

*Ventura County Regional Energy Alliance*

**Annual Financial Report**

**For the Year Ended June 30, 2018**

**Ventura County Regional Energy Alliance**

**Annual Financial Report  
For the Year Ended June 30, 2018**

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# **Financial Section**

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

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## ***Independent Auditor's Report***

### **PARTNERS**

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### **MANAGERS / STAFF**

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Seong-Hyea Lee, CPA, MBA  
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Lisa Dongxue Guo, CPA, MSA  
Samuel Singery, CPA  
Jing Wu, CPA

Board of Directors  
Ventura County Regional Energy Alliance  
Ventura, California

### ***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, 2018, and the related notes to the financial statements, which collectively comprise VCREA's basic financial statements 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.



### **MEMBERS**

American Institute of  
Certified Public Accountants

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for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants

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.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the VCREA as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited VCREA's 2017 financial statements, and we expressed an unmodified opinion in our report dated December 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 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* in considering VCREA's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
October 15, 2018

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## **Ventura County Regional Energy Alliance**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

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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, 2018. 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 by \$33,100 from \$90,772 to \$123,872 as a result of this year's operations and a new grant that was received in the current year.
- Total revenues from all sources increased by 26.48% or \$111,541, from \$421,255 in 2017 to \$532,796 in 2018. The increase is due to additions in income sources from contract services provided by VCREA and a new grant that was received in the current year.
- Total expenses for VCREA's operations increased by 18.20% or \$76,953, from \$422,743 in 2017 to \$499,696 in 2018. The expenses increased in relation to increase in income sources from contract services provided by VCREA.

#### **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, 2018**

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#### **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 14 through 19.

#### **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 20 through 21.

#### **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 \$123,872 as of June 30, 2018.

At the end of the fiscal year 2017, VCREA shows a balance in its unrestricted net position of \$90,772.

**Ventura County Regional Energy Alliance**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

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**Condensed Statement of Net Position**

|                     | <u>2018</u>       | <u>2017</u>      | <u>Change</u>    |
|---------------------|-------------------|------------------|------------------|
| Assets              |                   |                  |                  |
| Current assets      | \$ 182,058        | \$ 140,470       | \$ 41,588        |
| Total assets        | <u>182,058</u>    | <u>140,470</u>   | <u>41,588</u>    |
| Liabilities         |                   |                  |                  |
| Current liabilities | 58,186            | 49,698           | 8,488            |
| Total liabilities   | <u>58,186</u>     | <u>49,698</u>    | <u>8,488</u>     |
| Net position        |                   |                  |                  |
| Unrestricted        | 123,872           | 90,772           | 33,100           |
| Total net position  | <u>\$ 123,872</u> | <u>\$ 90,772</u> | <u>\$ 33,100</u> |

**Condensed Statement of Activities**

|                          | <u>2018</u>       | <u>2017</u>      | <u>Change</u>    |
|--------------------------|-------------------|------------------|------------------|
| Expenses                 |                   |                  |                  |
| Energy program           | \$ 499,696        | \$ 422,743       | \$ 76,953        |
| Total expenses           | <u>499,696</u>    | <u>422,743</u>   | <u>76,953</u>    |
| Program revenues         | 469,625           | 421,255          | 48,370           |
| General revenues         | 63,171            | -                | 63,171           |
| Total revenues           | <u>532,796</u>    | <u>421,255</u>   | <u>111,541</u>   |
| Change in net position   | 33,100            | (1,488)          | 34,588           |
| Net position - beginning | 90,772            | 92,260           | (1,488)          |
| Net position - ending    | <u>\$ 123,872</u> | <u>\$ 90,772</u> | <u>\$ 33,100</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 \$33,100 during the fiscal year ended June 30, 2018.

## **Ventura County Regional Energy Alliance**

### **Management's Discussion and Analysis For the Year Ended June 30, 2018**

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#### **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 *unassigned fund balance* may serve as a useful measure of the government's net resources for spending at times of transition.

As of June 30, 2018, VCREA's General Fund reported a fund balance of \$109,652. This amount constitutes *unassigned fund balance*, which is available for future expenditures.

#### **General Fund Budgetary Highlights**

VCREA's adopted 17/18 budget is comprised of the utilization of VCREA's resources in providing community outreach efforts through its partnership with the California Public Utilities Commission, as well as other community programs. Actual expenditures were under budget by \$49,879; and actual program revenues were under budget by \$61,481. These variances were a result of the deferred implementation of the Local Government Challenge Grant, resulting in inflated projections for both program revenues and expenditures. The General Fund budget to actual comparison schedule can be found on page 20.

