



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

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AGENDA

Audit, Compliance and Governance Committee of the
Clean Energy Finance and Investment Authority
865 Brook Street
Rocky Hill, CT 06067

Monday, June 4, 2012 – Special Meeting
3:00 to 4:00 p.m.

Staff Invited: George Bellas, Bryan Garcia, and Mackey Dykes

1. Call to order
2. Public Comments – 5 minutes
3. Approve meeting minutes for March 16, 2012 Regular Meeting – 5 minutes
4. Presentation of FY12 financial statement audit plan – 25 minutes
5. Discussion of basis of accounting for FY12 audited financial statements – 25 minutes
6. Adjourn

Call-in information: 1-877-885-3221

Access code: 8446562

***Next Meeting: Monday, September 17, 2012 from 12:00-1:00 p.m.
Clean Energy Finance and Investment Authority, 865 Brook Street, Rocky Hill, CT***

Subject to changes and deletions

**AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Draft Minutes – Special Meeting
Friday, March 16, 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 March 16, 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 8:20 a.m. Audit Committee members participating: Daniel Esty, Vice Chairperson of the CEFIA Board; John Olsen, and Matthew Ranelli.

Audit Committee Member absent: Patricia Wrice.

Staff Attending: George Bellas, Mackey Dykes, Bryan Garcia, Suzanne Kaswan, and Shelly Mondo.

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 November 21, 2011 special meeting.

Upon a motion made by Mr. Esty, seconded by Mr. Ranelli, the Audit Committee members voted in favor of adopting the minutes from the November 21, 2011 special meeting as presented (Mr. Esty abstained from the vote).

4. **Audit Findings and Remedial Actions:**

Mr. Bellas reported on the progress to address the audit findings by the State Auditors of Public Accounts for the fiscal year 2010 audit. He explained that in response to the audit finding about employee performance appraisals, he and Ms. Kaswan, CI’s Manager of Human Resources, have developed and will maintain a log of performance appraisal due dates for all employees for all appraisal types.

With respect to the audit finding for not consistently collecting written reports in accordance with loan documentation, CEFIA has developed a mechanism to track contractual obligations. Mr. Farnen noted that this requirement has been linked to individual employee performance evaluations to ensure that individual goals align with duties and requirements. In response to a question, it was noted that Mr. Dykes will be the management staff responsible for ensuring that the new process is implemented and is being followed.

Mr. Bellas indicated that the State Auditors of Public Accounts will be starting the audit of the Connecticut Clean Energy Fund (CCEF) financial reports for fiscal year ended June 30, 2011 at the end of March. It is anticipated that the audit report will be issued in the fall. Mr. Bellas noted that this is the last year the audit will be performed for CI/CCEF, and CEFIA will have its own audit for its financial statements going forward. In response to a question, Mr. Bellas stated that he is not aware of any issues that may arise. No formal action is required on the audit findings for 2010.

5. Ethics Compliance Officer:

Mr. Farnen stated that the State of Connecticut Code of Ethics for Public Officials requires CEFIA to designate an ethics compliance officer. In accordance with CEFIA's Bylaws, the Audit Committee should recommend to the Board the appointment of an ethics compliance officer for CEFIA. Mr. Farnen stated that the proposed resolution designates the General Counsel as CEFIA's ethics compliance officer.

Upon a motion made by Mr. Esty, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adopting the following resolution recommending to the Board the appointment of Brian Farnen, General Counsel, as CEFIA's ethics compliance officer:

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics requires the Clean Energy Finance and Investment Authority ("CEFIA") to designate an ethics compliance officer to be responsible for the development of the ethics policies, to coordinate ethics training programs and to monitor ethics policy compliance;

WHEREAS, pursuant to Section 5.3.1(vi) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee (the "Audit Committee") shall give its recommendation to the Board as to the selection of CEFIA's ethics compliance officer.

