

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the County of Ventura's (County) Comprehensive Annual Financial Report (Annual Report) presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2020. 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 2019-20 fiscal year by \$1,922,374,000 (*net position*). Of this amount, \$438,979,000 is restricted for specific purposes (*restricted net position*), \$1,469,551,000 is the *net investment in capital assets*, and the remaining portion of \$13,844,000 is *unrestricted net position*.
- The government's total net position increased by \$66,132,000 during fiscal year 2019-20, due to an increase in governmental activities offset by a decrease in business-type activities. Net investment in capital assets increased by \$38,812,000. The increase represents capital acquisitions net of accumulated depreciation/amortization and capital-related deferred outflows of resources, less capital-related debt and deferred inflows of resources. Restricted net position increased by \$5,673,000, while unrestricted net position increased by \$21,647,000.
- As of June 30, 2020, the County governmental funds reported combined fund balances of \$836,503,000, an increase of \$52,147,000 in comparison with the prior year.
- At the end of the fiscal year, unassigned General Fund fund balance was \$108,689,000, or 10 percent of total General Fund expenditures, reflecting an increase of \$7,790,000 from the prior fiscal year balance.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

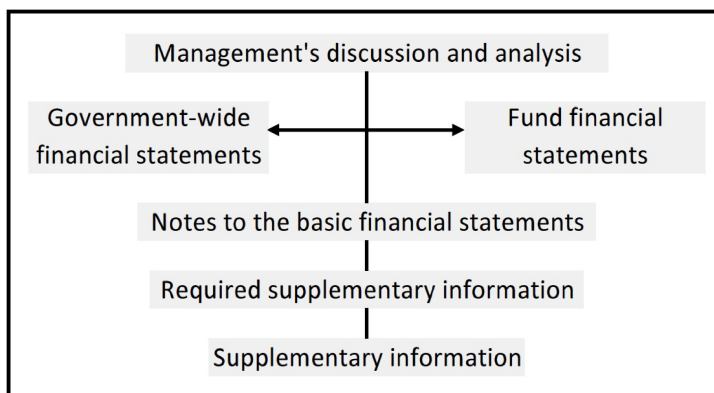
The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components:

- 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 Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following diagram displays the interrelationships of this report:



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

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

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

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

- The government-wide statements include only those funds/entities representing resources available to the County. Therefore, the financial information for the pension, investment, and private-purpose trusts are not included in the government-wide financial statements. The financial statements for the discretely presented component unit, Children and Families First Commission (Commission), are provided in a separate column.
- The statement of activities distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- In addition, the statement of activities compares the direct expenses and program revenue for each governmental function and each segment of business-type activities. The general revenue (non-program revenue) must then cover the net cost of the various activities. The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation services, public assistance, education, and recreation and cultural services. The business-type activities of the County include the hospital, airports, utilities, recreation, and medical insurance.
- Because the internal service funds primarily serve the governmental funds, the internal service funds activities are eliminated with net balances also reported in the governmental activities column. Additional elimination of transfers and activity occur within the governmental activities and within the business-type activities.
- Component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. *Blended component units* have substantially the same governing board as the County or provide services entirely to the County and are reported on the fund statements and, if appropriate, as governmental activities on the government-wide financial statements. Examples include the Fire Protection District and the County's Watershed Protection District. The Commission is reported as a *discretely presented component unit* because the County Board appoints the commission board members to serve at will.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

The governmental funds financial statements can be found on pages 44 - 50 of this report.

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

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

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

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

The proprietary funds financial statements can be found on pages 51 - 54 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fiduciary funds, including the *trust and agency funds*, are used to account for resources held for the benefit of parties outside the government. Trust funds consist of the Supplemental Retirement Plan (SRP) pension trust, the Investment Trust Fund, which includes external users of the County's investment pool, and the Ventura County Redevelopment Successor Agency Private-purpose trust. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting basis used for trust and agency funds is accrual, much like that used for proprietary funds. Agency funds are held for others and report only assets and liabilities.

The fiduciary funds financial statements can be found on pages 55 - 56 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These informative notes can be found on pages 57 - 127 of this report and are also itemized in the Table of Contents.

