the desirability of living in Ventura County due to its strong public safety presence, quality of life, climate, relatively clean air, and proximity to the Los Angeles metropolitan area.

Major Initiatives

- The fiscal year 2015-16 State Budget was signed into law by Governor Brown on June 24, 2015. The budget increases funding in a number of areas including education, child care, health care, and drought related measures. The budget includes funding to address critical deferred maintenance and establish a trust fund to prefund retiree health benefits. In accordance with the provisions of Proposition 2, funds are set aside in the State’s Rainy Day Fund and \$1.9 billion of debt is expected to be paid down.
- The County’s 2015-16 Assessment Roll closed with an overall increase of 4.1 percent, reflecting Ventura County’s continued economic rebound. Assessed value increased \$4.6 billion, resulting in \$118.6 billion of taxable property. The roll increased for the fourth consecutive year and reflects Ventura County’s highest total assessed value.
- The actuarially determined composite contribution rate for Retirement contributions remained the same as the prior fiscal year at 26.8 percent of covered payroll in fiscal year 2015-16. Retirement costs are projected to peak in 2015-16 then decrease through 2017-18, with another increase projected in fiscal year 2019-20.

- The County continues to invest in Technology including a significant upgrade to the Countywide Financial Management System that went live on July 1, 2015. The Sheriff's Computer Aided Dispatch System and the Public Safety Enterprise Content Management System are moving forward in fiscal year 2015-16.
- The County also continues to invest in solar projects as a means to help reduce Greenhouse Gas Emissions in accordance with the County's Strategic Plan. A one-megawatt canopy type solar array is under construction in Parking Lot F at the Government Center and a second one-megawatt ground mounted solar system is under construction at the Juvenile Justice Complex. Both projects are expected to be completed in fiscal year 2015-16.

Long-term Planning

- General Fund fund balance in the 2015-16 adopted budget totaled \$196.8 million, an increase of \$35.2 million from the prior year adopted budget, based on estimated year-end fund balance. Obligated fund balance (Nonspendable, Restricted, Committed, and Assigned) plays an important role in preserving the County's overall financial health including: strengthening the County's overall financial position (including cash) with an emphasis toward upgrading our debt rating and consequently lowering our borrowing costs; preparing the County for future capital needs; establishing the ability to fund expenses such as litigation costs and audit disallowances without affecting operations; and shield the County against extraordinary events and significant fluctuations in revenues. Unassigned fund balance can be used to monitor fund balance as a percent of General Fund appropriations/revenue. The County's recommended minimum level is 10 percent of total appropriations/revenue. The estimated Unassigned fund balance of \$129.7 million is approximately 12.9 percent of estimated appropriations/revenue, above our minimum of 10 percent but less than our long term goal of 15 percent.
- The 2015-20 Five-Year Capital Improvement Plan (Plan) was updated through a process involving the review by all County departments of capital and major equipment needs and includes seven high priority project requests pending identification of funding sources. Requests are submitted to the Capital Planning Committee for review and prioritization as noted below. Projects are prioritized by a ranking system that uses various criteria such as life and safety concerns, compliance with legal or regulatory requirements, and preservation of existing assets. Among the projects included in the Plan are the Medical/Mental Health Housing Unit at the Todd Road Jail, Public Safety Enterprise Content Management System, Children's Crisis Stabilization Center, Animal Shelter Quarantine Expansion, Airport Apron and Hangars at Camarillo Airport, and a number of other building and system improvement projects. The plan is available on-line: http://pwaportal.ventura.org/ESD/ESD/docs/CIP_2015-2020.pdf

Relevant Financial Policies

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

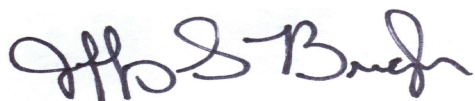
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2014. This was the thirty-first consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

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

JEFFERY S. BURGH
Auditor-Controller