CAPE LIGHT COMPACT JPE

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

YEAR ENDED DECEMBER 31, 2017

CAPE LIGHT COMPACT JPE
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the 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, 2017, 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, 2017, 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.

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 26 and 27) 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 Representatives
Cape Light Compact JPE

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
March 19, 2019

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, 2017.

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 was an intergovernmental organization consisting of the 21 towns on Cape Cod and Martha's Vineyard and Dukes County.

Effective April 12, 2017, the Cape Light Compact reorganized and reconstituted itself as a joint powers entity pursuant to Massachusetts General Law Chapter 40 Section 4A1/2, becoming the first joint powers entity in Massachusetts. Reorganizing as a joint powers entity protects member towns from potential liabilities and mandates greater financial accountability through expanded reporting requirements to the Massachusetts Department of Revenue and member Towns, and designation of Treasury functions to an independent entity. The operational transfer date was July 1, 2017, and on that date the Cape Light Compact JPE became the legal and operational successor to the Cape Light Compact.

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 2017. Program year 2017 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.

The 2017 results indicate that the Compact is on track to reach its three-year energy savings goals by the end of 2018. Including actual results from 2016, the Compact achieved 37 percent of its three-year annual energy savings goal, achieved 25 percent of its three-year total benefit goal, and spent 21 percent of its planned three-year budget. Over the three-year term, the Compact is working to achieve:

- Robustly cost-effective programs with a benefit-cost ratio ("BCR") of 2.5,
- Net benefits of $198 million,

- Annual energy savings of 159 gigawatt hours ("GWh"),

- Lifetime energy savings of 1,484 GWh,

- Total benefits of $332 million, and

- Program costs of $108 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:

Electricity pricing in 2017 was less volatile than prior years due to relatively stable natural gas prices, which resulted in lower and more stable electricity pricing overall. Worth noting is that, unlike in years past, residential and commercial pricing for June through December was higher than for January through June due to increased capacity market costs beginning in June 2017. The capacity market is managed by New England's bulk power grid operator, ISO New England, and is designed to ensure that enough electric generation capacity is built and available to provide power when called upon to meet peak demand. Capacity market costs are paid for by all New England electricity customers through their power supply prices.

The most notable change in the Compact's power supply program is that, in January 2017, the Compact went 100% renewable! Being a renewable aggregation means that 100% of 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.

The Compact also selected a new residential supplier, NextEra Energy Services Massachusetts, LLC (NextEra), who has been serving the Compact's commercial customers since 2014, which means that all of the Compact's residential, commercial, and industrial customers are now served by NextEra. In addition to being the Compact's green aggregation supplier, NextEra pledged to deposit all premiums paid for 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. Now, by purchasing electricity through the Compact, all Compact power supply customers are supporting renewable energy and acting locally to combat climate change. The Compact is proud that our residential price under the new green aggregation program was lower than Eversource's basic residential pricing for all of 2017.

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 2017, the Compact continued its focus on grid modernization, reviewing the plans submitted by the utilities in August 2015. The Compact was granted full intervenor status in 2016 in Eversource's grid modernization plan review docket at the Department of Public Utilities (DPU), which allowed the Compact to take an active role in the adjudicatory review process of the plan. This included retaining experts to analyze Eversource's plan and present expert witness testimony, submitting information requests to Eversource, and submitting briefs. The Compact expects the DPU to issue a decision on the matter in 2018.

In January 2017, Eversource filed a rate case with the DPU, which is the first fully litigated rate case since the 1980's. This will determine the charges that Eversource is allowed to impose on the distribution side of the electric bill, which will affect all residents and businesses on Cape Cod and Martha's Vineyard. The Compact was granted full party status in this proceeding as well. The Compact has several concerns with the proposal, as it decreases customers' ability to manage their bills by imposing increased customer charges and introducing demand charges for customers that did not previously have demand charges. Increased customer charges and demand charges decrease the incentive to participate in energy efficiency programs and install behind the meter generation. Eversource sought a 10.5% return on equity as part of the rate case, which is higher than the national average for a regulated utility. In their revised filing on June 1, 2017, Eversource proposed to shift approximately $30 million per year of costs from Western MA customers (and Eastern MA commercial customers) on to Eastern MA residential customers, which includes the Cape and Vineyard. The Compact opposed this shift, because charges incurred to serve those customers should be paid for by those customers and not subsidized by Eastern MA residential customers.

