865 Brook Street
Rocky Hill, Connecticut 06067-3444
T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

AGENDA

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

Thursday, September 20, 2012 – Special Meeting
9:00 to 10:00 a.m.

Staff Invited: Bryan Garcia, Brian Farnen, Bert Hunter George Bellas, and Mackey Dykes

Others Invited: Marcum, LLP

1. Call to order
2. Public Comments – 5 minutes
3. Approve meeting minutes for June 4, 2012 Special Meeting – 5 minutes
4. Presentation of the Draft Audited Financial Statements and the Federal Single Audit Report for the Clean Energy Finance and Investment Authority (CEFIA) for the Fiscal Year (FY) ending June 30, 2012 – 30 minutes
5. Review and recommendation to the Board of Directors of CEFIA for approval of the FY 2012 Draft CEFIA Audited Financial Statements* – 10 minutes
6. Discuss CEFIA Board of Directors Ethics Presentation– 10 minutes
7. Adjourn

*Denotes item requiring Board action

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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Resolutions

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

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9:00 to 10:00 a.m.

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1. Call to order

2. Public Comments – 5 minutes

3. Approve meeting minutes for June 4, 2012 Special Meeting – 5 minutes

4. Presentation of the Draft Audited Financial Statements and the Federal Single Audit Report for the Clean Energy Finance and Investment Authority (CEFIA) for the Fiscal Year (FY) ending June 30, 2012 – 30 minutes

5. Review and recommendation to the Board of Directors of CEFIA for approval of the FY 2012 Draft CEFIA Audited Financial Statements* – 10 minutes

   WHEREAS, Article V, Section 5.3.1(ii) of the Clean Energy Finance and Investment Authority (CEFIA) Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board with respect to the approval of the audit report;

   NOW, therefore be it:

   RESOLVED, that the Committee hereby recommends to the Board of Directors of CEFIA for approval the Audited Financial Statements and the Federal Single Audit Report of the Clean Energy Finance and Investment Authority for the Fiscal Year Ending June 30, 2012 (Attachment A).

   Second. Discussion. Vote.

6. Discuss CEFIA Board of Directors Ethics Presentation– 5 minutes

7. Adjourn

*Denotes item requiring Board action

Call-in information: 1-877-273-4202 Access code: 5157592

Clean Energy Finance and Investment Authority, 865 Brook Street, Rocky Hill, CT

Discover
the
Marcum
Difference

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

Presentation of the Audit for June 30, 2012

Introductions

- **John Schuyler** – Partner in Charge of the New England Assurance Division of Marcum LLP
- **William Sawicki** – Audit Engagement Director
- **Gary Smith** – Audit Senior Manager

- Substantially Complete
- Pending Items:
  - Adjustment for Renewable Energy Credits
  - Subsequent events wrap up
  - Single audit closeout
  - Management representation letter
- Highlights:
  - CEFIA as successor to CT Clean Energy Fund
  - CEFIA now a component unit of the State of CT.
  - Enterprise (business-type) accounting

- Expected Unqualified Opinion on the Financial Statements
- Audit conducted under
  - Auditing Standards Generally Accepted in the United States of America
  - *Government Auditing Standards* issued by the Comptroller General of the United States
- Reporting on Internal Control and Compliance and Other Matters required under *Government Auditing Standards* (Financial Reporting)
- Federal single audit (OMB A-133) – Compliance and Internal Control specific to “major programs”

Management Responsibilities

- Establishing and maintaining effective internal controls, including those over compliance;
- Selection and application of accounting principles;
- Making all financial records and related information available for the audit;
- Design and implementation of programs and controls to prevent and detect fraud; and
- Compliance with laws, regulations, contracts, agreements and grants as required by *Government Auditing Standards* and OMB A-133

- Our responsibility to report on conducting the engagement:
  - Significant sensitive accounting estimates – Related to the valuation of investments
  - Significant audit adjustments and proposed but unrecorded adjustments - NONE
  - Disagreements with management about auditing, accounting or disclosure matters - NONE
  - Management’s consultations with other auditors - NONE

- Difficulties encountered relating to the performance of the audits - NONE
- Material errors or fraud or possible illegal acts - NONE
- Material weaknesses or significant deficiencies in internal control – NONE
- Relationships between any of our representatives and CEFIA that in our professional judgment, may reasonably be thought to bear on independence - NONE
- Major issues discussed with management prior to retention – NONE
- Other items – NONE

Discover the Marcum Difference

Questions?