NOW, therefore be it:

RESOLVED, that the Audit Committee hereby recommends approval of Brian Farnen, General Counsel of CEFIA, as CEFIA's ethics compliance officer.

It was noted that the resolution will be presented to the Board in April.

6. Board and CEFIA Ethics Policy and Statement:

Mr. Farnen stated that CCEF had ethics policies for staff but not a formal policy for the Board. He explained that he used existing policies from other agencies and simplified some of the language to develop ethics policies for CEIFA and the Board. Mr. Farnen mentioned that the Office of State Ethics has reviewed the draft policies. Mr. Ranelli

explained the clarifying changes he recommended. A discussion ensued as to whether the policy should extend to Advisory Committee members. Mr. Farnen clarified that the policy applies to Advisory Committee members “to the extent required by law.” Mr. Farnen was asked to investigate this issue further and present the requirements of the law for Advisory Committee members at the next meeting.

Upon a motion made by Mr. Esty, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adopting the following resolution regarding the Board Ethical Conduct Policy and CEFIA’s Ethical Conduct Policy and Ethics Statement:

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics for Public Officials requires the ethic compliance officer of the Clean Energy Finance and Investment Authority (“CEFIA”) to develop the ethics policies of CEFIA;

WHEREAS, pursuant to Section 5.3.1 (viii) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee (the “Audit Committee”) shall review and approve, and in its discretion, recommend to the CEFIA Board of Directors (the “Board”) all governing and administrative matters affecting CEFIA, including corporate governance policies;

NOW, therefore, be it:

RESOLVED, that the Audit Committee hereby recommends approval of CEFIA’s Board of Directors’ Ethical Conduct Policy.

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics for Public Officials requires the ethic compliance officer of the Clean Energy Finance and Investment Authority (“CEFIA”) to develop the ethics policies of CEFIA;

WHEREAS, pursuant to Section 5.3.1 (viii) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee (the “Audit Committee”) shall review and approve, and in its discretion, recommend to the CEFIA Board of Directors (the “Board”) all governing and administrative matters affecting CEFIA, including corporate governance policies;

NOW, therefore, be it:

RESOLVED, that the Audit Committee hereby recommends approval of CEFIA’s Ethical Conduct Policy and Ethics Statement.

7. Ethics, Sexual Harassment Prevention & Diversity Training:

Ms. Kaswan indicated that CEFIA is working with the Employee Assistance Program provider to provide ethics, sexual harassment prevention and diversity training to employees. She explained that to keep costs low, training and costs are shared with CI. Mr. Farnen stated that even though CEFIA is not required to provide sexual harassment prevention training, CEFIA proactively provides the training. Ms. Kaswan stated that workplace violence prevention training was offered to staff before it became a required. She is investigating to determine whether additional training is necessary; and if it is necessary, additional training will be provided.

8. Adjournment: Upon a motion made by Mr. Esty, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adjourning the March 16, 2012, meeting at 8:45 a.m.

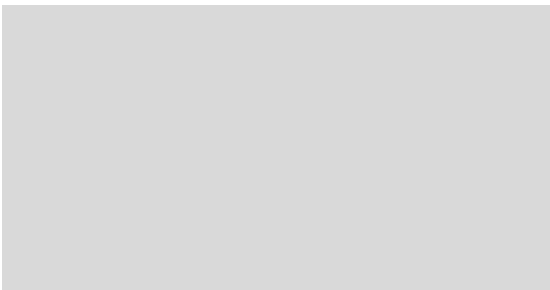
Respectfully submitted,

John Olsen, Chairperson of Audit
Committee



2012 Audit Plan for

Clean Energy Finance and Investment Authority



MARCUM
ACCOUNTANTS ▲ ADVISORS

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June 4, 2012

To the Audit, Compliance and Governance Committee
of the **Clean Energy Finance and Investment Authority**

We are pleased to present our plan to provide professional services for the annual financial and A-133 federal single audits of the Clean Energy Finance and Investment Authority (CEFIA) for the year ended June 30, 2012.