On November 30, 2017, the DPU issued the first rate case Order which allowed a 10% return on equity, approved energy storage pilot projects in Wellfleet and Martha's Vineyard, and approved an electric vehicle charging infrastructure buildout, among other decisions. The DPU did not approve the other aspects of Eversource's proposed Grid Modernization Base Commitment, instead stating that those would be decided as part of the grid modernization docket, a decision consistent with separation of the rate case and grid modernization dockets that the Compact and other parties advocated for. All rate design-related issues, including the Western to Eastern MA cost shifting, increased customer and demand charges, and the Monthly Minimum Reliability Charge for net-metered customers will be decided in the second Order, expected by the end of December 2017. The Compact will inform stakeholders of the DPU decisions on the rate case once the review of the decisions is completed.

The Compact also participated in regulatory proceedings at the DPU related to the retail electric market, pushing for policies that promote a competitive power supply market while ensuring common-sense protections for consumers.

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 – 25 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 26-27.

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 28 – 30.

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 $18,410,723 at the close of the calendar year and are summarized as follows:

	2017	2016	Change ($)	Change (%)
Assets				
Current Assets	$ 25,785,672	$ 17,921,836	$ 7,863,836	43.9%
Noncurrent Assets	588,438	610,096	(21,658)	-3.5%
Total Assets	26,374,110	18,531,932	7,842,178	42.3%
Deferred Outflows of Resources	783,363	-	783,363	100.0%
Liabilities				
Current Liabilities	4,286,245	4,254,235	32,010	0.8%
Noncurrent Liabilities	4,416,079	3,908,924	507,155	13.0%
Total Liabilities	8,702,324	8,163,159	539,165	6.6%
Deferred Inflows of Resources	44,426	-	44,426	100.0%
Net Position				
Net Investment in Capital Assets	588,438	610,096	(21,658)	-3.5%
Unrestricted	17,822,285	9,758,677	8,063,608	82.6%
Total Net Position	$ 18,410,723	$ 10,368,773	$ 8,041,950	77.6%

The Compact's assets consist primarily of cash and cash equivalents, cash on hand at Barnstable County, accounts receivable and capital assets. The increase in the Compact's current assets primarily reflects the increase in the current year revenue for the energy efficiency program and increased forward capacity market revenue.

Liabilities primarily consist of accounts payable, the net pension liability and net OPEB obligation. The increase in noncurrent is primarily due to increases in the other postemployment and pension benefit liabilities.

As a result of the Compact's reorganization to a JPE, the employees are no longer employees of Barnstable County and the net pension liability and net OPEB obligations are now reflected on the financial statements of the Compact. The reporting of the deferred outflows and inflows of resources are related to pension amounts.

Changes in Net Position

The Compact's net position increased by $8,041,950 for the year ended December 31, 2017 and is summarized as follows:

	2017	2016	Change ($)	Change (%)
Operating Revenues	$ 40,456,685	$ 38,202,317	$ 2,254,368	5.9%
Operating Expenses	35,082,341	28,673,677	6,408,664	22.4%
Operating Income (Loss)	5,374,344	9,528,640	(4,154,296)	-43.6%
Nonoperating Revenues (Expenses), Net	2,667,606	988,414	1,679,192	169.9%
Change in Net Position	8,041,950	10,517,054	(2,475,104)	-23.5%
Net Position - Beginning of Year	10,368,773	(148,281)	10,517,054	7092.7%
NET POSITION (DEFICIT) - END OF YEAR	$ 18,410,723	$ 10,368,773	$ 8,041,950	77.6%

Operating revenues primarily consist of mandatory energy efficiency charges ($4,824,129) and energy efficiency reconciliation factor charges ($33,952,991). The increase in operating revenues primarily reflects energy efficiency funds collected in advance of energy efficiency projects and their related expenses.

Approximately 87% (or $30,431,257) of the Compact's operating expenses relate directly to energy efficiency programs.