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

The County adopts an annual appropriated budget for its governmental funds as required by Government Code. In the required supplementary information section, a budgetary comparison schedule is provided for all the major general and special revenue funds to demonstrate compliance with the final budget. Due to the large number of funds and departments, a separate Departmental Budget Report of Revenues and Expenditures – Budget and Actual on a Budgetary Basis has been prepared. The report demonstrates compliance at the legal level of budgetary control for those funds for which the County is legally required to adopt a budget. This document is available from the Auditor-Controller's Office, 800 South Victoria Avenue, Ventura, CA 93009-1540, or on the County website at: http://vcportal.ventura.org/auditor/docs/financial-reports/FY20_BudgetToActual.pdf

Required supplementary information can be found on pages 129 - 141 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 143 - 208 of this report.

Statistical Information is provided beginning on page 209 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Summary of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the County's net position was \$1,922,374,000.

A summary of net position is as follows:

Summary of Net Position June 30, 2020 and 2019 (In Thousands)							
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2020	2019	2020	2019	2020	2019	
Assets:							
Current and other assets	\$ 1,676,058	\$ 1,467,369	\$ 281,005	\$ 273,233	\$ 1,957,063	\$ 1,740,602	12%
Capital assets	<u>1,268,159</u>	<u>1,241,145</u>	<u>614,769</u>	<u>627,555</u>	<u>1,882,928</u>	<u>1,868,700</u>	1%
Total assets	<u>2,944,217</u>	<u>2,708,514</u>	<u>895,774</u>	<u>900,788</u>	<u>3,839,991</u>	<u>3,609,302</u>	6%
Total deferred outflows of resources	<u>317,637</u>	<u>336,855</u>	<u>41,506</u>	<u>46,477</u>	<u>359,143</u>	<u>383,332</u>	(6)%
Liabilities:							
Current and other liabilities	462,580	331,860	167,738	134,282	630,318	466,142	35%
Long-term liabilities	<u>1,081,163</u>	<u>1,063,709</u>	<u>435,690</u>	<u>462,008</u>	<u>1,516,853</u>	<u>1,525,717</u>	(1)%
Total liabilities	<u>1,543,743</u>	<u>1,395,569</u>	<u>603,428</u>	<u>596,290</u>	<u>2,147,171</u>	<u>1,991,859</u>	8%
Total deferred inflows of resources	<u>109,552</u>	<u>122,539</u>	<u>20,037</u>	<u>21,994</u>	<u>129,589</u>	<u>144,533</u>	(10)%
Net position:							
Net investment in capital assets	1,193,415	1,162,314	276,136	268,425	1,469,551	1,430,739	3%
Restricted	436,346	401,890	2,633	31,416	438,979	433,306	1%
Unrestricted (deficit)	<u>(21,202)</u>	<u>(36,943)</u>	<u>35,046</u>	<u>29,140</u>	<u>13,844</u>	<u>(7,803)</u>	277%
Total net position	<u>\$ 1,608,559</u>	<u>\$ 1,527,261</u>	<u>\$ 313,815</u>	<u>\$ 328,981</u>	<u>\$ 1,922,374</u>	<u>\$ 1,856,242</u>	4%

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

A significant component of the County's net position totaling \$1,469,551,000 (75 percent) reflects the County's net investment in capital assets (land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, and infrastructure), i.e. net of accumulated depreciation/amortization and capital-related deferred outflows of resources, less capital-related debt and deferred inflows of resources. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of capital-related debt and deferred inflows of resources, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The restricted component of the County's net position, totaling \$438,979,000 (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 \$13,844,000 (1 percent).

At the end of the current fiscal year, the County reported positive balances in all categories of net position. The County's net position increased by \$66,132,000. The change in net position for governmental and business-type activities was \$81,298,000 and negative \$15,166,000 respectively.

General revenues for governmental activities decreased by \$3,371,000, primarily due to a decrease in interest and investment earnings offset by an increase in other revenue. Program revenues increased by \$67,276,000, primarily due to increased operating grants and contributions related to public protection for the COVID-19 response. Total expenses increased by \$178,944,000, or 14 percent, with increases primarily in public protection, public assistance, health and sanitation services, and general government. There was also an increase in revenue from an extraordinary item of \$16,321,000, that was the result of a settlement with Southern California Edison (SCE).

The current period decrease in net position attributable to business-type activities primarily resulted from a decrease in the Medical Center. Program revenues decreased by \$22,665,000, or 4 percent, primarily due to decreased charges for services in the Medical Center offset by an increase in operating grants at the Medical Center. Total expenses decreased by \$1,719,000, primarily in the Medical Center and the Health Care Plan, offset by increases in Waterworks and Department of Airports. 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. Revenue for the County as a whole increased by \$40,643,000, or 2 percent, increasing in operating grants and contributions by \$74,844,000, offset by a decrease of \$42,345,000 in charges for services. Additional information on major revenue streams is provided on pages 29-31.