#### **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**

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**Ventura County Regional Energy Alliance**

**Statement of Net Position**

**June 30, 2018 (with comparative data for 2017)**

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|                                       | <u>2018</u>       | <u>2017</u>      |
|---------------------------------------|-------------------|------------------|
| <b>Assets</b>                         |                   |                  |
| Cash and cash equivalents             | \$ 62,063         | \$ 58,908        |
| Accounts receivable                   | 98,218            | 81,562           |
| Grants receivable                     | 21,777            | -                |
|                                       | <hr/>             | <hr/>            |
| Total assets                          | 182,058           | 140,470          |
|                                       | <hr/>             | <hr/>            |
| <b>Liabilities</b>                    |                   |                  |
| Accounts payable and accrued expenses | 34,695            | 23,480           |
| Accrued salaries and wages            | 23,491            | 24,618           |
| Unearned revenue                      | -                 | 1,600            |
|                                       | <hr/>             | <hr/>            |
| Total liabilities                     | 58,186            | 49,698           |
|                                       | <hr/>             | <hr/>            |
| <b>Net position</b>                   |                   |                  |
| Unrestricted                          | 123,872           | 90,772           |
|                                       | <hr/>             | <hr/>            |
| Total net position                    | <u>\$ 123,872</u> | <u>\$ 90,772</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, 2018 (with comparative data for 2017)**

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|                                 | <u>2018</u>       | <u>2017</u>      |
|---------------------------------|-------------------|------------------|
| <b>Program expenses</b>         |                   |                  |
| Salaries and benefits           | \$ 289,656        | \$ 229,003       |
| Professional services           | 190,961           | 178,708          |
| General and administrative      | 19,079            | 15,032           |
|                                 | <u>499,696</u>    | <u>422,743</u>   |
| <b>Program revenues</b>         |                   |                  |
| Charges for services            | 469,625           | 421,255          |
|                                 | <u>469,625</u>    | <u>421,255</u>   |
| Net program revenues (expenses) | <u>(30,071)</u>   | <u>(1,488)</u>   |
| <b>General revenues</b>         |                   |                  |
| Other income                    | 63,171            | -                |
|                                 | <u>63,171</u>     | <u>-</u>         |
| Change in net position          | 33,100            | (1,488)          |
| <b>Net position - beginning</b> | <u>90,772</u>     | <u>92,260</u>    |
| <b>Net position - ending</b>    | <u>\$ 123,872</u> | <u>\$ 90,772</u> |

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



**Ventura County Regional Energy Alliance**

**Balance Sheet  
Governmental Fund  
June 30, 2018**

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|  | <u>General Fund</u> |
|--|---------------------|
| <b>Assets:</b>                         |                     |
| Cash and cash equivalents              | \$ 62,063           |
| Accounts receivable                    | 98,218              |
| Grants receivable                      | <u>21,777</u>       |
| Total assets                           | <u>\$ 182,058</u>   |
| <b>Liabilities:</b>                    |                     |
| Accounts payable and accrued expenses  | \$ 34,695           |
| Accrued salaries and wages             | <u>23,491</u>       |
| Total liabilities                      | <u>58,186</u>       |
| <b>Deferred inflow of resources:</b>   |                     |
| Unavailable revenue                    | <u>14,220</u>       |
| <b>Fund Balance:</b>                   |                     |
| Unassigned                             | <u>109,652</u>      |
| Total fund balance                     | <u>109,652</u>      |
| Total liabilities<br>and fund balances | <u>\$ 182,058</u>   |

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

**Ventura County Regional Energy Alliance**

**Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position  
June 30, 2018**

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|   |                          |
|---|--------------------------|
| Total fund balance - governmental fund  | \$ 109,652               |
| Amounts reported for <i>governmental activities</i> in the statement of net position are different because:   |                          |
| Certain revenues are recorded as unavailable revenue in the governmental funds because they do not meet the revenue recognition criteria of availability. However, they are included as revenue in the Government-Wide Statement of Activities. | <u>14,220</u>            |
| Net position of governmental activities   | <u><u>\$ 123,872</u></u> |

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, 2018**

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|                                     | <u>General Fund</u>      |
|-------------------------------------|--------------------------|
| <b>Revenues</b>                     |                          |
| Charges for services                | \$ 469,625               |
| Other income                        | <u>48,951</u>            |
| Total revenues                      | <u>518,576</u>           |
| <br><b>Expenditures</b>             |                          |
| Salaries and benefits               | 289,656                  |
| Professional services               | 190,961                  |
| General and administrative          | <u>19,079</u>            |
| Total expenditures                  | <u>499,696</u>           |
| <br>Net change in fund balance      | 18,880                   |
| <br><b>Fund balance - beginning</b> | <u>90,772</u>            |
| <br><b>Fund balance - ending</b>    | <u><u>\$ 109,652</u></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, 2018**

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|   |                         |
|---|-------------------------|
| Net change in fund balance - total governmental fund  | \$ 18,880               |
| Amounts reported for governmental activities in the statement of activities are different because:  |                         |
| Certain revenues are recorded as unavailable revenue in the governmental funds because they do not meet the revenue recognition criteria of availability. However, they are included as revenue in the Government-Wide Statement of Activities. | <u>14,220</u>           |
| Change in net position of governmental activities   | <u><u>\$ 33,100</u></u> |

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

## **Ventura County Regional Energy Alliance**

### **Notes to the Basic Financial Statements June 30, 2018**

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#### **Note 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, Port Hueneme, Simi Valley, 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.

