

ARMENIA RENEWABLE RESOURCES AND ENERGY EFFICIENCY FUND

ENERGY EFFICIENCY PROJECT

GEF GRANT NUMBER TF012163

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2015

**YEREVAN
April 2016**

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of
"Energy Efficiency Project"
for the year ended 31 December 2015*

To the management of Armenia Renewable Resources and Energy Efficiency Fund (the Fund)

We have audited the accompanying special purpose financial statements of "Energy Efficiency Project" (the Project) financed by the GEF Grant Number TF012163, which comprise the Statement of Financial Position as at 31 December 2015, the Statement of Sources and Uses of Funds, the Statement of Uses of Funds by Project Activity, Summary of summary reports and SOEs, the Statement of Designated Account for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management of the Fund is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the accrual basis of accounting described in the Note 2 accompanying these special purpose financial statements, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as issued by International Auditing and Assurance Standards Board. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose 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 special purpose financial statement 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. An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

Քրոու Հորվաթ Բիզնես Ալյանսի Ասոցիացված Անդամ

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

Opinion

In our opinion,

1. the special purpose financial statements present fairly in all material respects the financial position of the Project as at 31 December 2015, as well as the sources and uses of funds for the year ended 31 December 2015 in accordance with the accrual basis of accounting described in the Note 2 accompanying these special purpose financial statements;
2. funds have been used in accordance with the conditions of the Global Environment Facility (GEF) Grant Agreement TF012163 dated 20 April 2012 signed between the Republic of Armenia and International Bank for Reconstruction and Development (IBRD), and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
3. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the GEF Grant Agreement TF012163.
4. the Designated account used has been maintained in accordance with the provision of the GEF Grant Agreement TF012163, and World Bank related guidelines.

"SOS-Audit" LLC
6 April 2016



Manvel Ghazaryan
Director

Gnel Khachatryan, FCCA
Auditor

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STATEMENT OF SOURCES AND USES OF FUNDS

Energy Efficiency Project

GEF Grant TF012163

For the year ended 31 December 2015

In USD

	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	
Opening Working Capital							
Cash and cash equivalents	50,588.99	-					
Prepayments	354,559.24	-					
Accounts payable	-	-					
Total	405,148.23	-					
Sources of Funds							
GEF Grant TF012163	442,902.55	1,584,130.23					
GoA funds	145,066.47	270,615.32					
Financing from Revolving funds	2,669,043.91	3,728,142.19					
Other	1,287.82	8,659.12					
Total	3,258,300.75	5,591,546.86					
Foreign exchange gain/(loss)	2,025.37	(27,481.70)					
Uses of Funds							
1. Energy Efficiency Investments under Part A of the Project	2,446,081.76	3,844,500.93	2,314,090.82	3,712,509.99	131,990.94	131,990.94	700,000.00
2. Goods, consultants' services and Operating Costs under Part B the Project	645,077.90	1,145,249.54	794,788.39	1,294,960.03	(149,710.49)	(149,710.49)	1,120,000.00
Total	3,091,159.66	4,989,750.47	3,108,879.21	5,007,470.02	(17,719.55)	(17,719.55)	1,820,000.00
Closing Working Capital							
Cash and cash equivalents	37,644.81	37,644.81					
Prepayments	729,593.00	729,593.00					
Accounts payable	(192,923.12)	(192,923.12)					
Total	574,314.69	574,314.69					

* PAD amounts include only IBRD funds.

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

Energy Efficiency Project

GEF Grant TF012163

For the year ended 31 December 2015

In USD

Project Activities	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	
Component 1- Energy Efficiency Investments in Public Facilities	2,446,081.76	3,844,500.93	2,314,090.82	3,712,509.99	131,990.94	131,990.94	700,000.00
Component 2- Technical Assistance	645,077.90	1,145,249.54	794,788.39	1,294,960.03	(149,710.49)	(149,710.49)	1,120,000.00
Total	3,091,159.66	4,989,750.47	3,108,879.21	5,007,470.02	(17,719.55)	(17,719.55)	1,820,000.00

** PAD amounts include only IBRD funds*

SUMMARY OF SUMMARY REPORTS AND SOES

Energy Efficiency Project
 GEF Grant TF012163
 For the year ended 31 December 2015
 In USD