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

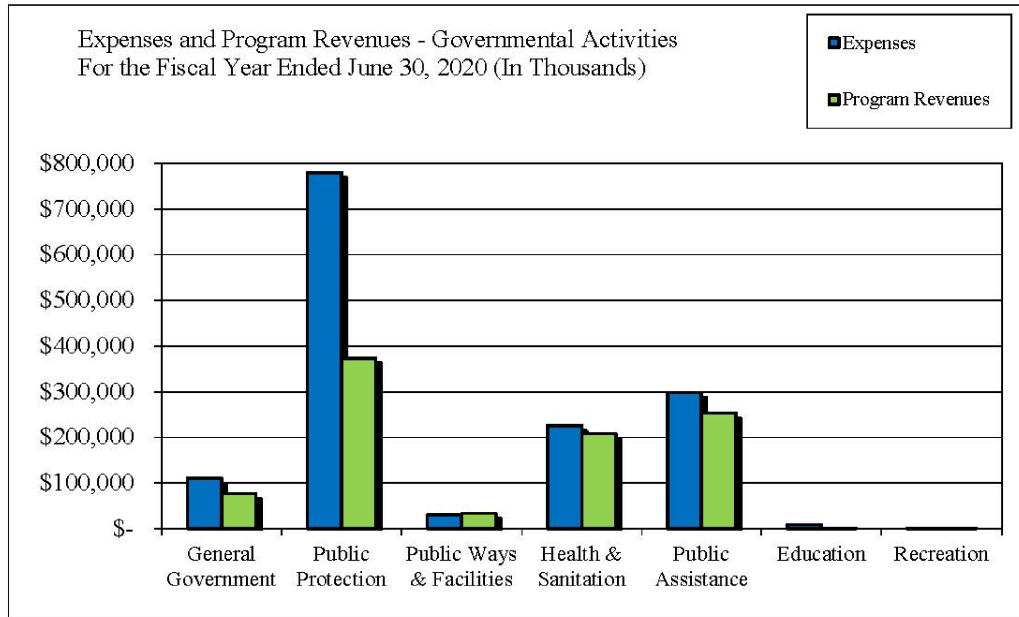
Summary of Activities
For the Fiscal Years Ended June 30, 2020 and 2019
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program revenues:							
Charges for services	\$ 278,196	\$ 288,560	\$ 565,831	\$ 594,842	\$ 844,027	\$ 883,402	(4)%
Operating grants and contributions	649,221	580,473	8,384	2,288	657,605	582,761	13%
Capital grants and contributions	22,983	14,091	6,687	6,437	29,670	20,528	45%
General revenues:							
Property taxes	552,290	552,861	-	-	552,290	552,861	0%
Other taxes	17,090	17,698	-	-	17,090	17,698	(3)%
Aid from other governmental units	2,789	2,847	-	-	2,789	2,847	(2)%
Interest and investment earnings	18,614	25,170	1,521	2,118	20,135	27,288	(26)%
Other	24,299	19,877	-	-	24,299	19,877	22%
Total revenues	<u>1,565,482</u>	<u>1,501,577</u>	<u>582,423</u>	<u>605,685</u>	<u>2,147,905</u>	<u>2,107,262</u>	2%
Expenses:							
General government	110,322	86,013	-	-	110,322	86,013	28%
Public protection	780,099	698,234	-	-	780,099	698,234	12%
Public ways and facilities	30,208	23,656	-	-	30,208	23,656	28%
Health and sanitation services	225,726	197,672	-	-	225,726	197,672	14%
Public assistance	298,456	264,897	-	-	298,456	264,897	13%
Education	9,179	8,404	-	-	9,179	8,404	9%
Recreation	45	41	-	-	45	41	10%
Interest on long-term debt	9,560	5,734	-	-	9,560	5,734	67%
Medical Center	-	-	495,850	499,359	495,850	499,359	(1)%
Department of Airports	-	-	7,825	6,806	7,825	6,806	15%
Waterworks - Water and Sewer	-	-	38,116	34,699	38,116	34,699	10%
Parks Department	-	-	6,072	5,765	6,072	5,765	5%
Channel Islands Harbor	-	-	9,886	9,589	9,886	9,589	3%
Health Care Plan	-	-	76,495	79,736	76,495	79,736	(4)%
Oak View District	-	-	255	264	255	264	(3)%
Total expenses	<u>1,463,595</u>	<u>1,284,651</u>	<u>634,499</u>	<u>636,218</u>	<u>2,098,094</u>	<u>1,920,869</u>	9%
Excess (deficiency) before transfers and extraordinary item	101,887	216,926	(52,076)	(30,533)	49,811	186,393	(73)%
SCE Settlement	16,321	-	-	-	16,321	-	100%
Transfers	<u>(36,910)</u>	<u>(41,722)</u>	<u>36,910</u>	<u>41,722</u>	<u>-</u>	<u>-</u>	0%
Change in net position	81,298	175,204	(15,166)	11,189	66,132	186,393	(65)%
Net position - beginning	<u>1,527,261</u>	<u>1,352,057</u>	<u>328,981</u>	<u>317,792</u>	<u>1,856,242</u>	<u>1,669,849</u>	11%
Net position - ending	<u>\$ 1,608,559</u>	<u>\$ 1,527,261</u>	<u>\$ 313,815</u>	<u>\$ 328,981</u>	<u>\$ 1,922,374</u>	<u>\$ 1,856,242</u>	4%