This report summarizes our engagement scope, analysis of audit risks, our planned approach to performing the audits, the audit timetable, communication protocols and other matters.

This meeting is a forum for you to review and approve our proposed scope and to provide any input that may affect our scope.

Our current year's plan focuses on risks and is designed to maximize audit efficiency and effectiveness and may be supplemented to address any specific areas you might request. Our audits will provide the objectivity and independence that you, management, the regulators and other stakeholders expect.

If you have any questions or comments, please contact John H. Schuyler at (860) 218-1418 or William D. Sawicki at (203) 401-2106.

This report is intended solely for the Audit, Compliance and Governance Committee and management of CEFIA. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Marcum LLP



William D. Sawicki
Director

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY



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CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY



2012 Audit Plan

Communications With Those Charged With Governance

An essential key to providing value is determining the protocols of how we will work together. A key protocol in working with governance is communication. At a minimum, this will include a series of discussions and reports with respect to each discrete area. Such communications will describe the results of our audit procedures, our observations, and best practices. We will provide written recommendations concerning matters that we believe require management's attention, as well as management's response. We will meet with you to summarize activities and present significant findings.

We expect to meet with you throughout the year to discuss, among other matters, our audit plan, our audit results, new accounting and auditing standards, and our assessment of the quality of the accounting and financial reporting functions. You have the office telephone numbers of the executives assigned to CEFIA's audits and we encourage you to call them with any questions, comments, or concerns that arise at any time during the year.

We will promptly notify you of:

- Any audit differences, for which management's viewpoint differs from our own;
- Disagreements with management, that if not resolved to our satisfaction, would lead to a qualification of our report;
- Significant internal control deficiencies, illegal acts and fraud; and
- Any unresponsiveness of management with respect to critical internal control weaknesses or other audit findings.

Consistent with every facet of the audits, we encourage your suggestions to improve the communication process.

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY



2012 Audit Plan

COMMUNICATION OF AUDIT RESULTS

After the completion of our audits, we will meet with you to discuss the financial statements and our related auditors' reports thereon and summarize the results of our 2012 audits. In connection therewith, we will specifically inform you about:

- Other material written communications with management, including the management letter;
- All significant accounting policies and material permitted practices;
- The adoption of new accounting principles, changes in accounting principles, and the completeness and clarity of disclosures; including the new reporting basis under Government Accounting Standards brought about by the change in CEFIA's business model and GASB 54;
- Our responsibilities under auditing standards generally accepted in the United States as well as under *Government Auditing Standards* issued by the Comptroller General of the United States;
- Significant sensitive accounting estimates;
- Significant audit adjustments and proposed but unrecorded adjustments;
- Disagreements with management about auditing, accounting or disclosure matters;
- Management's consultations with other auditors;
- Difficulties encountered relating to the performance of the audits;
- Material errors or fraud or possible illegal acts;
- Material weaknesses or significant deficiencies in internal control;
- Our assessment of the quality and quantity of CEFIA's accounting personnel; and
- Major issues discussed with management prior to retention.

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY



2012 Audit Plan

Independence Confirmation

As required by professional standards, we communicate with you regarding all relationships between Marcum LLP and its related entities (collectively, “the Firm”) and CEFIA that, in our professional judgment, may reasonably be thought to bear on our independence. We are not aware of any relationships between the Firm and CEFIA that, in our professional judgment, may reasonably be thought to bear on our independence.

