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January 30, 2019

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, 2018, 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, 2018. 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 862,482. 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 9,047 full-time employees in June 2018, 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

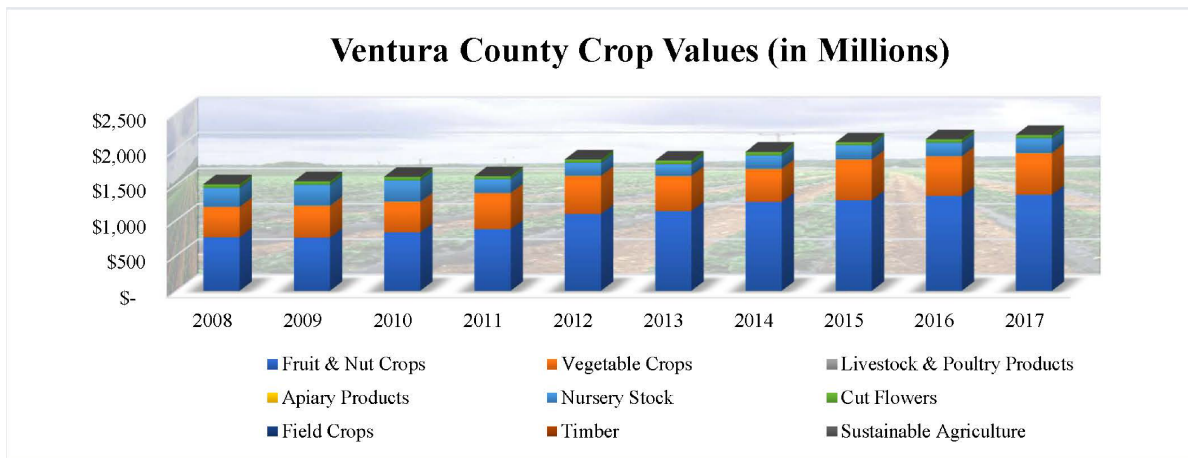
Historically, Ventura County has been closely aligned with the economy of Southern California, and for the fiscal year 2017-18, the growth continued to be slow but consistent. The County's traditional economic strength in agriculture, food processing, and mineral production is supplemented by the prominence of the service industry, small manufacturing businesses, the electronics industry, tourism, the biotechnology giant, Amgen, and the military presence of the Naval Base Ventura County at Port Hueneme and Point Mugu.

• Commercial and Agricultural Activity

Taxable sales in calendar year 2017 was \$14 billion, a net increase of 0.75 percent over 2016. Heading into 2018, retail sales for the County as a whole started with a downward trend posting a decrease of 2.91 percent and 7.84 percent in the first and second quarter of 2018 respectively, as compared with the same periods in 2017. Similarly, taxable sales in the Southern California region posted a decrease of 2.87 percent in the first quarter, and 9.93 percent in the second quarter of 2018.

The Port of Hueneme is one of Southern California's critical hubs and the only deep-water harbor between Los Angeles and the San Francisco Bay. The total tonnage for fiscal year 2017-18 increased to 1,604,452 metric tons, topping the highest level on record over fiscal year 2014-15, and representing a 7.6 percent increase from the prior year of 1,491,472 metric tons. Automobile imports and exports decreased by 3.2 percent to 308,250 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 16.7 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 total was \$2.1 billion in 2017, which was a decrease of about .5 percent as compared to the 2016 total.



Source: Ventura County Crop and Livestock Report

• Academic Activity

California State University, Channel Islands (CSUCI) opened in 2002 and is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges (WASC). It is located on over 1,200 acres and is undergoing more than \$233 million in building and renovation projects. CSUCI offers 23 undergraduate majors, five graduate, three teaching credential programs and eight centers and institutes that support regional prosperity and the University mission. During the 2017 fall term, CSUCI had 7,053 students, up 6.7 percent from the prior year.

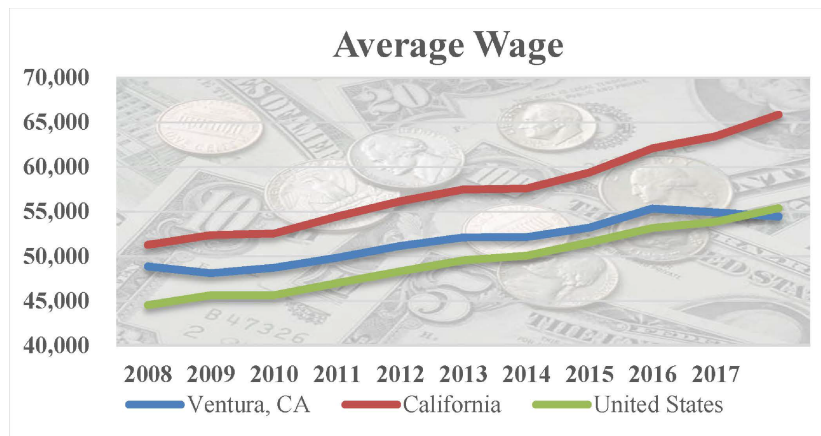
California Lutheran University, (CLU) opened in 1961, is accredited by the Accrediting Commission for Senior Colleges and Universities of the WASC. Thirty-seven majors and thirty-four minors are offered in the traditional undergraduate program. The Bachelor’s Degree for Professionals program offers degrees in seven majors. Graduate programs include doctorates in educational leadership, higher education leadership, clinical psychology and theology; and master's degrees in education, psychology, business, economics, information technology, public policy and administration, divinity, and theological studies. Enrollment for fall term 2017 was 4,236, an increase of 1.5 percent from the prior year. Classes are offered at the 225-acre main campus in Thousand Oaks, as well as five off-campus centers throughout the region.