**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 \$81,298,000, accounting for 123 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 4 percent from the prior year.

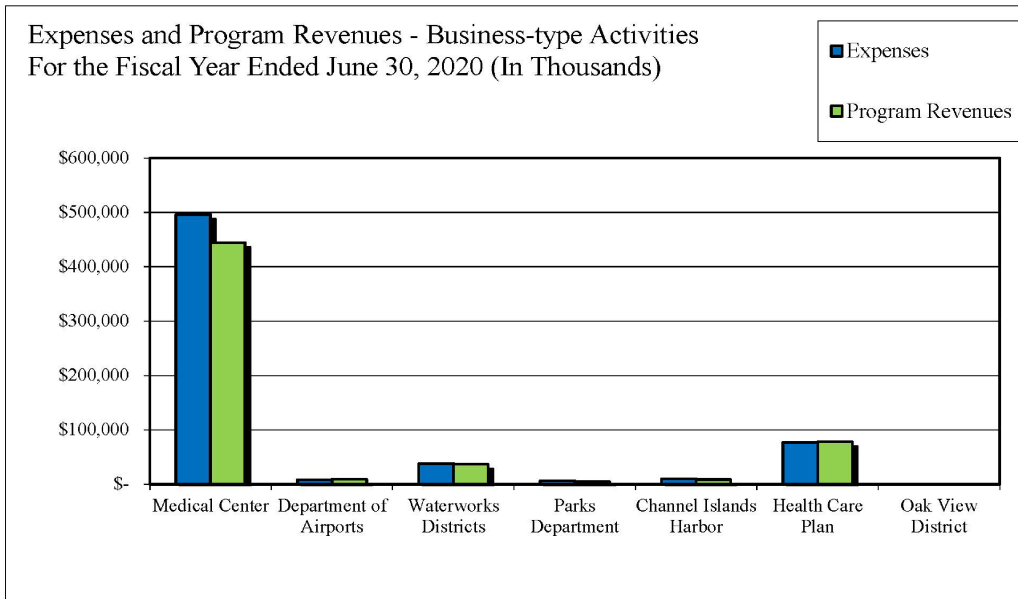
- Operating grants and contributions are revenues earned from entities outside of the County, primarily state and federal agencies, and are generally restricted to one or more specific programs. In 2019-20, the County reported \$649,221,000 in operating grants and contributions, which comprised 68 percent of the total program revenues in the current year. Operating grants and contributions increased by \$68,748,000 from the prior year, primarily in public protection due to revenue recognized from the Coronavirus Relief Fund (CRF). Operating grants and contributions represent the largest revenue source for governmental activities. The public protection, health and sanitation services, and public assistance functions received 93 percent of this funding source in fiscal year 2019-20.

**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 \$140,088,000, or 50 percent, of the total of \$278,196,000. Among the major sources are contracted law enforcement services provided by the Sheriff’s Office to several cities, emergency and contract services performed by the Fire Protection District for various governmental agencies, and various assessments generated by the Watershed Protection District. Charges for services provided 29 percent of total program revenues in 2019-20, decreasing 5 percent from the prior year.
- Capital grants and contributions of \$22,983,000 represented the smallest source of program revenues in 2019-20 at 2 percent of total program revenues.
- General revenue for governmental activities primarily consisted of taxes. Property tax revenue, the largest source of general revenue with \$552,290,000 reported in 2019-20, remained flat as compared to the prior year.

