Cape Light Compact

2014 Audit Exit Conference

Date: September 16, 2015

Presented by: Chris Rogers, CPA, Principal
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

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$29.9M</td>
<td>$28.1M</td>
<td>$1.8M</td>
<td>6%</td>
</tr>
<tr>
<td>Mil-adder</td>
<td>$1.0M</td>
<td>$1.0M</td>
<td>$0.0M</td>
<td>0%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$1.9M</td>
<td>$2.2M</td>
<td>($0.3M)</td>
<td>(14%)</td>
</tr>
<tr>
<td>Other</td>
<td>$0.1M</td>
<td>$0.1M</td>
<td>$0.0M</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$1.8M</td>
<td>$1.6M</td>
<td>$0.2M</td>
<td>13%</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$34.6M</td>
<td>$23.5M</td>
<td>$11.1M</td>
<td>47%</td>
</tr>
<tr>
<td>Grants to CVEC</td>
<td>$0.4M</td>
<td>$0.4M</td>
<td>$0.0M</td>
<td>0%</td>
</tr>
<tr>
<td>Legal</td>
<td>$0.8M</td>
<td>$0.7M</td>
<td>$0.1M</td>
<td>14%</td>
</tr>
<tr>
<td>Other</td>
<td>$0.6M</td>
<td>$0.7M</td>
<td>($0.1M)</td>
<td>(14%)</td>
</tr>
</tbody>
</table>
### Financial Highlights

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonoperating</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues (Expenses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward Cap Market</td>
<td>$1.1M</td>
<td>$1.0M</td>
<td>$0.1M</td>
<td>10%</td>
</tr>
<tr>
<td>REC’s</td>
<td>$0.2M</td>
<td>$0.3M</td>
<td>($0.1M)</td>
<td>(33%)</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>($4.0M)</td>
<td>$5.8M</td>
<td>($9.8M)</td>
<td>(169%)</td>
</tr>
</tbody>
</table>
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

- 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