

CAPE LIGHT COMPACT JPE

**INDEPENDENT AUDITORS' REPORT ON
FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018



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**CAPE LIGHT COMPACT JPE
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION	11
STATEMENT OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION	27
PENSION PLAN SCHEDULES	27
OTHER POSTEMPLOYMENT BENEFIT SCHEDULES	28
ADDITIONAL INFORMATION	29
COMBINING STATEMENT OF NET POSITION BY PROGRAM	29
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION BY PROGRAM	30
RECONCILIATION OF AUDITED ENERGY EFFICIENCY GAAP EXPENSES TO DEPARTMENT OF PUBLIC UTILITIES (DPU) REPORT	31



INDEPENDENT AUDITORS' REPORT

Board of Directors
Cape Light Compact JPE
South Yarmouth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Cape Light Compact JPE (Cape Light Compact) as of and for the year ended December 31, 2018, and the related notes to the 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 an opinion 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cape Light Compact as of December 31, 2018, and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year ended December 31, 2018, the Cape Light Compact adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the Cape Light Compact reported a restatement for the change in accounting principle (see Note 2). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (located on pages 4 through 9) and certain pension and other postemployment benefits information (located on pages 27 and 28) 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The combining statements and reconciliation of audited energy efficiency GAAP expenses to Department of Public Utilities report (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Cape Light Compact JPE

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the Cape Light Compact'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 solely 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 effectiveness of Cape Light Compact's 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 the Cape Light Compact's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
October 31, 2019

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

As management of the Cape Light Compact JPE (Compact), we offer readers of these financial statements this narrative overview and analysis of the Compact's financial activities for the calendar year ended December 31, 2018.

The management's discussion and analysis (MD&A) is presented in the following sections:

1. Background
2. Overview of the Financial Statements
3. Financial Statement Analysis

Please refer to the audited *Financial Statements* when reading the MD&A.

Cape Light Compact Joint Powers Entity:

The Compact's mission is to serve our over 200,000 customers through the delivery of proven energy efficiency programs, effective consumer advocacy, and renewable competitive electricity supply.

The Compact is a Joint Powers Entity (JPE) pursuant to Massachusetts General Law Chapter 40, Section 4A ½, consisting of the 21 towns on Cape Cod and Martha's Vineyard, and Dukes County.

The Compact as Energy Efficiency Program Administrator and the 2016-2018 Energy Efficiency Plan:

The Compact's 2016 - 2018 Energy Efficiency Plan, its third three-year plan, was approved by the DPU on January 28, 2016 in compliance with the Massachusetts state energy efficiency goals and policies, including the Green Communities Act ("GCA"), (Chapter 169, Section 11 of the Acts of 2008). The Compact is pleased with the results of 2018. Program year 2018 built on the nationally acclaimed accomplishments of the 2013-2015 Three-Year Plan and the 2010-2012 Three-Year Plan, showing remarkable success with respect to goal attainment and achievement of real benefits for the environment and the economy in the Commonwealth of Massachusetts.

For 2018 the Compact enjoyed the following notable awards and accomplishments:

- 2018 ENERGY STAR Certified Homes Market Leader Award
- 2018 Advanced Rooftop Unit (RFU) Campaign Award for Commercial and Industrial HVAC program

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Over the three-year term, the Compact has achieved:

- Robustly cost-effective programs with a benefit-cost ratio ("BCR") of 2.24,
- Net benefits of \$166 million,
- Annual energy savings of 157 gigawatt hours ("GWh"),
- Lifetime energy savings of 1,403 GWh,
- Total benefits of \$300 million, and
- Program costs of \$105 million.

The Compact is committed to energy education outreach within its community and continues to be a regionally and nationally recognized leader in the design and implementation of its energy education programs. As a municipal aggregator with a unique service territory, the Compact supports the community's efforts to develop a deeper and broader knowledge of energy efficiency technology and practices, moving towards an energy-literate society.

The Compact's Power Supply Program:

During 2018, the Compact's power supplier for all residential, commercial, and industrial customers was NextEra Energy Services of Massachusetts (NextEra). The Compact is pleased that our residential price in 2018 was lower than Eversource's basic service residential, while also being 100% renewable.

