

Comptroller's Directive No. 1-17
Attachment 5
Energy Performance Contracts

Purpose

This attachment is used to gather uniform financial reporting information for Energy Performance Contracts for which the Commonwealth has an outstanding obligation. The Treasury Board administers the lease financing program for energy efficiency projects. These projects are intended to reduce energy consumption and demand or allow for the use of an alternative energy source. In some cases, these projects are funded through escrow financing. These contracts are considered installment purchase obligations of the Commonwealth. A bank account is established for the agency to purchase equipment or pay for other project expenses over a certain period of time. This is similar to prior year's Attachment 5.

Do not include any information on this attachment related to other types of installment purchase obligations or for energy related contracts that were funded with existing resources. All other types of installment purchase obligations should be reported on [Attachment 7, Schedule of Outstanding Installment Purchase Obligations](#).

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Applicable agencies

All agencies with obligations or current year activity related to “Energy Performance Contracts” that are **not** reported on a financial statement template **must** complete this attachment.

The beginning balance will automatically populate based on the agency number selected on the **Debt** tab of the attachment spreadsheet. In order to obtain the appropriate beginning balances, the following agencies must key the specified three-digit agency number for all related facilities/agencies:

- The Department of Corrections must aggregate central office and all facilities using 701. The Department submitted two attachments in the prior year and the drop-down list has been updated as follows:
 - 701-4 corresponds to agency prior year submission 701-4
 - 701-6 corresponds to agency prior year submission 701-6

Note: For new agreements, choose 701 from the drop-down list and save the file with the next number in sequence (e.g., 701-7Att5.xlsx*).

- The Department of Behavioral Health and Developmental Services must aggregate central office and all facilities using 720. The Department submitted four attachments in the prior year and the drop-down list has been updated as follows:
 - 720-1 Southwestern Virginia Mental Health Institute
 - 720-5 Catawba Hospital
 - 720-6 Piedmont Geriatric Hospital
 - 720-7 Eastern State Hospital

Note For new agreements, choose 720 from the drop-down list and save the file with the next number in sequence (e.g., 720-8Att5.xlsx*).

- The Supreme Court of Virginia must aggregate all agencies 103, 111, 112, 113, 114, 115, 116, 125, 160 using 111.

***Note:** If the agency has an earlier version of Excel and has problems opening the attachment file, DOA can provide the attachment saved in an earlier version of Excel (.xls).

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Questions For questions or to request detailed training from an analyst, please contact:
AttachmentAnalyst@doa.virginia.gov.

Please reference the attachment number in the subject line of the e-mail.

Due date **July 20, 2017**

Data entry Only cells highlighted in yellow allow for data entry. Error messages in cells are intended to alert preparers that established parameters are not being followed. **Failure to correct Errors or provide answers to all required questions prior to submission will prohibit acceptance of the attachment. Selected cells requiring a response will be populated with an “Answer Required” message until a response is entered.**

Certification The **Certification** tab requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. **By typing a name, the preparer is certifying that all of the questions have been completed and are accurate; the reviewer is certifying that the attachment has been reviewed and is complete and accurate; the preparer and reviewer were not the same individual for any tab; and that you have read and understood the instructions for the attachment. If agency staffing does not allow for a different preparer and reviewer, please contact DOA.**

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**Submission
requirements**

Contact DOA if the agency has any problems with the spreadsheets.

A separate template must be completed for each energy performance contract. After downloading the files, rename the spreadsheet file using the agency number followed by Att5-Contract Number. For example, if agency 151 has two energy performance contracts, two attachments will be submitted. The attachments will be renamed as follows: 151Att5-1.xlsx and 151Att5-2.xlsx.

Submit the Excel spreadsheet electronically to finrept-agyatt@doa.virginia.gov.

Please include **Agency Number** and **Attachment Number** in the **subject line** of the submission e-mail.

Copy APA via e-mail to APAFinRept@apa.virginia.gov.

Do not submit paper copies of these Excel spreadsheets.

For your convenience, the yellow contact information cells have been linked to the remaining tabs. However, they remain unlocked to allow for more than one preparer to complete the attachment.

For review and audit purposes, prepare and maintain a separate listing of assets acquired under "Energy Performance Contract" related installment purchases. Also, prepare and maintain a separate file of bank statements, contractor invoices, DGS CO-12 (Capital Outlay Report) (3 pages), and other documents related to balances listed on the attachment.

Please provide this supporting information in PDF format to finrept-agyatt@doa.virginia.gov.

If PDF documents cannot be provided, paper copies of the supporting document may be mailed or faxed to:

Department of Accounts
Financial Reporting Unit
P.O. Box 1971
Richmond, Virginia 23218-1971
Fax 804-225-2430

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**Attachment
revisions**

If attachment revisions are made subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the Revision Control Log tab in the attachment Excel file.**

Enter the revision date, applicable Excel file tab name, row number and column letter revised, and the previous and revised information. Document text changes and numerical changes. Only enter changes for amounts actually keyed. For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log.