Expenses. Total program expenses for governmental activities were \$1,463,595,000 for the current fiscal year as compared to \$1,284,651,000 for the prior fiscal year, an increase of 14 percent. Public protection at \$780,099,000 accounted for 53 percent of total expenses for governmental activities. Public assistance expenses were \$298,456,000, or 20 percent, followed by health and sanitation services at \$225,726,000, or 16 percent, general government at \$110,322,000, or 8 percent, and various other costs of \$48,992,000, or 3 percent, of total expenses. Expenses increased in all functions.

Business-type activities. Business-type activities decreased the County’s net position in the current period by \$15,166,000, or 23 percent, of the total current period change in the County’s net position, primarily due to the Medical Center. The bar chart below depicts the relationships of the business-type activities direct expenses to program revenues:



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues. The County has three major business-type activities: the Medical Center, Department of Airports, and Waterworks Districts - Water and Sewer. Business-type activities recover a significant portion of their costs through user fees and charges. For the current year, 97 percent, or \$565,831,000, of total program revenues were generated from charges for services, as compared to the prior year's, 99 percent, or \$594,842,000. The Medical Center accounted for 76 percent of total program revenues for business-type activities at \$444,261,000 and the Health Care Plan accounted for 13 percent of total program revenues, the same as in the prior year. The Waterworks Districts' combined water and sewer activities generated 6 percent of total program revenues, and all other business-type activities accounted for the remaining 5 percent.

Expenses. Total expenses for business-type activities of \$634,499,000 in 2019-20 were flat when compared to \$636,218,000 in 2018-19. About 78 percent of total expenses, or \$495,850,000, were incurred by the Medical Center. The Health Care Plan accounted for 12 percent of the total cost, while Waterworks - Water and Sewer activities, accounted for 6 percent. The remaining 4 percent of expenses were incurred by the Department of Airports, Parks Department, Channel Islands Harbor, and the Oak View District business activities, with a combined total of \$24,038,000.

Decreased expenses for the Medical Center of \$3,509,000 and the Health Care Plan of \$3,241,000 were primarily due to savings in all areas of operating expenses, except for services and supplies, for the Medical Center and in services and supplies and the provision for claims for the Health Care Plan. These decreases were offset by an increase in Waterworks of \$3,417,000 with smaller increases in all other business-type activities, except Oak Park.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

At June 30, 2020, the County's governmental funds reported total fund balances of \$836,503,000, an increase of \$52,147,000 from the prior year. Approximately \$134,955,000 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 \$701,548,000 is available to meet the County's current and future needs.

Revenues for governmental funds totaled \$1,561,404,000 in the year ended June 30, 2020, representing an increase of about 5 percent from the fiscal year ended June 30, 2019. This was primarily attributable to an increase in aid from other governmental units. Expenditures, at \$1,484,958,000, increased 7 percent when compared to the fiscal year ended June 30, 2019, with increases in all areas.

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

GENERAL FUND

The General Fund is the primary operating fund of the County. At June 30, 2020, the General Fund's total fund balance was \$505,912,000, increasing \$13,099,000 from the prior year. The nonspendable portion of fund balance was \$132,088,000 and the spendable portion was \$373,824,000. 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 46 percent of total General Fund expenditures while spendable fund balance equates to 34 percent. Of the General Fund spendable fund balance, \$146,792,000, or 39 percent, is restricted, and \$6,906,000, or 2 percent, is committed.

ROADS FUND - SPECIAL REVENUE FUND

This fund accounts for planning, design, construction, maintenance, and administration of County roads. It also engages in traffic safety and other transportation planning activities. Revenues consist primarily of the County's share of state highway use taxes and fuel taxes. At June 30, 2020, this fund had a total fund balance of \$42,486,000, of which \$19,515,000 was restricted, \$17,492,000 was committed, and \$5,479,000 was assigned. Total fund balance increased by 12 percent when compared to the prior year.

WATERSHED PROTECTION DISTRICT - SPECIAL REVENUE FUND

The function of this fund is the control of flood and storm waters, and the conservation of such waters for beneficial public use. Total fund balance at June 30, 2020, of \$83,036,000, increased 14 percent or \$10,213,000 from the prior year. Restricted fund balance of \$77,652,000 accounted for 94 percent of the total fund balance.

