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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

November 14, 2011

Dear Clean Energy Finance and Investment Authority Audit, Compliance and Governance Committee Members:

We are honored to have you sit on the Audit, Compliance and Governance Committee.

To prepare you for the meeting, we have provided you with all of the necessary background information that will be covered on the agenda and the associated resolutions.

If you have any questions, comments or concerns, please feel free to contact me at any time.

We look forward to the meeting next week.

Sincerely,

Bryan Garcia
President and CEO

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

Monday, November 21, 2011 – Special Meeting
8:30 to 9:00 a.m.

Staff Invited: George Bellas, Bryan Garcia, and David Goldberg

Others Invited: Marcum, LLP

1. Call to order

2. Review of Auditors of Public Accounts Audit Report for the Connecticut Clean Energy Fund (CCEF) for the Fiscal Year Ended June 30, 2010

3. Review and recommendation to the Board of Directors of the Clean Energy Finance and Investment Authority for approval of the FY 2011 Draft CCEF Audited Financial Statements*

4. Adjourn

*Denotes item requiring Board action

Call-in information: 1-877-885-3221 Access code: 8446562

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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   Motion to Recommend the Acceptance to the Board of Directors of the Clean Energy Finance and Investment Authority of the Audited Financial Statements and the Federal Single Audit Report of the Connecticut Clean Energy Fund for the Fiscal Year Ending June 30, 2011. Second. Discussion. Vote.

4. Adjourn

*Denotes item requiring Board action

Call-in information: 1-877-885-3221　　　Access code: 8446562

STATE OF CONNECTICUT

AUDITORS' REPORT
CONNECTICUT INNOVATIONS, INCORPORATED
INCLUDING
THE CONNECTICUT CLEAN ENERGY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

September 30, 2011

AUDITORS' REPORT
CONNECTICUT INNOVATIONS, INCORPORATED
INCLUDING
THE CONNECTICUT CLEAN ENERGY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

We have examined the books, records and accounts of the Connecticut Innovations, Incorporated (Corporation), including the Connecticut Clean Energy Fund (CCEF), as provided in Section 2-90 and Section 1-122 of the General Statutes, for the fiscal year ended June 30, 2010.

SCOPE OF AUDIT:

This audit was primarily limited to performing tests of the Corporation's and the CCEF's compliance with certain provisions of laws, regulations, contracts and grants, including but not limited to a determination of whether the Corporation and the CCEF have complied with their written operating procedures, as required per Section 32-35, subsection (d), and Section 16-245n, subsection (e), respectively, of the General Statutes, concerning the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

We also considered the Corporation's and the CCEF's internal control over their financial operations and compliance with requirements that could have a material or significant effect on the Corporation's or the CCEF's financial operations in order to determine our auditing procedures for the purpose of evaluating the Corporation's and the CCEF's financial operations and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives. Our consideration of internal control included the five areas identified above.

Our audit included a review of a representative sample of the Corporation's and the CCEF's activities during the fiscal year in the five areas identified above and a review of such other areas as we considered necessary. The financial statement audits of the Corporation and the CCEF, for the fiscal year indicated above, were conducted by the Corporation's and the CCEF's independent public accountants.

This report on our examination consists of the Comments, Recommendations and Certification that follow.

COMMENTS

FOREWORD:

Connecticut Innovations, Incorporated:

Connecticut Innovations, Incorporated (Corporation) operates primarily under Chapter 581, Sections 32-32 through 32-47a of the General Statutes. Pursuant to Section 32-35 of those statutes, it is a public instrumentality and political subdivision of the state. Pursuant to Chapter 12 of the General Statutes, the Corporation is classified as a quasi-public agency subject to the requirements related to such agencies as may be found in Chapter 12. As a quasi-public agency, the Corporation's financial information is included as a component unit in the State of Connecticut's Comprehensive Annual Financial Report (CAFR).

The Corporation was established to stimulate and encourage the research and development of new technologies, businesses and products and the development and operation of science parks and incubator facilities, and to promote science, engineering, mathematics and other disciplines essential to the development of and application of technology within Connecticut.

The Corporation provides financial assistance to Connecticut businesses for the development and marketing of high-technology products, services, and processes. This assistance has been made in the form of loans, royalty agreements and equity (ownership) investments. The Corporation also funds other organizations such as Connecticut universities and technology research or application centers. The Corporation includes contingent payback provisions to those funds as a means of sharing in the royalties and other earnings from successful research projects.

The Corporation targets early stage high-technology enterprises. These include: advanced materials, aerospace, bioscience, energy and environmental systems, information technology, applied optics and microelectronics. The Corporation utilizes a number of limited partnerships and financial investments to achieve its objectives of assisting qualified organizations.

The Corporation provides several financial and technical programs to assist qualifying Connecticut companies, colleges and universities. These include:

Connecticut Emerging Enterprises Limited Partnership (CEELP) – CEELP is a partnership comprised of the Corporation and a major commercial bank. The program invests in initial and follow-on rounds of financings for early-stage, technology growth enterprises with significant proprietary innovations or other unique, sustainable competitive advantages.

Eli Whitney Fund – This program may be used for risk capital investments in emerging and established companies to stimulate their development of high technology products, processes and services. The program also provides working capital to assist companies in marketing and launching technology products, processes and services.

Next Generation Ventures, LLC – This joint venture between the Corporation and a major commercial insurer invests in start-up and young technology companies in Connecticut by providing them seed or early-stage financing.