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, 2017

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 6,537,534
Cash Held by Barnstable County	16,592,231
Receivables, Net of Allowance for Uncollectible Amounts:	
Energy Efficiency	278,446
Energy Efficiency Reconciliation Factor	1,687,703
Mil-Adder	68,811
Intergovernmental (RGGI)	104,751
Other	365,076
Prepaid Expenses	50,913
Other Assets	100,207
Total Current Assets	25,785,672
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	588,438
Total Assets	26,374,110
DEFERRED OUTFLOWS	
Related to Pensions	783,363
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	4,244,514
Accrued Payroll	31,325
Compensated Absences, Current	10,406
Total Current Liabilities	4,286,245
Noncurrent Liabilities:	
Compensated Absences, Net of Current	93,657
Net OPEB Obligation	855,175
Net Pension Liability	3,467,247
Total Noncurrent Liabilities	4,416,079
Total Liabilities	8,702,324
DEFERRED INFLOWS	
Related to Pensions	44,426
NET POSITION	
Net Investment in Capital Assets	588,438
Unrestricted	17,822,285
Total Net Position	$ 18,410,723

See accompanying Notes to Financial Statements.

CAPE LIGHT COMPACT JPE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES	
Energy Efficiency	$ 4,824,129
Energy Efficiency Reconciliation Factor	33,952,991
Mil-Adder	869,766
Green Program	6,096
Intergovernmental (RGGI)	673,762
Intergovernmental (Solar)	51,480
Other	78,461
Total Operating Revenues	40,456,685
OPERATING EXPENSES	
Salaries and Benefits	993,779
Contracted Labor (Note 2h)	792,452
Energy Efficiency Programs:	
Residential Programs	21,967,912
Low Income Programs	2,058,193
Commercial and Industrial Programs	5,987,033
Other Programs	418,119
Legal and Related Consulting Services	1,677,002
Other Professional Services	171,192
Marketing	96,705
Other Operating	796,706
Depreciation	123,248
Total Operating Expenses	35,082,341
Operating Income	5,374,344
NONOPERATING REVENUES	
Forward Capacity Market	2,708,274
Renewable Energy Certificates, Net	(138,454)
Investment Income	97,786
Total Nonoperating Revenues	2,667,606
CHANGE IN NET POSITION	8,041,950
Net Position - Beginning of Year	10,368,773
NET POSITION - END OF YEAR	$ 18,410,723

See accompanying Notes to Financial Statements.

CAPE LIGHT COMPACT JPE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	$ 40,626,849
Payments to Vendors and Customers	(33,940,993)
Payments for Salaries and Benefits and Contracted Labor	(1,217,872)
Net Cash Provided by Operating Activities	5,467,984
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Sales of Renewable Energy Certificates	2,791,205
Purchase of Renewable Energy Certificates	(2,923,528)
Proceeds from Forward Capacity Market	2,801,584
Transfer of Cash to Related Party	(100,084)
Net Cash Provided by Noncapital Financing Activities	2,569,177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(101,590)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	103,922
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,039,493
Cash and Cash Equivalents - Beginning of Year	15,090,272
CASH AND CASH EQUIVALENTS - END OF YEAR (Including Cash Held by County)	$ 23,129,765
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating Income	$ 5,374,344
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities not Requiring Current Cash Flows:	
Depreciation	123,248
Net OPEB Obligation	855,175
Net Pension Liability, Net of Deferred Outflows and Inflows	2,728,310
Accrued Long-Term Liabilities	(3,835,816)
Effect of Changes in Operating Assets and Liabilities:	
Accounts Receivable	170,164
Warrants Payable and Accrued Expenses	24,321
Accrued Payroll	5,406
Compensated Absences	22,832
Total Adjustments	93,640
NET CASH FROM OPERATING ACTIVITIES	$ 5,467,984

See accompanying Notes to Financial Statements.

NOTE 1 REPORTING ENTITY

The Cape Light Compact (Compact) was originally established in 1997 pursuant to an Inter-Municipal Agreement authorized by Chapter 40, Section 4A of the Massachusetts General Laws 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.