The Compact has been a green aggregation since January 2017, meaning 100% of the Compact's power supply customers' annual electricity usage is met with renewable energy certificates (RECs). Each REC represents the generation of 1 megawatt hour (1,000 kilowatt hours) of electricity produced by a renewable resource, such as wind or solar. By retiring RECs to match the Compact's customers' usage, Compact customers are financially supporting renewable energy resources, including resources located on Cape Cod and southeastern Massachusetts. In addition, NextEra pledged to deposit all premiums paid for voluntary RECs, plus their supplier and retail fees (expected to total over \$3 million per year), into a trust fund to be used solely for the development of new renewable energy resources. In December 2018, the Compact also announced that it had entered in to a long-term power purchase agreement (PPA) for both energy and RECs from a solar facility under development in Farmington, Maine, which is scheduled to begin delivering energy to Compact customers in 2021. Now, by purchasing electricity through the Compact, all Compact power supply customers are supporting renewable energy and acting locally to combat climate change.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

At a regional level, New England continues to face electricity pricing challenges during the winter months. Over the last fifteen years, New England has greatly increased its reliance on natural gas for electricity production, and now over fifty (50) percent of New England's electricity is generated with natural gas. However, natural gas pipeline capacity has not substantially increased during that same period. As a result, during winter cold snaps, demand for natural gas to generate electricity competes with natural gas demand for heating purposes. Allocation of natural gas for heating has priority over natural gas for generating electricity. This creates a supply shortage of natural gas for electricity production, and therefore increases prices for electric generators, which is passed on to all New England power supply customers. Massachusetts has taken a major step to address this issue through the execution of long-term contracts for off-shore wind energy, and continues to negotiate contracts for additional renewable energy resources; however, until such time as this issue is fully resolved, either through additional infrastructure, demand reduction or other targeted programs, the possibility of future high winter pricing remains, and as such, consumers should still expect seasonal pricing fluctuations for the foreseeable future. The Compact will continue to seek ways to help customers reduce their electricity costs through innovative energy efficiency programs to mitigate the impacts of higher winter electricity pricing.

The Compact as Consumer Advocate:

Consistent with its mission, Cape Light Compact remains a strong advocate for residents and businesses of Cape Cod and Martha's Vineyard on energy issues.

In 2018, the Compact continued its focus on grid modernization, reviewing the plans submitted by the utilities in August 2015. The Compact held community and stakeholder meetings about what is being proposed and the implications for the energy future of Cape Cod and Martha's Vineyard. There were several key areas of concern that the Compact and engaged stakeholders identified, mainly centered around the fact that Eversource's grid modernization plan was mostly grid-facing and did not offer many opportunities to engage customers with a modernized grid. The Compact was an active participant in the DPU docket and retained experts to analyze Eversource's plan and present expert witness testimony, submitted information requests to Eversource, and submitted briefs. The DPU issued their grid modernization orders in May 2018, approving some of the utilities' requests but deferring decisions on customer-facing technologies (such as advanced metering infrastructure) to future proceedings. The Compact will seek to participate in future grid modernization proceedings at the DPU to advocate for the interests of Cape and Vineyard customers.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Overview

This discussion and analysis is intended to serve as an introduction to the financial statements, which consists of the following two components:

1. Financial statements
2. Notes to the financial statements

This report also contains additional information that supplements the financial statements.

Financial Statements

The Compact's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are presented on the accrual basis of accounting and include the following three basic financial statements: (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses and Change in Net Position and (3) the Statement of Cash Flows.

The financial statements can be found on pages 10 – 12 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 – 26 of this report.

Required Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information are certain pension and other post employment benefits information, which can be found on pages 27-28.

Additional Information

In addition to the financial statements and accompanying notes, this report also presents additional information. Presented in this information are combining statements of net position and revenues, expenses and change in net position, as well as a reconciliation of audited energy efficiency GAAP expenses to the amounts reported to the DPU. The additional information can be found on pages 29 – 31.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Financial Statement Analysis

The following tables present current and prior year data on the financial statements.

Net Position

The Compact's assets and deferred outflows exceeded liabilities and deferred inflows by \$14,208,730 at the close of the calendar year and are summarized as follows:

	<u>2018</u>	<u>2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Assets				
Current Assets	\$ 23,974,454	\$ 25,785,672	\$ (1,811,218)	-7.0%
Noncurrent Assets	462,558	588,438	(125,880)	-21.4%
Total Assets	<u>24,437,012</u>	<u>26,374,110</u>	<u>(1,937,098)</u>	<u>-7.3%</u>
Deferred Outflows of Resources	<u>962,305</u>	<u>783,363</u>	<u>178,942</u>	<u>22.8%</u>
Liabilities				
Current Liabilities	5,555,404	4,286,245	1,269,159	29.6%
Noncurrent Liabilities	5,103,585	4,416,079	687,506	15.6%
Total Liabilities	<u>10,658,989</u>	<u>8,702,324</u>	<u>1,956,665</u>	<u>22.5%</u>
Deferred Inflows of Resources	<u>531,598</u>	<u>44,426</u>	<u>487,172</u>	<u>1096.6%</u>
Net Position				
Net Investment in Capital Assets	462,558	588,438	(125,880)	-21.4%
Unrestricted	13,746,172	17,822,285	(4,076,113)	-22.9%
Total Net Position	<u>\$ 14,208,730</u>	<u>\$ 18,410,723</u>	<u>\$ (4,201,993)</u>	<u>-22.8%</u>

The Compact's assets consist primarily of cash and cash equivalents, accounts receivable and capital assets. The decrease in the Compact's current assets primarily reflects the increase in the current year expenses and decrease in revenues for the energy efficiency program.

