

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



**ASSISTANT
AUDITOR-CONTROLLER**
JEFFERY S. BURGH

CHIEF DEPUTIES
SANDRA BICKFORD
BARBARA BEATTY
JOANNE MCDONALD
VALERIE BARRAZA

December 23, 2013

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, 2013, 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, 2013. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The County of Ventura (County), approved by the State Legislature on March 22, 1872, effective January 1, 1873, was created out of the southeasterly portion of Santa Barbara County and covers an area of 1,873 square miles. It is bordered on the north by Kern County, on the northwest by Santa Barbara County, on the east by Los Angeles County, and on the south and southwest by the Pacific Ocean along 42 miles of coastline. There are ten incorporated cities within its borders: Ventura, Ojai, Oxnard, Port Hueneme, Camarillo, Santa Paula, Fillmore, Thousand Oaks, Moorpark and Simi Valley with a combined population including the unincorporated area of 835,436. The largest employment segments comprising over 80 percent of the total employment distribution include service industries, retail, government, manufacturing, and agriculture and food production. With its mild climate, geographical diversity including beaches and pristine and rugged wilderness, year-round recreational and cultural opportunities, and a reputation as one of the safest populated areas in the country, the County is a popular tourist destination.

The County is a General Law County with policymaking, budget approval, and legislative authority, vested in a five-member Board of Supervisors. The supervisors are elected on a nonpartisan basis by geographic

districts for four-year staggered terms. Two or three supervisors are elected in alternating two year elections. The Board appoints the County Executive Officer who generally appoints the non-elected department heads that are not otherwise appointed by law. The County's elected department heads are the Assessor, Auditor-Controller, Clerk and Recorder, District Attorney, Sheriff, and Treasurer-Tax Collector. An organization chart and a listing of elected and appointed department heads are provided in the introductory section of this report.

With 7,987 full-time employees in June 2013, the County provides a full range of services, including general government (administration, central services, elections, and plant acquisition), public protection, (law enforcement, fire protection, watershed protection, County portion of judicial, and detention), public ways and facilities (construction and maintenance of roads), health and sanitation (public, behavioral, and environmental health), public assistance, and education (libraries). In addition, enterprise funds account for the operations of the Medical Center, Health Care Plan, two airports, Channel Islands Harbor, Waterworks Districts (sanitation and water services), and Parks (recreational activities). The financial reporting entity includes all funds of the primary government (County of Ventura as legally defined), as well as all of its legally separate component units. The component units are reported as blended when they are in substance part of the primary government or discretely presented in a separate column on the government-wide financial statements to emphasize that they are legally separate from the primary government. Note 1 of the Notes to the Basic Financial Statements provides more information on the reporting entity.

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

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

Local Economy

Historically, Ventura County has been closely allied with the economy of Southern California, and, for the calendar year 2013, the outlook for growth is slowly improving. 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

Retail sales for 2011-12 increased 6.8 percent over the prior year. The construction industry accounted for 12,500 jobs in April 2013, up 1,100 from the past year. Further, foreclosure filings fell to 321 in April 2013 from 834 in the previous year.

The Port of Hueneme, a critical hub in Southern California, realized historic increases in import/export trade. The total tonnage for fiscal year 2012-13 jumped to 1,438,596 metric tons for a 9.2 percent increase over 2011-12, marking the Port's best year in volume since its inception in 1937.

The region's crop totals exceeded \$1.964 billion in 2012. The leading crops of strawberries and lemons with sales of \$691.3 and \$201.8 million, respectively, far exceeded traditional crops of celery and tomatoes with sales of \$134.3 and \$75.8 million, respectively.

- **Academic Activity**

California State University, Channel Islands (CSUCI) opened in 2002 and is accredited by the Western Association of Schools and Colleges. Located on 833 acres it is one of the largest campuses in land size in the 23 campus California State University System. CSUCI offers undergraduate degrees in 23 areas of study, teaching and administrative credentials in eight disciplines, and graduate degrees in six areas of study. The University had 5,676 students, faculty and staff for fall term 2012. The John Spoor Broome Library has 137,000 square feet of space, 75,000 bound volumes, more than 180,000 electronic books and can accommodate 1,800 users at one time.

The three Ventura County Community College campuses had a Fall 2012 enrollment of 32,646 students, a decrease of 5.1 percent from the prior year. Enrollment declined due to decreased support from the State, which resulted in cuts to classes and services. 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**

Based on information from various demographic and economic statistical sources, per capita personal income for 2013 is estimated at \$46,000, an increase of 2.2 percent from the revised prior year estimate.

The County's unemployment rate in June 2013 of 7.4 percent was down from 9.2 percent in the prior year and compares with California and the nation at 8.8 percent and 7.8 percent, respectively. Information about the County's principal employers and workforce sizes is provided in the statistical section of this report.

- **Real Estate**

The number of sales declined but prices have increased when comparing June 2013 to June 2012. The number of June sales declined by 5.9 percent from 952 a year ago to 896 in June of 2013. The composite median sales price for new and existing homes and condominiums of \$450,000, in June 2013, reflects a gain of 23.1 percent, compared to the gain of 3 percent in June 2012. The median sales price in California and the nation in June 2013 were \$428,510 and \$203,500, respectively.