Yankee Ingenuity Technology Program – This program seeks to support royalty based, market-driven funding for applied high technology research and development which leads to marketable products or processes with high potential to contribute to long-term, sustainable economic growth in Connecticut. The program promotes technological innovation through partnerships between Connecticut businesses and Connecticut colleges and universities. Scientists from business and academics combine their research capability and expertise to invent new products and processes.

BioScience Facilities Fund – This program was developed to enable the development of laboratory space in Connecticut in order to encourage the growth of biotechnology research and development companies.

Seed Investment Fund and BioSeed Fund – These programs were developed to address the needs of entrepreneurs by promoting and investing in early-stage Connecticut-based emerging technology and biotechnology companies.

Pre-Seed Fund – This program was developed to provide support and assistance to prepare high technology companies for future investments.

Clean Tech Fund – This program was developed to support the demand for alternative energy technologies which focus on energy conservation, environmental protection, or the elimination of harmful waste.

Small Business Innovation Research (SBIR) Program – The SBIR program supports Connecticut-based innovators, entrepreneurs and small businesses to commercialize their new products. The program also provides matching grants to manufacturers to design and develop innovative technologies to diversify their portfolio of products, thereby retaining and increasing sales and employment in the state. The SBIR program also assists companies to obtain federal grants through the federal SBIR program. This program was transferred to the Connecticut Innovations Inc. from the Connecticut Center for Advanced Technology (CCAT) in April 2009.

In addition, in the footnotes to its financial statements for the fiscal year ended June 30, 2010, the following organizations are identified as blended component units of the Corporation that, although legally separate entities, are in substance part of the Corporation's operations:

Connecticut Technology Development Corporation (CTDC) – The CTDC was established to address the need by new biotech firms for wet laboratory space in "move-in" condition. The only activities through the 2009-2010 fiscal year have been the leasing and fit-out of laboratory space expenses at 25 Science Park in New Haven. The total expenses of CTDC during the fiscal year ended June 30, 2010, were $330,517. These amounts are included in the Corporation's financial statements.

Connecticut Innovations Educational Foundation (CIEF) – The Corporation's board approved the creation of the CIEF at its meeting on May 14, 2001. It is a non-stock corporation, exempt from federal income taxes. The Corporation explains that the foundation was created so that it could solicit funds from external sources to provide additional funding for certain programs. Apparently, the foundation was not successful in its fundraising efforts, and at its meeting on July 28, 2006, the board approved the dissolution of the foundation, which occurred in March 2010. The Corporation assumed responsibility over the conduct and ongoing programs of the foundation.

Organizationally, the Corporation is divided into six major areas:

- Finance and Administration – responsible for accounting, administration, finance, and information technology support for the Corporation and the Connecticut Clean Energy Fund.

- Investment Team – responsible for identifying opportunities that fall within the Corporation's scope and providing, where appropriate, capital for invention and innovation when financial aid is not available from normal commercial sources.

- External Relations – responsible for communications, marketing and media relations related to the Corporation and the Connecticut Clean Energy Fund.

- Business Development – responsible for developing and supporting business opportunities for the Corporation and its portfolio companies.

- Connecticut Clean Energy Fund operations – responsible for the operation of the Connecticut Clean Energy Fund.

- Small Business Innovation Research – responsible for helping businesses learn about the funds available to them from the Federal Small Business Innovation Research program.

Significant State Legislation:

Public Act 09-172, effective July 1, 2009, amended Section 32-47a of the General Statutes to address the apparent statutory conflict between Section 32-47a and Section 32-40, subsection (c) of the General Statutes. The act requires that in the preparation of CI's annual report on its financial assistance programs, gross revenues shall be reported for organizations that make the information public in the normal course of business. For organizations that do not make the information public in the normal course of business, the gross revenue information must be provided separately, concealing the organizations' names and identities, in a manner consistent with the provisions of Section 32-40, subsection (c), of the General Statutes. The act allows the Governor and chairpersons and ranking members of the Finance, Revenue and Bonding and Commerce Committees, after a request to CI, to examine the detailed report data in confidence, including the specific revenue data for each identifiable business included in the report. The act also allows the committee chairpersons and ranking members to disclose the data to other committee members and requires that they also keep the data confidential.

Board of Directors and Administrative Officials:

Pursuant to Section 32-35, subsection (b), of the General Statutes, a 15-member board of directors governs the Corporation. Eight members are appointed by the Governor and four are appointed by various legislative leaders. In addition, the Commissioner of the Department of Economic and Community Development, the Commissioner of the Department of Higher Education and the Secretary of the Office of Policy and Management serve as ex-officio members. Subsection (c) of Section 32-35 provides that the chairperson of the board shall be appointed by the Governor with the advice and consent of the legislature.

The members of the Corporation's Board of Directors as of June 30, 2010, were as follows:

Appointed by the Governor:
- Peter L. Cashman
- Louis N. George, Esq.
- R. Carol Muradian
- John W. Olsen
- Paul R. Pescatello, Esq.
- Rafael A. Santiago
- George W. Schiele
- Amrutur V. Srinivasan, Ph.D.

Legislative Appointments:
- Alan K. Greene
- Harris L. Marcus
- Stephen Nocera
- Drew Harris

Ex-Officio:
- Joan McDonald, Chairperson, Commissioner of the Department of Economic and Community Development
- Michael Cicchetti, Secretary (Designee) of the Office of Policy and Management
- Michael P. Meotti, Commissioner of the Department of Higher Education

Joan McDonald was appointed Chairperson effective May 21, 2008.