QUESTIONS?

MARCUM ACCOUNTANTS ▲ ADVISORS

AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Draft 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 statementswill 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 be 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

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

(A Component Unit of the State of Connecticut)

FINANCIAL STATEMENTS

JUNE 30, 2012

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clean Energy Finance and Investment Authority

We have audited the accompanying statement of net assets of the Clean Energy Finance and Investment Authority (a component unit of the State of Connecticut) as of June 30, 2012 and the related statements of revenue, expenditures and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Clean Energy Finance and Investment Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Clean Energy Finance and Investment Authority as of June 30, 2012 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September XX, 2012 on our consideration of Clean Energy Finance and Investment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance of other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages X through X be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hartford, CT
September __, 2012

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Clean Energy Finance and Investment Authority (CEFIA) (a Component Unit of the State of Connecticut) for the fiscal year ended June 30, 2012. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to the financial statements included in the "Financial Statements" section of this report.

Financial Statements Presented in this Report

CEFIA is a quasi-public agency of the State of Connecticut established on July 1, 2011 by Section 16-245n of the Connecticut General Statutes, created to promote investment in renewable energy sources and energy efficiency in accordance with a comprehensive plan developed by CEFIA to foster the growth, development and commercialization of renewable energy sources and related enterprises, and to stimulate demand for renewable energy and the deployment of renewable energy sources, which serve end-use customers in the State. CEFIA constitutes the successor agency to Connecticut Innovations for the purposes of administering the clean energy fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CEFIA as of July 1, 2011.

The financial statements include: Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. The Statements of Net Assets provide a measure of CEFIA's economic resources. The Statements of Revenues, Expenses and Changes in Net Assets measure the transactions for the periods presented and the impact of those transactions on the resources of CEFIA. The Statements of Cash Flows reconcile the changes in cash and cash equivalents with the activities of CEFIA for the periods presented. The activities are classified as to operating, investing and noncapital financing.

Notes to the financial statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

Financial Highlights of Fiscal 2012

In our discussion of the 2012 financial highlights below, management has elected to utilize the 2011 financial results of the Connecticut Clean Energy Fund, the predecessor entity to Clean Energy Finance and Investment Authority, as a benchmark for comparing its 2012 activities.

Net Assets

From the base of $72.8 transferred from the State of Connecticut, net assets increased by $8.5 million to $81.3 million at June 30, 2012 and cash and cash equivalents increased by $13.3 million in 2012 to $73.2 million. Cash increased primarily as a result of an increase in utility assessment revenues, and grant awards received during 2012.

As of June 30, 2012, the Board of Directors designated $25.8 million in net assets to fund outstanding grant commitments as described in Note 10. These grants are expected to be paid over the next fiscal year.

Other assets are composed primarily of utility customer assessments receivables, Regional Greenhouse Gas Initiative (RGGI) auction receivables. The promissory note portfolio of $11.7 million as of June 30, 2012 and $10.7 million as of July 1, 2011 funded a residential photovoltaic equipment lease program which ended during 2012.

The following table summarizes the net assets at June 30, 2012 and July 1, 2011 (in thousands):

	2012	2011	Increase (Decrease)
Cash, certificates of deposit	$ 73,214	$ 59,899	$ 13,315
Investments	2,155	1,699	456
Promissory notes	11,736	10,663	
Other assets	5,176	4,735	441
Total assets	92,281	76,996	15,285
Current liabilities	2,637	4,216	(1,579)
Deferred revenue	8,363	--	8,363
Total liabilities	11,000	4,216	6,784
Restricted	177	234	(57)
Unrestricted	81,104	72,546	8,558
Total net assets	$ 81,281	$ 72,780	$ 8,501

Changes in Net Assets

Revenues from utility customer assessments were $27.0 million for 2012 compared to $28.4 million in 2011.

Revenue from interest on cash deposits increased $.03 million to $.14 million in 2012. Interest on short-term investments and cash deposits decreased due to the increase in the average cash balance on hand and changes in interest rates. CEFIA received $2.0 million from the state in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2012 were $27.9 million, an increase of $3.1 million from the prior year. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee. During 2012, CEFIA committed a total of $30.4 million for new grants and programs.