Application N	Expenditure category		Total	Value date
	1. Energy Efficiency Investments under Part A of the Project	2. Goods, consultants' services and Operating Costs under Part B of the Project		
12-DA	91,850.42	52,565.89	144,416.31	27-Apr-2015
13-DA	-	74,337.29	74,337.29	16-Jul-2015
14-DA	-	122,289.88	122,289.88	24-Aug-2015
15-DA	-	101,859.07	101,859.07	20-Nov-2015
Total	91,850.42	351,052.13	442,902.55	

STATEMENT OF DESIGNATED ACCOUNT

*Energy Efficiency Project
GEF Grant TF012163
For the year ended 31 December 2015*

<u>Designated Account</u>	<u>GEF Grant TF012163</u>
Currency	USD
Account number	900000910175
Bank	Central Treasury
Location	4 Tigran Mets str., 1-st floor, Yerevan Republic of Armenia, 0010
	Year ended 31.12.2015
	USD
1. Opening balance	50,588.99
Add:	
2. Cumulative opening discrepancy	-
3. GEF advance/replenishment	442,902.55
Less:	
4. Refund to GEF from DA	-
5. Present outstanding amount advanced to DA	493,491.54
6. DA closing balance as at 31.12.2015	37,644.81
Add:	
7. Amount of eligible expenditures paid	455,846.73
8. Service charges (if debited into DA)	-
Less:	
9. Interest earned (if credited into DA)	-
10. Total advance/replenishment accounted for	493,491.54
11. Discrepancy (5)-(10)	-

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

Energy Efficiency Project
GEF Grant TF012163
For the year ended 31 December 2015

1. General Information

1.1. Project Financing

According to the Agreement concluded between the Republic of Armenia and International Bank for Reconstruction and Development (IBRD) on 20 April 2012, IBRD acting as an Implementing Agency of the Global Environment Facility (GEF) provided the Republic of Armenia GEF Grant TF012163 in the amount of 1,820,000 United States dollars (USD). Grant was provided for implementation of Energy Efficiency Project (the Project).

The Project financing agreement became effective on 10 August 2012. The Closing date for the expenditures to be financed by the Grant is set on 30 June 2016. The grace period for withdrawal applications is set on 31 October 2016.

1.2. Project objectives

The objective of the Project is to reduce energy consumption in social and other public facilities through the removal of barriers to the implementation energy efficiency investments in the public sector.

The Project consists of the following parts:

- A – Energy Efficiency Investments in Public Facilities,
- B – Technical Assistance

1.3. Project Budget

The Project is being financed by the following sources:

- International Bank for Reconstruction and Development (IBRD), -100% financing exclusive of taxes.
- The Government of the Republic of Armenia (GoA) -taxes,
- Financing from Revolving funds of the Republic of Armenia.

Category	IBRD	Government of the RA	Revolving fund	Total
	USD	USD	USD	USD
Component 1- Energy Efficiency Investments in under Part A of the Project	700,000	140,000	6,000,000	6,840,000
Component 2- Goods, consultants' services and Operating Costs under Part B of the Project	1,120,000	160,000	540,000	1,820,000
Total	1,820,000	300,000	6,540,000	8,660,000

1.4. Project Implementation

The Project is implemented by Armenia Renewable Resources and Energy Efficiency Fund (the Fund).

The Fund activity address is: 32 Proshyan str., 1st lane, Yerevan 0019, Republic of Armenia.

2. Accounting policy

2.1 Preparation and presentation of financial statements

The special purpose financial statements have been prepared based on the accrual basis of accounting and presented in accordance with Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 – Financial Reporting and Auditing.

In accordance with the accrual bases of accounting the expenditure is recognized when the transaction occur (expense incurred), and not only when cash or its equivalent is received or paid. The transactions are recorded in the accounting records and recognized in the special purpose financial statements of the periods to which they relate.

The special purpose financial statements consist of:

- Statement of financial position,
- Statement of sources and uses of funds,
- Statement of uses of funds by project activity,
- Summary of summary reports and SOEs,
- Statement of designated account,
- Notes to the special purpose financial statements.

Reporting currency of special purpose financial statements is US dollar (USD).