Effective April 12, 2017, The Compact reorganized and reconstituted itself as a joint powers entity (JPE) pursuant to G.L. c. 40, §4A ½ . The operational transfer date was July 1, 2017, and on that date the Cape Light Compact JPE became the legal and operational successor to the Cape Light Compact. This change did not impact the purpose of the Compact. However, the reorganization resulted in, among other things, the following:

- Unique entity federal identification number
- Employees who were previously employees of Barnstable County (County) became employees of the Compact JPE
- Previously reported "Accrued Long-Term Liabilities", which represented charge backs from the County for pension and other postemployment benefit (OPEB) liabilities, are no longer reported. Such liabilities are now owned by the Compact and are reported as net pension liability and net OPEB obligation in the Statement of Net Position.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017, all amounts are considered 100% collectible.

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:

Asset Type	Estimated Useful Life (in Years)
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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Operational-adder revenues are derived from a 1 mil ($0.001) per kilowatt hour surcharge used to fund the Compact’s non-energy 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.

Green program revenues are derived from the Compact’s voluntary opt-in green energy program for which participants pay a premium for matching their electric generation purchases with renewable energy. This additional charge (green program adder) is initially collected by the Compact’s contracted electric supply company and subsequently provided to the Compact. The Compact recognizes the green program adder 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. *Contracted Labor*

Through June 30, 2017, personal services were provided to the Compact through an agreement with the County. As such, the Compact was reimbursing the County for all expenses related to salaries and benefits, including pension and OPEB. The related charges in these financial statements represent charge backs to the Compact from the County.

I. *Salaries and Benefits*

Effective July 1, 2017, the previously contracted personnel became employees of the Compact. As such, all salaries and benefits, including pension and OPEB costs, are reported.

J. *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report 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 are reported by the Compact.

K. *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report 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 are reported by the Compact.

L. *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.

M. *Post-Employment 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. *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.

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, 2017, $7,447,127 of the Compact's bank balance of $7,697,127 was uninsured and exposed to custodial credit risk.

Through June 30, 2017, the County Treasurer, through an Administrative Services Agreement more fully described in Note 8, previously maintained the Compact's deposits and investments. The County Treasurer maintains its cash and investments in accordance with the municipal finance laws of the Commonwealth. The balances held by the County at December 31, 2017 amounted to $16,592,231 and was distributed to the Compact subsequent to year-end.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Software	$ 688,691	$ 101,590	$ -	$ 790,281
Vehicle	23,319	-	-	23,319
Total Capital Assets Being Depreciated	712,010	101,590	-	813,600
Accumulated Depreciation:				
Software	(78,595)	(123,248)	-	(201,843)
Vehicles	(23,319)	-	-	(23,319)
Total Accumulated Depreciation	(101,914)	(123,248)	-	(225,162)
Total Capital Assets Being Depreciated, Net	610,096	(21,658)	-	588,438
Total Capital Assets	$ 610,096	$ (21,658)	$ -	$ 588,438

NOTE 5 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the year ended December 31, 2017:

	Beginning Balance	Increases	Decreases	Reclassifications (A)	Ending Balance	Current Portion
Accrued Long-Term Liabilities	$ 3,835,816	$ -	$ -	$ (3,835,816)	$ -	$ -
Compensated Absences	81,231	22,832	-	-	104,063	10,406
Total	$ 3,917,047	$ 22,832	$ -	$ (3,835,816)	$ 104,063	$ 10,406

(A) Prior to July 1, 2017, the Compact contracted employees of the County for which the County allocated the Compact's share of the pension and OPEB liabilities to the Compact. These "charge backs" were previously reported as accrued long-term liabilities in the Compact's financial statements.

Effective July 1, 2017, the previous County employees became Compact employees. As such, there is no longer a "charge back" from the County and the net pension liability and net OPEB obligation are reported separately on the Compact's financial statements.

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.

NOTE 6 PENSION PLAN (CONTINUED)

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 $293,912 for the year ended December 31, 2016.

Net Pension Liability

At December 31, 2017, the Compact reported a liability of $3,467,247 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward 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, 2016, the measurement date, the Compact’s proportion was 0.493%.

Pension Expense

For the year ended December 31, 2017, the Compact recognized pension expense of $550,713. At December 31, 2017, the Compact reported deferred inflows of resources related to pensions of $783,363 and deferred outflows of resources related to pensions of $44,426.