Program expenses increased slightly by $___ million to $____ million due to increases in costs to administer CEFIA's various programs. General and administrative expenses decreased by $___ million to $___ million.
You have a new entity now. Comparisons with another organization should be eliminated – can we use budget or expectations?

Realized gains on program investments increased by $___over the prior year and unrealized appreciation on these investments decreased by $257 thousand as a result of Renewable Energy Credit activity during the year. SAME AS PREVIOUS PARAGRAPH

The following table summarizes the changes in net assets between June 30, 2012 and 2011 (in thousands):

	2012	2011	Increase (Decrease)
Revenues	$ 40,471	$ 36,391	$ 4,080
Operating expenses:			
Grants and program investments	27,402	24,254	3,148
Program expenses	470	3,772	(3,302)
General and administrative expense	4,533	1,436	3,097
Total operating expenses	32,405	29,462	2,943
Operating income	8,066	6,929	1,137
Net change in unrealized appreciation			
in fair value of investments	435	(58)	493
Net realized (loss) gain on investments	--	178	(178)
Net change in net assets	$ 8,501	$ 7,049	$ 1,452

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets	
Current Assets	
Cash and cash equivalents	$ 64,672,910
Accounts receivable	725,259
Utility customer	
assessments receivable	2,580,042
Other assets	350,302
Current portion of solar sease notes	670,645
Total Current Assets	68,999,158
Non-Current Assets	
Portfolio investments, less current portion	2,155,525
Solar lease notes, less current portion	11,064,879
Renewable energy credits	1,429,920
Capital assets, net of depreciation and amortization	91,329
Restricted cash and cash equivalents	8,540,684
Total Non-Current Assets	23,282,337
Total Assets	$ 92,281,495

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

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2012

Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	$ 2,637,439
Deferred revenue	8,363,119
Total Liabilities	11,000,558
Net Assets	
Invested in capital assets	91,329
Restricted net assets	8,540,684
Unrestricted net assets	72,648,924
Total Net Assets	81,280,937
Total Liabilities and Net Assets	$ 92,281,495

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

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues		
Utility customer assessments		$ 27,025,088
Grant Revenue		10,399,196
RGGI auction income		2,052,748
Interest on solar lease notes		589,007
Interst on short-term investments		140,786
Other income		264,074
Total Revenues		40,470,899
Operating Expenses		
General and administrative expenses		1,399,956
Grants and programs		31,004,947
Total Expenses		32,404,903
Operating Income		8,065,996
Nonoperating Expenses		
Unrealized gain on investments		434,702
Income before transfers in from State of Connecticut		8,500,698
Transfers in from State of Connecticut		72,780,239
Change in Net Assets		81,280,937
Net Assets - Beginning of year		--
Net Assets - End of year		$ 81,280,937

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

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities	
Uttility ratepayer assessments	$ 26,851,993
Interest on short-term investments and cash deposits	118,680
Interest on solar lease notes	634,070
Grants	16,935,799
RGGI auctions	1,817,122
Return of principal on investments	603,197
Other income	288,354
Grant and program expenditures	(26,012,455)
General and administrative expenditures	(6,113,770)
Purchase on solar lease notes	(1,710,659)
Net Cash Provided by Operating Activities	13,412,331
Cash Flows from Investing Activities	
Purchase of capital assets	(97,773)
Net Cash Used in Investing Activities	(97,773)
Cash Flows from Noncapital Financing Activities	
Transfer from State of Connecticut	59,899,036
Net Cash Provided by Noncapital Financing Activities	59,899,036
Net Increase in Cash and Cash Equivalents	73,213,594
Cash and Cash Equivalents - Beginning	--
Cash and Cash Equivalents - Ending	$ 73,213,594
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating income	$ 8,500,698
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	6,444
Unrealized (gain) on investments	(434,702)
Changes in operating assets and liabilities:	
Other assets and due from related parties	6,986
Investments	(1,452,028)
Accounts payable and accrued expenses and	
due to related parties	6,784,933
Net Cash Provided by Operating Activities	$ 13,412,331

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

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Clean Energy Finance and Investment Authority (CEFIA) was established in July 2011 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut as the successor entity of the Connecticut Clean Energy Fund. CEFIA, a component unit of the State of Connecticut, was created to promote energy efficiency and investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources and related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources which serve end-use customers in the State. CEFIA constitutes the successor agency to Connecticut Innovations for the purposes of administering the clean energy fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CEFIA as of July 1, 2011. As described in Note 5, the Fund is administered by Connecticut Innovations, Incorporated.