Liabilities primarily consist of accounts payable, the net pension liability and total OPEB liability. The increase in current liabilities is primarily due to increases in energy efficiency program payables.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Changes in Net Position

The Compact's net position decreased by \$3,348,590 for the year ended December 31, 2018 and is summarized as follows:

	2018*	2017	Change (\$)	Change (%)
Operating Revenues	\$ 32,313,746	\$ 40,456,685	\$ (8,142,939)	-20.1%
Operating Expenses	41,695,062	35,082,341	6,612,721	18.8%
Operating Income (Loss)	(9,381,316)	5,374,344	(14,755,660)	-274.6%
Nonoperating Revenues (Expenses), Net	6,032,726	2,667,606	3,365,120	126.1%
Change in Net Position	(3,348,590)	8,041,950	(11,390,540)	-141.6%
Net Position - Beginning of Year (As Restated)	17,557,320	10,368,773	7,188,547	69.3%
NET POSITION (DEFICIT) - END OF YEAR	\$ 14,208,730	\$ 18,410,723	\$ (4,201,993)	-22.8%

* Beginning balance restated due to the implementation of GASB Statement No. 75. See Note 2M, page 16.

Operating revenues primarily consist of mandatory energy efficiency charges (\$5,030,314) and energy efficiency reconciliation factor charges (\$25,352,106). The decrease in operating revenues primarily reflects the decrease of energy efficiency funds earned during 2018.

Approximately 89% (or \$37,348,797) of the Compact's operating expenses relate directly to energy efficiency programs. This compares to approximately 87% in 2017.

Requests for Information

This financial report is designed to provide a general overview of the Compact's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report should be addressed to the Compact Administrator, 261 Whites Path, Unit 4, South Yarmouth, Massachusetts, 02664.

**CAPE LIGHT COMPACT JPE
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 18,218,044
Receivables, Net of Allowance for Uncollectible Amounts:	
Energy Efficiency	552,258
Energy Efficiency Reconciliation Factor	3,807,066
Mil-Adder	70,864
Forward Capacity Market	622,824
Intergovernmental (RGGI)	292,197
Other	14,920
Prepaid Expenses	296,074
Other Assets	100,207
Total Current Assets	23,974,454

Noncurrent Assets:

Capital Assets, Net of Accumulated Depreciation	462,558
Total Assets	24,437,012

DEFERRED OUTFLOWS

Related to Pensions	816,235
Related to OPEB	146,070
Total Deferred Outflows	962,305

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Expenses	5,488,586
Accrued Payroll	57,393
Compensated Absences, Current	9,425
Total Current Liabilities	5,555,404

Noncurrent Liabilities:

Compensated Absences, Net of Current	84,831
Total OPEB Liability	1,816,680
Net Pension Liability	3,202,074
Total Noncurrent Liabilities	5,103,585

Total Liabilities

10,658,989

DEFERRED INFLOWS

Related to Pensions	375,152
Related to OPEB	156,446
Total Deferred Inflows	531,598

NET POSITION

Net Investment in Capital Assets	462,558
Unrestricted	13,746,172
Total Net Position	\$ 14,208,730

See accompanying Notes to Financial Statements.

**CAPE LIGHT COMPACT JPE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018**

OPERATING REVENUES

Energy Efficiency	\$ 5,030,314
Energy Efficiency Reconciliation Factor	25,352,106
Mil-Adder	938,601
Intergovernmental (RGGI)	774,236
Intergovernmental (Other)	212,902
Other	5,587
Total Operating Revenues	<u>32,313,746</u>

OPERATING EXPENSES

Salaries and Benefits (Excluding Pension and OPEB)	1,758,405
Pension and OPEB	488,820
Energy Efficiency Programs:	
Residential Programs	26,165,134
Low Income Programs	2,438,845
Commercial and Industrial Programs	8,005,609
Other Programs	739,209
Legal and Related Consulting Services	1,004,131
Other Professional Services	41,225
Marketing	217,736
Other Operating	688,068
Depreciation	147,880
Total Operating Expenses	<u>41,695,062</u>

Operating Loss (9,381,316)

NONOPERATING REVENUES

Forward Capacity Market	5,878,697
Renewable Energy Certificates, Net	15,398
Investment Income	138,631
Total Nonoperating Revenues	<u>6,032,726</u>

CHANGE IN NET POSITION

(3,348,590)

Net Position - Beginning of Year (As Restated)

17,557,320

NET POSITION - END OF YEAR

\$ 14,208,730

**CAPE LIGHT COMPACT JPE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 29,767,632
Payments to Vendors and Customers	(38,544,705)
Payments for Salaries and Benefits	(1,590,985)
Net Cash Used by Operating Activities	<u>(10,368,058)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from Sales of Renewable Energy Certificates	59,355
Purchase of Renewable Energy Certificates	(289,118)
Proceeds from Forward Capacity Market	5,561,167
Net Cash Provided by Noncapital Financing Activities	<u>5,331,404</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(22,000)
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>146,933</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS

(4,911,721)

Cash and Cash Equivalents - Beginning of Year (Including Cash Held by County)

23,129,765

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 18,218,044

**RECONCILIATION OF OPERATING INCOME TO NET CASH
FROM OPERATING ACTIVITIES**

Operating Loss	\$ (9,381,316)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	147,880
Effect of Changes in Assets, Liabilities, Deferred Outflows and Inflows not Requiring Current Cash Flows:	
Total OPEB Liability	108,102
Deferred Outflows related to OPEB	(146,070)
Deferred Inflows related to OPEB	156,446
Net Pension Liability	(265,173)
Deferred Outflows related to OPEB	(32,872)
Deferred Inflows related to Pension	330,726
Effect of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(2,546,114)
Accounts Payable and Accrued Expenses	1,244,072
Accrued Payroll	26,068
Compensated Absences	(9,807)
Total Adjustments	<u>(986,742)</u>

NET CASH USED BY OPERATING ACTIVITIES

\$ (10,368,058)

See accompanying Notes to Financial Statements.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 REPORTING ENTITY

The Cape Light Compact (Compact) is a joint powers entity (JPE) pursuant to G.L. c. 40, §4A ½. The Compact was created for the purpose of providing competitive electric supply, green power options, energy efficiency programs and consumer advocacy for the residents and businesses of Cape Cod and Martha's Vineyard.

The Compact's current membership consists of 21 towns and Dukes County and is governed by a 22 member Board of Directors appointed by each of the member towns and county.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The Compact accounts for its operations as an enterprise fund. The significant accounting policies are described herein.

A. Measurement Focus, Basis of Accounting and Basis of Presentation

The Compact's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of related cash flows.

The Compact distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

C. Accounts Receivable

Accounts receivable are recorded at the time of the underlying event. The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis. At December 31, 2018, all amounts are considered 100% collectible.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Capital Assets

Capital assets are recorded at historical cost. All individual purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Depreciable capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Asset Type</u>	<u>Estimated Useful Life (in Years)</u>
Vehicles	5
Software*	6

* Term of contract

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

E. Compensated Absences

Employees are granted vacation and sick leave. Vested or accumulated vacation and sick leave are reported as liabilities and expected as incurred.

F. Revenue Recognition

Energy efficiency revenues are derived from the Massachusetts Department of Public Utilities (DPU) mandatory charge of 2.5 mills (\$0.0025) per kilowatt hour to fund energy efficiency programs. These charges are initially collected by the electric distribution company and subsequently provided to the Compact. The Compact recognizes the energy efficiency charge as operating revenue on the accrual basis of accounting.

In addition to the mandatory charge, the Compact, and all Massachusetts energy efficiency program administrators, have an "Energy Efficiency Reconciliation Factor Charge" (EERF). The EERF is a fully reconciling funding mechanism designed to recover costs associated with energy efficiency programs by reconciling energy efficiency revenue amounts collected in electric rates with the total expense amounts incurred for energy efficiency programs, as approved by the DPU. These charges are initially collected by the electric distribution company and subsequently provided to the Compact. The Compact recognizes the EERF charge as operating revenue on the accrual basis of accounting.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operational-adder revenues are derived from a 1 mil (\$0.001) per kilowatt hour surcharge used to fund the Compact's nonenergy efficiency operational expenses as provided in the Compact's form of competitive electric supply agreement (CESA) approved by the Massachusetts Department of Telecommunications and Energy, now the Department of Public Utilities. These funds are collected by the Compact's contracted electric supply company on behalf of the Compact as part of the Compact's electric rates and are subsequently remitted to the Compact. The Compact's Governing Board appropriates these funds through the annual budget process; in addition, funds are disbursed by the Compact's Administrator based on contractual and regulatory obligations. Operational-adder charges are recognized as operating revenue on the accrual basis of accounting.

Intergovernmental revenues are received from the Commonwealth via the Commonwealth's participation in the Regional Greenhouse Gas Initiative (RGGI) quarterly CO2 auctions. The 2008 Massachusetts Green Communities Act assigned at least 80% of RGGI fund proceeds for energy efficiency programs administered by the state's electric utilities and energy efficiency service providers. The Compact recognizes the Intergovernmental (RGGI) proceeds as operating revenue on the accrual basis of accounting.

Various other grants are applied for and received annually. For nonexpense driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expense driven grants, revenue is recognized when the qualifying expenses are incurred and all other grant requirements are met.

G. Forward Capacity Market

The Compact participates in ISO New England's forward capacity market. The Compact recognizes proceeds from the forward capacity market as nonoperating revenue on the accrual basis. These funds are used for energy efficiency projects.

H. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

Deferred outflows of resources related to pensions and OPEB are reported by the Compact.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows of resources related to pensions and OPEB are reported by the Compact.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Barnstable County Retirement Association (BCRA) and additions to/deductions from BCRA's fiduciary net position have been determined on the same basis as they are reported by BCRA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

K. Postemployment Benefits

In addition to providing pension benefits, the Compact provides health and life insurance coverage for current and future retirees and their spouses as more fully described in Note 7.

L. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

M. GASB Implementation

For the year ended December 31, 2018, the Compact implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement resulted in, among other things, the recognition of the total OPEB liability in the Statement of Net Position, as well as the deferred inflows and outflows related to OPEB activities. As a result, the Compact has restated its 2018 beginning net position to reflect the implementation of the Statement. The Compact's previously reported net position of \$18,410,723 was reduced by \$853,403, resulting in a restated net position of \$17,557,320, to reflect the cumulative effect of change in accounting principle. The Compact has determined that restating the prior year was not practical.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits are governed by the Massachusetts General Laws and the Compact's by laws.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Compact's deposits may not be recovered. The Compact does not have a policy for custodial credit risk of deposits. As of December 31, 2018, \$19,103,436 of the Compact's bank balance of \$19,353,436 was uninsured and exposed to custodial credit risk.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital Assets Being Depreciated:</u>				
Software	\$ 790,281	\$ 22,000	\$ -	\$ 812,281
Vehicle	23,319	-	-	23,319
Total Capital Assets Being Depreciated	813,600	22,000	-	835,600
<u>Accumulated Depreciation:</u>				
Software	(201,843)	(147,880)	-	(349,723)
Vehicles	(23,319)	-	-	(23,319)
Total Accumulated Depreciation	(225,162)	(147,880)	-	(373,042)
Total Capital Assets Being Depreciated, Net	588,438	(125,880)	-	462,558
Total Capital Assets	<u>\$ 588,438</u>	<u>\$ (125,880)</u>	<u>\$ -</u>	<u>\$ 462,558</u>

NOTE 5 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the year ended December 31, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated Absences	<u>\$ 104,063</u>	<u>\$ -</u>	<u>\$ (9,807)</u>	<u>\$ 94,256</u>	<u>\$ 9,425</u>

The Compact also has an unused line of credit totaling \$2,000,000.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLAN

Plan Description

Effective January 1, 2018, the Compact became a member of the Barnstable County Contributory Retirement Association (BCRA), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 59 member units. The previous County employees that became Compact employees July 1, 2017, reported no lapse in participation in the BCRA.

The BCRA is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting <http://www.barnstablcounty.org/retirement/association/>.

Benefits Provided

The BCRA provides retirement, disability, survivor, and death benefits to plan members and beneficiaries. Massachusetts contributory retirement system benefits are, with certain minor exceptions, uniform from system to system. The systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRA a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. Contributions to the BCRA (through the County) totaled \$277,827 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2018, the Compact reported a liability of \$3,202,074 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Compact's proportion of the net pension liability was based on a projection of the Compact's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2017, the measurement date, the Compact's proportion was 0.471%. At December 31, 2016, the Compact's proportion was 0.493%.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLAN (CONTINUED)

Pension Expense

For the year ended December 31, 2018, the Compact recognized pension expense of \$373,498. At December 31, 2018, the Compact reported deferred inflows of resources related to pensions of \$816,235 and deferred outflows of resources related to pensions of \$375,152.

The balances of deferred outflows and inflows at December 31, 2018 consist of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 208,980
Changes in Assumptions	399,034	-
Differences Between Expected and Actual Experience	-	45,873
Changes in Proportion	79,540	120,299
Contributions Made Subsequent to the Measurement Date	337,661	-
	<u>\$ 816,235</u>	<u>\$ 375,152</u>

Deferred outflows of resources totaling \$337,661 related to contributions made subsequent to the measurement date will be recognized as a reduction to the net pension liability in 2019. The remaining net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	
2019	\$ 56,227
2020	55,090
2021	(2,840)
2022	(27,352)
2023	22,297
Total	<u>\$ 103,422</u>

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date of December 31, 2017:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal Cost Method
Investment Rate of Return	7.375%, net of pension plan investment expense, including inflation
Projected Salary Increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Cost of living adjustments	3.0% of the first \$18,000
Mortality Rates:	Pre-Retirement: The RP-2014 Blue Collar Mortality Table projected generationally with a Scale MP-2017 Healthy Retiree: The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with a Scale MP-2017 Disabled Retiree: The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with a Scale MP-2017

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.5 %	6.15 %
International Developed Markets Equity	15.5	7.11
International Emerging Markets Equity	6.0	9.41
Core Fixed Income	12.0	1.68
High-Yield Fixed Income	10.0	4.13
Real Estate	10.0	4.90
Commodities	4.0	4.71
Hedge Fund, GTAA, Risk Parity	13.0	3.94
Private Equity	12.0	10.28
	100.0 %	

Discount rate

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.375%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
Net Pension Liability	\$ 4,200,061	\$ 3,202,074	\$ 2,362,963

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Compact's defined benefit OPEB plan provides health, dental, and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Compact and the employees. The Plan does not issue a publicly available financial report.

