

Ventura County Regional Energy Alliance

Annual Financial Report

For the Year Ended June 30, 2014

Ventura County Regional Energy Alliance

Annual Financial Report

For the Year Ended June 30, 2014

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Financial Section

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Independent Auditor's Report

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Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of VCREA as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Quality Center*

California Society of
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 19 through 20 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.

Implementation of new pronouncement

As discussed in Note 1 to the financial statements, in 2014 VCREA adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited VCREA's 2013 financial statements, and our report dated January 7, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2015 on our consideration of VCREA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

Rogers Anderson Maloney & Scott, LLP

San Bernardino, CA
January 9, 2015

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**Ventura County Regional Energy Alliance
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

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, 2014. 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 position increased \$8,822 from \$38,858 to \$47,680 as a result of this year's operations.
- Total revenues from all sources decreased by 10.46% or \$25,942, from \$247,936 in 2013 to \$221,994 in 2014. The decrease is due to reductions in income sources from contract services provided by VCREA.
- Total expenses for VCREA's operations decreased by 23.62% or \$65,909, from \$279,081 in 2013 to \$213,172 in 2014. The expenses decreased in relation to reductions in income sources from contract services provided by VCREA as well as a decrease in overall overhead.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position 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 Position 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 Position 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 position* and changes in net position. Think of VCREA's net position – 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 position 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, 2014**

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 13 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 position 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 \$47,680 as of June 30, 2014.

At the end of fiscal year 2014, VCREA shows a balance in its unrestricted net position of \$47,680.

**Ventura County Regional Energy Alliance
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets			
Current assets	\$ 63,537	\$ 49,896	\$ 13,641
Total assets	<u>63,537</u>	<u>49,896</u>	<u>13,641</u>
Liabilities			
Current liabilities	<u>15,857</u>	<u>11,038</u>	<u>4,819</u>
Total liabilities	<u>15,857</u>	<u>11,038</u>	<u>4,819</u>
Net position			
Unrestricted	<u>47,680</u>	<u>38,858</u>	<u>8,822</u>
Total net position	<u>\$ 47,680</u>	<u>\$ 38,858</u>	<u>\$ 8,822</u>

Condensed Statement of Activities

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Expenses:			
Energy program	\$ 213,172	\$ 279,081	\$ (65,909)
Total expenses	<u>213,172</u>	<u>279,081</u>	<u>(65,909)</u>
Program revenues	221,994	247,855	(25,861)
General revenues	<u>-</u>	<u>81</u>	<u>(81)</u>
Total revenues	<u>221,994</u>	<u>247,936</u>	<u>(25,942)</u>
Change in net position	8,822	(31,145)	39,967
Net position - beginning	<u>38,858</u>	<u>70,003</u>	<u>(31,145)</u>
Net position - ending	<u>\$ 47,680</u>	<u>\$ 38,858</u>	<u>\$ 8,822</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of VCREA, net position increased by \$8,822 during the fiscal year ended June 30, 2014.

**Ventura County Regional Energy Alliance
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

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, 2014, VCREA's General Fund reported a fund balance of \$47,680. This amount constitutes *unassigned fund balance*, which is available for future expenditures.

General Fund Budgetary Highlights

There was a \$140,000 adjustment made to VCREA's adopted 13-14 budget for the SCE funding for additional Strategic Plan activities for interested jurisdictions to participate in the development of regional Greenhouse Gas Inventory and Climate Action Plan. The budget exceeded actual expenditures by \$380,628; and actual program revenues were under budget by \$(371,806). 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.

Proposed Dissolution of VCREA and Agreement with the County of Ventura

The Board met 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.

The Board met in regular session on December 10, 2012 to discuss continuing operations with administrative support from the County of Ventura. Based on discussion and cost considerations, the Board approved an agreement with the County of Ventura that allows VCREA to continue operations and results in, the County of Ventura becoming the successor agency for the purpose of continuing the utility contract management and partnership program.

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, annual financial statement or need additional information regarding operating activities please contact the Ventura County Regional Energy Alliance, County of Ventura, 800 South Victoria Ave L #1940, Ventura, California 93009.

Basic Financial Statements

Ventura County Regional Energy Alliance
Statement of Net Position
June 30, 2014 (with comparative data for 2013)

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 32,937	\$ 39,074
Accounts receivable	<u>30,600</u>	<u>10,822</u>
Total assets	<u>63,537</u>	<u>49,896</u>
Liabilities		
Accounts payable and accrued expenses	7,276	1,650
Accrued salaries and wages	<u>8,581</u>	<u>9,388</u>
Total liabilities	<u>15,857</u>	<u>11,038</u>
Net position		
Unrestricted	<u>47,680</u>	<u>38,858</u>
Total net position	<u>\$ 47,680</u>	<u>\$ 38,858</u>

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, 2014 (with comparative data for 2013)