Housing affordability for the third quarter of 2013 was 54 percent, a 14 percentage decline from the third quarter of 2012. 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 2013-14 State Budget was signed into law by Governor Brown on June 27, 2013. The balanced budget maintains reserves of \$1.1 billion and includes restructuring of the formula for funding K-12 schools. Overall, the budget provides increased funding for K-12 education, community colleges, University of California and California State University systems and for the State court system. Additional funding of up to \$120 million is available to counties for increased workload associated with the implementation of the Affordable Care Act. Also included is an increase of \$143 million provided through Cal-WORKs for counties to enhance services and programs that lead to self-sufficiency and \$107 million to support County probation departments' efforts to reduce recidivism and encourage alternatives to incarceration. The State estimates that counties will save \$300 million in indigent health care costs in FY2013-14 due to Federal Health care reform. The State budget includes two methods for calculating County savings with the majority of the savings redirected to the State.
- The County's 2013-14 Assessment Roll closed with an overall increase of 3.2 percent, reflecting Ventura County's economic rebound during 2012. Assessed value increased \$3.3 billion, resulting in \$107.8 billion of taxable property. This is the second increase to the Roll following three years of decline and is Ventura County's highest total above the prior high of \$106.9 billion in 2008.
- Retirement contributions increased from a composite rate of 23.82 percent of covered payroll to a composite rate of 26.64 in fiscal year 2013-14. The higher rates along with a slightly increased covered payroll result in an estimated increase in total County employer contributions of \$19 million. Retirement contributions are based on actuarial valuation information dated June 30, 2012. Due to a number of factors, contribution rates are expected to increase over the next several years.
- The Affordable Care Act signed into law on March 23, 2010, provides for expanded access to health care coverage and benefits for many Americans beginning January 1, 2014. Numerous transition activities have already taken place and others are currently underway within the Health Care Agency and Human Services Agency.
- On Friday, July 12, 2013, the County broke ground on the \$305 million Ventura County Medical Center Hospital Replacement Wing Project. The 120-bed wing will bring the facilities up to date with California earthquake codes and provide a more modern setting for care. Services hosted in the new wing will include ER, maternity care, surgical suites and inpatient wards. The project is expected to be completed in 2017.

Long-term Planning

- General Fund fund balance in the 2013-14 adopted budget totaled \$147.6 million, an increase of \$21.5 million from the prior year adopted budget, based on estimated year-end fund balance. Obligated fund balance (Nonspendable, Restricted, Committed, and Assigned) plays an important role in preserving the County's overall financial health including: strengthening the County's overall financial position (including cash) with an emphasis toward upgrading our debt rating and consequently lowering our borrowing costs; preparing the County for future capital needs; establishing the ability to fund expenses such as litigation costs and audit disallowances without affecting operations; and shield the County against extraordinary events and significant fluctuations in revenues. Unassigned fund balance can be used to monitor fund balance as a percent of General Fund appropriations/revenue. The County's recommended minimum level is 10 percent of total appropriations/revenue. The estimated Unassigned fund balance of \$108.4 million is approximately 11.8 percent of estimated appropriations/revenue, above our minimum of 10 percent but less than our long term goal of 15 percent.
- The 2013-18 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 six high priority project requests pending identification of funding sources. Requests are submitted to the Capital Planning Committee for review and prioritization as noted below. Projects are prioritized by a ranking system that uses various criteria such as life and safety concerns, compliance with legal or regulatory requirements, and preservation of existing assets. Among the projects included in the Plan are the Medical/Mental Health Housing Unit at the Todd Road Jail, the Juvenile Justice Complex Office Building to co-locate service delivery for County functions related to the Juvenile Courts, Fire facilities, Rehabilitation of Airport Pavement and Drainage, Sheriff's Helicopter Replacement and Modernization, construction of a new Work Furlough Housing Facility, and a number of other building and system improvement projects. The plan is available on-line: http://portal.countyofventura.org/portal/page/portal/PUBLIC_WORKS/centralServices/CIP_2012_2018_CEO_web.pdf

Relevant Financial Policies

- The Board of Supervisors approved a Capital Planning Policy and Five-Year Capital Improvement Plan which includes evaluation of plans for acquisition, maintenance, replacement, and retirement of capital assets and serves as the basis for long-range planning to meet the County's capital asset needs. A Capital Planning Committee comprised of the County Executive Officer, Auditor-Controller, General Services Agency Director, and Public Works Agency Director, is responsible for evaluating capital planning matters and providing recommendations to the Board of Supervisors regarding the prioritization of capital projects, major equipment purchases, long-term lease administration, lease versus purchase options, and other capital planning and expenditure issues.

- The Financial Planning Committee of the County, comprised of the Chair and Vice Chair of the Board of Supervisors, Auditor-Controller, County Treasurer, County Executive Officer, and County Counsel, reviews all financial planning matters. The Committee provides recommendations to the Board regarding levels of debt service, debt balances, financing of planned capital asset acquisitions, and any proposal utilizing public finance methods.
- The Information Technology Committee (ITC) is responsible for planning and reviewing project proposals to ensure consistency with the goals, guidelines and policies of the County's technology strategy, compatibility with other systems and infrastructure, and conformance with other County priorities. The ITC is comprised of two members of the Board of Supervisors, the County Executive Officer, Auditor-Controller, Sheriff, Fire Protection District Chief, Human Services Agency Director, Resource Management Agency Director, Health Care Agency Director, and the IT Services Department Director.

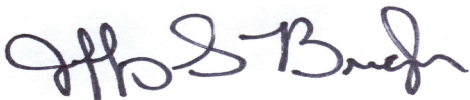
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2012. This was the twenty-ninth 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,



JEFFERY S. BURGH
Agency Director/Assistant Auditor-Controller