The Department of Public Utility Control assesses a charge per kilowatt-hour to each end-use customer of electric services in the State, which is paid to CEFIA. CEFIA may deploy the funds for grants, direct or equity investments, contracts or other actions which support energy efficiency projects and research, development, manufacture, commercialization, deployment and installation of renewable energy technologies.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

CEFIA is considered to be an enterprise fund. Enterprise funds are used to account for governmental activities that are similar to those found in the private sector in which the determination of net income is necessary or useful to sound financial administration.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In its accounting and financial reporting, CEFIA follows the pronouncements of the Governmental Accounting Standards Board (GASB). CEFIA also follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Finally, CEFIA follows all FASB pronouncements issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

BASIS OF PRESENTATION

CEFIA's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows.

OPERATING VS. NON-OPERATING REVENUE (EXPENSE)

CEFIA distinguishes operating revenues and expenses from non-operating items. Operating revenues consist of utility customer assessments and other revenue generated in connection with investments renewable energy programs. Operating expenses consist of operating costs, including depreciation on capital assets and grants and programs. Non-operating revenue consists of investment gains and losses.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the certain reported amounts and disclosures in the financial statements. The most significant estimates are the determination of the fair value of its investments. Actual results could vary from the estimates that were used.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of cash and highly liquid short-term investments with an original term of 90 days and are recorded at cost, which approximates market value.

CAPITAL ASSETS

Capital asset acquisitions exceeding $500 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using straight-line methods over the estimated useful lives of the assets, which range from two to five years. Leasehold improvements are amortized over the shorter of their useful life or the lease term.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For capital assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any related gain or loss is reflected in income for the period.

PORTFOLIO INVESTMENTS

CEFIA carries all investments at fair value as determined by an independent valuation committee using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. In the absence of readily determinable market values, the Committee gives consideration to pertinent information about the companies comprising these investments, including, but not limited to, recent sales prices of the issuer's securities, sales growth, progress toward business goals and other operating data. CEFIA has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate. Management reserves the right to establish a reserve in addition to the recommended reserve from the valuation committee to further account for current market conditions and volatility. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the amounts ultimately realized from the investments, and the differences could be material. CEFIA reports gains as realized and unrealized consistent with the practice of venture capital firms. The calculation of realized gains and losses is independent of the calculation of the net change in investment value.

All of CEFIA's portfolio investments are uninsured and unregistered, and are held in the administrator's name.

NET ASSETS

Net assets of CEFIA are presented in the following three categories:

- *Net Assets Invested in Capital Assets* represent capital assets, net of accumulated depreciation that are attributable to those particular assets.
- *Restricted Net Assets* represent assets whose use is restricted through external restrictions imposed by creditors, grantors, contributors and the like, or through restrictions imposed by laws or through constitutional provisions or enabling legislature.
- *Unrestricted Net Assets* represent assets which do not meet the definition of the two preceding categories.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GRANTS AND PROGRAMS

Expenditures for grants and programs are recorded upon the submission of invoices and other supporting documentation and approval by management. Salaries, benefits and overhead expenses are allocated to program expenses based on job functions.

SUBSEQUENT EVENTS

CEFIA has performed a review of events subsequent to the balance sheet date through September __, 2012, the date of the financial statements where available to be issued. No events requiring recording or disclosure in the financial statements were identified.

NOTE 2 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. In determining fair value, CEFIA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. CEFIA also considers nonperformance risk in the overall assessment of fair value.

Auditing Standards Codification (ASC) 820 establishes a three tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

<u>Level 1:</u> Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets of liabilities.

