

Cape Light Compact

2012 and 2013 Audit Exit Conferences

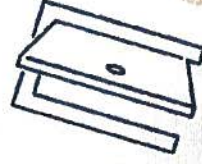
Date: October 8, 2014

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Agenda

- Financial statements
 - Structure
 - Reporting entity
 - Opinions
 - 2012 and 2013 Summaries
 - ◇ 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
- Management's discussion and analysis
- Financial statements and notes
- Additional information
 - Combining statement of net position by program
 - Combining statement of revenues, expenses and changes in net position by program
 - Reconciliation of Audited Energy Efficiency GAAP Expenses to DPU Report

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

Opinions

- Opinions (p 2-3)
 - Unmodified opinion for 2012 and 2013
 - ◇ 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

Financial Highlights - 2012

Statement of Net Position

	<u>2012</u>	<u>2011</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Assets				
Cash	\$1.4M	\$2.2M	(\$0.8M)	(36.4%)
Receivables	\$11.6M	\$2.0M	\$9.6M	480.0%
Other (IA)	\$0.0M	\$0.0M	\$0.0M	0.0%
Liabilities				
Payables	\$8.7M	\$2.9M	\$5.8M	200.0%
Due to BC (Current)	\$2.2M	\$0.0M	\$2.2M	N/A
Due to BC (Noncurrent)	\$0.4M	\$0.3M	\$0.1M	33.3%
Other	\$0.1M	\$0.1M	\$0.0M	0.0%
Net Position	\$1.7M	\$0.9M	\$0.8M	88.9%

Financial Highlights - 2012

- Components of net position by Program
 - Energy Efficiency - \$261K
 - Power Supply Reserve - \$1.1M
 - Operating Fund - \$259K
 - Green Program - \$180K

Financial Highlights - 2012

Statement of Revenues, Expenses and Changes in Net Position

	<u>2012</u>	<u>2011</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Operating Revenues				
Energy Efficiency	\$24.7M	\$16.5M	\$8.2M	49.7%
Mil-adder	\$1.0M	\$1.0M	\$0.0M	0.0%
Intergovernmental	\$0.9M	\$0.7M	\$0.2M	28.6%
Other	\$0.1M	\$0.2M	(\$0.1M)	(50.0%)
Operating Expenses				
Salaries and Benefits	\$1.4M	\$1.1M	\$0.3M	27.3%
Energy Efficiency	\$24.0M	\$14.9M	\$9.1M	61.1%
Grants to CVEC	\$0.4M	\$0.7M	(\$0.3M)	42.9%
Legal	\$0.7M	\$0.7M	\$0.0M	0.0%
Other	\$0.4M	\$0.6M	(\$0.2M)	(33.3%)

Financial Highlights - 2012

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

	<u>2012</u>	<u>2011</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Nonoperating Revenues (Expenses)				
Forward Cap Market	\$0.8M	\$0.7M	\$0.1M	14.3%
REC's	\$0.1M	(\$0.5M)	\$0.6M	N/A
Investment income	\$0.001M	\$0.001M	\$0.0M	0.0%
Interest expense	(\$0.005M)	(\$0.003M)	\$0.002M	66.7%
Change in Net Position	\$0.8M	\$0.6M	\$0.2M	33.3%

Significant Footnotes - 2012

- **Note 5 - Long-term Obligations (p 19)**
 - Due to Barnstable County - \$377K
 - ◇ Represents charge backs related to Net OPEB Obligation
 - ◇ Subsequent to year-end, the Board voted to set aside \$301K for the OPEB related charge backs
 - ◇ 2012 Charge back totaled \$76K
 - ◇ See Note 6 (p 19) for further detail
 - Compensated absences - \$72K

Significant Footnotes - 2012

- Note 8 – Related Party Transactions (pgs 20 - 21)
 - Administrative services agreement with County
 - Grant provided to CVEC (\$403K)
 - ◊ Subsequent to year-end authorized grants totaling \$403k to fund 2014 and 2015 operations
 - County paying for certain Compact activities from General Fund (County) budget - \$3,659
 - The Compact has secured a \$100k line of credit for CVEC
 - The Compact purchases (at CVEC’s cost) REC’s purchased by CVEC for the Compact’s Green Program
 - ◊ Purchases totaled \$73,000
 - Subsequent to year-end, Board authorized \$100k loan 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 - 2012

- **Note 10 – Commitments (pgs 21 - 22)**
 - **REC Purchases**
 - ◇ Committed under an agreement to purchase RECs at fixed prices through June 2015
 - Estimated commitment totals \$842K
 - ◇ 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 2013
 - Expected inflows total \$245K
 - ◇ Subsequent to year-end, entered into agreements to sell REC's it has acquired (or had committed to acquire) at fixed prices through December 2014
 - Expected inflows total \$1.6M