We hereby confirm that as of June 30, 2012, we are independent with respect to CEFIA, within the meaning of the published rules and regulations of the American Institute of Certified Public Accountants, and the State of Connecticut Board of Public Accountancy. Additionally, we are independent of CEFIA under *Government Auditing Standards*, issued by the Comptroller General of the United States

Scope of Services

Marcum LLP is pleased to provide the following services to CEFIA:

- Audit of the 2012 financial statements of the Clean Energy Finance and Investment Authority;
- A-133 federal single audit for CEFIA for the year ended June 30, 2012; and
- Review systems of internal control for the purpose of issuing no material weakness letters and management letters with recommendations to enhance CEFIA’s internal controls.
- Assistance with setting up the beginning balance sheet of the assets and liabilities assumed by CEFIA from the Connecticut Clean Energy Fund

Government Accounting Standards

In addition to this audit plan, and relating to the fourth bullet above, we have also prepared for the Committee our review of reporting options under Government Accounting Standards. The nature of CEFIA’s business model has changed and it no longer fits the definition of a special revenue fund under Government Accounting Standards Board (GASB).

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY



2012 Audit Plan

Audit Approach

Our audit approach is customized to audit the financial statements of CEFIA in the most effective manner. We will utilize an integrated approach which is focused on CEFIA's internal controls over financial reporting (internal controls) in an effort to gain effectiveness and efficiencies resulting from implementing procedures that allow us to rely on those controls.

We will also focus on higher risk areas including the CEFIA's accounts requiring significant estimates by management and other risks identified in the table below. Our audits will be designed to detect material errors in accounts. We will base our materiality limits on qualitative and quantitative measures and will discuss our specific planning materiality levels for the 2012 audits with you privately when we meet.

In conducting our audits, we maintain an awareness of the possibility that errors, fraud or illegal acts (as defined in authoritative professional literature) may have occurred that could have a material and direct effect on the financial statements. Effective internal controls are designed to prevent, or detect and correct errors, fraud or illegal acts. However, it is possible that they may nevertheless occur. Although audits made in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* cannot provide absolute assurance that such errors, fraud or illegal acts will be detected, we have planned our audits to search for any that would have a material and direct effect on the financial statements. We will immediately report to you (and management) any such situations that come to our attention even though they may not be material in relation to the financial statements taken as a whole.

We will also work with CEFIA to establish a secure, controlled portal to exchange documents and assist coordination.

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY



Audit Risks

Our audit process is based on our risk assessment. The following is a summary of the key risks and our audit strategy to address these risks:

Audit Risk Area	Audit Strategy
Investments and Solar Notes	Confirm investments and notes and reconcile to the general ledger Test investment values to independent pricing sources Review management’s process to value any alternative investments and determine the reasonableness of management’s conclusions Review management’s process to identify other-than-temporary valuation declines and determine the reasonableness of management’s conclusions Perform analytical procedures to determine the reasonableness of investment yields and test interest and dividend transactions
Information Technology	Review general IT controls over access and program changes
Commitments and Contingencies	Review agreements in place to ensure appropriate accounting and disclosure
Federal Single Audit Compliance	Audit compliance with the requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133, and on the schedule of expenditures of federal awards

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY



2012 Audit Plan

Audit Timetable

The following timetable highlights major activities that are key elements of our 2012 audit plan:

Activities	Date/Period
Present Audit Plan to Governance	June 4, 2012
Planning meeting with CEFIA personnel regarding operating, accounting and reporting matters and understand management expectations, business strategies/objectives and detailed audit plan	June 2012
Planning procedures	July 2012
Complete planning procedures and begin interim audit procedures	July 2012
Mail account confirmations	July 2012
Perform year-end procedures	August 13, 2012 to September 3, 2012
Marcum LLP to provide comments on the audited financial statements and recommendations on internal control to management	Early September 2012
Agree to the final form and content of the audited financial statements with management	September 12, 2012
Meet with the Committee and Board of Directors to discuss audit results	September 17, 2012 (Committee) and September 21, 2012 (Board of Directors)
Provide signed audit report	On or before October 1, 2012

