

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR FISCAL YEAR ENDED, JUNE 30, 2012

2012

Members of the Board

City of Camarillo

Vice Mayor Charlotte Craven, Chair
Council Member Michael Morgan, Alternate Member

City of Santa Paula

City Councilmember Fred Robinson, Vice-Chair
Vice Mayor Ralph Fernandez, Alternate Member

County of Ventura

District 3 Supervisor Kathy Long, Member
District 1 Supervisor Steve Bennett, Alternate Member

City of Ventura

City Councilmember Brian Brennan, Member

City of Oxnard

City Councilmember Tim Flynn, Member
Mayor Dr. Thomas E. Holden, Alternate Member

City of Thousand Oaks

City Councilmember Dennis Gillette, Member
City Councilmember Thomas Glancy, Member

Ventura County Community College District

Board Trustee Dr. Larry O. Miller, Member

Ventura Regional Sanitation District

Board of Directors Chairman Jonathan Sharkey, Member

Ventura Unified School District

Board of Education Member Mary Haffner, Member
Board of Education Barbara Fitzgerald, Alternate Member

City of Fillmore

City Councilmember Brian Sipes, Member

Ventura County Regional Energy Alliance
Cheryl Collart, Executive Director
1000 South Hill Road, Suite 230
Ventura, California 93003
(805) 289-3335
www.vcenergy.org

Ventura County Regional Energy Alliance
Annual Financial Report
For the Year Ended June 30, 2012

Ventura County Regional Energy Alliance

Annual Financial Report

For the Year Ended June 30, 2012

Table of Contents

	<u>Page No.</u>
Financial Section	
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	11
Notes to the Basic Financial Statements	12 – 18
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	19
Notes to Required Supplementary Information	20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21 – 22

Financial Section

< Page Intentionally Left Blank >



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

Members of the Board
Ventura County Regional Energy Alliance
Ventura, California

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Matthew B. Wilson, CPA, MSA, CGMA
Scott W. Manno, CPA
Leena Shanbhag, CPA, MST
Jay H. Zercher, CPA (Retired)
Phillip H. Waller, CPA (Retired)

MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA
Bradford A. Welebir, CPA, MBA
Jenny Liu, CPA, MST
Katie L. Millsom, CPA
Papa Matar Thiaw, CPA, MBA
Maya S. Ivanova, CPA, MBA
Danielle E. Odgers, CPA
William C. Clayton, CPA
Peter E. Murray, CPA
Genivive Schwarzkopf, CPA
Megan Hackney, CPA
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ventura County Regional Energy Alliance (VCREA) as of and for the year ended June 30, 2012, which collectively comprise the VCREA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of VCREA's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from VCREA's 2011 financial statements and, in our report dated November 10, 2011, we expressed unqualified opinions on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Ventura County Regional Energy Alliance, as of June 30, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the Basic Financial Statements, the governing board has determined that the Alliance shall cease operations on January 1, 2013.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of VCREA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Rogers Anderson Malooly & Scott, LLP

December 17, 2012

**Ventura County Regional Energy Alliance
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

As management of the Ventura County Regional Energy Alliance (VCREA), we offer readers of VCREA's financial statements this narrative overview and analysis of the financial activities and performance of VCREA for the fiscal year ended June 30, 2012. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- VCREA's net assets decreased \$50,529 from \$120,532 to \$70,003 as a result of this year's operations.
- Total revenues from all sources increased by 32.93% or \$116,509, from \$353,787 in 2011 to \$470,296 in 2012 due to program enhancements.
- Total expenses for VCREA's operations increased by 27.15% or \$111,204, from \$409,621 in 2011 to \$520,825 in 2012 due to an increase in program expenses related to expanded programs.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities and performance of VCREA using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of VCREA's investments in resources (assets) and its obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of VCREA and assessing the liquidity and financial flexibility of VCREA. All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of VCREA's operations over the past year and can be used to determine VCREA's profitability and creditworthiness.