The three Ventura County Community College campuses, Moorpark, Oxnard and Ventura, had a fall 2017 enrollment of 30,542 students, an increase of 1.9 percent from the prior year's adjusted number, and approximately 1,772 faculty, staff and administrators in spring of 2017. The colleges are accredited by the Accrediting Commission for Community and Junior Colleges of the WASC. The three two-year colleges offer programs to transfer to four-year colleges and universities, occupational and career technical training, and basic skills instruction.

• **Income and Unemployment**

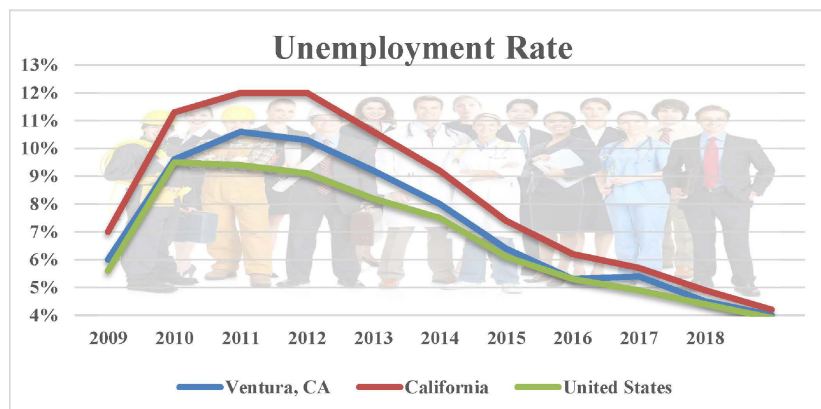
When comparing June 2018 to revised June 2017 figures, total farm jobs increased by 100 (0.4 percent) to 26,600, while total nonfarm jobs increased by 4,900 (1.6 percent) to 310,400. Increases for nonfarm jobs were primarily in leisure and hospitality 2,600, construction 1,100, and State and Local government 1,200. 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 0.9 percent in 2017 to \$54,433, while the State's average wage increased 3.9 percent to \$65,857 and the nation increased 2.8 percent to \$55,390.



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

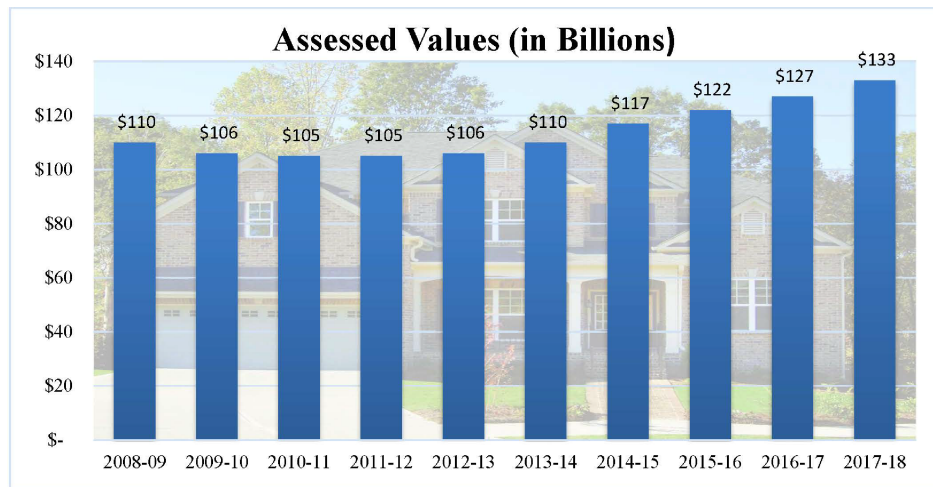
The County's unemployment rate in June 2018 of 4.0 percent was down from 4.5 percent in the prior year and compares with California and the nation at 4.2 percent and 4.0 percent, respectively.



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

- **Real Estate**

Assessed values continue to trend upward. Fiscal year 2017-18 assessed values of \$132.7 billion represented a 4.7 percent increase compared to the prior year of \$126.7 billion.