FIRE PROTECTION DISTRICT - SPECIAL REVENUE FUND

The Fire Protection District provides fire protection to the unincorporated areas of the County, as well as the cities of Camarillo, Moorpark, Ojai, Port Hueneme, Santa Paula, Simi Valley, and Thousand Oaks. Support is derived principally from property taxes. At June 30, 2020, the Fire Protection District's total fund balance was \$117,142,000, an increase of \$21,805,000 from the prior year. Fund balance included a nonspendable portion of \$1,697,000. Restricted fund balance totaled \$110,169,000, or 94 percent, with the remaining \$5,276,000 classified as committed.

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

NON-MAJOR GOVERNMENTAL FUNDS

As compared with the prior year, the total fund balances of the remaining governmental funds increased \$2,493,000 or by 3 percent. This increase was primarily attributable to the Todd Road Jail Expansion capital projects fund and was offset with a decrease to Mental Health Services Act special revenue fund.

Additional information on fund balances is provided in Note 11 of the Notes to the Basic Financial Statements.

The following schedule presents a summary of revenues and other financing sources, expenditures and other financing uses, and net changes in fund balances for the County's major and non-major funds for the current and previous fiscal years:

Governmental Funds
Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2020 and 2019
(In Thousands)

	Revenues, Other Financing Sources and Extraordinary Item		Expenditures and Other Financing Uses		Net Change in Fund Balances		Increase (Decrease)
	2020	2019	2020	2019	2020	2019	Change
	General Fund	\$ 1,174,242	\$ 1,102,104	\$ 1,161,143	\$ 1,063,339	\$ 13,099	\$ 38,765
Roads	39,138	32,796	34,601	24,592	4,537	8,204	(3,667)
Watershed Protection District	49,759	43,488	39,546	33,220	10,213	10,268	(55)
Fire Protection District	199,630	179,718	177,825	183,402	21,805	(3,684)	25,489
Non-major funds	154,637	152,209	152,144	139,359	2,493	12,850	(10,357)
Total	<u>\$ 1,617,406</u>	<u>\$ 1,510,315</u>	<u>\$ 1,565,259</u>	<u>\$ 1,443,912</u>	<u>\$ 52,147</u>	<u>\$ 66,403</u>	<u>\$ (14,256)</u>

GENERAL FUND

Taxes, aid from other governmental units, and charges for services comprise 93 percent of total revenues. Taxes decreased by \$8,774,000, or 2 percent, while aid from other governmental units increased \$65,610,000, primarily due to CRF revenue. Charges for services remained flat, while all other revenues had a net decrease of \$2,161,000. The General Fund also received a settlement from Southern California Edison (SCE), for the 2017 Thomas Fire and the 2018 Woolsey Fire, which was recorded as an extraordinary item.

ROADS

Fund balance increased at June 30, 2020, by \$4,537,000, compared to an increase in the prior year of \$8,204,000. Revenues and other financing sources increased by \$6,342,000, with expenditures and other financing uses increasing by \$10,009,000. The increase in revenue and other financing sources was primarily due to an increase in transfers in from the General Fund for capital projects, and increased Highway Users Tax.

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

WATERSHED PROTECTION DISTRICT

Fund balance increased by \$10,213,000 in 2019-20, compared with an increase in the prior fiscal year of \$10,268,000. Revenues and other financing sources in 2019-20 of \$49,759,000, were greater than revenues and other financing sources in 2018-19 of \$43,488,000 by \$6,271,000, primarily from an increase in aid from other governments, property taxes, and transfers in for a software project. Expenditures and other financing uses in 2019-20 of \$39,546,000, increased by \$6,326,000, when compared with the prior year, primarily due to increases in construction project activity.

FIRE PROTECTION DISTRICT

The District's fund balance increased by \$21,805,000, compared to a decrease of \$3,684,000, in 2018-19. Revenues and other financing sources at June 30, 2020, totaled \$199,630,000, an increase of \$19,912,000 from the prior fiscal year, primarily from an increase in aid from other governments, property tax, and transfers in for unreimbursed costs related to the Thomas and Woolsey fires. This was offset by a decrease in other revenue. Expenditures and other financing uses were \$177,825,000, decreasing by \$5,577,000, when compared to 2018-19, due to a decrease in the Fire District's cost share for the Hill and Woolsey fire, offset by an increase in salaries and benefits expense.