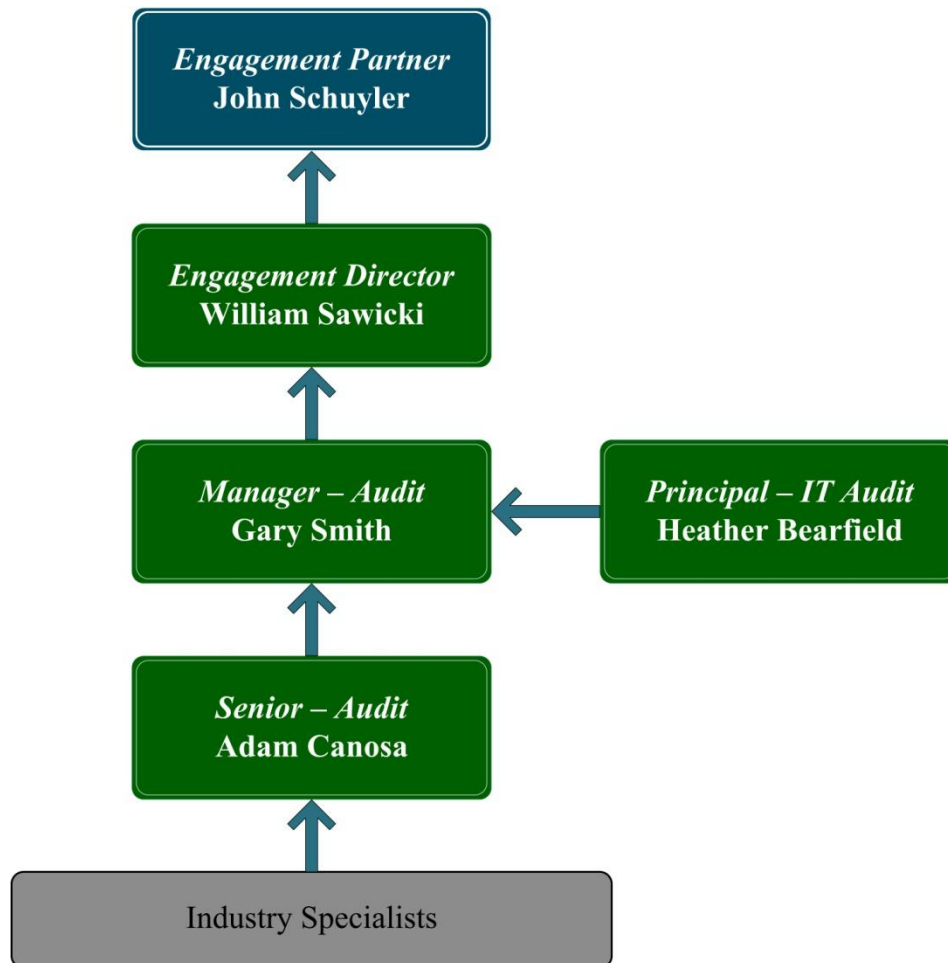
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY



2012 Audit Plan

Marcum LLP Engagement Team

The structure of the Marcum LLP Team is outlined below:



CONNECTICUT CLEAN ENERGY FUND

BALANCE SHEET AND STATEMENT OF NET ASSETS

JUNE 30, 2011

	Balance Sheet	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 57,664,091	\$ --	\$ 57,664,091
Utility customer assessments receivable	2,683,145	--	2,683,145
RGGI auction receivable	329,833	--	329,833
Other assets	291,671	1,429,921	1,721,592
Solar Lease Notes	--	10,663,543	10,663,543
Portfolio investments	--	1,698,715	1,698,715
Restricted assets:			
Cash and cash equivalents	2,234,945	--	2,234,945
Total Assets	\$ 63,203,685	\$ 13,792,179	\$ 76,995,864
Liabilities and Fund Balance/Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 1,753,874	\$ --	\$ 1,753,874
Due to fund administrator	461,752	--	461,752
Deferred revenue	2,000,000	--	2,000,000
Total Liabilities	4,215,626	--	4,215,626
Fund Balance/Net Assets			
Unrestricted net assets	--	72,546,364	72,546,364
Restricted fund balance/ restricted net assets	233,875	--	233,875
Committed fund balance	34,225,106	(34,225,106)	--
Unassigned fund balance	24,529,079	(24,529,079)	--
Total Fund Balance/Net Assets	58,988,060	13,792,179	72,780,239
Total Liabilities and Fund Balance/Net Assets	\$ 63,203,686	\$ 13,792,179	\$ 76,995,865

The accompanying notes are an integral part of these financial statements.