In addition, the board has set up several committees and sub-committees to expedite certain business activities of the Corporation and to maintain controls over its transactions. The Corporation has the following three standing committees: Audit, Compliance and Governance Committee; Finance, Operations and Compensation Committee; and Eli Whitney Investment Committee. The Corporation also has two advisory committees including the Eli Whitney Advisory Committee, and the Valuation Committee, which met through the audit period. There is a BioSeed Advisory Committee, which did not meet during the fiscal year under review, nor is it scheduled to meet through the end of the 2011 calendar year.

The Board appointed Peter V. Longo, the Corporation's Deputy Executive Director, to Acting Executive Director on April 30, 2007 and subsequently to the position of President and Executive Director on October 26, 2007, in which he continues to serve.

Connecticut Clean Energy Fund:

The Renewable Energy Investment Fund (commonly referred to as the Connecticut Clean Energy Fund) was established in July 1998 under Title 16, Section 16-245n of the General Statutes, which until October 1, 2007, required that the Corporation administer the fund. However, Public Act 07-152, effective October 1, 2007, amended said section by placing the Connecticut Clean Energy Fund (CCEF) within the Corporation for administrative purposes only.

Section 16-245n provides that, on or after January 1, 2004, the Department of Public Utility Control shall assess or cause to be assessed a charge per kilowatt-hour to each end-user of electrical service in the state. It is this assessment that provides the financing for the CCEF. Unlike the majority of the Corporation's investments, the CCEF is not limited to Connecticut businesses. Upon authorization by the CCEF board, the Corporation may use any amount in the fund for expenditures that promote investment in renewable energy sources in accordance with a comprehensive plan developed by the CCEF board 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 that serve end use customers in this state and for the further purpose of supporting operational demonstration projects for advanced technologies that reduce energy use from traditional sources. Such expenditures may include, but not be limited to, reimbursement for services provided by the Corporation including a management fee, disbursements to develop and carry out the comprehensive plan, grants, direct or equity investments, contracts or other actions which support research, development, manufacturing, commercialization, deployment and installation of renewable energy technologies, and actions which expand the expertise of individuals, businesses and lending institutions with regard to renewable energy technologies.

The three strategic objectives of the CCEF's programs and initiatives are for Connecticut ratepayers to have access to a diverse supply of clean energy resources, to identify and promote renewable energy technologies and tools to address challenging energy issues while providing economic development opportunities, and to increase the demand for clean energy by creating model sustainable communities.

Board of Directors and Administrative Officials:

Pursuant to Section 16-245n of the General Statutes, as amended by Public Act 07-152, effective October 1, 2007, the Renewable Energy Investments Board (commonly referred to as the Connecticut Clean Energy Fund Board) acts on matters related to the CCEF. Section 16-245n, subsection (e), provides that the CCEF Board shall include up to 15 members with knowledge and expertise in matters related to the purpose and activities of the CCEF and shall consist of three members appointed by the Governor, six members appointed by various legislative leaders, two members appointed by the Board of Directors of Connecticut Innovations, Inc., the Consumer Counsel and the heads or designees of the Department of Emergency Management and Homeland Security, the Office of Policy and Management, and the Department of Environmental Protection. The board shall elect a chairperson biennially and shall adopt bylaws and procedures deemed necessary to carry out its functions.

The members of the CCEF Board as of June 30, 2010, were as follows:

Norma Glover, Chairperson
Mary Healey (Consumer Counsel)
Scott DeVico (designee – Department of Emergency Management and Homeland Security)
John Mengacci (designee – Office of Policy and Management)
Tracy Babbidge (designee – Department of Environmental Protection)
Mun Y. Choi
Kevin Hennessy
Robert Maddox
John Olsen
Jerry Peters
Matthew Ranelli
Jessie Stratton
Patricia Wrice

Appointed by the Board of Directors of Connecticut Innovations, Inc.:
Alan Greene
Carol Muradian

Timothy Bowles was elected chairperson on October 1, 2007 and served until his resignation, effective September 1, 2009. Norma Glover was elected chairperson effective October 1, 2009.

In addition, the board has set up several committees and sub-committees to review and discuss issues and assist the board in making decisions related to the CCEF. The CCEF Board has the following four standing committees: Executive Committee, Finance Committee, Projects Committee, and Technology Review Committee.

Lise Dondy served as President of the CCEF throughout the audited period. She subsequently resigned, effective October 1, 2010. Dale E. Hedman was appointed the Acting President of the CCEF at a special meeting held September 8, 2010 and he continued to serve in that capacity until May 31, 2011, when Bryan Garcia was appointed President of CCEF.

RÉSUMÉ OF OPERATIONS:

State Accounts:

The State of Connecticut provided significant initial financing for the Corporation's programs through the proceeds of General Obligation Bonds. It is these bond proceeds and any net income from operations that are used to finance the Corporation's investments.

State expenditures related to the Corporation include bond fund proceeds to finance various grants and investments. They also include certain operating expenses processed through Core-CT, the state's accounting system. These transactions are processed through two state funds – a special revenue fund (Grants to Local Governments and Others) and an enterprise fund (Connecticut Innovations, Incorporated Fund).

The Grants to Local Governments and Others Fund is a special revenue fund used to process certain grant awards authorized by the State Legislature through various authorizing special acts and the action of the State Bond Commission. Bond payments are processed through Core-CT and are recorded on both the state's and the Corporation's books. The State Comptroller records state bond proceeds to finance loans and investments as expenditures, while the Corporation records them as investments and as contributed capital. During the audited period, $402,950 of special revenue funds were used for capital improvements associated with the BioBus mobile laboratory program, as authorized under Public Act 07-7, Section 13(n) of the June Special Session.

