

ARMENIA RENEWABLE RESOURCES AND ENERGY EFFICIENCY FUND

ENERGY EFFICIENCY PROJECT

GEF GRANT TF012163

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the periods ended 31 December 2012 and 31 December 2013

**YEREVAN
June 2014**

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT N 57

*On the special purpose financial statements of
"Energy Efficiency Project" for the periods ended
31 December 2012 and 31 December 2013*

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 TF012163, which comprise the Statement of Financial Position as at 31 December 2012 and 31 December 2013, 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 periods from 10 August 2012 to 31 December 2012 and from 1 January 2013 to 31 December 2013, 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 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

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estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

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 2012 and 31 December 2013, as well as the sources and uses of funds, designated account movement and its balance for the periods from 10 August 2012 to 31 December 2012 and from 1 January 2013 to 31 December 2013 in accordance with the 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 TF012163 Grant Agreement signed between the Republic of Armenia and International Bank for Reconstruction and Development, 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 TF012163 Grant Agreement.

SOS-Audit LLC
26 June 2014



Manvel Ghazaryan
Director


Nazik Chitchyan
Auditor

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STATEMENT OF FINANCIAL POSITION

Energy Efficiency Project
GEF Grant TF012163
As at 31 December 2012 and 31 December 2013

	Note	31.12.2013 USD	31.12.2012 USD
ASSETS			
Cash and cash equivalents			
Designated account (USD)		93,150.11	143,100.61
Cash in transfer		41,144.88	-
Total Cash		134,294.99	143,100.61
Prepayments		37,480.52	-
Cumulative project expenditures	3	874,083.51	7,533.60
TOTAL ASSETS		1,045,859.02	150,634.21
FUNDS AND LIABILITIES			
Accounts payable	4	43,966.13	-
Foreign exchange gain	7	1,578.05	231.38
Funds			
GEF Grant TF012163	6	624,369.27	150,000.00
GoA co-financing		64,140.09	402.83
Financing from Revolving funds		304,461.63	-
Other		7,343.85	-
Total Funds		1,000,314.84	150,402.83
TOTAL FUNDS AND LIABILITIES		1,045,859.02	150,634.21

The special purpose financial statements were approved by the management of Armenia Renewable Resources and Energy Efficiency Fund and signed on its behalf on 26 June 2014. The accompanying notes form an integral part of these special purpose financial statements.



Roza Manucharyan
Financial Manager

STATEMENT OF SOURCES AND USES OF FUNDS

Energy Efficiency Project

GEF Grant TF012163

For the period from 10 August 2012 to 31 December 2012

In USD

	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	
Opening Working Capital							
Cash and cash equivalents	-	-					
Prepayments	-	-					
Accounts payable	-	-					
Total	-	-					
Sources of Funds							
GEF Grant TF012163	150,000.00	150,000.00					
GoA funds	402.83	402.83					
Total	150,402.83	150,402.83					
Foreign exchange gain/(loss)	231.38	231.38					
Uses of Funds							
1. Energy Efficiency Investments under Part A of the Project	-	-	756,000.00	756,000.00	(756,000.00)	(756,000.00)	700,000.00
2. Goods, consultants' services and Operating Costs under Part B the Project	7,533.60	7,533.60	360,000.00	360,000.00	(352,466.40)	(352,466.40)	1,120,000.00
Total	7,533.60	7,533.60	1,116,000.00	1,116,000.00	(1,108,466.40)	(1,108,466.40)	1,820,000.00
Closing Working Capital							
Cash and cash equivalents	143,100.61	143,100.61					
Prepayments	-	-					
Accounts payable	-	-					
Total	143,100.61	143,100.61					