Government-wide Financial Statements

Statement of Net Assets and Statement of Activities

One of the most important questions asked about VCREA's finances is, "Is VCREA better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about VCREA in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies and public enterprise agencies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report VCREA's *net assets* and changes in them. Think of VCREA's net assets – the difference between assets and liabilities – as one way to measure VCREA's financial health, or *financial position*. Over time, *increases or decreases* in VCREA's net assets are one indicator of whether its *financial health* is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in VCREA's grant funding and availability to assess the *overall health* of VCREA.

**Ventura County Regional Energy Alliance
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12 through 18.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning VCREA's budgetary information and compliance. Required supplementary information can be found on pages 19 through 20.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of VCREA, assets of VCREA exceeded liabilities by \$70,003 as of June 30, 2012.

At the end of fiscal year 2012, VCREA shows a balance in its unrestricted net assets of \$70,003.

**Ventura County Regional Energy Alliance
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Condensed Statement of Net Assets

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Assets			
Current assets	\$ 112,574	\$ 185,285	\$ (72,711)
Total assets	<u>112,574</u>	<u>185,285</u>	<u>(72,711)</u>
Liabilities			
Current liabilities	<u>42,571</u>	<u>64,753</u>	<u>(22,182)</u>
Total liabilities	<u>42,571</u>	<u>64,753</u>	<u>(22,182)</u>
Net Assets			
Unrestricted	<u>70,003</u>	<u>120,532</u>	<u>(50,529)</u>
Total net assets	<u>\$ 70,003</u>	<u>\$ 120,532</u>	<u>\$ (50,529)</u>

Condensed Statement of Activities

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Expenses:			
Energy program	\$ 520,825	\$ 409,621	\$ 111,204
Total expenses	<u>520,825</u>	<u>409,621</u>	<u>111,204</u>
Program revenues	470,131	353,486	116,645
General revenues	<u>165</u>	<u>301</u>	<u>(136)</u>
Total revenues	<u>470,296</u>	<u>353,787</u>	<u>116,509</u>
Change in net assets	(50,529)	(55,834)	5,305
Net assets - beginning	<u>120,532</u>	<u>176,366</u>	<u>(55,834)</u>
Net assets - ending	<u>\$ 70,003</u>	<u>\$ 120,532</u>	<u>\$ (50,529)</u>

The statement of activities shows how the government's net assets changed during the fiscal year. In the case of VCREA, net assets decreased by \$50,529 during the fiscal year ended June 30, 2012.

The primary reason for the decrease in net assets is due to the restrictions placed on the various energy programs.

**Ventura County Regional Energy Alliance
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Governmental Funds Financial Analysis

The focus of VCREA's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing VCREA's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at times of transition.

As of June 30, 2012, VCREA's General Fund reported a fund balance of \$82,745. This amount constitutes *unassigned fund balance*, which is available for future expenditures.

General Fund Budgetary Highlights

There were no adjustments made to VCREA's adopted 11-12 budget. The expenditures were below the budget by \$100,777; and actual program revenues were less than the budget by \$(516,850). These variances were due to the change in the program's scope, goals and conditions of the new program. The General Fund budget to actual comparison schedule can be found on page 19.

Dissolution of VCREA

Since June 30, 2012, the VCREA Board of Directors has met in regular session on July 19, 2012 to discuss the status of the proposed changes in utility programs for local governments and how this might affect VCREA operations. The Board met again in regular session on October 18, 2012 and determined that the utility contract as proposed would not allow VCREA to continue operations consistent with past efforts, and no additional resources had been identified to maintain operations after December 31, 2012.

Based on this information, the Board determined to cease operations and terminate the joint powers authority (JPA) effective December 31, 2012. Per the JPA agreement, VCREA may continue to exist after termination to conclude the obligations and affairs of the organization. The Executive Director will conclude VCREA operations in a timely manner per the adopted VCREA annual budget; that includes a Reserve Fund to manage cash flow, meet employee obligations, contract transitions and organizational closeout costs.

Requests for Information

VCREA's basic financial statements are designed to present users with a general overview of VCREA's finances and to demonstrate VCREA's accountability. If you have any questions about the report or need additional information regarding the operating or functional activities, please contact VCREA at Ventura County Regional Energy Alliance, 1000 South Hill Road, Suite 230, Ventura, California 93003. Questions regarding VCREA's annual financial statement should be directed to the Ventura Regional Sanitation District, 1001 Partridge Drive, Suite 150, Ventura, California 93003-0704.