##### **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 when earned and expenses are recorded 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.

## Ventura County Regional Energy Alliance

### Notes to the Basic Financial Statements June 30, 2018

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#### Note 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 the General Fund. Incorporated into these statements is a schedule to reconcile and explain the differences in fund balance and net change in fund balance as presented in these statements to the net position and change in net position presented in the Government-wide Financial Statements. VCREA has presented its General Fund as its major fund in this statement in accordance with generally accepted accounting principles.

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 reports fund balance in accordance with generally accepted accounting principles. 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, 2018**

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**Note 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.

***Reclassification***

Certain reclassifications have been made to prior year's balances to conform to classifications used in 2018.

**C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources,  
and Net Position**

**1. Use of Estimates**

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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, 2018**

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**Note 1: Reporting Entity and Summary of Significant Accounting Policies,  
continued**

**C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources,  
and Net Position, continued**

**3. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are transactions that result in the consumption of net position in one period that are applicable to future periods and are not considered assets. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net position in one period that are applicable to future periods and are not considered to be liabilities. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

**4. Net Position**

The financial statements utilize a net position presentation. Net position is 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*.

**Note 2: Cash and Investments**

Cash and cash equivalents as of June 30, 2018 consist of the following:

|  |                         |
|--|-------------------------|
| Deposits held with financial institution | <u>\$ 62,063</u>        |
| Total                                    | <u><u>\$ 62,063</u></u> |



## **Ventura County Regional Energy Alliance**

### **Notes to the Basic Financial Statements**

**June 30, 2018**

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#### **Note 2: Cash and Investments, continued**

##### ***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 \$81,301 at June 30, 2018. 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.

**Ventura County Regional Energy Alliance**

**Notes to the Basic Financial Statements  
June 30, 2018**

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**Note 2: Cash and Investments, continued**

***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.

**Note 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.

**Note 4: Contingencies**

***Litigation***

In the ordinary course of operations, VCREA is subject to claims and litigation from outside parties. As of June 30, 2018, VCREA believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**Note 5: Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations of the General Fund at the natural classification level occurred during the fiscal year as follows:

| <u>Fund</u>           | <u>Appropriated</u> | <u>Expended</u> | <u>Excess</u> |
|-----------------------|---------------------|-----------------|---------------|
| <b>General Fund</b>   |                     |                 |               |
| Salaries and benefits | \$ 279,040          | \$ 289,656      | \$ (10,616)   |

## **Required Supplementary Information**

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Ventura County Regional Energy Alliance

Required Supplementary Information  
 Budgetary Comparison Schedule - General Fund  
 For the Year Ended June 30, 2018

|                                 | Original<br>Budget | Final<br>Budget  | Actual            | Variance with<br>Final Budget |
|---------------------------------|--------------------|------------------|-------------------|-------------------------------|
| <b>Revenues</b>                 |                    |                  |                   |                               |
| Charges for services            | \$ 472,255         | \$ 508,557       | \$ 469,625        | \$ (38,932)                   |
| Other income                    | 71,500             | 71,500           | 48,951            | (22,549)                      |
| Total revenues                  | <u>543,755</u>     | <u>580,057</u>   | <u>518,576</u>    | <u>(61,481)</u>               |
| <b>Expenditures</b>             |                    |                  |                   |                               |
| Salaries and benefits           | 230,000            | 279,040          | 289,656           | (10,616)                      |
| Professional services           | 149,250            | 243,960          | 190,961           | 52,999                        |
| General and administrative      | <u>27,225</u>      | <u>26,575</u>    | <u>19,079</u>     | <u>7,496</u>                  |
| Total expenditures              | <u>406,475</u>     | <u>549,575</u>   | <u>499,696</u>    | <u>49,879</u>                 |
| Net change in fund balance      | <u>\$ 137,280</u>  | <u>\$ 30,482</u> | 18,880            | <u>\$ (11,602)</u>            |
| <b>Fund balance - beginning</b> |                    |                  | <u>90,772</u>     |                               |
| <b>Fund balance - ending</b>    |                    |                  | <u>\$ 109,652</u> |                               |

**Ventura County Regional Energy Alliance**

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2018**

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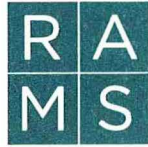
**Note 1:       Basis of Presentation**

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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## 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

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Lisa Dongxue Guo, CPA, MSA  
Samuel Singery, CPA  
Jing Wu, CPA

### *Independent Auditor's Report*

Board of Directors  
Ventura County Regional Energy Alliance  
Ventura, California

We have audited, 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, the governmental activities and the major fund of the Ventura County Regional Energy Alliance, (VCREA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise VCREA's basic financial statements, and have issued our report thereon dated October 15, 2018.

### *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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the VCREA's internal control. Accordingly, we do not express an opinion on the effectiveness of the VCREA'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.



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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.

### ***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 entity'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 VCREA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
October 15, 2018