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

December 27, 2017

To the Citizens of Ventura County:

The Comprehensive Annual Financial Report (CAFR) of the County of Ventura (County) for the fiscal year ended June 30, 2017, 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, 2017. The independent auditors' report is located at the front of the financial section of this report.

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

### **Profile of the Government**

The County of Ventura (County), approved by the State Legislature on March 22, 1872, effective January 1, 1873, was created out of the southeasterly portion of Santa Barbara County and covers an area of 1,873 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 857,386. The largest employment segments comprising over 80 percent of the total employment distribution include professional and business services, educational and health services, retail, government, leisure and hospitality, financial activities, manufacturing, and agriculture and food production. With its mild climate, geographical diversity including beaches and pristine and rugged wilderness, year-round recreational and cultural opportunities, and a reputation as one of the safest populated areas in the country, the County is a popular tourist destination.

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

With 9,213 full-time employees in June 2017, the County provides a full range of services, including general government (administration, central services, elections, and plant acquisition), public protection, (law enforcement, fire protection, watershed protection, County portion of judicial, and detention), public ways and facilities (construction and maintenance of roads), health and sanitation (public, behavioral, and environmental health), public assistance, education (libraries), and recreation and cultural services. In addition, enterprise funds account for the operations of the Medical Center (Ventura County Medical Center, the Santa Paula Hospital, and clinics), Health Care Plan, two airports, Channel Islands Harbor, Waterworks Districts (sanitation and water services), and Parks (recreational activities). The financial reporting entity includes all funds of the primary government (County of Ventura as legally defined), as well as all of its legally separate component units. The component units are reported as blended when they are in substance part of the primary government or discretely presented in a separate column on the government-wide financial statements to emphasize that they are legally separate from the primary government. Note 1 of the Notes to the Basic Financial Statements provides more information on the reporting entity.

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

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

### **Local Economy**

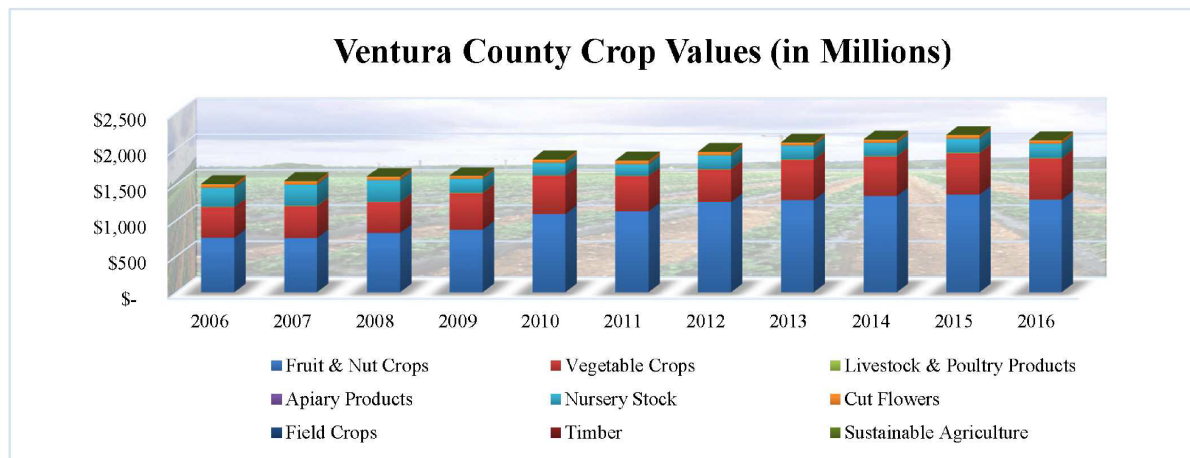
Historically, Ventura County has been closely aligned with the economy of Southern California, and for the fiscal year 2016-17, the growth continued to be slow but consistent. The County's traditional economic strength in agriculture, food processing, and mineral production is supplemented by the prominence of the service industry, small manufacturing businesses, the electronics industry, tourism, the biotechnology giant, Amgen, and the military presence of the Naval Base Ventura County at Port Hueneme and Point Mugu.