Basic Financial Statements

< Page Intentionally Left Blank >

Ventura County Regional Energy Alliance
Statement of Net Assets
June 30, 2012 (with comparative data for 2011)

	2012	2011
Assets		
Cash and cash equivalents	\$ 56,979	\$ 80,054
Accounts receivable	55,595	103,153
Prepaid expenses	-	2,078
	112,574	185,285
Liabilities		
Accounts payable and accrued expenses	14,656	31,675
Accrued salaries and wages	15,173	18,168
Compensated absences	12,742	14,910
	42,571	64,753
Net assets		
Unrestricted	70,003	120,532
	\$ 70,003	\$ 120,532

The accompanying notes are an integral part of these financial statements.

Ventura County Regional Energy Alliance
Statement of Activities
For the Year Ended June 30, 2012 (with comparative data for 2011)

	<u>2012</u>	<u>2011</u>
Program expenses		
Salaries and benefits	\$ 179,632	\$ 152,194
Professional services	5,218	4,851
General and administrative	<u>335,975</u>	<u>252,576</u>
Total program expenses	<u>520,825</u>	<u>409,621</u>
Program revenues		
Charges for services	<u>470,131</u>	<u>353,486</u>
Total program revenues	<u>470,131</u>	<u>353,486</u>
Net program expense	<u>(50,694)</u>	<u>(56,135)</u>
General revenues		
Investment earnings	-	137
Other income	<u>165</u>	<u>164</u>
Total general revenues	<u>165</u>	<u>301</u>
Change in net assets	(50,529)	(55,834)
Net assets - beginning	<u>120,532</u>	<u>176,366</u>
Net assets - ending	<u>\$ 70,003</u>	<u>\$ 120,532</u>

The accompanying notes are an integral part of these financial statements.

**Ventura County Regional Energy Alliance
Balance Sheet
Governmental Fund
June 30, 2012**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 56,979
Accounts receivable	55,595
Total assets	\$ 112,574
Liabilities and Fund Balance	
Liabilities:	
Accounts payable and accrued expenses	\$ 14,656
Accrued salaries and wages	15,173
Total liabilities	29,829
Fund Balance:	
Unassigned	82,745
Total fund balance	82,745
Total liabilities and fund balance	\$ 112,574
Reconciliation:	
Total fund balance - governmental fund	\$ 82,745
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Long-term liabilities applicable to VCREA are not due and payable in the current period and accordingly are not reported as governmental fund liabilities	
Compensated absences	(12,742)
Net assets of governmental activities	\$ 70,003

The accompanying notes are an integral part of these financial statements.

Ventura County Regional Energy Alliance
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2012

	<u>General Fund</u>
Revenues	
Charges for services	\$ 470,131
Other income	165
	<u>470,296</u>
Total revenues	<u>470,296</u>
Expenditures	
Salaries and benefits	181,800
Professional services	5,218
General and administrative	335,975
	<u>522,993</u>
Total expenditures	<u>522,993</u>
Net change in fund balance	(52,697)
Fund balance - beginning	<u>135,442</u>
Fund balance - ending	<u>\$ 82,745</u>

The accompanying notes are an integral part of these financial statements.

**Ventura County Regional Energy Alliance
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance of Governmental Fund to the
 Statement of Activities
 For the Year Ended June 30, 2012**

Net change in fund balance - total governmental fund	\$	(52,697)
--	----	----------

Amounts reported for governmental activities in the statement of activities
are different because:

Some expenses reported in the statement of activities do not require
the use of current financial resources and, therefore, are not
reported as expenditures in the governmental funds.

Decrease in compensated absences for the current period		2,168
---	--	-------

Change in net assets of governmental activities	\$	(50,529)
---	----	----------

The accompanying notes are an integral part of these financial statements.