2.2 Foreign currency transactions

Project accounts are maintained and transactions are made in USD and Armenian Drams (AMD). Transactions denominated in local currency are translated into USD as follows:

- Contributions of the RA Government expressed in AMD are translated into USD at the average exchange rate at currency market issued by the Central Bank of Armenia (CBA) at the date of transfer.
- Payments to contractors and suppliers expressed in AMD are translated into USD at the average exchange rate at currency market issued by the CBA at the date of payment.
- Monetary assets and liabilities are translated into USD at the average exchange rate at currency market issued by the CBA at the reporting date.
- Transaction and translation exchange differences (gains/losses) are recognized and presented in financial statements in net as an Exchange difference.

The average exchange rate at currency market issued by the CBA as at 31 December 2014 is 1 USD =474.97 AMD

The average exchange rate at currency market issued by the CBA as at 31 December 2015 is 1 USD =483.75 AMD

2.3 Taxes

The Project related taxes and mandatory payments are calculated and paid in accordance with tax regulations of the Republic of Armenia.

3. Project expenditures allocation on funds

Expenditure category	Reporting year 2015					Cumulative As at 31.12.2015				
	GEF Grant TF012163	GoA	Revolving fund	Other*	Total	GEF Grant TF012163	GoA	Revolving fund	Other*	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
1. Energy Efficiency Investments under Part A of the Project	135,702.54	27,140.51	2,282,417.42	821.29	2,446,081.76	670,606.37	113,650.18	3,052,079.24	8,165.14	3,844,500.93
2. Goods, consultants' services and Operating Costs under Part B the Project	458,688.37	140,761.21	45,161.79	466.53	645,077.90	849,152.69	176,119.49	119,483.38	493.98	1,145,249.54
Total	594,390.91	167,901.72	2,327,579.21	1,287.82	3,091,159.66	1,519,759.06	289,769.67	3,171,562.62	8,659.12	4,989,750.47

**Expenses included in these columns have not been paid, as according to contracts these amounts were calculated as penalties and retained.*

4. Accounts payable

	31.12.2015 USD	31.12.2014 USD
Energy Efficiency Investments under Part A of the Project	190,562.09	-
Goods, consultants' services and Operating Costs under Part B of the Project	2,361.03	-
Total	192,923.12	-

5. Prepayments

	31.12.2015 USD	31.12.2014 USD
Energy Efficiency Investments under Part A of the Project	729,593.00	354,559.24
Total	729,593.00	354,559.24

6. Financing

6.1 GEF Grant TF 012163 financing

	Reporting year 2015 USD	As at 31.12.2015 Cumulative USD
Advance	-	150,000.00
SOE and Summary Reports	442,902.55	1,434,130.23
	442,902.55	1,584,130.23
Total financing budget		1,820,000.00
Percentage of finance provided as at 31 Dec 2015		87%

6.2 Government financing

	Reporting year 2015 USD	As at 31.12.2015 Cumulative USD
Contributions in cash	145,066.47	270,615.32
	145,066.47	270,615.32
Total financing budget		300,000.00
Percentage of finance provided as at 31 Dec 2015		90%

6.3 Financing from Revolving funds

	Reporting year 2015 USD	As at 31.12.2015 Cumulative USD
Contributions in cash	<u>2,669,043.91</u>	<u>3,728,142.19</u>
Total financing budget		<u>6,540,000.00</u>
Percentage of finance provided as at 31 Dec 2015		<u>57%</u>

7. Expenditure budget execution

Project components	Cumulative Expenditures as at 31 Dec 2015	Total budget	Execution
	USD	USD	%
Component 1- Energy Efficiency Investments in Public Facilities	3,844,500.93	6,840,000	56%
Component 2- Technical Assistance	1,145,249.54	1,820,000	63%
Total	4,989,750.47	8,660,000	58%

8. Non submitted expenditures

Expenditures incurred during the reporting year in the total amount of 112,355.19 USD were not submitted to WB for reimbursement as at date of signing these special purpose financial statements.

ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE PROJECT AND DISBURSED BY THE WORLD BANK

*Energy Efficiency Project
 GEF Grant TF012163
 For the year ended 31 December 2015
 In USD*

Category	Appl. N	Fund	WB	Difference
1. Energy Efficiency Investments under Part A of the Project	12-DA	91,850.42	91,850.42	-
		91,850.42	91,850.42	
2. Goods, consultants' services and Operating Costs under Part B of the Project	12-DA	52,565.89	52,565.89	-
	13-DA	74,337.29	74,337.29	-
	14-DA	122,289.88	122,289.88	-
	15-DA	101,859.07	101,859.07	-
		351,052.13	351,052.13	
Total		442,902.55	442,902.55	