The Connecticut Innovations, Incorporated Fund is an enterprise fund authorized by Section 32-41a of the General Statutes. That statute provides that this fund be used to carry out the purposes of the Corporation and for the repayment of state bonds when required by the State Bond Commission. Total bond fund monies authorized by Sections 32-41, 32-41b, and 32-41o, amounted to $114,800,500 as of June 30, 2010. Core-CT is used by the Corporation for the processing of enterprise fund payroll and other operating expenses. Expenditures charged to the enterprise fund during the audited period consisted entirely of payroll costs for the Corporation and the CCEF, which were funded by cash transfers by the Corporation (see Connecticut Innovations, Incorporated section below) to the Connecticut Innovations, Inc. Fund. A summary of the Corporation's expenditures during the audited period, as compared to the previous fiscal year, follows:

	Fiscal Year Ended June 30,	
	2010	**2009**
Personal Services	$ 4,344,360	$ 4,058,544
Fringe Benefits	2,606,267	2,164,290
Totals	**$ 6,950,627**	**$ 6,222,834**

The increase in personal services and fringe benefits is due to an increase in salaries, the number of employees and benefit accruals. There were no state expenditures made from the enterprise fund for investment purposes.

Connecticut Innovations, Incorporated:

Pursuant to subsection (b) of Section 32-41a of the General Statutes, all investment income, loan repayments, and grants with payback provisions are deposited into the Corporation's operating account. The operating account is used to pay administrative expenses, including the transfers to the enterprise fund for reimbursements of personal services, fringe benefits and other administrative costs charged to the fund.

Any excess funds in the operating account are transferred to short-term investments and marketable securities, including the State Treasurer's Short Term Investment Fund (STIF), to earn investment income. It should be noted that the Corporation may be required by the Bond Commission to repay the monies advanced by the Bond Commission, including interest, under terms the Commission might find desirable and consistent with the purposes of the Corporation. As of June 30, 2010, the Bond Commission had not requested repayment of any principal or interest.

The financial position of the Corporation as of June 30, 2009 and 2010, per its audited financial statements, is presented below. The following amounts do not include the Connecticut Clean Energy Fund.

	As of June 30	
Assets	**2010**	**2009**
Current Assets:		
Cash and cash equivalents	$ 40,077,664	$ 39,095,080
Certificates of deposit	0	6,000,000
Marketable securities	0	0
Current portion of investments	2,589,562	3,555,080
Due from CCEF	159,816	76,309
Other assets	2,523,363	260,688
Total current assets	45,350,405	48,987,157
Non-Current Assets:		
Portfolio Investments:		
Eli Whitney Fund investments	34,177,365	29,709,614
BioScience Facilities Fund investments	3,920,987	9,189,524
Seed Fund investments	987,501	1,687,501
BioSeed Fund investments	2	189,504
Clean Tech Investments	801,250	180,000
Investment in CT Emerging Enterprises, LP	256,302	348,719
Investment in Next Generation Ventures, LLC	388,127	625,733
Other investments	62,500	37,500
Total investments	40,594,034	41,968,095
Less current portion	(2,589.562)	(3,555,080)
Investments – non-current	38,004,472	38,413,015
Capital assets, net of depreciation	622,864	827,845
Total non-current assets	38,627,336	39,240,860
Total Assets	**$ 83,977,741**	**$ 88,228,017**

Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 1,697,366	$ 694,279
Custodial liability	30,544	159,493
Due to State of Connecticut	0	0
Total liabilities	1,727,910	853,772
Net Assets:		
Invested in capital assets	622,864	827,845
Unrestricted	81,626,967	86,546,400
Total net assets	82,249,831	87,374,245
Total Liabilities and Net Assets	**$ 83,977,741**	**$ 88,228,017**

The Corporation makes risk capital investments of no more than six million dollars, with the approval of the Finance Committee of the Board of Directors, in high-technology applicant companies. Investments greater than six million dollars are possible, with approval of the full Board of Directors. The Corporation primarily makes investments in equity securities of emerging high-tech companies. It has substantially eliminated the use of royalty financing arrangements but continues to recover the cost and revenues of past royalty arrangements. The Corporation has nearly 70 percent of its investments in equity securities.

In the absence of readily determinable market values, investments are carried at fair value as estimated by the Valuation Committee of the Corporation, using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. As is commonplace with investments such as those held by the Corporation, and as disclosed in the Corporation's audited financial statements, 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.

The Corporation also provides loans that are generally convertible into equity to Connecticut companies to bring new high-technology products to market. Loans may be used for any business-related purpose such as hiring, marketing, research and development, inventory buildup and capital expenditures. A loan must be repaid within six years according to an arranged payment schedule.

A schedule of revenues, expenses and changes in net assets for the fiscal years ended June 30, 2009 and 2010, follows. The information was obtained from the Corporation's audited financial statements, and does not include the Connecticut Clean Energy Fund.

	Fiscal Year Ended June 30,	
Operating Revenues:	**2010**	**2009**
Interest on short-term investments and cash deposits	$ 167,324	$ 732,823
Interest on investments	789,320	973,433
Other income	920,611	541,369
Total Revenues	1,877,255	2,247,625
Operating Expenses:		
Compensation and benefits	3,434,106	2,942,187
General and administrative expenses	1,503,211	1,723,310

Grants and programs	28,478	39,340
Total Expenses	4,965,795	4,704,837
Operating Loss	(3,088,540)	(2,457,212)
Non-Operating Revenues (Expenses):		
Unrealized gain (loss) on investments	7,541,071	(4,469,810)
Realized gain (loss) on sale of investments	(10,885,445)	3,000,982
Total Non-Operating Revenues (Expenses)	(3,344,374)	(1,468,828)
Change in Net Assets Before Capital Contributions	(6,432,914)	(3,926,040)
Capital Contributions	1,308,500	0
Change in Net Assets	**$ (5,124,414)**	**$ (3,926,040)**

Total revenues decreased by $370,370 during the 2009-2010 fiscal year. Interest on short-term investments and cash deposits decreased by $565,499 during the 2009-2010 fiscal year due to interest rate decreases for the fiscal year. Interest earned on investments decreased by $184,113 as a result of pay-offs and pay-downs of loans. Other income increased by $379,242 due to the receipt of non-recurring grant income during the 2009-2010 fiscal year.