< Page Intentionally Left Blank >

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2012

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

Formed in July 2003, the Ventura County Regional Energy Alliance (VCREA) is a Joint Powers Authority (JPA) composed of public agencies working in collaboration to approach the availability, reliability, conservation and innovative use of energy resources in the Ventura County region. The current JPA consists of the County of Ventura and the cities of Camarillo, Fillmore, Ventura, Oxnard, Santa Paula and Thousand Oaks, along with the special districts of the Ventura County Community College District, the Ventura Regional Sanitation District, and the Ventura Unified School District. Membership may be expanded at any time to include new members with shared interests and powers in common. Ojai Valley Sanitary District and Casitas Municipal Water District chose to end their VCREA Board participation in the first quarter of 2012.

Formed as a JPA, each member in VCREA has designated a locally elected public official to serve as a Member of the Board. A Technical Advisory Council, composed of private and public sector representatives, meets regularly and as needed to provide advice and support to the Board of Directors and staff.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of VCREA are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of VCREA's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for VCREA are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

It is the government's policy to consider the restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2012

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-wide Financial Statements. VCREA has presented its General Fund as its major fund in this statement to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual are recognized when due. The primary sources susceptible to accrual for VCREA are interest earnings, investment revenue, charges for services, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

VCREA reports the following major governmental fund:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of VCREA, except those required to be accounted for in another fund when necessary.

VCREA implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions during the year ended June 30, 2011. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable** – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- **Restricted** – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- **Committed** – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2012

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegated the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed. It is also the government's policy to consider committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, establishes accounting and financial reporting standards for financial statements of state and local governments. The standard incorporates into the GASB's authoritative literature the applicable guidance previously only found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements issued before November 30, 1989. The Agency has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

C. Assets, Liabilities and Net Assets

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in VCREA net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

VCREA considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

VCREA is a participant in the Ventura County Pooled Investment Fund (VCPIF). The fund is used essentially as a demand deposit account by governmental entities that participate in the Fund. The County of Ventura Treasurer's Office makes all investment decisions for the Fund.

Interest income and realized gains and losses arising from such pooled cash and cash equivalents are apportioned to each participating fund balance on the relationship of the individual fund's average daily cash balances to the aggregate pooled cash and cash equivalents. VCREA's share of pooled cash and cash equivalents is stated at a modified fair-value by the County of Ventura.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2012

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Assets, continued

3. Compensated Absences

It is VCREA's policy to allow for annual leave accruals at the same rate as they are granted as a County of Ventura employee. Annual leave accruals may be accumulated from year-to-year. Employees are allowed to accumulate, buy back and carry forward their unused annual leave accrual.

4. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

(2) Cash and Investments

Cash and cash equivalents as of June 30, 2012 consist of the following:

	<u>2012</u>
Deposits held with financial institution	<u>\$ 56,979</u>
Total	<u><u>\$ 56,979</u></u>

Authorized Deposits and Investments

VCREA's investment policy only authorizes investments in the local government investment pools administered by the Ventura County Treasurer – Ventura County Pooled Investment Fund (VCPIF) and financial institutions.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2012

(2) Cash and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and VCREA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. VCREA had deposits with a bank in the amount of \$26,876 at June 30, 2012. Bank balances are federally insured up to \$250,000.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and VCREA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has sensitivity to changes in market interest rates. VCREA's investment policy does not discuss interest rate risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

VCREA's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2012

(3) Employee Benefits and Pension Plan

The County of Ventura has contracted to provide staff to VCREA. As employees of the County of Ventura, they will continue to participate in the cost sharing employer contributory defined benefit pension plan administered by the Ventura County Employees' Retirement Association and other post-employment benefits plan. These benefits are handled by the County of Ventura. Payroll for these employees is processed by the County of Ventura Auditor-Controller's Office payroll section. Total costs of payroll and benefits are reimbursed by VCREA to the County of Ventura throughout the year.

(4) Compensated Absences

Compensated absences comprise unpaid annual leave which is accrued as earned. VCREA's liability for compensated absences is determined annually.