The balances of deferred outflows and inflows at December 31, 2017 consist of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ 197,089	$ -
Changes in Assumptions	205,679	-
Differences Between Expected and Actual Experience	-	44,426
Changes in Proportion	102,768	-
Contributions Made Subsequent to the Measurement Date	277,827	-
	$ 783,363	$ 44,426

NOTE 6 PENSION PLAN (CONTINUED)

Deferred outflows of resources totaling $277,827 related to contributions made subsequent to the measurement date will be recognized as a reduction to the net pension liability in 2018. The remaining net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31		
2018	$	122,170
2019		122,170
2020		120,977
2021		60,225
2022		35,568
Total	$	461,110

Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal Cost Method
Investment Rate of Return	7.625%, net of pension plan investment expense, including inflation
Projected Salary Increases	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4
Cost of living adjustments	3.0% of the first $18,000
Mortality Rates:	Pre-Retirement: The RP-2000 Employee Mortality Table projected generationally with a Scale BB2D from 2009
	Healthy Retiree: The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB2D from 2009
	Disabled Retiree: The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB2D from 2015

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	18%	6.44%
International Developed Markets Equity	16%	7.40%
International Emerging Markets Equity	6%	9.42%
Core Fixed Income	13%	2.02%
High-Yield Fixed Income	10%	4.43%
Real Estate	10%	5.00%
Commodities	4%	4.43%
Hedge Fund, GTAA, Risk Parity	13%	3.75%
Private Equity	10%	10.47%
	100%	

Discount rate

The discount rate used to measure the total pension liability was 7.625%. 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 7.625%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.625%) or 1-percentage-point higher (8.625%) than the current rate:

	1% Decrease (6.625%)	Current Discount Rate (7.625%)	1% Increase (8.625%)
Net Pension Liability	$ 4,412,109	$ 3,467,247	$ 2,670,302

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Cape Light Compact administers a single-employer defined benefit plan that provides lifetime healthcare and life insurance for eligible retirees and their dependents through the Compact's group health insurance plan, which covers both active and retired members. 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.

Effective July 1, 2017, the previously contracted labor through the County became employees of the Compact. However, there were no changes in the benefits provided and therefore the actuarial valuation performed over employees previously employed by Barnstable County was determined to be appropriate for the calculation of the net OPEB obligation.

Funding Policy

The required contribution is based on a pay-as-you-go financing requirement. 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. For 2017, the Compact contributed approximately $52,000 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Compact's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Compact's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Compact's net OPEB obligation are summarized in the following table:

Annual Required Contribution	$ 158,923
Interest on the Net OPEB Obligation	33,855
Adjustment to Annual Required Contribution	(32,442)
Annual OPEB Cost	160,336
Contributions Made	(52,386)
Increase (Decrease) in Net OPEB Obligation	107,950
Net OPEB Obligation - Beginning of Year	-
Reclassification from Accrued Long-Term Liabilities	747,225
Net OPEB Obligation - End of Year	$ 855,175

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Year Ended	Annual OPEB Cost (AOPEBC)	Percentage of AOPEB Contributed	Net OPEB Obligation
December 31, 2017	$ 160,336	32.67%	$ 855,175

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the actuarial information is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll C	UAAL as a Percentage of Covered Payroll ((B-A)C)
6/30/2016	-	$ 2,141,983	$ 2,141,983	-	$ 725,766	295.13%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

In the June 30, 2016, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 3.58% discount rate. This discount rate was formulated utilizing a 7.00% investment return assumption, which is based on the expected yield on the assets of the Compact, calculated based on the funded level of the plan at the valuation date, and an annual CCMHG medical/drug cost trend rate of 7.0% initially, graded to 4.5% over six years, as well as a GIC medical/drug cost trend rate of 8.5% initially, graded to 5.0% over eight years. The UAAL is being amortized over 30 years on an open amortization period.

NOTE 8 RELATED PARTY TRANSACTIONS

Administrative Services

Through June 30, 2017, the Compact was party to an Administrative Services Agreement (Agreement) with the County, a previous member of the Compact, to provide, among other things, the following:

- Fiscal administration services, such as banking, accounting, reporting, etc.
- Procurement administration services
- IT support

The Compact paid the County approximately $33,000 for these services for the six-month period ended June 30, 2017.