CONNECTICUT CLEAN ENERGY FUND

BALANCE SHEET AND STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2011

	Balance Sheet	Adjustments	Statement of Net Assets
Amounts reported for governmental activities in the statement of net assets are different because:			
Long-term program investments are treated as expenditures for fund purposes		\$ 1,698,715	
Long-term renewable energy certificates are treated as expenditures for fund purposes		1,429,921	
Long-term solar lease notes receivable are treated as expenditures when the notes are purchased for fund purposes		10,936,961	
Less - Solar Loan Loss Reserve		<u>(273,418)</u>	
Total Adjustments to Net Assets		<u>\$ 13,792,179</u>	

The accompanying notes are an integral part of these financial statements.

CONNECTICUT CLEAN ENERGY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Statement of Revenues, Expenditures and Changes in Fund		Statement of Activities
	Balance	Adjustments	
Revenues			
Utility customer assessments	\$ 28,444,062	\$ --	\$ 28,444,062
Interest on short-term investments	117,145	--	117,145
Interest on solar lease notes	447,251	--	447,251
RGGI Auction income	3,383,276	--	3,383,276
Grant revenue	3,808,690	--	3,808,690
Other income	191,340	--	191,340
Total Revenues	<u>36,391,764</u>	<u>--</u>	<u>36,391,764</u>
Expenditures and Expenses			
Program			
Grants	29,288,320	(5,034,678)	24,253,642
Program expenses	3,772,446	--	3,772,446
	33,060,766	(5,034,678)	28,026,088
General and administrative expenses	1,435,869	--	1,435,869
Total Expenditures and Expenses	<u>34,496,635</u>	<u>(5,034,678)</u>	<u>29,461,957</u>
Change in Fund Balance/Net Assets Before Change in Value of Investments	1,895,129	5,034,678	6,929,807
Net Realized Gain on Investments	177,756	--	177,756
Net Decrease in Fair Value of Investments	<u>(58,557)</u>	<u>--</u>	<u>(58,557)</u>
Net Change in Fund Balance/ Net Assets	2,014,328	5,034,678	7,049,006
Fund Balance/Net Assets - Beginning	<u>56,973,732</u>	<u>8,757,501</u>	<u>65,731,233</u>
Fund Balance/Net Assets - End	<u>\$ 58,988,060</u>	<u>\$ 13,792,179</u>	<u>\$ 72,780,239</u>

The accompanying notes are an integral part of these financial statements.

CONNECTICUT CLEAN ENERGY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	Prior Year Reconciling Items	Current Year Reconciling Items	Total Statement of Activities
Net Change in Fund Balance		<u>\$ 2,014,328</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Long-term program investments are treated as expenditures for fund purposes	\$ 1,348,815	350,000	\$ 1,698,815
Long-term renewable energy certificates are treated as expenditures for fund purposes	1,120,982	308,939	1,429,921
Long-term solar lease notes receivable are treated as expenditures when the notes are purchased for fund purposes	6,449,029	4,487,932	10,936,961
Less - Solar Loan Loss Reserve Provision	<u>(161,225)</u>	<u>(112,193)</u>	<u>(273,418)</u>
Total Adjustments	<u>\$ 8,757,601</u>	<u>5,034,678</u>	<u>\$ 13,792,279</u>
Net Change in Net Assets		<u>\$ 7,049,006</u>	

The accompanying notes are an integral part of these financial statements.