Compensation, benefits and payroll taxes increased by $491,919 during the 2009-2010 fiscal year, primarily as a result of the transfer of the Connecticut SBIR office staff to the Corporation and an increase in the contribution to the State Employees Retirement System.

General and administrative expenses decreased by $220,099 during the 2009-2010 fiscal year due primarily to decreases in office related expenses.

Total expenditures for grants and scholarship programs during the 2009-2010 fiscal year were $28,478, a decrease of $10,862 from the prior year. The decrease was largely due to a decline in funding of the scholarship program during the 2008-2009 fiscal year.

Net realized loss on investments for the year were $10,885,445, as compared to realized gains of $3,000,982 during the 2008-2009 fiscal year. During the 2009-2010 fiscal year, the realized losses were primarily the result of investment write-offs which were recorded as unrealized losses in previous years. The $3,000,982 in realized gains during the 2008-2009 fiscal year resulted from the divestitures of investments.

During the 2009-2010 fiscal year, capital contributions of $1,308,500 were received for the BioScience Facilities Fund. Capital contributions were not received during the 2008-2009 fiscal year. The capital contributions consist of state bond proceeds authorized under Public Act 01-2, Section 9(e).

The Corporation's board approved $15,210,627 for new investments during the fiscal year ended June 30, 2010, and funded $12,322,247, based on current and prior year approvals. The Eli Whitney Fund comprised the majority of the approved and funded amounts.

Connecticut Clean Energy Fund:

Section 16-245n, subsection (c), of the General Statutes provides that the CCEF may receive any amount required by law to be deposited into the CCEF and may receive any federal funds available to the state for renewable energy investments. The Corporation, upon authorization of the CCEF Board, is allowed to use CCEF monies for expenditures that promote investment in renewable energy sources in accordance with its Comprehensive Plan.

The financial position of the Connecticut Clean Energy Fund as of June 30, 2009 and 2010, as presented in its audited financial statements, follows:

	As of June 30,	
	2010	**2009**
Assets		
Cash and cash equivalents	$ 54,749,142	$ 64,952,366
Certificates of deposit	0	6,000,000
Marketable securities	0	0
Utility customer assessments receivable	2,223,292	2,491,466
RGGI auction receivable	1,187,914	1,076,659
Investments	1,348,715	1,223,718
Other assets	1,466,776	1,245,369
Solar Lease Notes	6,287,804	0
Restricted assets	3,448,823	395,415
Total Assets	**$ 70,712,466**	**$ 77,384,993**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 1,661,838	$ 3,255,105
Due to Fund Administrator	159,816	76,309
Deferred Revenue	3,159,579	0
Total Liabilities	4,981,233	3,331,414
Net Assets:		
Restricted	289,245	395,415
Unrestricted	65,441,988	73,658,164
Total Net Assets	65,731,233	74,053,579
Total Liabilities and Net Assets	**$ 70,712,466**	**$ 77,384,993**

Connecticut Clean Energy Fund revenues, expenditures and the changes in net assets for the fiscal years ended June 30, 2009 and 2010, are presented below. The information was taken from the Connecticut Clean Energy Fund audited financial statements for those fiscal years.

	Fiscal Year Ended June 30,	
	2010	**2009**
Revenues:		
Utility customer assessments	$ 27,252,497	$ 28,104,415
Interest on short-term investments	408,723	1,192,800
RGGI Auction Income	4,017,149	4,305,254

Other income	1,447,525	3,112,941
Total Revenues	33,125,894	36,715,410
Expenditures/Expenses:		
Program:		
Grants	35,943,115	48,853,603
Program expenses	3,589,659	3,363,494
Total program expenses	39,532,774	52,217,097
General and administrative expenses	1,859,571	1,987,455
Total Expenditures and Expenses	41,392,345	54,204,552
Change in Net Assets Before Changes in the Fair Value of Investments	(8,266,451)	(17,489,142)
Net realized gain (loss) on investments	(1,525,000)	851,739
Net increase (decrease) in the fair value of investments	1,469,105	1,746,298
Net Change in Net Assets	(8,322,346)	(14,891,105)
Net assets, Beginning of Year	74,053,579	88,944,684
Net assets, End of Year	**$ 65,731,233**	**$ 74,053,579**

Revenues from utility customer assessments decreased by $851,918 during the 2009-2010 fiscal year primarily as a result of a decrease in utility usage.

Interest on short-term investments and cash deposits decreased by $784,077 during the 2009-2010 fiscal year due to the decrease in the average cash balance on hand and lower interest rates. Other income during the 2009-2010 fiscal year included $1.4 million received from the State Treasurer as proceeds from the defeasance of the rate reduction bonds. The fund received $4 million from the state in Regional Greenhouse Gas Initiative (RGGI) auction proceeds.