<u>Level 2:</u> Inputs other than quotes prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quotes prices for similar assets and liabilities in active markets
- Quotes prices for identical or similar assets or liabilities in markets that are not active
- Observable inputs other than quotes prices that are used in the valuation of the asset or liability (e.g., interest rate and yield curve quotes at commonly quotes intervals)

- Inputs that are derived principally from or corroborated by observed market data by correlation or other means

Level 3: Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CEFIA believes its valuation method are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, CEFIA's fair value measurements at June 30, 2012:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 73,213,594	$ --	$ --	$ 73,213,594
Portfolio investments	--	--	2,155,525	2,155,525
	$ 73,213,594	$ --	$ 2,155,525	$ 75,369,119

NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of net assets available for benefits using significant unobservable (Level 3) inputs:

Balance - beginning of year	$ 1,698,715
Purchases, issuances and settlements - net	456,810
Balance - end of year	$ 2,155,525

NOTE 3 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2011:

Checking	$ 4,050,160
State Treasurer's Short-Term Investment Fund	60,687,137
Unrestricted cash and cash equivalents	64,737,297
Checking - restricted	112,588
State Treasurer's Short-Term Investment Fund - restricted	8,363,709
Total cash and cash equivalents	$ 73,213,594

STATE TREASURER'S SHORT-TERM INVESTMENT FUND

The State Treasurer's Investment Fund is an investment pool. The value of CEFIA's position in the pool is the same as the value of pool shares. Regulatory oversight is provided by an investment advisory council and the State Treasurer's Cash Management Board.

INVESTMENT MATURITIES

The State Treasurer's Short-Term Investment Fund has no maturity date and is available for withdrawal on demand.

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

INTEREST RATE RISK

CEFIA manages its exposure to declines in fair value by limiting the average maturity of its cash and cash equivalents to no more than one year.

CREDIT RISK

Connecticut General Statutes authorize CEFIA to invest in obligations of the U.S. Treasury including its agencies and instrumentalities, commercial paper, banker's acceptance, repurchase agreements and the State Treasurer's Short-Term Investment Fund.

Investment ratings for the Fund's investments are as follows:

	Moody's Investors Service	Standard & Poor's
State Treasurer's Short-Term Investment Fund	Aaa	AAAm

CONCENTRATION OF CREDIT RISK

CEFIA's investment policy does not limit the investment in any one investment vehicle. The State Treasurer's Short-term Investment Fund are not subject to this disclosure.

CUSTODIAL CREDIT RISK — DEPOSITS

In the case of deposits, this represents the risk that, in the event of a bank failure, CEFIA's deposits may not be returned to it. CEFIA does not have a deposit policy for custodial credit risk. As of June 30, 2012, $3,335,361 of CEFIA's bank balance was exposed to custodial credit risk because it was not covered under federal depository insurance or collateralized.

CUSTODIAL CREDIT RISK — INVESTMENTS

For an investment, this represents the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of the investment. As of June 30, 2012, the Fund has no reportable custodial risk.

NOTE 4 - PORTFOLIO INVESTMENTS

CEFIA invests in emerging companies, which, in the event the company becomes successful, could represent a significant portion of the investment balances at a given time. Securities held at June 30, 2012 represent investments in two companies.

NOTE 5 - RELATED PARTY TRANSACTIONS AND OPERATING LEASES

RELATED PARTY TRANSACTIONS

CEFIA utilizes the services of Connecticut Innovations, Incorporated (CI), as provided in the General Statutes of the State of Connecticut. The CI provides services to CEFIA, at cost, for its operations. Such services include, but are not limited to, staff for accounting and information technology support, office space, equipment, supplies and insurance. Expenses billed to CEFIA by CI totaled $1,868,098 for the year ended June 30, 2012. As of June 30, 2012, amounts due to Connecticut Innovations Incorporated, totaled $94,340.

Pursuant to state statute, CEFIA is subject to a mandated fringe benefit charge as fringe benefits are paid at the state level. The rate charged for fiscal year 2012 in the aggregate comprised 63.0% of gross salaries.

OPERATING LEASES

CEFIA sub leases its main office space from Connecticut Innovations, Inc. under a non-cancellable Memorandum of Understanding (MOU). The MOU calls for monthly payments of $11,575, with escalating payments through December 2020.

In addition, CEFIA leases office equipment on a month-to-month basis. Rent expense related to the office equipment for the year ended June 30, 2012 was $799.

