

# Cape Light Compact

2014 Audit Exit Conference

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# Agenda

- Financial statements
  - Structure
  - Reporting entity
  - Opinion
  - Financial statement summary
    - ◇ Financial highlights
    - ◇ Significant footnotes
    - ◇ Additional Information
- Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters
- Governance Communication
- Questions

# Financial Statement Structure

- Auditors' opinion (1-2)
- Management's discussion and analysis (3-7)
- Financial statements and notes (9-18)
- Additional information
  - Combining statement of net position by program (19)
  - Combining statement of revenues, expenses and changes in net position by program (20)
  - Reconciliation of Audited Energy Efficiency GAAP Expenses to DPU Report (21)

# Reporting Entity

- Financial statements include the direct financial activities of the Compact, such as:
  - Energy efficiency programs funded by:
    - ◇ Energy efficiency/system benefit charges
    - ◇ EERF charges
    - ◇ RGGI proceeds received via the Commonwealth
    - ◇ Forward capacity market
  - Opt-in green program
- Financial statements do not include:
  - Federal and state grants received by Barnstable County but administered by the Compact
    - ◇ These funds are reported as governmental funds in Barnstable County's annual audited financial statements

# Opinion

- Unmodified opinion (1-2)
  - ◇ FS presented fairly, in all material respects, the financial position and results of operations and cash flows in accordance with GAAP (GASB)
  - ◇ Best opinion available and consistent with prior years

# Financial Highlights

Statement of Net Position				
	<u>2014</u>	<u>2013</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<b>Assets</b>				
Cash	\$9.3M	\$7.0M	\$2.3M	33%
Receivables	\$3.6M	\$4.4M	(\$0.8M)	(18%)
Other (IA)	\$0.1M	\$0.1M	\$0.0M	0%
<b>Liabilities</b>				
Payables	\$8.8M	\$3.4M	\$5.4M	159%
Accrued payroll and other	\$0.1M	\$0.0M	\$0.1M	N/A
Due to BC (Noncurrent)	\$0.6M	\$0.5M	\$0.1M	20%
Other	\$0.1M	\$0.1M	\$0.0M	0%
<b>Net Position</b>	<b>\$3.5M</b>	<b>\$7.5M</b>	<b>(\$4.0M)</b>	<b>(53%)</b>

# Financial Highlights

- Components of net position by Program
  - Energy Efficiency - \$1.9M
  - Power Supply Reserve - \$0.9M
  - Operating Fund - \$501k
  - Green Program - \$212k

# Financial Highlights

## Statement of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<b>Operating Revenues</b>				
Energy Efficiency	\$29.9M	\$28.1M	\$1.8M	6%
Mil-adder	\$1.0M	\$1.0M	\$0.0M	0%
Intergovernmental	\$1.9M	\$2.2M	(\$0.3M)	(14%)
Other	\$0.1M	\$0.1M	\$0.0M	0%
<b>Operating Expenses</b>				
Salaries and Benefits	\$1.8M	\$1.6M	\$0.2M	13%
Energy Efficiency	\$34.6M	\$23.5M	\$11.1M	47%
Grants to CVEC	\$0.4M	\$0.4M	\$0.0M	0%
Legal	\$0.8M	\$0.7M	\$0.1M	14%
Other	\$0.6M	\$0.7M	(\$0.1M)	(14%)



# Financial Highlights

## Statement of Revenues, Expenses and Changes in Net Position (Continued)

	<u>2014</u>	<u>2013</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Forward Cap Market	\$1.1M	\$1.0M	\$0.1M	10%
REC's	\$0.2M	\$0.3M	(\$0.1M)	(33%)
<b>Change in Net Position</b>	<b>(\$4.0M)</b>	<b>\$5.8M</b>	<b>(\$9.8M)</b>	<b>(169%)</b>

# Significant Footnotes

- Note 5 - Long-term Obligations (p 15)
  - Due to Barnstable County - \$568k
    - ◇ Represents charge backs related to Net OPEB Obligation
    - ◇ 2014 Charge back totaled \$99k
    - ◇ See Note 6 (p 16) for further detail
  - Compensated absences - \$97K

# Significant Footnotes

- Note 8 – Related Party Transactions (16-17)
  - Administrative services agreement with County
  - Grant provided to CVEC (\$403K)
  - The Compact has secured a \$100k line of credit for CVEC
    - ◇ No amounts have been drawn
  - The Compact purchases (at CVEC’s cost) REC’s purchased by CVEC for the Compact’s Green Program
    - ◇ Purchases totaled \$38,000
  - \$100k loan authorized to CVEC for potential cash flow deficits
    - ◇ Loan period is 6 months and an interest rate of 1.1%
    - ◇ No amounts have been drawn on the authorization

# Significant Footnotes

- Note 10 – Commitments (18)

- REC Purchases

- ◇ Committed under an agreement to purchase RECs at fixed prices through June 2016
      - Estimated commitment totals \$5.5M
    - ◇ Committed to purchase all REC's purchased by CVEC for an amount equal to CVEC's cost through September 2015
      - Amount cannot be reasonably estimated

- REC Sales

- ◇ Committed to sell REC's it has acquired (or had committed to acquire) at fixed prices through June 2015
      - Expected inflows total \$405k

# Significant Footnotes

- Note 10 – Commitments (18)
  - Compact participates in ISO-NE Forward Capacity Market
    - ◇ Committed to deliver specified units of EE at a fixed price per unit
      - Penalties are assessed if Compact fails to deliver its capacity supply obligation
- Note 11 – Future GASB Pronouncements (18)
  - Accounting for pensions

# Additional Information

- Additional Information (19-21)
  - Combining statement of net position by program (19) and combining statement of revenues, expenses and changes in net position by program (p 20)
    - ◇ These statements segregate the Compact's activities between Energy Efficiency, Power Supply Reserve, budgeted operating funds and the Green Program
  - Reconciliation of audited GAAP EE operating expenses to annual DPU report (p 21)

# Report on Internal Control over Financial Reporting and on Compliance and Other Matters

- Document structure
  - Report on internal control (IC) over financial reporting (FR), compliance and other matters
    - ◇ Required by Government Auditing Standards
    - ◇ No opinion provided
    - ◇ Must report the following:
      - Any significant deficiencies or material weaknesses in internal control over financial reporting
      - Material noncompliance related to laws, regulations, contracts and grant agreements
    - ◇ Results
      - No findings

# Governance Communication

- Contents of letter
  - Accounting policies, estimates and disclosures
  - Difficulties encountered
  - Uncorrected and corrected misstatements
  - Disagreements with management
  - Management representations
  - Management consultations with other independent accountants
  - Other audit findings
  - Other information contained in the audited financial statements



# Questions