Benefits Provided

The Cape Light Compact provides health, dental, and life insurance coverage for its retirees and their survivors. The Compact contributes 75% of the cost of current-year health, dental, and life insurance premiums for eligible retired plan members and their dependents. Plan members receiving benefits contribute the remaining 25% percent of their premium costs. The required contribution is based on a pay-as-you-go financing requirement. For 2018, the Compact contributed approximately \$29,366 to the plan. The costs of administering the Plan are paid by the Compact.

Employees Covered by Benefit Terms

The number of covered participants in the Plan consisted of the following at January 1, 2018, the date of the latest actuarial valuation:

Active Employees	14
Retirees and Survivors	<u>7</u>
Total	<u><u>21</u></u>

Total OPEB Liability

The Compact's total OPEB liability of \$1,816,680 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.87% (20-Year Municipal Bond Index Rate)
Health Care Trend Rates	Medicare: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Non-Medicare: 0% for 1 year, then 7.0% decreased by 0.25% each year to an ultimate level of 4.5% per year.
Mortality Rates:	Pre-Retirement: The RP-2014 Blue Collar Employee Mortality Table projected generationally with a Scale MP-2017 Postretirement: Healthy: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with a Scale MP-2017; Disabled: RP-2014 Blue Collar Health Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 1,708,578
Changes for the Year:	
Service Cost	103,165
Interest	64,339
Differences between expected and actual experience	(176,002)
Changes in assumptions	145,966
Benefit Payments	(29,366)
Net Changes	<u>108,102</u>
Balance at June 30, 2018	<u>\$ 1,816,680</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability, calculated using the discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 2,147,073	\$ 1,816,680	\$ 1,552,945

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability, calculated using the healthcare cost trend rates, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 1,511,154	\$ 1,816,680	\$ 2,221,299

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Compact recognized OPEB expense of \$164,166.

At December 31, 2018, the Compact reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 129,748	\$ -
Differences Between Expected and Actual Experience	-	156,446
Contributions Made Subsequent to the Measurement Date	16,322	-
	\$ 146,070	\$ 156,446

The \$16,322 reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction to the total OPEB liability during fiscal year 2019. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	
2019	\$ (3,338)
2020	(3,338)
2020	(3,338)
2021	(3,338)
2022	(3,338)
Thereafter	(10,008)
Total	\$ (26,698)

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 RELATED PARTY TRANSACTIONS

Cape & Vineyard Electric Cooperative (CVEC)

The Compact is a Member of CVEC, whose purpose is to develop and/or own renewable electric generation facilities and procuring and/or selling long-term electric supply or other energy-related goods or services at competitive prices to its Members and consumers within its Member communities.

Renewable Energy Certificates

RECs purchased by CVEC are sold to the Compact for an amount equal to CVEC's cost for the Compact's Green Power Supply Program. Purchases for the year ended December 31, 2018 totaled approximately \$41,000.

Letter of Credit

The Compact has guaranteed a letter of credit obtained by CVEC. The letter of credit is guaranteed by Compact funds. The Compact funds are held in the name of CVEC which amounted to \$100,207 December 31, 2018 and are included as other assets in the accompanying Statement of Net Position.

The value of the letter of credit totals \$100,000 and no amounts have been drawn.

NOTE 9 OPERATING LEASES

The Compact is committed under operating lease agreements for office space and vehicles used by the Compact. Future minimum payments under these operating leases are as follows:

<u>Calendar Year</u>	<u>Vehicles</u>	<u>Office Space</u>
2019	\$ 9,761	\$ 90,000
2020	9,761	90,000
2021	3,140	90,000

Lease expenses for the agreements for the year ended December 31, 2018 totaled \$100,374 and are reported as other operating expenses.

NOTE 10 COMMITMENTS

The Compact participates in ISO New England's forward capacity market and has made commitments to deliver specified units of energy efficiency at a fixed price per unit. If the Compact fails to deliver its capacity supply obligation it is subject to penalties determined by the rules of the forward capacity market. The Compact has obtained a \$2,000,000 letter of credit to meet the financial assurance requirements of ISO New England, which is secured by a \$2,000,000 line of credit.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 COMMITMENTS (CONTINUED)

On November 20, 2018, the Compact entered into a Power Purchase Agreement (PPA) with Farmington Solar, LLC to purchase 5 megawatts of energy and REC's generated by a photovoltaic solar electric energy generating facility (Facility) to be constructed and owned by Farmington Solar, LLC.