Source: County of Ventura Auditor-Controller

The number of single-family home sales in the County decreased 18.0 percent from the prior year. The composite median sales price for new and existing homes increased 6 percent from a revised \$637,500 in June 2017, to \$675,000 in June 2018. The June 2018 median single-family home sales price in California was up 9.0 percent to \$602,760, and the nation for all housing types was up 5.2 percent to \$276,900, when compared to the prior year.

County housing affordability for the second quarter of 2018 remains at 49 percent, since the second quarter of 2017. Availability of affordable housing continues to be a critical economic factor, which may affect future job growth. Some mitigating factors are the desirability of living in Ventura County due to its strong public safety presence, quality of life, climate, relatively clean air, and proximity to the Los Angeles metropolitan area.

Major Initiatives

- The fiscal year 2018-19 State Budget was signed into law by Governor Brown on June 27, 2018. The budget provides funds to invest in transportation projects, K-12 education, higher education, and to address homelessness. Funds were also budgeted to assist counties replace their voting systems and for outreach related to the upcoming 2020 Census. In addition to a required payment of \$1.7 billion to the Rainy Day Fund the Budget added \$2.6 billion to a new Budget Deficit Saving Account, bringing the Rainy Day Fund to a projected balance of \$13.8 billion by July 2019. An additional \$200 million was set aside for a new Safety Net Reserve Fund to help pay for future health and welfare programs during the next recession.
- The County’s 2018-19 Assessment Roll closed with an overall increase of 4.4 percent, reflecting Ventura County’s continued strength in property values. Assessed value increased \$5.7 billion, resulting in \$134.9 billion of taxable property, the County’s highest total assessed value. This is the seventh consecutive increase to the Assessment Roll values.

- The actuarially determined composite contribution rate for retirement contributions decreased from 27.5 percent to 27.1 percent of covered payroll in fiscal year 2018-19. The contribution rate is applied to a higher payroll, resulting in an increase in General Fund retirement costs of approximately \$1.3 million over fiscal year 2017-18 budgeted amounts.
- The County continues to invest in technology, including the September 2018 approval of a \$1.5 million 700 MHz digital radio system to serve public safety and first responders and the December 2018 approval of \$4.0 million for a new voting system.
- The County continues to invest in facilities to provide programs and services, including the September 2018 award of a \$50.2 million design build contract for a new Health and Programming Unit at the Todd Road Jail to house and treat inmates with various medical and mental health special needs. The project, expected to total \$61.3 million, is funded by a \$55.1 million grant awarded in May 2016 from the Board of State and Community Corrections, with the balance of \$6.2 million funded by the County.
- In February 2018, the Ventura County Area Agency on Aging was competitively awarded a 42-month grant of \$20.8 million by the Department of Health Care Services to operate an organized health care delivery system with administrative services from July 2018 through December 2021. The Home and Community Based Alternatives Waiver program will ensure the safe transition of eligible Medi-Cal members from facilities to the community or home-based nursing level of care. This program is expected to be extended for an additional two years.
- In March 2018 the Board of Supervisors approved a \$9.7 million agreement with Huron Consulting Services, LLC to facilitate the Ventura County Medical Center's ability to adapt to various changes with healthcare reform, evolution of government payment structures, legislative mandates, and emerging technologies. Huron will also provide consulting services in the areas of revenue cycles, utilization review, supply chain management, cost reduction, and workforce productivity.
- In May 2018 the Board of Directors of the Ventura County Fire Protection District (District) approved a Memorandum of Agreement for Fire Protection and Related Services with the City of Santa Paula (City). The City's territory was annexed into the District, and on July 8, 2018 the District began providing fire protection services within the City.

Long-term Planning

- General Fund fund balance in the 2018-19 adopted budget totaled \$231.9 million, an increase of \$45.3 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 \$144.0 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 2018-23 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 eight high priority project requests pending identification of funding sources. Requests are submitted to the Capital Planning Committee for review and prioritization as noted below. Projects are prioritized by a ranking system that uses various criteria such as life and safety concerns, compliance with legal or regulatory requirements, and preservation of existing assets. Among the projects included in the Plan are a fuel tank replacement project at the Government Center, Animal Services shelter improvements, design a new Fire Department training and administration facility, Medical Center Fainer Wing Remodel, and a number of other building and system improvement projects. The plan is available on-line: <https://vcpublicworks.org/fiveyearplan/>.

Relevant Financial Policies

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

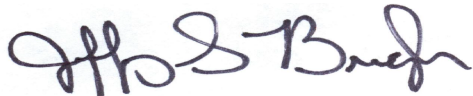
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2017. This was the thirty-fourth 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 fluid and cursive, with the first letters of each word being capitalized and prominent.

JEFFERY S. BURGH
Auditor-Controller