NOTE 5 - RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)

Future minimum lease payments on leases are as follows:

Years ending June 30,	
2013	$ 171,785
2014	176,837
2015	181,890
2016	186,942
2017	191,995
Thereafter	711,139
	$ 1,620,588

Rent expense for the year ended June 30, 2012 was $161,612.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for fiscal year 2012 is as follows:

	Balance, July 1, 2011	Additions	Deletions	Adjustments	Balance, June 30, 2012
Capital assets being depreciated:					
Furniture and equipment	$ --	$ 13,049	$ --	$ --	$ 13,049
Computer hardware and software	--	28,460	--	--	28,460
Leasehold improvements	--	56,224	--	--	56,224
	--	97,733	--	--	97,733
Less accumulated depreciation and amortization:					
Furniture and equipment	--	626	--	--	$ 626
Computer hardware and software	--	3,847	--	--	3,847
Leasehold improvements	--	1,971	--	--	1,971
	--	6,444	--	--	6,444
Capital assets, net	$ --	$ 91,289	$ --	$ --	$ 91,289

NOTE 7 – GRANT PROGRAMS

For the year ended June 30, 2012, CEFIA received grant funds from the U.S. Department of Energy to provide various energy programs to eligible recipients under the grants. Funds received under the grants totaled ______ and grant expenditures totaled $10,353,455 for the year ended June 30, 2012.

NOTE 8 – COMMITMENTS

As of June 30, 2012, the Board of Directors has committed a portion of the net assets to fund grants for specific projects in the following areas:

Fuel cells	$ 6,320,367	
Solar	8,082,471	
Geothermal and Solar Thermal	1,095,689	
Other technologies	246,340	
Project 150 and Predevelopment Program	7,487,145	
Operation Demonstration Program	1,397,895	
Education and outreach	1,219,336	
	$ 25,849,243	

These grants are expected to be paid over the next two fiscal years.

NOTE 9 – PENSION PLAN

All employees of the CEFIA participate in the State Employees' Retirement System (SERS), which is administered by the State Employees' Retirement Commission. The Corporation has no liability for pension costs other than the annual contribution. In addition, an actuarial study was performed on the plan as a whole and does not separate information for employees of the Corporation. Therefore, certain pension disclosures otherwise required pursuant to accounting principles generally accepted in the United States of America are omitted. Information on the total plan funding status and progress, contribution required and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

PLAN DESCRIPTION

SERS is a single-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 to 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers. Tier I requires an employee contribution of either 2% or 5% of salary, depending on the plan. Tier II is a noncontributory plan. Tier IIA requires an employee contribution of 2% of salary. The Corporation's contribution is determined by applying a state mandated percentage to eligible salaries and wages. Members who joined the retirement system prior to July 1, 1984 are generally enrolled in Tier I. Members who joined the retirement system after July 1, 1984 are enrolled in Tier II. Employees first hired on or after July 1, 1997 are members of Tier IIA. Employees rehired on or after July 1, 1997 are also members of Tier IIA unless the application of SERS service bridging provisions mandates their placement in either Tier I or Tier II. Tier I employees who retire at or after age 65 with 10 years of credited service, or at age 55 with 25 years of service, are eligible for an annual retirement benefit payable monthly for life, in an amount of 2% of the annual average earnings (which are based on the three highest years of service). In most cases, this is reduced to 1% for the first $4,800 of salary upon receipt of Social Security benefits. Employees at age 55 with 10 years but less than 25 years of service, or at age 70 with 5 years of service, are entitled to a reduced benefit. Tier II and Tier IIA employees who retire at or after age 60 with 25 years of service, or at age 62 with 5 years of service, or at age 70 with 5 years of service, or at age 55 with 10 years of service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in an amount of 1.33% of the average earnings plus 0.5% of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at 1.63%. All Tier I members are vested after 10 years. Effective July 1, 1997, all Tier II and Tier IIA members are vested after 5 years and may retire at age 62 with 5 years of actual state service. All plans provide for death and disability benefits. The total payroll and the payroll for employees of the Corporation covered by SERS for the years ended June 30, 2012, was $1,541,308.

NOTE 9 – PENSION PLAN (CONTINUED)

CONTRIBUTIONS MADE

CEFIA's contribution is determined by applying a State mandated percentage to eligible salaries and wages as follows:

Contributions made:		
By employees	$	59,034
Percent of current year covered payroll		3.8%
By CEFIA	$	601,014
Percent of current year covered payroll		39.0%

NOTE 10 - RESTRICTED NET ASSETS

As discussed in Note 1, the Fund has a contractual commitment of $176,975 to fund the maintenance of a fuel cell for a municipality in the State of Connecticut and $ 8,363,709 to fund credit enhancements in support of the Residential Clean Energy Financing Program and the Clean Energy Financial Innovation Program under the American Recovery and Reinvestment Act.