The term of the PPA is 20 years following and including the commercial operation date (as defined in the PPA), which is anticipated to be sometime during 2021. All energy delivered to the Compact under the PPA will be at a fixed contract price. To support the Compact's obligations under the PPA, the Compact must provide a letter of credit (ranging from \$5,000,000 in the first year of operation to \$219,000 in the last year of operation) in accordance with the terms of the PPA.

**CAPE LIGHT COMPACT JPE
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

PENSION PLAN SCHEDULES

**SCHEDULE OF THE COMPACT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (1)(2)**

	2018	2017
Compact's Proportion of the Net Pension Liability	0.471%	0.493%
Compact's Proportionate Share of the Net Pension Liability	\$ 3,202,074	\$ 3,467,247
Compact's Employee Payroll	\$ 1,423,681	\$ 1,340,875
Compact's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	44.46%	38.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.86%	57.28%

- (1) Data is being accumulated annually to present 10 years of the reported information
(2) Measurement date is December 31 of the prior year

SCHEDULE OF COMPACT CONTRIBUTIONS (1)

	2018	2017	2016
Actuarially Required Contribution	\$ 337,761	\$ 277,827	\$ 293,912
Contributions in Relation to the Actuarially Required Contribution	(337,761)	(277,827)	(293,912)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Compact's Employee Payroll	\$ 1,284,983	\$ 1,351,689	\$ 1,340,875
Contributions as a Percentage of Employee Payroll	26.29%	20.55%	21.92%

- (1) Data is being accumulated annually to present 10 years of the reported information

See accompanying independent auditors' report.

**CAPE LIGHT COMPACT JPE
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

**SCHEDULE OF CHANGES IN THE COMPACT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS (1)**

	2018
TOTAL OPEB Liability	
Service Cost	\$ 103,165
Interest	64,339
Differences between expected and actual experience	(176,002)
Changes in assumptions	145,966
Benefit Payments	(29,366)
Change in Total OPEB Liability	108,102
 Total OPEB Liability - Beginning	 1,708,578
Total OPEB Liability - Ending	\$ 1,816,680
 Covered Employee Payroll	 \$ 1,423,681
Total OPEB Liability as a Percentage of Covered Employee Payroll	78.37%

(1) Data is being accumulated annually to present 10 years of the reported information

See accompanying independent auditors' report.

**CAPE LIGHT COMPACT JPE
COMBINING STATEMENT OF NET POSITION BY PROGRAM
DECEMBER 31, 2018**

ASSETS	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green/Solar Programs	Total
Current Assets:						
Cash and Cash Equivalents	\$ 13,927,640	\$ 685,432	\$ 3,385,436	\$ 78,706	\$ 140,830	\$ 18,218,044
Receivables, Net of Allowance for Uncollectible Amounts:						
Energy Efficiency	552,258	-	-	-	-	552,258
Energy Efficiency Reconciliation Factor	3,807,066	-	-	-	-	3,807,066
Mil-Adder	-	70,864	-	-	-	70,864
Forward Capacity Market	622,824	-	-	-	-	622,824
Intergovernmental (RGGI)	292,197	-	-	-	-	292,197
Other	8,116	-	-	6,804	-	14,920
Prepaid Expenses	-	-	-	-	296,074	296,074
Other Assets	-	100,207	-	-	-	100,207
Total Current Assets	19,210,101	856,503	3,385,436	85,510	436,904	23,974,454
Noncurrent Assets:						
Capital Assets Not Being Depreciated	462,558	-	-	-	-	462,558
Total Assets	19,672,659	856,503	3,385,436	85,510	436,904	24,437,012
DEFERRED OUTFLOWS						
Related to Pensions	742,775	-	-	73,460	-	816,235
Related to OPEB	133,521	-	-	12,549	-	146,070
Total Deferred Outflows	876,296	-	-	86,009	-	962,305
LIABILITIES						
Current Liabilities:						
Accounts Payable and Accrued Expenses	5,407,312	-	-	81,274	-	5,488,586
Accrued Payroll	53,083	-	-	4,310	-	57,393
Compensated Absences, Current	8,927	-	-	498	-	9,425
Total Current Liabilities	5,469,322	-	-	86,082	-	5,555,404
Noncurrent Liabilities:						
Compensated Absences, Net of Current	80,346	-	-	4,485	-	84,831
Total OPEB Liability	1,606,044	-	-	210,636	-	1,816,680
Net Pension Liability	2,913,892	-	-	288,182	-	3,202,074
Total Noncurrent Liabilities	4,600,282	-	-	503,303	-	5,103,585
Total Liabilities	10,069,604	-	-	589,385	-	10,658,989
DEFERRED INFLOWS						
Related to Pensions	341,389	-	-	33,763	-	375,152
Related to OPEB	143,005	-	-	13,441	-	156,446
Total Deferred Inflows	484,394	-	-	47,204	-	531,598
NET POSITION						
Net Investment in Capital Assets	462,558	-	-	-	-	462,558
Unrestricted	9,532,399	856,503	3,385,436	(465,070)	436,904	13,746,172
Total Net Position	\$ 9,994,957	\$ 856,503	\$ 3,385,436	\$ (465,070)	\$ 436,904	\$ 14,208,730

See accompanying independent auditors' report.