Total expenditures for grants and programs during the 2009-2010 fiscal year were $35,943,115, a decrease of $12,910,488. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee. During the 2009-2010 fiscal year, the CCEF committed a total of $41 million for new grants and programs. As of June 30, 2010, the CCEF had outstanding commitments totaling $36,866,787 expected to be paid over the next two fiscal years.

Program expenses increased by $226,165 to $3,589,659 during the 2009-2010 fiscal year due to the increases in costs to administer the Corporation's various programs. General and administrative expenses decreased slightly by $127,884 to $1,859,571.

Realized gains on program investments during the 2009-2010 fiscal year decreased by $2,376,739 over the prior year and unrealized appreciation on these investments decreased by $277,193 resulting from write-offs of certain investments that had been fully reserved for in prior years.

Other Examinations:

Independent public accountants audited the Corporation's and the CCEF's financial statements for the year under review. Those audits attested that the financial statements presented fairly, in all material respects, the financial position of Connecticut Innovations, Incorporated and the Connecticut Clean Energy Fund for the audited period, and the results of the operations and cash flows during that period in conformity with accounting principles generally accepted in the United States of America.

The independent public accountants' report included an explanatory paragraph regarding the Corporation's use of estimates to determine the fair value of a significant portion of its assets in the absence of readily ascertainable market values. Essentially, it was concluded that the procedures the Corporation used to arrive at the estimated values of its investments were reasonable and appropriately documented; however, because of the inherent uncertainty of valuation, those estimated values could differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

As an integral part of their financial statement audits, the independent public accountants also provided reports on compliance and on internal control over financial reporting. These reports disclosed no instances of noncompliance concerning these requirements. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.

CONDITION OF RECORDS

Our review of the records of Connecticut Innovations, Incorporated, including the Connecticut Clean Energy Fund, revealed the following areas that warranted comment.

Personnel Practices – Lack of Employee Performance Appraisals:

Criteria: The Connecticut Innovations Employee Handbook requires that formal performance assessments for new hires and newly promoted employees are conducted at the completion of six (6) months. In addition, once an employee has completed an introductory employment period of six months, formal written performance appraisals are conducted annually.

Condition: We reviewed five personnel files and our review disclosed that four did not contain a signed copy of either an annual or semi-annual performance appraisal as required by the Connecticut Innovations (CI) Employee Handbook. Formal written performance appraisals were missing from the files for two employees upon hire and for two employees upon their promotions in the 2008-2009 and 2009-2010 fiscal years. Additionally, a signed copy of the annual performance appraisal for one employee for the 2009-2010 fiscal year could not be located.

Effect: Semi-annual performance appraisals were not completed as required by the employee handbook. In addition, the agency could not produce a signed copy of an annual performance appraisal for one employee.

Cause: We were informed that semi-annual performance appraisals were not always given if the employee's hire and/or promotion date coincided with the date of an annual review. In addition, it appears that staff may not be fully aware of both the semi-annual requirement upon hire and promotion. The agency could not produce a signed copy from either the supervisor and/or the employee and stated that they did not know where the signed copy was.

Recommendation: Connecticut Innovations Inc. should complete the semi-annual and annual performance appraisals as outlined in their employee handbook and maintain a signed copy in the employee's personnel file. (See Recommendation 1.)

Agency's Response: "Connecticut Innovations will take the following steps to implement this recommendation:

1. The manager of human resources will meet with all managers and supervisors to review employee performance appraisal requirements.

2. The manager of human resources will develop and maintain a log of performance appraisal due dates for all employees for all appraisal types.

3. On a monthly basis the vice president of finance and administration will review the log to ensure that all performance appraisals have been completed as required. Performance appraisals will be reviewed to ensure that all proper signoffs have been obtained.

4. CI will include the conducting of timely staff performance reviews per the CI employee handbook as a annual performance goal for all supervisors and managers of the company."

CCEF Loan Agreement, Section 5.2.(a)(i) – Lack of Financial Reports:

Criteria: Section 5.2.(a)(i) of each Connecticut Innovations, Incorporated Loan Agreement requires that within thirty days after the end of each fiscal quarter of each fiscal year, the company shall deliver to Connecticut Innovations Inc. consolidated and consolidating balance sheets of the company and the related consolidated and consolidating statements of income, equity, and cash flows, annual reviewed statements, unaudited but prepared in accordance with GAAP and certified by the chief executive, chief financial, or other accounting officer of the company.

Condition: Quarterly financial reports were not obtained for all five loan agreements reviewed.

Effect: Lack of quarterly financial reports prevents the CI from determining the company's ability to repay the loan.

Cause: We were informed that project monitoring was being accomplished through discussions and meetings.

Recommendation: Loan agreement stipulations should be enforced, including obtaining all required quarterly financial reports. (See Recommendation 2.)

Agency's Response: "Connecticut Innovations will take the following steps to implement this recommendation:

1. Notify all parties to loan agreements of their obligation to provide quarterly financial reports to CI as required.

2. Develop an electronic monitoring system to:
   a. Record all reporting obligations of current and future loan

agreements;

b. Track dates when financial reports are due and send reminder letters 15 days prior to due dates to appropriate parties;
c. Notify CCEF project managers 15 days in advance of when such financial reports are due;
d. Record receipt of all financial reports;
e. Notify CCEF project managers of any delinquent financial reports at 15 day intervals, and
f. Assist CCEF project managers in obtaining all delinquent financial reports with additional written notifications to appropriate parties.

3. CI will include the proper request and review of quarterly financial reports in a timely manner as required by specific CCEF projects as an annual performance goal for all project and program managers."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- There were no prior audit recommendations from 2008-2009.