• **Commercial and Agricultural Activity**

Taxable sales in calendar 2016 were \$13.89 billion, a slight decrease of 0.1 percent from 2015. Heading into 2017, retail sales for the County as a whole started with a downward trend posting a 1.6 percent decrease in the first quarter of 2017 before posting a 2.3 percent increase in the second quarter as compared with the same periods in 2016. In comparison, the Southern California region posted an increase of 1.8 percent in the first quarter of 2017 and a higher increase of 6.22 percent in the second quarter of 2017.

The 80 year old Port of Hueneme is one of Southern California's critical hubs and the only deep-water harbor between Los Angeles and the San Francisco Bay. The total tonnage for fiscal year 2016-17 increased to 1,491,472 metric tons, the second highest level on record behind fiscal year 2014-15, and representing a 5.6 percent increase from the prior year of 1,412,981 metric tons. Automobile imports and exports decreased by 5.8 percent to 318,576 autos. However, other niche markets of bananas, fresh fruit and vegetables, and heavy equipment imports and exports still had strong freight activity with an increase of 15.7 percent as compared to the prior year.

Farmers use Science, Technology, Engineering, and Math (STEM) for efficient and effective fertilization and irrigation management programs to achieve quality and optimum yields while maintaining sustainable farming practices. The region’s crop totals exceeded \$2.1 billion in 2016, which represents a 3.3 percent decrease compared to 2015.



Source: Ventura County Crop and Livestock Report

• **Academic Activity**

California State University, Channel Islands (CSUCI) opened in 2002 and is accredited by the Western Association of Schools and Colleges. Located on 1,193 acres, it is one of the largest campuses in land size in the 23 campus California State University System. CSUCI offers undergraduate degrees in 25 areas of study, three teaching credential programs, and graduate degrees in six areas of study. During the 2016 fall term, CSUCI had 6,611 students, up 7.2 percent from the prior year.

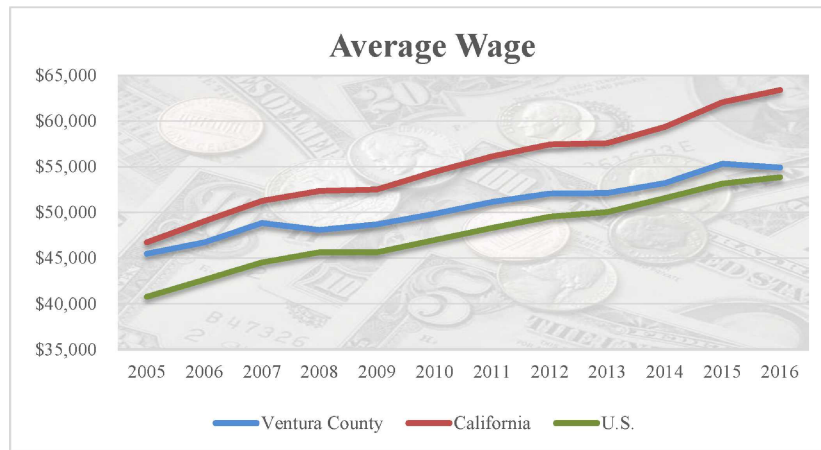
California Lutheran University, (CLU) opened in 1961, is accredited by the Accrediting Commission for Senior Colleges and Western Association of Schools and Colleges. CLU offers 36 undergraduate majors, 36 minors, Bachelor’s degrees in 8 professional programs, and graduate degrees in 9 areas of study. Enrollment for fall term 2016 was 4,174, an increase of 1.2 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 2016 enrollment of 31,857 students, an increase of 7.3 percent from the prior year, as well as 1,772 faculty, staff and administrators. The colleges are accredited by the Western Association of Schools and Colleges. The three two-year colleges offer programs to transfer to four-year colleges and universities, occupational and career technical training, and basic skills instruction.