* PAD amounts include only IBRD funds

STATEMENT OF SOURCES AND USES OF FUNDS

Energy Efficiency Project

GEF Grant TF012163

For the year ended 31 December 2013

In USD

	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	
Opening Working Capital							
Cash and cash equivalents	143,100.61						
Prepayments	-						
Accounts payable	-						
Total	143,100.61						
Sources of Funds							
GEF Grant TF012163	474,369.27	624,369.27					
GoA funds	63,737.26	64,140.09					
Financing from Revolving funds	304,461.63	304,461.63					
Other	7,343.85	7,343.85					
Total	849,912.01	1,000,314.84					
Foreign exchange gain/(loss)	1,346.67	1,578.05					
Uses of Funds							
1. Energy Efficiency Investments under Part A of the Project	650,505.88	650,505.88	201,820.00	201,820.00	448,685.88	448,685.88	700,000.00
2. Goods, consultants' services and Operating Costs under Part B the Project	216,044.03	223,577.63	583,180.00	590,713.60	(367,135.97)	(367,135.97)	1,120,000.00
Total	866,549.91	874,083.51	785,000.00	792,533.60	81,549.91	81,549.91	1,820,000.00
Closing Working Capital							
Cash and cash equivalents	134,294.99	134,294.99					
Prepayments	37,480.52	37,480.52					
Accounts payable	(43,966.13)	(43,966.13)					
Total	127,809.38	127,809.38					

* PAD amounts include only IBRD funds

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

Energy Efficiency Project

GEF Grant TF012163

For the period from 10 August 2012 to 31 December 2012

In USD

Project Activities	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	
Component 1- Energy Efficiency Investments in Public Facilities	-	-	756,000.00	756,000.00	(756,000.00)	(756,000.00)	700,000.00
Component 2- Technical Assistance	7,533.60	7,533.60	360,000.00	360,000.00	(352,466.40)	(352,466.40)	1,120,000.00
Total Project Expenditures	7,533.60	7,533.60	1,116,000.00	1,116,000.00	(1,108,466.40)	(1,108,466.40)	1,820,000.00

** 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 2013
 In USD

Project Activities	ACTUAL		BUDGET		VARIANCE		PAD*
	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	Reporting period	Cumulative to Date	
Component 1- Energy Efficiency Investments in Public Facilities	650,505.88	650,505.88	201,820.00	201,820.00	448,685.88	448,685.88	700,000.00
Component 2- Technical Assistance	216,044.03	223,577.63	583,180.00	590,713.60	(367,135.97)	(367,135.97)	1,120,000.00
Total Project Expenditures	866,549.91	874,083.51	785,000.00	792,533.60	81,549.91	81,549.91	1,820,000.00

* PAD amounts include only IBRD funds

SUMMARY OF SUMMARY REPORTS AND SOES

*Energy Efficiency Project
GEF Grant TF012163
In USD*

For the period from 10 August 2012 to 31 December 2012

During the reporting period there were no Summary reports or SOEs submitted to World Bank.

For the year ended 31 December 2013

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		
2	35,652.49	30,344.05	65,996.54	02-Aug-2013
3	56,877.22	89,157.37	146,034.59	14-Aug-2013
4	80,081.93	29,385.99	109,467.92	18-Dec-2013
5 reimbursement	111,725.34	-	111,725.34	27-Dec-2013
6 reimbursement	-	41,144.88	41,144.88	30-Dec-2013
Total	284,336.98	190,032.29	474,369.27	

STATEMENT OF DESIGNATED ACCOUNT

*Energy Efficiency Project
GEF Grant TF012163
For the period from 10 August 2012 to 31 December 2012*

<u>Designated Account</u>	<u>GEF Grant TF012163</u>
Currency	USD
Account number	900000910175
Bank	Central Treasury 1 Meliq Adamyany Street, Yerevan
Location	Republic of Armenia, 0010
	2012 USD
1. Opening balance	-
Add:	
2. Cumulative opening discrepancy	-
3. GEF advance/replenishment	150,000.00
Less:	
4. Refund to GEF from DA	-
5. Present outstanding amount advanced to DA	150,000.00
6. DA closing balance as at 31.12.2012	143,100.61
Add:	
7. Amount of eligible expenditures paid	6,899.39
8. Service charges (if debited into DA)	-
Less:	
9. Interest earned (if credited into DA)	-
10. Total advance/replenishment accounted for	150,000.00
11. Discrepancy (5)-(10)	-

STATEMENT OF DESIGNATED ACCOUNT

*Energy Efficiency Project
GEF Grant TF012163
For the year ended 31 December 2013*