NOTE 11 - RISK MANAGEMENT

CEFIA is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses exceeding insurance coverage, and there have been no decreases in insurance coverage over the last three years.

NOTE 12 - RENEWABLE ENERGY CREDITS

CEFIA owns Class 1 Renewable Energy Certificates (RECs) that are generated by certain renewable energy facilities for which CEFIA provided the initial funding. CEFIA has entered into agreements to sell a total of 30,000 REC's generated through December 31, 2013 at prices ranging from $15.00 to $16.50 per REC, totaling $465,000.

RECs trade on the New England Power Pool (NEPOOL) market. The market price of Connecticut Class 1 RECs as of June 30, 2012 ranged from $XX.00 to $XX.00. However CEFIA's inventory as of June 30, 2012 has been priced at the sales price per the agreements. Based on historical performance, management believes that the RECs it will receive from its funded facilities through December 31, 2013 will exceed its commitment to sell under this agreement.

NOTE 13 – DEFERRED REVENUE

The amount represents unspent grant funds received by CEFIA under the American Recovery and Reinvestment Act program. These monies, $8,363,709, will fund credit enhancements in support of Residential Clean Energy Financing Program and Clean Energy Financial Innovation Program under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Clean Energy Finance and Investment Authority

We have audited the balance sheet and statement of net assets of the Connecticut Clean Energy Fund, a special revenue fund of the State of Connecticut, as of June 30, 2012 and the related statement of revenues, expenditures and changes in fund balance and statement of activities for the year then ended, and have issued our report thereon dated September __, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Clean Energy Finance and Investment Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Clean Energy Finance and Investment Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clean Energy Finance and Investment Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clean Energy Finance and Investment Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Clean Energy Finance and Investment Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended for the information and use of the Board of Directors, management and the State of Connecticut and is not intended to be and should not be used by anyone other than those specified parties.

Hartford, CT
____________, 2012

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
(A Component Unit of the State of Connecticut)

FEDERAL SINGLE AUDIT

JUNE 30, 2012

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

CONTENTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Clean Energy Finance and Investment Authority

We have audited the financial statements of the Clean Energy Finance and Investment Authority (CEFIA) as of and for the year ended June 30, 2012, and have issued our report thereon dated ________, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of CEFIA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CEFIA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEFIA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CEFIA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether CEFIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hartford, CT
____________, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Trustees
Clean Energy Finance and Investment Authority

COMPLIANCE

We have audited the Clean Energy Finance and Investment Authority(CEFIA) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CEFIA's major federal programs for the year ended June 30, 2012. The CEFIA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of CEFIA's management. Our responsibility is to express an opinion on CEFIA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CEFIA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CEFIA's compliance with those requirements.

In our opinion, Clean Energy Finance and Investment Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

Management of CEFIA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CEFIA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CEFIA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of Clean Energy Finance and Investment Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated ___________, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the Board of Trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hartford, CT
_____________, 2012

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Program Title	CFDA Number	Expenditures
Department of Energy		
State Energy Program (Recovery Act)	81.041	$ 8,784,035
Energy Efficiency and Conservation Block Grant Program (EECBG) (Recovery Act)	81.128	1,569,420
Total Expenditures of Federal Awards		$ 10,353,455

See Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Connecticut Clean Energy Fund (CEFIA) and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	___ yes	_x_ no
• Significant deficiency(ies) identified?	___ yes	_x_ none reported
Noncompliance material to financial statements noted?	___ yes	_x_ no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	___ yes	_x_ no
• Significant deficiency(ies) identified?	___ yes	_x_ none reported

Type of auditor's report issued on compliance for major programs: unqualified.

Any audit finding disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ yes	_x_ no

Major Programs:

Funding Source	Program	CDFA No.
U.S. Department of Energy	State Energy Program (Recovery Act)	81.041
	Energy Efficiency and Conservation Block Grant (Recovery Act)	81.128

Dollar Threshold Used to Distinguish Type A and Type B Programs: $300,000

Qualification of Auditee as a Low-Risk Auditee: No

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

SECTION II — SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERAL ACCEPTED GOVERNMENT AUDITING STANDARDS

- We issued reports, dated _____________, 2012 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

- Our report on compliance and other matters indicated no reportable instances of noncompliance.

- Our report on internal control over financial reporting indicated no material weaknesses.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings relating to Federal award programs.