NON-MAJOR GOVERNMENTAL FUNDS

Fund balances at June 30, 2020, increased by \$2,493,000, compared with a prior year increase of \$12,850,000. The increase is primarily attributable to increases in the Todd Road Jail Expansion capital projects fund and the County Library special revenue fund offset by a decrease in the Mental Health Services Act special revenue fund.

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

Summary of Revenues, Expenses, Transfers and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2020
(In Thousands)

	<u>Major Funds</u>				<u>Total</u>
	<u>Medical Center</u>	<u>Department of Airports</u>	<u>Waterworks Districts</u>	<u>Non-major Funds</u>	
Operating revenues	\$ 432,348	\$ 7,149	\$ 35,272	\$ 90,607	\$ 565,376
Operating expenses	(480,709)	(7,779)	(37,104)	(92,719)	(618,311)
Operating loss	(48,361)	(630)	(1,832)	(2,112)	(52,935)
Non-operating revenues (expenses) and capital grants and contributions, net	(1,897)	2,082	1,645	1,026	2,856
Income (loss) before transfers	(50,258)	1,452	(187)	(1,086)	(50,079)
Transfers	35,611	-	71	1,228	36,910
Change in net position	(14,647)	1,452	(116)	142	(13,169)
Net position - beginning	87,295	56,200	135,401	48,875	327,771
Net position - ending	<u>\$ 72,648</u>	<u>\$ 57,652</u>	<u>\$ 135,285</u>	<u>\$ 49,017</u>	<u>\$ 314,602</u>

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

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

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

The net loss before transfers of \$50,079,000 for all enterprise funds resulted primarily from the net loss before transfers to the Medical Center of \$50,258,000, offset by net income from the Department of Airports, Health Care Plan and the Oak View District. Net transfers of \$35,611,000 to the Medical Center from the General Fund were down from \$39,976,000 in the prior year. The Medical Center's net position decreased \$14,647,000 for the year. The decrease in Medical Center operating revenues of \$27,967,000, or 6 percent, was attributable, in large part, to COVID-19 impact on volumes. State and federal grants increased due to Provider Relief Funds of \$6,011,000.

Medical Center operating expenses decreased \$5,024,000, or 1 percent, from the prior year. The Medical Center is reporting an operating loss of \$48,361,000, (prior to transfers), compared to prior year operating loss of \$25,418,000. Salaries and benefits decreased \$79,959,000, which was offset by an increase in services and supplies of \$76,471,000. Approximately \$72,964,000 of the change was due to Clinic costs that were formerly included in salaries and benefits and are now reflected as contractor payments in services and supplies.

The change in net position for all other enterprise funds except for the Medical Center totaled an increase of \$1,478,000, compared to an increase of \$4,295,000 in 2018-19. Operating revenues and expenses were \$133,028,000 and \$137,602,000, respectively, decreasing by 1 percent and increasing by 1 percent, respectively, from the prior year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget, June 30, 2020

Appropriations for the General Fund final budget, including transfers out, exceeded the original budget by \$111,012,000. Final budget appropriations for salaries and benefits increased in all areas except general government, primarily due to transfers of appropriations for vacation/annual leave buydowns. For control purposes, vacation/annual leave buydowns are budgeted in a general government budget unit and are transferred as related expenditures are incurred. Over \$13,800,000 was transferred in 2019-20. Services and supplies increased by \$49,304,000 primarily in public protection and general government due to the COVID-19 public health emergency. Capital outlay increased by \$29,074,000, for required maintenance projects that were reclassified from services and supplies, for the purchase of 3760 Calle Tecate in Camarillo, the Todd Road Jail Expansion, continuing work on the new Property Tax Assessment and Collection System, the Ventura County Human Resources/Payroll System upgrade, and a number of other projects approved during the year. Appropriations for transfers out increased by \$29,354,000. Approximately \$8,177,000, 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, 2020

The final budget appropriations for the General Fund exceeded actual expenditures, including transfers out, by \$125,507,000, while the final budget estimated revenues were more than actual revenues, including other financing sources, by \$33,986,000. The largest component of excess appropriations over expenditures was \$65,321,000 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 \$37,597,000 were encumbered for expenditure in 2020-21. The largest revenue shortfall in comparison with the final budget was in charges for services in the amount of \$17,339,000, primarily in health and sanitation services.

