



# Cape Light Compact

2015 Audit Exit Conference

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# 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)				
	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<b>Assets</b>				
Cash	\$4.1M	\$9.3M	(\$5.2M)	-56%
Receivables	\$3.6M	\$3.6M	\$0.0M	0%
Capital assets	\$0.5M	\$0.0M	\$0.5M	N/A
<b>Liabilities</b>				
Payables	\$5.1M	\$8.8M	(\$3.7M)	-42%
Accrued contracted payroll and CA	\$0.2M	\$0.1M	\$0.1M	50%
Accrued long-term liabilities	\$3.1M	\$0.6M	\$2.5M	416%
<b>Net Position</b>	<u>(\$ . 1M)</u>	<u>\$3.5M</u>	<u>(\$3.6M)</u>	<u>(103%)</u>



# 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)

	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<b>Operating Revenues</b>				
Energy Efficiency	\$33.7M	\$29.9M	\$3.8M	13%
Mil-adder	\$0.7M	\$1.0M	(\$0.3M)	(30%)
Intergovernmental	\$2.0M	\$1.9M	\$0.1M	5.3%
Green Program	\$0.1M	\$0.1M	\$0.1M	0%
<b>Operating Expenses</b>				
Contracted Labor	\$4.4M	\$1.8M	\$2.6M	144%
Energy Efficiency	\$35.3M	\$34.6M	\$.7M	2%
Grants to CVEC	\$0.0M	\$0.4M	(\$0.4M)	(100%)
Legal	\$0.6M	\$0.8M	(\$0.2M)	(25%)
Other	\$1.0M	\$0.6M	\$0.4M	67%



# Financial Highlights

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

	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Forward Cap Market	\$1.1M	\$1.1M	\$0.0M	0%
REC's and Inv Income	\$0.2M	\$0.2M	\$0.0M	0%
<b>Change in Net Position</b>	<b>(\$3.6M)</b>	<b>(\$4.0M)</b>	<b>\$0.4M</b>	<b>10%</b>



# 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

