

**AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Minutes – Special Meeting
Monday, June 4, 2012**

A special meeting of the Audit, Compliance and Governance Committee (“Audit Committee”) of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “Authority”)** was held on June 4, 2012, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** John Olsen, Chairperson of the Audit Committee, called the meeting to order at 3:15 p.m. Audit Committee members participating: John Olsen, Matthew Ranelli and Patricia Wrice.

Staff Attending: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, and Shelly Mondo.

Others Present: Bill Sawicki, Marcum, independent accountant; John Schuyler, Marcum; and Gary Smith, Marcum.

2. **Public Comments:** There were no public comments.

3. **Approval of Minutes:**

Mr. Olsen asked the Audit Committee members to consider the minutes from the March 16, 2012 meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Wrice, the Audit Committee members voted unanimously in favor of adopting the minutes from the March 16, 2012 meeting as presented.

4. **Presentation of FY12 Financial Statement Audit Plan and Discussion of Basis of Accounting for FY12 Audited Financial Statements:**

Mr. Bellas introduced the members of the audit team from Marcum assigned to CEFIA. Mr. Schuyler noted that Marcum is required to communicate the audit plan with the Board or Committee of the Board having governance over the financial reporting for CEFIA. He noted that Marcum will also be discussing changes to the presentation of CEFIA’s audited financial statements as a result of CEFIA changing its business model through Public Act 11-80.

Mr. Sawicki discussed the audit plan for the fiscal year ended 2012. He noted that when the audit is completed, Marcum will provide the Board with a written communication regarding certain matters related to the audit. . This communication will address any audit differences for which management’s viewpoint differs from Marcum’s; any disagreements with management not resolved to Marcum’s satisfaction; any

significant internal control deficiencies, illegal acts and fraud; and any unresponsiveness of management with respect to critical internal control weaknesses or other audit findings. In addition, Marcum will provide written communication about matters that it believes require management's attention and response. Mr. Sawicki encouraged the Audit Committee members to contact Marcum with any questions or input at any time.

Mr. Sawicki noted that Marcum is independent of CEFIA, within the meaning of the published rules and regulations of the American Institute of Certified Public Accountants, the State of Connecticut Board of Public Accountancy, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Mr. Sawicki stated that the scope of services includes the audit of the 2012 financial statements of CEFIA and an A-133 federal single audit for CEFIA for the year ended June 30, 2012.

Mr. Schuyler explained that CEFIA's business model has changed and no longer fits the definition of a special revenue fund under Government Accounting Standards Board ("GASB"). He explained the background of the development of GASB as a standard for governmental entities. Mr. Schuyler discussed the two bases of accounting—1) economic resources measurement focus which is used for enterprise funds (full accrual used for business-type entities) and 2) current financial resources measurement focus which is used by special revenue funds (only receivables accrue and requires reconciliation to the economic resources measurement used on the government-wide statements). Mr. Sawicki noted that the Connecticut Clean Energy Fund ("CCEF") was considered a special revenue fund. CEFIA having a different business model is considered an enterprise fund..

As a result of the change in business model, Mr. Schuyler explained the changes to CEFIA's financial statements under the enterprise fund model as opposed to the special revenue fund model. He stated that CEFIA will recognize long-term assets and liabilities, and the reconciliation between the two bases of reporting will no longer be necessary. Mr. Schuyler noted that CEFIA's financial statements will be similar to CI, CDA and other non-governmental entities. In response to a question asked by John Olsen, Mr. Schuyler stated that the liabilities for pension and retirement benefits are the responsibility of the state and are not recorded on CEFIA's financial statements.

Mr. Garcia questioned whether the balance sheet will change to more clearly identify funding commitments made by the Board. Mr. Bellas stated that the audited financial statements will clearly show the committed fund balance. Mr. Bellas explained how the financial statements will be simplified and easier to understand.

A discussion ensued on the American Recovery and Reinvestment Act funds that were repurposed. Mr. Sawicki stated that until the funds are recognized by the federal government as fully spent, CEFIA will have to continue reporting to the federal government and undergo an A-133 federal single audit. Mr. Garcia indicated that the program developed with the repurposed funds was structured in a manner so that the funding would be fully spent in an expeditious manner. Marcum will work with Brian

Farnen and review the paperwork from the Federal Department of Energy to confirm the federal reporting requirements.

Mr. Sawicki discussed the audit approach. He noted that Marcum will utilize an integrated approach which is focused on CEFIA's internal controls over financial reporting in an effort to gain effectiveness and efficiencies resulting from implementing procedures that allow Marcum to rely on those controls. Mr. Sawicki stated that the audit is designed to detect material errors in accounts. Marcum will focus on higher risk areas, including CEFIA's accounts requiring significant estimates by management and other risks. Mr. Sawicki reviewed the audit risk areas, which include CEFIA's investments and solar notes, information technology, commitments and contingencies and federal single-audit compliance. He discussed the audit strategies for each of the audit risk areas.

Mr. Sawicki reviewed the audit time table. He indicated that the final signed audit report will be provided on or before October 1, 2012. The Audit Committee members discussed the proposed timeframe. If possible, Marcum and staff were asked to provide the audited financial statements to the Audit Committee well in advance of the September 17 Audit Committee meeting. Mr. Schuyler stated that as part of the planning process, Marcum typically meets with the Chairperson of the Board and/or Chairperson of the Audit Committee in addition to staff. Mr. Garcia assured Marcum that staff will be readily available when needed as prudently managing ratepayer funds is of top priority to the Board of Directors and the management.

5. Other Business: As CEFIA's Ethics Compliance Officer, Attorney Farnen reported that CEFIA received a certificate of excellence from the State Ethics Commission for 100 percent on time ethics compliance.

6. **Adjournment**: Upon a motion made by Ms. Wrice, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adjourning the June 4, 2012, meeting at 3:53 p.m.

Respectfully submitted,

John Olsen, Chairperson of Audit
Committee