Current Audit Recommendation:

1. **Connecticut Innovations Inc. should complete the semi-annual and annual performance appraisals as outlined in their employee handbook and maintain a signed copy in the employee's personnel file.**

   Comment:

   Our review of five personnel files disclosed that four employee files did not contain a signed copy of either an annual or semi-annual performance appraisal as required by the employee handbook.

2. **Loan agreement stipulations should be enforced, including obtaining all required quarterly financial reports.**

   Comment:

   Quarterly financial reports were not obtained for all five loan agreements reviewed.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 and Section 1-122 of the General Statutes, we have conducted an audit of Connecticut Innovations Incorporated’s (Corporation) activities, including the Connecticut Clean Energy Fund’s (CCEF) activities, for the fiscal year ended June 30, 2010. This audit was primarily limited to performing tests of the Corporations’s and the CCEF’s compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to a determination of whether the Corporation and the CCEF have complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grant agreements and other financial resources, and to understanding and evaluating the effectiveness of the Corporation’s and the CCEF’s internal control policies and procedures for ensuring that the provisions of certain laws, regulations, contracts and grant agreements applicable to the Corporation and the CCEF are complied with. The financial statement audit of the Connecticut Innovations Incorporated and the Connecticut Clean Energy Fund, for the fiscal year indicated above, was conducted by the Corporation’s and the CCEF’s independent public accountants.

We conducted our audit in accordance with the requirements of Section 2-90 and Section 1-122 of the General Statutes. In doing so, we planned and performed the audit to obtain reasonable assurance about whether the Connecticut Innovations Incorporated and the Connecticut Clean Energy Fund complied in all material respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations and Compliance:

In planning and performing our audit, we considered the Corporation’s and CCEF’s internal control over its financial operations and its compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Corporation’s and the CCEF’s financial operations and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Corporation’s and the CCEF’s internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s and the CCEF’s internal control over financial operations and compliance. Our consideration of internal control included, but was not limited to, the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

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 unauthorized, illegal or irregular transactions on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Corporation's or the CCEF's financial operations will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial operations and 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 financial operations and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Corporation's and the CCEF's financial operations or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies in internal control over compliance: Recommendation 1 – Lack of semi-annual and annual performance evaluations and Recommendation 2 – Lack of quarterly financial reports.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Corporation and the CCEF complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Corporation's and CCEF's financial operations or compliance for the fiscal year ended June 30, 2010, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

Our examination included reviewing all or a representative sample of the Corporation's and the CCEF's activities in those areas and performing such other procedures as we considered necessary in the circumstances.

The results of our tests disclosed no material or significant instances of noncompliance. However, we noted certain matters, which we reported to Corporation's management in the accompanying Condition of Records and Recommendations sections of this report.

The Connecticut Innovations Incorporated's responses to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited. Users of this report should be aware that our audit does not provide a legal determination of the Corporation's compliance with the provisions of the laws, regulations, contracts and grant agreements included within the scope of this audit.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Connecticut Innovations, Incorporated and the Connecticut Clean Energy Fund during our examination.

Christine J Delaney
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

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CONNECTICUT CLEAN ENERGY FUND
(A Special Revenue Fund of the State of Connecticut)

FINANCIAL STATEMENTS

JUNE 30, 2011

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CONNECTICUT CLEAN ENERGY FUND

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Clean Energy Fund

We have audited the accompanying balance sheet and statement of net assets of the Connecticut Clean Energy Fund (the "Fund") (a Special Revenue Fund of the State of Connecticut) as of June 30, 2011 and the related statement of revenues, expenditures and changes in fund balance and statement of activities for the year then ended. These financial statements are the responsibility of Connecticut Clean Energy Fund'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet and statement of net assets of the Connecticut Clean Energy Fund as of June 30, 2011 and the changes in financial position and changes in net assets 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 our report dated September 27, 2011 on our consideration of Connecticut Clean Energy Fund'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 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 assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hartford, CT
September 27, 2011

CONNECTICUT CLEAN ENERGY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Connecticut Clean Energy Fund (the Fund) (a Special Revenue Fund of the State of Connecticut) for the fiscal year ended June 30, 2011. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to financial statements included in the "Financial Statements" section of this report.

FINANCIAL STATEMENTS PRESENTED IN THIS REPORT

The Fund was created to promote investment in renewable energy sources in accordance with a comprehensive plan developed by the Fund 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.

The Fund's basic financial statements consist of government-wide financial statements, fund financial statements and notes to the financial statements.

The government-wide financial statements, consisting of the statements of net assets and activities, are designed to provide readers with a broad overview of the Connecticut Clean Energy Fund's finances in a manner similar to private-sector business. All the resources the Fund has at its disposal are shown, including long-term investments. They provide both long-term and short-term information about the Fund's overall financial status.

The statement of net assets presents information on all Fund assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets may serve as an indicator of whether the financial position of the Fund is improving or deteriorating.

The statement of activities presents information showing how the Fund's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period.

Fund financial statements, consisting of the balance sheet and statement of revenues, expenditures and changes in fund balance, focus on current financial resources and omit long-term investments.

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

CONNECTICUT CLEAN ENERGY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS OF FISCAL 2011

NET ASSETS

Net assets increased by $7.0 million to $72.8 million at June 30, 2011. Cash and certificates of deposit increased by $1.7 million in 2011 to $59.9 million. Cash increased primarily as a result of an increase in utility assessment revenues, and grant revenues received during 2011.

As of June 30, 2011, the Board of Directors designated $34.2 million in net assets to fund outstanding grant commitments as described in Note 6. These grants are expected to be paid over the next two fiscal years. The Fund has also budgeted an additional $36 million to fund new grants which are expected to be awarded over the next year.