• **Income and Unemployment**

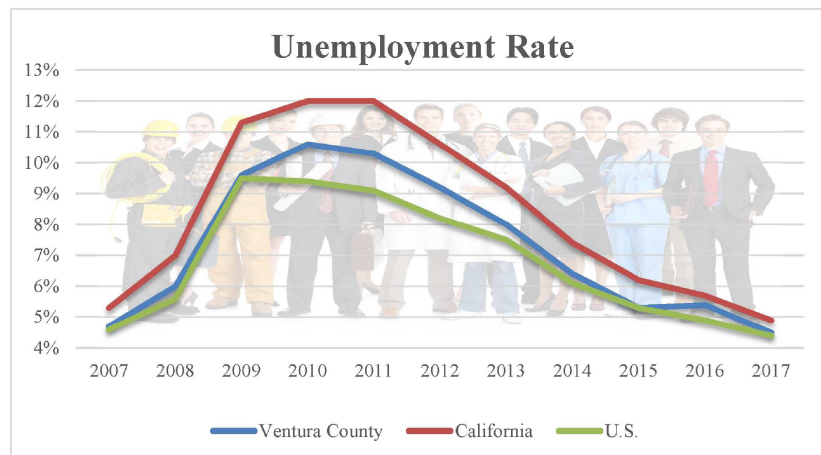
When comparing June 2017 to revised June 2016 figures, total farm jobs increased by 500 (1.8 percent) to 28,000, while total nonfarm jobs increased by 10,400 (3.5 percent) to 310,700. Increases for nonfarm jobs were primarily in leisure and hospitality 3,200, educational and health services 5,300, construction 1,100, professional and financial activities 800. Information about the County’s principal employers and workforce sizes is provided in the statistical section of this report.

Average wages in the County decreased 0.7 percent in 2016 to \$54,933, while the State’s average wage increased 2.1 percent to \$63,409 and the nation increased 1.3 percent to \$53,870.



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

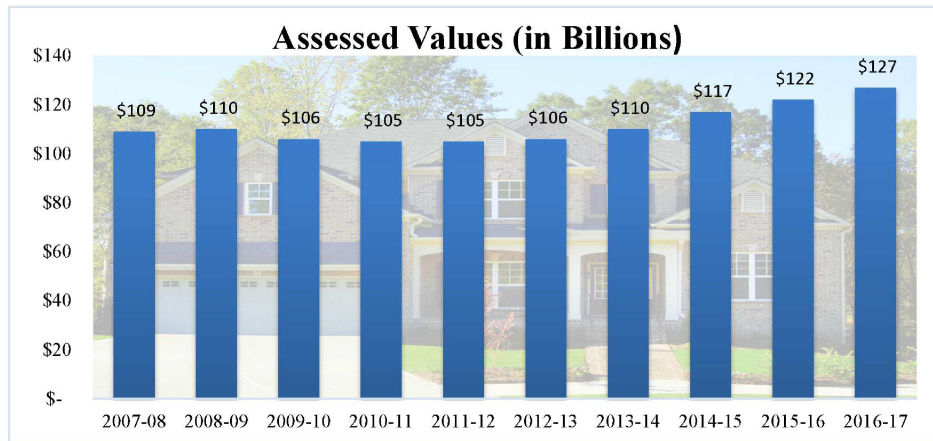
The County’s unemployment rate in June 2017 of 4.5 percent was down from a revised 5.2 percent in the prior year and compares with California and the nation at 4.9 percent and 4.4 percent, respectively.



Source: State of California Employment Development Department

- **Real Estate**

Assessed values continue to trend upward. Fiscal year 2016-17 assessed values of \$126.7 billion represented a 3.6 percent increase compared to the prior year of \$122.3 billion.



Source: County of Ventura Auditor-Controller

The number of single-family home sales in the County increased 1.0 percent from the prior year. The composite median sales price for new and existing homes increased a slight 0.6 percent from a revised \$662,500 in June 2016, to \$666,520 in June 2017. The June 2017 median sales price in California was up 6.9 percent to \$555,150, and the nation was up 6.2 percent to \$255,600, when compared to the prior year.

