Cape Light Compact

2015 Audit Exit Conference
Date: November 9, 2016
Presented by: Chris Rogers, CPA, Principal
Agenda

• Financial statements
  – Structure
  – Reporting entity
  – Terminology changes
  – Financial Highlights (opinion, numbers, footnotes, etc.)

• Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters

• Governance Communication

• Questions
Financial Statement Structure

- Auditors’ Opinion (1-3)
- Management’s Discussion and Analysis (4-8)
- Financial Statements and Notes (9-19)
- Additional Information
  - Combining Statement of Net Position by Program (20)
  - Combining Statement of Revenues, Expenses and Changes in Net Position by Program (21)
  - Reconciliation of Audited Energy Efficiency GAAP Expenses to DPU Report (22)
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
Terminology Changes

- Salaries and benefits now reported as contracted labor
- Accrued payroll now reported as accrued contracted labor payable
- Due to Barnstable County (OPEB) now reported as accrued long-term liabilities
- Compensated absences now reported as accrued contracted labor – compensated absences
Financial Highlights

• Opinion (p 1-3)

  – Unmodified, which is the best opinion available and consistent with prior years

  – What does “Unmodified” mean?

  ◊ Financial statements presented fairly, in all material respects, the financial position and results of operations and cash flows in accordance with US generally accepted accounting principles (GAAP)
## Financial Highlights

### Statement of Net Position (p 9)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</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>$4.1M</td>
<td>$9.3M</td>
<td>($5.2M)</td>
<td>-56%</td>
</tr>
<tr>
<td>Receivables</td>
<td>$3.6M</td>
<td>$3.6M</td>
<td>$0.0M</td>
<td>0%</td>
</tr>
<tr>
<td>Capital assets</td>
<td>$0.5M</td>
<td>$0.0M</td>
<td>$0.5M</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>$5.1M</td>
<td>$8.8M</td>
<td>($3.7M)</td>
<td>-42%</td>
</tr>
<tr>
<td>Accrued contracted</td>
<td>$0.2M</td>
<td>$0.1M</td>
<td>$0.1M</td>
<td>50%</td>
</tr>
<tr>
<td>payroll and CA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued long-term</td>
<td>$3.1M</td>
<td>$0.6M</td>
<td>$2.5M</td>
<td>416%</td>
</tr>
<tr>
<td>liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>($4.1M)</td>
<td>$3.5M</td>
<td>($3.6M)</td>
<td>(103%)</td>
</tr>
</tbody>
</table>
Financial Highlights

• Components of Net Position by Program
  – Energy Efficiency – ($1.3M)
  – Power Supply Reserve - $0.9M
  – Operating Fund - $45k
  – Green Program - $227k
## Financial Highlights

### Statement of Revenues, Expenses and Changes in Net Position (p 10)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</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>$33.7M</td>
<td>$29.9M</td>
<td>$3.8M</td>
<td>13%</td>
</tr>
<tr>
<td>Mil-adder</td>
<td>$0.7M</td>
<td>$1.0M</td>
<td>($0.3M)</td>
<td>(30%)</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$2.0M</td>
<td>$1.9M</td>
<td>$0.1M</td>
<td>5.3%</td>
</tr>
<tr>
<td>Green Program</td>
<td>$0.1M</td>
<td>$0.1M</td>
<td>$0.1M</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted Labor</td>
<td>$4.4M</td>
<td>$1.8M</td>
<td>$2.6M</td>
<td>144%</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$35.3M</td>
<td>$34.6M</td>
<td>$.7M</td>
<td>2%</td>
</tr>
<tr>
<td>Grants to CVEC</td>
<td>$0.0M</td>
<td>$0.4M</td>
<td>($0.4M)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Legal</td>
<td>$0.6M</td>
<td>$0.8M</td>
<td>($0.2M)</td>
<td>(25%)</td>
</tr>
<tr>
<td>Other</td>
<td>$1.0M</td>
<td>$0.6M</td>
<td>$0.4M</td>
<td>67%</td>
</tr>
</tbody>
</table>
### Financial Highlights

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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonoperating Revenues (Expenses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward Cap Market</td>
<td>$1.1M</td>
<td>$1.1M</td>
<td>$0.0M</td>
<td>0%</td>
</tr>
<tr>
<td>REC’s and Inv Income</td>
<td>$0.2M</td>
<td>$0.2M</td>
<td>$0.0M</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>($3.6M)</td>
<td>($4.0M)</td>
<td>$0.4M</td>
<td>10%</td>
</tr>
</tbody>
</table>
Financial Highlights

• Note 5 - Long-term Obligations (p 16)
  – Accrued Long-Term Liabilities - $3.1M
    ◊ Represents charge backs from the County related to the Net OPEB Obligation ($693K) and Net Pension Liability ($2.4M)
    • FY 15 was the first year the Net Pension Liability was charged back to the Compact since the County had to implement GASB No. 68, Accounting and Financial Reporting for Pensions, during their fiscal year 2015.
    ◊ See Note 6 (p 16-17) for further detail
  – Compensated absences - $138K
Financial Highlights

• Note 7 – Related Party Transactions (17-18)
  – Administrative Services agreement with County at a cost of $55,000
  – Rent and custodial services paid to the County at a cost of $38,000
  – 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 $32,000
Financial Highlights

• Note 10 – Commitments (18-19)
  – REC Purchases
    ◊ Committed under an agreement to purchase RECs at fixed prices through June 2017
      • Estimated commitment totals $9.9M
    ◊ 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 2017
      • Expected inflows total $9.9M
Financial Highlights

• Note 10 – Commitments (18-19)
  – 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
Financial Highlights

• Additional Information (20-22)
  – Combining Statement of Net Position by Program (20) and Combining Statement of Revenues, Expenses and Changes in Net Position by Program (p 21)
    ◊ 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 22)
Report on Internal Control over Financial Reporting and on 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