The Compact rented office space from the County through June 30, 2017. The Compact paid the County approximately $55,000 for rent and $29,000 for custodial services for the year ended December 31, 2017. These expenses are reported as other operating expenses in the accompanying financial statements.

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 Program. Purchases for the year ended December 31, 2017 totaled approximately $20,000.

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 at December 31, 2017 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:

Calendar Year	Vehicles	Office Space
2018	$ 1,220	$ 90,000
2019	-	90,000
2020	-	90,000
2021	-	90,000

Lease expenses for the agreements for the year ended December 31, 2017 totaled $53,010 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.

PENSION PLAN SCHEDULES

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

	2017
Compact's Proportion of the Net Pension Liability	0.493%
Compact's Proportionate Share of the Net Pension Liability	3,467,247
Compact's Employee Payroll	1,340,875
Compact's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	38.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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)

	2017	2016
Actuarially Required Contribution	$ 277,827	$ 293,912
Contributions in Relation to the Actuarially Required Contribution	(277,827)	(293,912)
Contribution Deficiency (Excess)	$ -	$ -
Compact's Employee Payroll	$ 1,351,689	$ 1,340,875
Contributions as a Percentage of Employee Payroll	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, 2017

OPEB - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll C	UAAL as a Percentage of Covered Payroll ((B-A)C)
6/30/2016	-	$ 2,141,983	$ 2,141,983	-	$ 725,766	295.13%

See accompanying independent auditors' report.

CAPE LIGHT COMPACT JPE
COMBINING STATEMENT OF NET POSITION BY PROGRAM
DECEMBER 31, 2017

ASSETS	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green Program	Eliminations	Total
Current Assets:							
Cash and Cash Equivalents	$ 5,617,534	$ -	$ 920,000	$ -	$ -	$	$ 6,537,534
Cash Held by Barnstable County	15,352,156	801,370	120,000	146,632	172,073		16,592,231
Due from Other Funds	313,740	-	-	-	-	(313,740)	-
Receivables, Net of Allowance for Uncollectible Amounts:							
Energy Efficiency	278,446	-	-	-	-	-	278,446
Energy Efficiency Reconciliation Factor	1,687,703	-	-	-	-		1,687,703
Mil-Adder	-	68,811	-	-	-		68,811
Intergovernmental (RGGI)	104,751	-	-	-	-		104,751
Other	305,294	8,302	-	51,480	-	-	365,076
Prepaid Expenses	-	50,913	-	-	-		50,913
Other Assets	-	100,207	-	-	-	-	100,207
Total Current Assets	23,659,624	1,029,603	1,040,000	198,112	172,073	(313,740)	25,785,672
Noncurrent Assets:							
Capital Assets Not Being Depreciated	588,438	-	-	-	-		588,438
Total Assets	24,248,062	1,029,603	1,040,000	198,112	172,073	(313,740)	26,374,110
DEFERRED OUTFLOWS							
Related to Pensions	652,811	-	-	130,552	-	-	783,363
LIABILITIES							
Current Liabilities:							
Accounts Payable and Accrued Expenses	4,139,119	-	-	105,395	-	-	4,244,514
Accrued Payroll	28,019	-	-	3,306	-	-	31,325
Compensated Absences, Current	9,212	-	-	1,194	-	-	10,406
Due to Other Funds	-	254,726		59,014		(313,740)	-
Total Current Liabilities	4,176,350	254,726	-	168,909	-	(313,740)	4,286,245
Noncurrent Liabilities:							
Compensated Absences, Net of Current	82,910	-	-	10,747	-		93,657
Net OPEB Obligation	727,144	-	-	128,031	-		855,175
Net Pension Liability	2,842,288	-	-	624,959	-		3,467,247
Total Noncurrent Liabilities	3,652,342	-	-	763,737	-	-	4,416,079
Total Liabilities	7,828,692	254,726	-	932,646	-	(313,740)	8,702,324
DEFERRED INTFLOWS							
Related to Pensions	36,418	-	-	8,008	-	-	44,426
NET POSITION							
Net Investment in Capital Assets	588,438	-	-	-	-	-	588,438
Unrestricted	16,447,325	774,877	1,040,000	(611,990)	172,073	-	17,822,285
Total Net Position	$ 17,035,763	$ 774,877	$ 1,040,000	$ (611,990)	$ 172,073	$ -	$ 18,410,723