**CAPE LIGHT COMPACT JPE
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET POSITION BY PROGRAM
YEAR ENDED DECEMBER 31, 2018**

	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green/Solar Programs	Eliminations	Total
OPERATING REVENUES							
Energy Efficiency	\$ 5,030,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,030,314
Energy Efficiency Reconciliation Factor	25,352,106	-	-	-	-	-	25,352,106
Mil-Adder	-	938,601	-	-	-	-	938,601
Intergovernmental (RGGI)	774,236	-	-	-	-	-	774,236
Intergovernmental (Other)	-	-	-	14,382	198,520	-	212,902
Other	-	5,000	-	587	-	-	5,587
Total Operating Revenues	31,156,656	943,601	-	14,969	198,520	-	32,313,746
OPERATING EXPENSES							
Salaries and Benefits (Excluding Pension and OPEB)	1,605,949	-	-	152,456	-	-	1,758,405
Pension and OPEB	702,181	-	-	(213,361)	-	-	488,820
Energy Efficiency Programs:							
Residential Programs	26,165,134	-	-	-	-	-	26,165,134
Low Income Programs	2,438,845	-	-	-	-	-	2,438,845
Commercial and Industrial Programs	8,005,609	-	-	-	-	-	8,005,609
Other Programs	739,209	-	-	-	-	-	739,209
Legal and Related Consulting Services	709,705	-	-	294,426	-	-	1,004,131
Other Professional Services	31,463	-	-	9,762	-	-	41,225
Marketing	195,439	-	-	22,297	-	-	217,736
Other Operating	343,876	-	-	344,192	-	-	688,068
Depreciation	147,880	-	-	-	-	-	147,880
Total Operating Expenses	41,085,290	-	-	609,772	-	-	41,695,062
Operating Income (Loss)	(9,928,634)	943,601	-	(594,803)	198,520	-	(9,381,316)
NONOPERATING REVENUES (EXPENSES)							
Forward Capacity Market	5,878,697	-	-	-	-	-	5,878,697
Renewable Energy Certificates	-	-	-	-	15,398	-	15,398
Investment Income	120,693	11,563	1,560	4,815	-	-	138,631
Total Nonoperating Revenues (Expenses), Net	5,999,390	11,563	1,560	4,815	15,398	-	6,032,726
Income (Loss) Before Transfers	(3,929,244)	955,164	1,560	(589,988)	213,918	-	(3,348,590)
TRANSFERS							
Transfers In	-	78,460	2,343,876	901,085	50,913	(3,374,334)	-
Transfers Out	(2,331,476)	(951,998)	-	(90,860)	-	3,374,334	-
Total Transfers	(2,331,476)	(873,538)	2,343,876	810,225	50,913	-	-
CHANGE IN NET POSITION	(6,260,720)	81,626	2,345,436	220,237	264,831	-	(3,348,590)
Net Position - Beginning of Year (As Restated)	16,255,677	774,877	1,040,000	(685,307)	172,073	-	17,557,320
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 9,994,957</u>	<u>\$ 856,503</u>	<u>\$ 3,385,436</u>	<u>\$ (465,070)</u>	<u>\$ 436,904</u>	<u>\$ -</u>	<u>\$ 14,208,730</u>

See accompanying independent auditors' report.

**CAPE LIGHT COMPACT JPE
RECONCILIATION OF AUDITED ENERGY EFFICIENCY GAAP
EXPENSES TO DEPARTMENT OF PUBLIC UTILITIES (DPU) REPORT
YEAR ENDED DECEMBER 31, 2018**

Energy Efficiency Operating Fund Expenses Reported on 2018 Combining Statement of Revenues, Expenses and Change in Net Position (Page 29)	\$ 41,085,290
<u>Reconciling items:</u>	
To Record Net Change in Accrued Payroll	(24,826)
To Record Net Pension Liability, Net of Deferred Outflows and Inflows	(286,611)
To Record Total OPEB Liability, Net of Deferred Outflows and Inflows	(108,298)
To Record Net Change in Accrued Compensated Absences	2,849
Transfers Made to the OPEB and Pension Reserve Fund	2,331,476
Net Prior Year and Current Year Commitments reported in DPU Report	526,675
Expenses Capitalized for Financial Reporting Purposes	22,000
Amortization of Capitalized Expenses	<u>(147,880)</u>
Total Reconciling Items	<u>2,315,385</u>
2018 Energy Efficiency Expenses Reported on the 2016-2018 Term Report	<u>\$ 43,400,675 (A)</u>
 (A) This amount is reported on the modified accrual basis of accounting and reviewed annually by the DPU	

See accompanying independent auditors' report.

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