The changes to compensated absences balances at June 30, 2012 were as follows:

Balance 2011	Additions	Deletions	Balance 2012	Due Within One Year
\$ 14,910	\$ 21,760	\$ 23,928	\$ 12,742	\$ 12,742

(5) Commitments

Operating Lease

VCREA previously entered into a sub-lease agreement with the County of Ventura and Arden Realty to rent office space for its administrative offices. On February 1, 2006, VCREA exercised an option to extend the term of the lease to sub-lease the office space from the County of Ventura. The term of the lease ran from February 1, 2006 through January 31, 2009 with monthly rent ranging from \$1,846 to \$1,959. The original lease agreement expired in conjunction with the end of the 2006-2008 Utility Partnership Program contract. Currently, VCREA has entered into a month-to-month lease agreement for their administrative offices at \$2,078 per month.

(6) Contingencies

Litigation

In the ordinary course of operations, VCREA is subject to claims and litigation from outside parties. As of June 30, 2012, VCREA believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2012

(7) Subsequent events

Since June 30, 2012, the VCREA Board of Directors has met in regular session on July 19, 2012 to discuss the status of the proposed changes in utility programs for local governments and how this might affect VCREA operations. The Board met again in regular session on October 18, 2012 and determined that the utility contract as proposed would not allow VCREA to continue operations consistent with past efforts, and no additional resources had been identified to maintain operations after December 31, 2012.

Based on this information, the Board determined to cease operations and terminate the joint powers authority (JPA) effective December 31, 2012. Per the JPA agreement, VCREA may continue to exist after termination to conclude the obligations and affairs of the organization. The Executive Director will conclude VCREA operations in a timely manner per the adopted VCREA annual budget; that includes a Reserve Fund to manage cash flow, meet employee obligations, contract transitions and organizational closeout costs.

< Page Intentionally Left Blank >

Required Supplementary Information

< Page Intentionally Left Blank >

**Required Supplementary Information
Ventura County Regional Energy Alliance
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Charges for services	\$ 987,146	\$ 987,146	\$ 470,131	\$ (517,015)
Other income	-	-	165	165
	<u>987,146</u>	<u>987,146</u>	<u>470,296</u>	<u>(516,850)</u>
Expenditures				
Salaries and benefits	276,170	276,170	181,800	94,370
Professional services	11,000	11,000	5,218	5,782
General and administrative	<u>336,600</u>	<u>336,600</u>	<u>335,975</u>	<u>625</u>
	<u>623,770</u>	<u>623,770</u>	<u>522,993</u>	<u>100,777</u>
Net change in fund balance	<u>\$ 363,376</u>	<u>\$ 363,376</u>	(52,697)	<u>\$ (416,073)</u>
Fund balance - beginning			<u>135,442</u>	
Fund balance - ending			<u>\$ 82,745</u>	

**Ventura County Regional Energy Alliance
Notes to Required Supplementary Information
For the Year Ended June 30, 2012**

Budget amounts presented in the Required Supplementary Information are prepared on a basis consistent with accounting principles generally accepted in the United States of America.

Report on Internal Control and Compliance

< Page Intentionally Left Blank >



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Matthew B. Wilson, CPA, MSA, CGMA
Scott W. Manno, CPA
Leena Shanbhag, CPA, MST
Jay H. Zercher, CPA (Retired)
Phillip H. Waller, CPA (Retired)

MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA
Bradferd A. Welebir, CPA, MBA
Jenny Liu, CPA, MST
Katie L. Millsom, CPA
Papa Matar Thiaw, CPA, MBA
Maya S. Ivanova, CPA, MBA
Danielle E. Odgers, CPA
William C. Clayton, CPA
Peter E. Murray, CPA
Genivive Schwarzkopf, CPA
Megan Hackney, CPA
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA

Members of the Board

Ventura County Regional Energy Alliance
Ventura, California

We have audited the financial statements of the governmental activities and the major fund of the Ventura County Regional Energy Alliance, as of and for the year ended June 30, 2012, which collectively comprise VCREA's basic financial statements and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of VCREA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered VCREA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VCREA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of VCREA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

California Society of
Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VCREA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, board of directors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Rogers Anderson Malooly & Scott, LLP

December 17, 2012