<u>Designated Account</u>	<u>GEF Grant TF012163</u>
Currency	USD
Account number	900000910175
Bank	Central Treasury 1 Meliq Adamyany Street, Yerevan
Location	Republic of Armenia, 0010
	2013 USD
1. Opening balance	<u>143,100.61</u>
Add:	
2. Cumulative opening discrepancy	-
3. GEF advance/replenishment	321,499.05
Less:	
4. Refund to GEF from DA	-
5. Present outstanding amount advanced to DA	<u>464,599.66</u>
6. DA closing balance as at 31.12.2013	93,150.11
Add:	
7. Amount of eligible expenditures paid	371,449.55
8. Service charges (if debited into DA)	-
Less:	
9. Interest earned (if credited into DA)	-
10. Total advance/replenishment accounted for	<u>464,599.66</u>
11. Discrepancy (5)-(10)	-

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

*Energy Efficiency Project
GEF Grant TF012163
for the periods ended 31 December 2012 and 31 December 2013*

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 2015. The grace period for withdrawal applications is set on 31 October 2015.

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),
- The Government of the Republic of Armenia (GoA),
- Financing from Revolving funds of RA

Taxes are covered through the Government of Armenia (GoA) cofinancing.

Category	IBRD	Government of the RA	Revolving fund	Total
	USD	USD	USD	USD
Component 1- Energy Efficiency Investments in Public Facilities	700,000	140,000	6,000,000	6,840,000
Component 2- Technical Assistance	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 2012 is 1 USD =403.58 AMD

The average exchange rate at currency market issued by the CBA as at 31 December 2013 is 1 USD =405.64 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 period 2012			Reporting period 2013				Cumulative As at 31.12.2013			
	IBRD	GoA	Total	IBRD	GoA	Revolving fund	Total	IBRD	GoA	Revolving fund	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
1. Energy Efficiency Investments under Part A of the Project	-	-	-	336,795.68	46,887.34	266,822.86	650,505.88	336,795.68	46,887.34	266,822.86	650,505.88
2. Goods, consultants' services and Operating Costs under Part B the Project	6,899.39	634.21	7,533.60	197,189.96	18,854.07	-	216,044.03	204,089.35	19,488.28	-	223,577.63
Total	6,899.39	634.21	7,533.60	533,985.64	65,741.41	266,822.86	866,549.91	540,885.03	66,375.62	266,822.86	874,083.51

4. Accounts payable

	31.12.2013	31.12.2012
	USD	USD
Goods, consultants' services and Operating Costs under Part B of the Project	43,966.13	-
Total	43,966.13	-

5. Prepayments

	31.12.2013	31.12.2012
	USD	USD
Energy Efficiency Investments under Part A of the Project	37,471.65	-
Goods, consultants' services and Operating Costs under Part B of the Project	8.87	-
Total	37,480.52	-

6. GEF Grant TF 012163 financing

Financing was provided with the following disbursement methods:

	2012	2013	Cumulative as at
	USD	USD	31.12.2013
	USD	USD	USD
Advance	150,000.00	-	150,000.00
SOE and Summary Reports	-	474,369.27	474,369.27
	150,000.00	474,369.27	624,369.27

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

*Energy Efficiency Project
GEF Grant TF012163
In USD*

For the period from 10 August 2012 to 31 December 2012

Category	Appl. N	Fund	WB	Difference
Advance (repayment)	1	150,000.00	150,000.00	-
Total		150,000.00	150,000.00	-

For the year ended 31 December 2013

Category	Appl. N	Fund	WB	Difference
1. Energy Efficiency Investments under Part A of the Project	2	35,652.49	35,652.49	-
	3	56,877.22	56,877.22	-
	4	80,081.93	80,081.93	-
	5 reimbursement	111,725.34	111,725.34	-
		284,336.98	284,336.98	
2. Goods, consultants' services and Operating Costs under Part B of the Project	2	30,344.05	30,344.05	-
	3	89,157.37	89,157.37	-
	4	29,385.99	29,385.99	-
	6 reimbursement	41,144.88	41,144.88	-
		190,032.29	190,032.29	
Total		474,369.27	474,369.27	