If the attachment is revised more than once, do not delete control log revision information from the previous revision. Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

Include “**REVISED – date**” in the **subject line** of the submission e-mail as well as in the **file name**. Resubmit the revised attachment; and ensure that the **Revision Control Log** tab has been completed.

Each time a revision is submitted the Certification tab should be updated with new signatures and dates

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Definitions

Energy Performance Contracts – Agreements provided by an approved energy performance contractor which provide a guarantee to significantly reduce energy operating costs of an essential Commonwealth facility through one or more energy conservation or operational efficiency measures. As a reminder, the Treasury Board must approve all Energy Performance Contracts by agencies, institutions, boards and authorities which receive appropriations from the Commonwealth per the *Code of Virginia* §2.2-2417. Refer to CAPP Topic No. 30320, *Energy Performance Contracts*, for additional information.

Installment Purchases – Financing agreements to acquire assets for which title passes immediately to the agency. Financing arrangements covered by the Treasury Board Master Equipment Leasing Program are considered installment purchases.

Lease – A financing agreement in which the title may pass by the end of the lease term, or may not pass at all.

Capitalized Assets – For CAFR financial reporting purposes, capitalized assets are equipment related to projects valued greater than or equal to \$50,000 and all other asset categories valued greater than or equal to \$100,000.

Controlled Assets – For CAFR financial reporting purposes, controlled assets are equipment related to projects less than \$50,000 and all other asset categories less than \$100,000.

Compounded Interest – In some financing agreements, the outstanding principal balance of the loan increases, because the scheduled monthly payments do not cover the full amount of interest owed. The unpaid (compounded) interest is added to the outstanding principal, to be repaid later.

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**Additional
considerations**

GASBS No. 34 Government-wide Financial Statements

This attachment obtains information to convert the Governmental Fund Statements (modified accrual) to the Government-wide Statements (full accrual). Also, the installment purchase obligation must be reported on the following two separate line items on the Statement of Net Position: amounts due within one year and amounts due in greater than one year.

LAS and FAACS

Agencies should ensure that installment purchases are NOT included in the Lease Accounting System (LAS) and that the capital assets acquired through these installment purchases are properly recorded in FAACS.

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**Completing
Debt
Worksheet tab**

Cells that require input are shaded in light yellow.

Step	Action
	<p>Use the drop-down list to choose the agency number. This must be done FIRST for the spreadsheet to function properly. For your convenience, it is only necessary to enter the contact information on the Debt Worksheet tab. The contact information is linked to the remaining tabs; however, the contact information in the remaining tabs may be overwritten if necessary.</p> <p>The following agencies must key the specified three-digit agency number for all related facilities/agencies:</p> <ul style="list-style-type: none"> • The Department of Corrections must aggregate central office and all facilities using 701. The Department submitted two attachments in the prior year and the drop-down list has been updated as follows: <ul style="list-style-type: none"> ◦ 701-4 corresponds to agency prior year submission 701-4 ◦ 701-6 corresponds to agency prior year submission 701-6 <p>Note: For new agreements, choose 701 from the drop-down list and save the file with the next number in sequence. For example, 701-7Att5.xlsx.</p> <ul style="list-style-type: none"> • The Department of Behavioral Health & Developmental Services must aggregate central office and all facilities using 720. The Department submitted four attachments in the prior year and the drop-down list has been updated as follows: <ul style="list-style-type: none"> ◦ 720-1 is for Southwestern Virginia Mental Health Institute ◦ 720-5 is for Catawba Hospital ◦ 720-6 is for Piedmont Geriatric Hospital ◦ 720-7 Eastern State Hospital <p>Note: For new agreements, choose 720 from the drop-down list and save the file with the next number in sequence. For example, 720-8Att5.xlsx.</p> <ul style="list-style-type: none"> • The Supreme Court of Virginia must aggregate all agencies 103, 111, 112, 113, 114, 115, 116, 125, and 160 using 111.

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Completing Debt Worksheet tab, continued

Step	Action
1	<ul style="list-style-type: none"> • Enter the beginning balance into the Debt Worksheet tab of the attachment spreadsheet. If the agency’s beginning energy performance contract obligation is different than the ending obligation reflected in the FY2016 submission and in the below auto populated cell, please provide the reason for the difference. Note: There should only be a value in the auto-populated cell if there was an Energy Performance Contract in the prior year. • Enter the amount of new or refinanced energy performance contract obligation(s) during FY2017. Note: For new contracts entered into during FY 2017, the agency should submit a separate attachment for each new contract. • Enter amount of defeasance for current year refunding. • Enter the amount of principal increases due to the compounding of interest. • Enter the debt service principal payments made in FY 2017 for energy performance contracts. • The ending balance will be computed for the agency. The agency does not have to enter this number. <u>This number MUST agree to the total future principal payments plus compounded interest in step 3.</u>
2	<p>Complete the detailed information about the principal and interest debt service payments:</p> <ul style="list-style-type: none"> • Enter corresponding amount of principal and interest by fund and function. The Fund name will auto populate once a fund number is entered. Please verify that this fund is the intended fund. If the following message, “Verify fund number and Contact DOA” appears, please contact DOA. • Total principal MUST agree to the total in Step 1. If not, an “error” message will appear. • Identify the fund used by the agency to accumulate and pay energy efficiency savings.