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, 2020, amounted to \$1,882,928,000 at cost or \$1,882,928,000 net of accumulated depreciation. This investment in capital assets includes land, easements, construction in progress, land improvements, structures and improvements, equipment, vehicles, software, and infrastructure. The total increase in the County's investment in capital assets net of accumulated depreciation for the current period was 1 percent.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

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

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2020	2019	2020	2019	2020	2019	
Land	\$ 52,157	\$ 52,157	\$ 22,958	\$ 22,958	\$ 75,115	\$ 75,115	0%
Easements	200,314	200,264	1,297	1,297	201,611	201,561	0%
Construction in progress	95,013	73,706	26,376	17,307	121,389	91,013	33%
Land improvements	53,722	51,675	84,366	84,100	138,088	135,775	2%
Structures and improvements	582,252	564,181	676,961	674,221	1,259,213	1,238,402	2%
Equipment	123,281	110,900	85,314	83,656	208,595	194,556	7%
Vehicles	118,185	111,149	1,083	1,083	119,268	112,232	6%
Software	102,951	97,092	52,410	52,220	155,361	149,312	4%
Infrastructure	585,112	581,576	-	-	585,112	581,576	1%
Less accumulated depreciation	(644,828)	(601,555)	(335,996)	(309,287)	(980,824)	(910,842)	8%
Total	<u>\$ 1,268,159</u>	<u>\$ 1,241,145</u>	<u>\$ 614,769</u>	<u>\$ 627,555</u>	<u>\$ 1,882,928</u>	<u>\$ 1,868,700</u>	1%

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

Construction in progress had a net increase of \$30,376,000. Additions totaling \$56,414,000 included General Fund projects \$19,158,000, Roads projects \$4,203,000, Watershed Protection District projects \$9,456,000, Fire Protection District projects \$8,162,000, Capital projects \$3,987,000, Medical Center and Clinic improvements \$2,369,000, Airports projects \$5,407,000, Waterworks projects \$1,793,000, and various other projects \$1,879,000. Construction in progress was reduced by \$26,038,000 including transfers of completed projects of \$25,617,000 to structures and improvements, equipment, software, and vehicles.

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

Additional information on capital asset activity is provided in Note 6 of the Notes to the Basic Financial Statements.

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

Debt Administration - Government-wide Financial Statements

At June 30, 2020, the County had total debt outstanding of \$380,444,000, excluding capital leases, compensated absences, and other liabilities. The following table summarizes the categories of debt. During the year, retirement of debt amounted to \$309,187,000 and additions amounted to \$289,607,000, including debt refunding. The following table summarizes the debt outstanding balances at June 30, 2020 and 2019 (in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Certificates of participation and lease revenue bonds	\$ 28,616	\$ 34,143	\$ 314,302	\$ 326,310	\$ 342,918	\$ 360,453
Revolving credit agreement notes from direct borrowings	23,345	24,255	2,455	3,045	25,800	27,300
Loans payable from direct borrowings	<u>7,513</u>	<u>7,809</u>	<u>4,213</u>	<u>4,462</u>	<u>11,726</u>	<u>12,271</u>
Total	<u>\$ 59,474</u>	<u>\$ 66,207</u>	<u>\$ 320,970</u>	<u>\$ 333,817</u>	<u>\$ 380,444</u>	<u>\$ 400,024</u>

For the fiscal year 2019-20, County debt limit is determined by statute at 1.25 percent of total assessed valuation or approximately \$1,815,050,000. The County's general obligation bonded debt subject to the debt limit is \$0, which is under the debt limit by \$1,815,050,000.

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, 2019, the County issued \$154,220,000 in Tax and Revenue Anticipation Notes (TRANs). Standard & Poor's Ratings Services and Moody's Investors Services gave the TRANs the highest rating for short-term securities of SP-1+ and MIG 1, respectively. TRANs was paid with interest on July 1, 2020, the maturity date of the notes, leaving an outstanding balance of \$154,220,000 at June 30, 2020.

Additional information on long-term debt activity is provided in Note 9 of the Notes to the Basic Financial Statements.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The fiscal year 2020-21 adopted budget for all County funds totals \$2,450,245,000, an increase of 6.1 percent when compared to the prior year. The General Fund 2020-21 budget of \$1,197,312,000 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 3.91 percent for the 2020-21 fiscal year when compared with 2019-20. Property tax revenues were budgeted with an increase of 3.5 percent.
- The 2020-21 budget includes an increase in salaries and benefits of 6.26 percent as compared to the prior year's actual expenditures with increases primarily in regular salaries, call back staffing, and group insurance offset by a reduction in retirement contributions and overtime.

Additional information is provided in Notes 19 and 20 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.