Housing affordability for the second quarter of 2017 was 49 percent, a 5 percentage point decrease from the second quarter of 2016 at a revised 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 2017-18 State Budget was signed into law by Governor Brown on June 27, 2017. The budget provides funds to repair roads and bridges, pay down debt, invest in schools, fund the earned income tax credit, and provide Medi-Cal health care for millions of Californians. In addition to a \$1.4 billion reserve in the Special Fund for Economic Uncertainties, the budget adds \$1.8 billion to the Proposition 2 Stabilization Account, bringing the balance to \$8.5 billion, or 66 percent of its constitutional target.
- The County’s 2017-18 Assessment Roll closed with an overall increase of 4.9 percent, reflecting Ventura County’s continued economic rebound. Assessed value increased \$6.1 billion, resulting in \$129.2 billion of taxable property, the County’s highest total assessed value. This is the fifth consecutive significant increase to the Assessment Roll values after a four year period during the Great Recession when the County’s total Assessment Roll held steady.



- The actuarially determined composite contribution rate for retirement contributions decreased from 27.7 percent to 27.5 percent of covered payroll in fiscal year 2017-18. The contribution rate is applied to a higher payroll, resulting in an increase in General Fund retirement costs of approximately \$5.0 million over fiscal year 2016-17 budgeted amounts.
- The County continues to invest in facilities to provide programs and services. The \$305 million Ventura County Medical Center Hospital Replacement Wing and the new \$5.6 million Fire Station No. 35 in Newbury Park both opened in August 2017, and the new Hill Road Library opened in December 2017.
- The County continues to invest in technology, including the November 2017 approval of \$4.8 million for the Ventura County Human Resources/Payroll (VCHRP) Upgrade project, a collaborative effort between the County Executive Office – Human Resources, Auditor-Controller – Payroll Services, and Information Technology Services Department.
- Whole Person Care (WPC) is a priority for the County. This program is part of California’s 2020 Waiver Program which focuses on the coordination of health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources. It will provide support to integrate care for particularly vulnerable Medi-Cal beneficiaries who have been identified as high users of multiple systems and continue to have poor health outcomes, which is largely comprised of homeless persons, and/or persons with substance use disorder or mental illness. The beneficiaries will be provided a multi-layer of services that will include access to multidisciplinary care team, field based care coordination, mental health and substance abuse services, social services, life skills and job readiness training, and housing support services. In October 2016, the Health Care Agency (HCA) was awarded \$10 million in federal funds over a five year period for WPC. WPC is a collaborative effort with multiple agencies including HCA’s Behavioral Health and Public Health Departments, Human Services Agency, Probation Agency, Sheriff’s Office, Area Housing Authority of Ventura County, Ventura County Transportation Commission, Ventura County Continuum of Care Alliance, and several community-based organizations.

### **Long-term Planning**

- General Fund fund balance in the 2017-18 adopted budget totaled \$186.6 million, an increase of \$6.7 million from the prior year adopted budget, based on estimated year-end fund balance. Obligated fund balance (Nonspendable, Restricted, Committed, and Assigned) plays an important role in preserving the County’s overall financial health including: strengthening the County’s overall financial position (including cash) with an emphasis toward maintaining the highest debt rating and consequently lowering our borrowing costs; preparing the County for future capital needs; establishing the ability to fund expenses such as litigation costs and audit disallowances without affecting operations; and shield the County against extraordinary events and significant fluctuations in revenues. Unassigned fund balance can be used to monitor fund balance as a percent of General Fund appropriations/revenue. The County’s recommended minimum level is 10 percent of total appropriations/revenue. The estimated Unassigned fund balance of \$141.0 million is approximately 13.0 percent of estimated appropriations/revenue, above our minimum of 10 percent but less than our long-term goal of 15 percent.

- The fiscal year ended 2017-22 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 Public Safety Enterprise Content Management System, acquisition of a Fire Department helicopter, Medical Center Fainer Wing Remodel, and a number of other building and system improvement projects. The plan is available on-line: <http://vcpublicworks.org/engineering-services-department/capital-projects-five-year-plan>

### **Relevant Financial Policies**

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

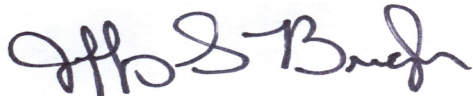
### **Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2016. This was the thirty-third 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