	<u>2014</u>	<u>2013</u>
Program expenses		
Salaries and benefits	\$ 148,763	\$ 146,653
Professional services	6,401	9,187
General and administrative	58,008	123,241
	<u>213,172</u>	<u>279,081</u>
Program revenues		
Charges for services	221,994	247,855
	<u>221,994</u>	<u>247,855</u>
Net program revenue (expense)	<u>8,822</u>	<u>(31,226)</u>
General revenues		
Other income	-	81
	<u>-</u>	<u>81</u>
Change in net position	8,822	(31,145)
Net position - beginning	<u>38,858</u>	<u>70,003</u>
Net position - ending	<u>\$ 47,680</u>	<u>\$ 38,858</u>

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

**Ventura County Regional Energy Alliance
Balance Sheet
Governmental Fund
June 30, 2014**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 32,937
Accounts receivable	30,600
Total assets	\$ 63,537
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable and accrued expenses	\$ 7,276
Accrued salaries and wages	8,581
Total liabilities	15,857
 Fund Balance:	
Unassigned	47,680
Total fund balance	47,680
Total liabilities and fund balance	\$ 63,537

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, 2014

	<u>General Fund</u>
Revenues	
Charges for services	\$ 221,994
Total revenues	221,994
Expenditures	
Salaries and benefits	148,763
Professional services	6,401
General and administrative	58,008
Total expenditures	213,172
Net change in fund balance	8,822
Fund balance - beginning	38,858
Fund balance - ending	\$ 47,680

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, 2014**

Net change in fund balance - total governmental fund	\$	8,822
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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.

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Change in net position of governmental activities	\$	<u>8,822</u>
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The accompanying notes are an integral part of these financial statements.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2014

(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 Ventura, Oxnard, Santa Paula, Fillmore and Thousand Oaks, along with the special districts of the Ventura Regional Sanitation District, the Ventura County Community College District and the Ventura Unified School District.

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 are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. 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, 2014

(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 position as presented in these statements to the net position 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 present 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.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2014

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

B. Basis of Accounting and Measurement Focus, continued

- 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.
- 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 Position

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 position 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.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2014

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

C. Assets, Liabilities and Net Position, continued

3. Net Position

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

- **Net Investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted net position** – This component of net position consists of constraints placed on net position 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 position** – This component of net position consists of net position that do not meet the definition of *restricted* or *net investment in capital assets*.

D. Implementation of new pronouncements

Effective July 1, 2013, VCREA adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. VCREA's financial statements do not contain any elements that meet the definition of deferred outflows of resources or deferred inflow of resources.

E. Proposed Dissolution of VCREA and Agreement with the County of Ventura

After careful consideration, the VCREA board 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. As a result during a regular board session on October 18, 2012, the board decided to cease operations and terminate the joint powers authority (JPA) effective December 31, 2012.

Following the board decision to terminate operations, the County of Ventura approved an agreement to provide administrative support to VCREA with the County of Ventura acting as a successor agency to VCREA. The VCREA Board met in regular session on December 10, 2012 to discuss continuing operations with administrative support from the County of Ventura. Based on discussion and cost considerations, the Board approved the agreement with the County of Ventura allowing VCREA to continue operations.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2014

(2) Cash and Investments

Cash and cash equivalents as of June 30, 2014 consist of the following:

	<u>June 30, 2014</u>
Deposits held with financial institution	<u>\$ 32,937</u>
Total	<u><u>\$ 32,937</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.

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 \$32,937 at June 30, 2014. 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.

Ventura County Regional Energy Alliance
Notes to the Basic Financial Statements
June 30, 2014

(2) Cash and Investments, continued

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.

(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) Contingencies

Litigation

In the ordinary course of operations, VCREA is subject to claims and litigation from outside parties. As of June 30, 2014, VCREA believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Required Supplementary Information

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**Required Supplementary Information
Ventura County Regional Energy Alliance
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Charges for services	\$ 453,800	\$ 593,800	\$ 221,994	\$ (371,806)
Total revenues	453,800	593,800	221,994	(371,806)
Expenditures				
Salaries and benefits	120,000	125,000	148,763	(23,763)
Professional services	319,900	454,900	6,401	448,499
General and administrative	13,900	13,900	58,008	(44,108)
Total expenditures	453,800	593,800	213,172	380,628
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	8,822	<u>\$ 8,822</u>
Fund balance - beginning			<u>38,858</u>	
Fund balance - ending			<u>\$ 47,680</u>	

**Ventura County Regional Energy Alliance
Notes to Required Supplementary Information
For the Year Ended June 30, 2014**

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

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**INDEPENDENT AUDITOR'S 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**

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

We have audited, in accordance with the 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, the governmental activities and the major fund of the Ventura County Regional Energy Alliance, (VCREA), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise VCREA's basic financial statements, and have issued our report thereon dated January 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered VCREA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VCREA's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether VCREA's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers Anderson Maloney & Scott, LLP

San Bernardino, CA
January 9, 2015