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Completing Debt Worksheet tab, continued

Step	Action
3	Enter future principal and interest payments as well as interest that is expected to accrue and compound by year for the first five fiscal years indicated, and then in five-year increments thereafter. Send supporting documentation to DOA. Total principal payments MUST EQUAL the ending balance in step 1 plus compounded interest. If not, an "error" message will appear.

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**Completing the
Fund Activity
tab**

The contact information is linked to the Debt Worksheet tab. Cells that require input are shaded in light yellow.

Step	Action
1	Provide the date of any current year financing agreement that was entered into and the date your agency received the related proceeds.
2	<ul style="list-style-type: none"> • Provide the cash basis fund activity related to energy contracts. Enter beginning balance amount. If the beginning balance amount does not represent the agency's ending balance reported in the prior fiscal year directive submission, please provide explanation in the comment box. • Enter interest earnings, payment to contractors, current year defeasance, and other payments (excluding scheduled debt service). Include in other payments any extra principal payments made from unspent proceeds as in the case where the contract provides for the application towards principal of any unspent proceeds remaining at the end of the project. If proceeds have been applied towards principal, be sure to include these amounts in Step 2 of the Debt Worksheet tab and adjust the schedule of Future Payments in Step 3 of that tab as appropriate. Current year proceeds will automatically calculate. Send supporting documentation to DOA, including bank statement, portfolio summary, and schedule of values. • Provide whether amounts are recorded in Cardinal and if so, enter the Business Unit number, Fund and Account. • Categorize the ending balance of unspent proceeds as cash or cash equivalents. For definitions of each category, refer to the Glossary on DOA’s website at www.doa.virginia.gov. Click on the “Financial Statement Directives” link. <p>Note: Energy performance contract proceeds are considered demand deposits and should not be reported as investments.</p>

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Completing the Fund Activity tab (continued)

Step	Action
3	<ul style="list-style-type: none"> • Provide total payments to contractors to be made in July and August 2017, which relate to amounts owed at June 30, 2017 (excluding retainage). If data is unavailable by the attachment due date, please provide an estimate. • Provide amount owed to contractors as of June 30 for which payments will be made after August 31, 2017(excluding retainage). If data is unavailable by the attachment due date, please provide an estimate. • Provide retainage payable as of June 30, 2017.
4	<ul style="list-style-type: none"> • Provide information about any energy performance contract agreements entered into subsequent to June 30, 2017.

Completing the Capital Assets tab

The contact information is linked to the Debt Worksheet tab. Cells that require input are shaded in light yellow.

Step	Action
1	<ul style="list-style-type: none"> • Answer yes or no as to whether capitalized equipment valued at \$50,000 or more and/or all other asset categories valued at \$100,000 or more were acquired with energy contract proceeds.
2 & 3	<ul style="list-style-type: none"> • If you answered yes in step 1, answer yes or no as to whether any of the assets were recorded in FAACS. • If yes, complete the schedule at step 2a. • If assets recorded in FAACS in the current fiscal year were acquired with prior year outlays, complete the schedule at step 2b. • If no, explain why and complete the schedule at step 3.
4	<ul style="list-style-type: none"> • To account for reclassifications of Energy Performance Contract related CIP to buildings, infrastructure, equipment or land in the current year, complete the schedule at step 4.

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Function codes defined

Function codes are the first number in every program. For example, program/service area 103010 “Community Services” would fall under the “Education” function. Each function code and its corresponding description are below.

- 1 – Education
 - 3 – Administration of Justice
 - 4 – Individual and Family Services
 - 5 – Resources and Economic Development
 - 6 – Transportation
 - 7 – General Government
 - 8 – Enterprise
 - 9 – Capital Outlay
-

Completing the Reconciliation tab

The contact information is linked to the Debt Worksheet tab. Cells that require input are shaded in light yellow.

Step	Action
1	Provide the cumulative totals per agency records for each category in the "Per Agency Records" column. The initial contract amount and cumulative totals derived from all prior Attachment 5 submissions for the contract will pre-populate based on the agency number. Please provide an explanation of any variances in the "Explanation of Variance" column.
2	Review the detail information shown in the Prior Year Energy Performance Contract Cumulative Asset Balance By Agency List as of June 30, 2016, published on DOA’s website at www.doa.virginia.gov for accuracy. If any additions or corrections are needed to the information, provide an explanation in the text box on the Reconciliation tab or in a separate file.
3	Enter current year amounts in the yellow-shaded cells. Unshaded cells will pre-populate with amounts from the Fund Activity and Capital Assets tabs. If the current year activity entered does not reconcile to the Fund Activity and Capital Assets tabs, an error message will appear.

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