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February 6, 2024

Honorable Board of Supervisors
County Government Center
Hall of Administration
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Receive and File the Annual Comprehensive Financial Report for the Year Ended June 30, 2023, and the Independent Accountant's Reports for the Agreed-Upon Procedures Applied to Appropriations Limit Calculation for the Year Ended June 30, 2023

RECOMMENDATIONS:

1. Receive and file the audited Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2023.
2. Receive and file the Independent Accountant's Reports for the Agreed-Upon Procedures applied to Appropriations Limit Calculation for the year ended June 30, 2023.

FISCAL/MANDATES IMPACT: None.

STRATEGIC PLAN PRIORITY:

The items presented in this Board letter support making responsible and efficient use of public funds and promote economic stability and growth during a changing economy.

DISCUSSION:

ACFR – Exhibit 1

Financial reporting is a process of communicating the County of Ventura's financial position and financial activities to its citizens, oversight bodies, management, and creditors.

The ACFR provides two narratives related to the County's financial information. The Management's Discussion and Analysis (MD&A) begins on page 21. The MD&A provides an overview and explanation of the basic financial statements and analyses of both the government-wide and fund financial statements. Also included is an introductory transmittal letter beginning on page 5 that provides a summary of the County's structure, economic conditions, major initiatives, and financial policies.

The audited basic financial statements provide two different sets of financial statements: the government-wide financial statements and the fund financial statements along with the notes to the basic financial statements. The table of contents on pages 1 to 4 provides a key to the ACFR. Other sections of the ACFR include required supplementary information, supplementary information, and the statistical section.

The government-wide financial statements (Statement of Net Position and Statement of Activities) are designed to provide long-term financial information about those resources available for the government's use and *the operational accountability* of the government.

The government-wide Statement of Net Position (page 41) is presented with two columns: governmental activities and business-type activities. The financial reporting uses the full accrual basis of accounting, eliminates intra-activities entries, except for inter-fund services provided and used, and the internal service funds to avoid duplicate reporting, and excludes fiduciary funds. Capital assets, including roads and watershed protection infrastructure, and long-term debt are recorded on the government-wide financial statements.

The government-wide Statement of Activities (pages 42 and 43) is presented in a format designed to display the costs of the primary governmental and business-type activities. The expenses are displayed by function (general government, public protection, public ways and facilities, health and sanitation services, public assistance, education, and recreation) less direct program revenues, resulting in a net expense/revenue by function. The functions with net cost require the use of the County's general revenues. The "bottom line" for the County is reflected as a change in net position.

The fund financial statements are designed to provide short-term financial information and the *fiscal accountability* of the government. A reconciliation is provided between the government-wide and fund financial statements.

The major funds are featured on the fund financial statements based on Governmental Accounting Standards Board (GASB) Statement No. 34 definitions. The major governmental funds are General Fund, Roads, Watershed Protection District, and Fire Protection District. Budgetary compliance is reported with "actuals on a budgetary basis" compared to the final year-end budgets of the general fund and major special revenue funds in the required supplementary information section, which begins on page 138, and non-major governmental funds in the supplementary information section. The major enterprise funds are Medical System, Department of Airports, and Waterworks Districts.

Due to certain reporting criteria, there are variances between fund balances on the generally accepted accounting principles (GAAP) basis and the actual fund balances on a budgetary basis. For instance, all County non-operating funds are reported within their related County fund. The inclusion initially causes a major positive impact due to timing differences and acceleration of revenue recognition. If the revenue does not continue to be received by these agency funds, a future negative impact could result.

The County of Ventura's ACFR is prepared by the Auditor-Controller's Office. It is prepared following GAAP in the United States, the regulations of the GASB, and the guidelines of the Government Finance Officers Association (GFOA) of the United States and Canada.

The County implemented three new GASB pronouncements for fiscal year 2022-23:

GASB Statement No. 91, *Conduit Debt Obligations*, effective for reporting periods beginning after December 15, 2021, improves financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities. In addition, requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting period beginning after June 15, 2022, is intended to improve financial reporting by addressing issues related to improve public-private and public-public partnership arrangements (PPPs). The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for reporting period beginning after June 15, 2022, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.

Our external auditors, Eide Bailly, LLP, audited the County's financial statements. Their independent auditor's report is expressed on pages 17 through 20. Their opinion is "unmodified". Unmodified is the best opinion an auditor can provide for audits of financial statements. Based on their audit, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Ventura, California, as of June 30, 2023, and the respective changes in financial position and cash flows, where applicable. The report is dated December 28, 2023 – the final date of the auditor's responsibility.

Independent Accountant's Reports for the Agreed-Upon Procedures Applied to Appropriations Limit Calculation – Exhibits 2 - 4

In conjunction with the audit of the ACFR for the year ended June 30, 2023, the external auditor, Eide Bailly, LLP, reviewed the County's annual calculation of the Appropriations (Gann) Limit. The calculation is required under Article XIIB of the State Constitution. The limited review did not disclose any discrepancies for the County of Ventura, the County of Ventura Watershed Protection District Fund, or the County of Ventura Fire Protection District Fund.

The Single Audit Report and Management Letter, if any, will be brought before your Board when completed by the external auditors.

I appreciate the contributions of County fiscal staff from many departments in the preparation of the ACFR. 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 fiscally responsible and effective manner. If you have any questions, please call me at (805) 654-3151.

Sincerely,



JEFFERY S. BURGH
Auditor-Controller

Exhibits:

- Exhibit 1 – Annual Comprehensive Financial Report
- Exhibit 2 – Independent Accountant's Report – County of Ventura, California
- Exhibit 3 – Independent Accountant's Report – County of Ventura Watershed Protection District Fund
- Exhibit 4 – Independent Accountant's Report – County of Ventura Fire Protection District Fund

- c: Mike Pettit, Assistant County Executive Officer
Tiffany North, County Counsel
Jeff Pratt, Public Works Agency
Dustin Gardner, Fire Protection District