Significant Footnotes - 2012

- Note 10 – Commitments (pgs 21 - 22)
 - 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

Additional Information - 2012

- **Additional Information (p 24 – 26)**
 - Combining statement of net position by program (p 24) and combining statement of revenues, expenses and changes in net position by program (p 25)
 - ◇ 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 26)

Financial Highlights - 2013

Statement of Net Position

	<u>2013</u>	<u>2012</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Assets				
Cash	\$7.0M	\$1.4M	\$5.6M	400.0%
Receivables	\$4.4M	\$11.6M	(\$7.2M)	(62.1%)
Other (IA)	\$0.1M	\$0.0M	\$0.1M	N/A
Liabilities				
Payables	\$3.4M	\$8.7M	(\$5.3M)	(60.9%)
Due to BC (Current)	\$0.0M	\$2.2M	(\$2.2M)	N/A
Due to BC (Noncurrent)	\$0.5M	\$0.4M	\$0.1M	25.0%
Other	\$0.1M	\$0.1M	\$0.0M	0.0%
Net Position	\$7.5M	\$1.7M	\$5.8M	341.2%

Financial Highlights - 2013

- Components of net position by Program
 - Energy Efficiency - \$5.8M
 - Power Supply Reserve - \$1.3M
 - Operating Fund - \$256K
 - Green Program - \$237K

Financial Highlights - 2013

Statement of Revenues, Expenses and Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Operating Revenues				
Energy Efficiency	\$28.1M	\$24.7M	\$3.4M	13.8%
Mil-adder	\$1.0M	\$1.0M	\$0.0M	0.0%
Intergovernmental	\$2.2M	\$0.9M	\$1.3M	144.4%
Other	\$0.1M	\$0.1M	\$0.0M	0.0%
Operating Expenses				
Salaries and Benefits	\$1.6M	\$1.4M	\$0.2M	14.3%
Energy Efficiency	\$23.5M	\$24.0M	(\$0.5M)	(2.1%)
Grants to CVEC	\$0.4M	\$0.4M	\$0.0M	0.0%
Legal	\$0.7M	\$0.7M	\$0.0M	0.0%
Other	\$0.7M	\$0.4M	\$0.3M	75.0%

Financial Highlights - 2013

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

	<u>2013</u>	<u>2012</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Nonoperating Revenues (Expenses)				
Forward Cap Market	\$1.0M	\$0.8M	\$0.2M	25.0%
REC's	\$0.3M	\$0.1M	\$0.2M	200.0%
Investment income	\$0.004M	\$0.001M	\$0.003M	300.0%
Interest expense	(\$0.008M)	(\$0.005M)	\$0.003M	60.0%
Change in Net Position	\$5.8M	\$0.8M	\$5.0M	625.0%

Significant Footnotes - 2013

- **Note 5 - Long-term Obligations (p 16)**
 - Due to Barnstable County - \$468K
 - ◇ Represents charge backs related to Net OPEB Obligation
 - ◇ Subsequent to year-end, the Board voted to set aside \$301K for the OPEB related charge backs
 - ◇ 2012 Charge back totaled \$92K
 - ◇ See Note 6 (p 17) for further detail
 - Compensated absences - \$67K

Significant Footnotes - 2013

- Note 8 – Related Party Transactions (p 18)
 - Administrative services agreement with County
 - Grant provided to CVEC (\$403K)
 - ◊ Subsequent to year-end authorized grant totaling \$403k to fund 2015 operations
 - The Compact has secured a \$100k line of credit for CVEC
 - ◊ No amounts have ever been drawn
 - The Compact purchases (at CVEC’s cost) REC’s purchased by CVEC for the Compact’s Green Program
 - ◊ Purchases totaled \$80,000
 - Subsequent to year-end, Board authorized \$100k loan 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 - 2013

- Note 10 – Commitments (p 19)
 - REC Purchases
 - ◇ Committed under an agreement to purchase RECs at fixed prices through June 2015
 - Estimated commitment totals \$505K
 - ◇ 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 December 2014
 - Expected inflows total \$757K

Significant Footnotes - 2013

- Note 10 – Commitments (p 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

Additional Information - 2013

- Additional Information (p 22 – 24)
 - Combining statement of net position by program (p 22) and combining statement of revenues, expenses and changes in net position by program (p 23)
 - ◇ 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 24)

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 for 2012 and 2013

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