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, 2017

	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green Program	Eliminations	Total
OPERATING REVENUES							
Energy Efficiency	$ 4,824,129	$ -	$ -	$ -	$ -	$ -	$ 4,824,129
Energy Efficiency Reconciliation Factor	33,952,991	-	-	-	-	-	33,952,991
Mil-Adder	-	869,766	-	-	-	-	869,766
Green Program	-	-	-	-	6,096	-	6,096
Intergovernmental (RGGI)	673,762	-	-	-	-	-	673,762
Intergovernmental (Solar)	-	-	-	51,480	-	-	51,480
Other	-	-	-	78,461	-	-	78,461
Total Operating Revenues	39,450,882	869,766	-	129,941	6,096	-	40,456,685
OPERATING EXPENSES							
Salaries and Benefits	941,958	-	-	51,821	-	-	993,779
Contracted Labor	684,773	-	-	107,679	-	-	792,452
Energy Efficiency Programs:							
Residential Programs	21,967,912	-	-	-	-	-	21,967,912
Low Income Programs	2,058,193	-	-	-	-	-	2,058,193
Commercial and Industrial Programs	5,987,033	-	-	-	-	-	5,987,033
Other Programs	418,119	-	-	-	-	-	418,119
Legal and Related Consulting Services	704,630	-	-	972,372	-	-	1,677,002
Other Professional Services	56,697	-	-	114,495	-	-	171,192
Marketing	85,194	-	-	11,511	-	-	96,705
Other Operating	404,468	-	-	349,500	42,738	-	796,706
Depreciation	123,248	-	-	-	-	-	123,248
Total Operating Expenses	33,432,225	-	-	1,607,378	42,738	-	35,082,341
Operating Income (Loss)	6,018,657	869,766	-	(1,477,437)	(36,642)	-	5,374,344
NONOPERATING REVENUES (EXPENSES)							
Forward Capacity Market	2,708,274	-	-	-	-	-	2,708,274
Renewable Energy Certificates	-	(99,382)	-	-	(39,072)	-	(138,454)
Investment Income	82,880	14,744	-	162	-	-	97,786
Total Nonoperating Revenues (Expenses), Net	2,791,154	(84,638)	-	162	(39,072)	-	2,667,606
Income (Loss) Before Transfers	8,809,811	785,128	-	(1,477,275)	(75,714)	-	8,041,950
TRANSFERS							
Transfers In	-	271,652	920,000	1,087,447	-	(2,279,099)	-
Transfers Out	(920,000)	(1,087,447)	-	(271,652)	-	2,279,099	-
Total Transfers	(920,000)	(815,795)	920,000	815,795	-	-	-
CHANGE IN NET POSITION	7,889,811	(30,667)	920,000	(661,480)	(75,714)	-	8,041,950
Net Position - Beginning of Year	9,145,952	805,544	120,000	49,490	247,787		10,368,773
NET POSITION (DEFICIT) - END OF YEAR	$ 17,035,763	$ 774,877	$ 1,040,000	$ (611,990)	$ 172,073	$ -	$ 18,410,723

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, 2017

Energy Efficiency Operating Fund Expenses Reported on 2017 Combining Statement of Revenues, Expenses and Change in Net Position (Page 29)	$ 33,432,225
Reconciling items:	
To Record Net Change in Accrued Expenses	24,309
To Record Net Change in Accrued Payroll	(5,923)
To Record Net Change in Accrued Long-Term Liabilities	(3,167,239)
To Record Net Pension Liability, Net of Deferred Outflows and Inflows	2,225,895
To record Net OPEB Obligation	727,144
To Record Net Change in Accrued Compensated Absences	(33,445)
Transfers Made to the OPEB and Pension Reserve Fund	920,000
Expenses Capitalized for Financial Reporting Purposes	101,590
Amortization of Capitalized Expenses	(123,248)
Total Reconciling Items	669,083
2017 Energy Efficiency Expenses Reported on the 2017 Annual Report	$ 34,101,308 (A)

(A) This amount is reported on the modified accrual basis of accounting and reviewed annually by the DPU

See accompanying independent auditors' report.