The Fund will continue to face challenges in the near term as it tries to meet its objectives. The type of investments the Fund makes are in new and unproven renewable energy technologies, which will take time to mature and involve considerable risk.

Other assets are composed primarily of utility customer assessments receivables, Regional Greenhouse Gas Initiative (RGGI) auction receivables and promissory notes purchased to fund a residential photovoltaic equipment lease program as of the end of the fiscal year.

The following table summarizes the net assets at June 30, 2011 and 2010 (in thousands):

Net Assets
(in thousands)

	2011	2010	Increase (Decrease)
Cash, certificates of deposit	$ 59,899	$ 58,198	$ 1,701
Investments	1,699	1,349	350
Promissory notes	10,663	6,288	
Other assets	4,735	4,877	(142)
Total assets	76,996	70,712	6,284
Current liabilities	4,216	4,981	(765)
Total liabilities	4,216	4,981	(765)
Restricted	234	289	(55)
Unrestricted	72,546	65,442	7,104
Total net assets	$ 72,780	$ 65,731	$ 7,049

CHANGES IN NET ASSETS

Revenues from utility customer assessments were $28.4 million for 2011 compared to $27.3 million in 2010. The net increase of $1.1 million was primarily a result of an increase in utility usage.

Revenues from interest on cash deposits decreased $.3 million to $.1 million in 2011. Interest on short-term investments and cash deposits decreased due to the decrease in the average cash balance on hand and lower interest rates. The fund received $3.4 million from the state in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2011 were $24.3 million, a decrease of $11.7 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 2011, the Fund committed a total of $16 million for new grants and programs.

Program expenses increased slightly by $.2 million to $3.8 million due to increases in costs to administer the Fund's various programs. General and administrative expenses decreased by $.4 million to $1.4 million.

Realized gains on program investments increased by $.2 million over the prior year and unrealized appreciation on these investments decreased by $59,000 as a result of Renewable Energy Credit activity during the year.

The following table summarizes the changes in net assets between June 30, 2011 and 2010 (in thousands):

Changes in Net Assets
(in thousands)

	2011	2010	Increase (Decrease)
Revenues	$ 36,391	$ 33,126	$ 3,265
Operating expenses:			
Grants and program investments	24,254	35,943	(11,689)
Program expenses	3,772	3,590	182
General and administrative expense	1,436	1,859	(423)
Total operating expenses	29,462	41,392	(11,930)
Operating income	6,929	(8,266)	15,195
Net change in unrealized appreciation in fair value of investments	(58)	1,469	(1,527)
Net realized (loss) gain on investments	178	(1,525)	1,703
Net change in net assets	$ 7,049	$ (8,322)	$ 15,371

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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.

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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		(273,418)	
Total Adjustments to Net Assets		$ 13,792,179	

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

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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 Balance	Adjustments	Statement of Activities
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	36,391,764	--	36,391,764
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	34,496,635	(5,034,678)	29,461,957
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	(58,557)	--	(58,557)
Net Change in Fund Balance/ Net Assets	2,014,328	5,034,678	7,049,006
Fund Balance/Net Assets - Beginning	56,973,732	8,757,501	65,731,233
Fund Balance/Net Assets - End	$ 58,988,060	$ 13,792,179	$ 72,780,239

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		$ 2,014,328	
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	(161,225)	(112,193)	(273,418)
Total Adjustments	$ 8,757,601	5,034,678	$ 13,792,279
Net Change in Net Assets		$ 7,049,006	

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

CONNECTICUT CLEAN ENERGY FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Connecticut Clean Energy Fund (the Fund) (statutorily the Renewable Energy Investment Fund) was established in July 1998 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut. The Fund, a Special Revenue Fund of the State of Connecticut, was created to promote 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. 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 the Fund. The Fund, through its administrator, Connecticut Innovations, Incorporated, may deploy the funds for grants, direct or equity investments, contracts or other actions which support research, development, manufacture, commercialization, deployment and installation of renewable energy technologies, and actions which expand the expertise of individuals, businesses and lending institutions with regard to 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

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with the requirements of the Governmental Accounting Standards Board. The more significant of the Fund's accounting policies are described below.

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Connecticut Clean Energy Fund.

The government-wide financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Fees are recognized as revenues in the year for which they are charged.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fund considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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.

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

RESTRICTED ASSETS

Restricted assets consist of short-term investments in the State Treasurer's Short-Term Investment Funds which are legally restricted for a contractual commitment to fund the maintenance of a fuel cell for a municipality in the State of Connecticut.

PORTFOLIO INVESTMENTS

The Fund 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. The Fund 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. The Fund 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 the Fund's portfolio investments are uninsured and unregistered, and are held in the administrator's name.

FUND BALANCE/NET ASSETS

The Fund adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* In accordance with the Statement, the Fund has reported its fund balances on the fund financial statements in the following categories:

- Committed Fund Balance – represents amounts that can only be used for specific purposes imposed by formal action of the Board of Directors
- Restricted Fund Balance – represents amounts with restrictions that are legally enforceable
- Unassigned Fund Balance – represents fund balance that is neither restricted, committed or assigned to specific purposes

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

For government-wide reporting purposes, the Fund has reported its net assets in the following categories:

- Restricted Net Assets – represents amounts with restrictions that are legally enforceable
- Unrestricted – represents net assets that are not restricted

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

The Fund has performed a review of events subsequent to the balance sheet date through September 27, 2011, the date of the financial statements where available to be issued.

Effective July 1, 2011 Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut under which the Renewable Energy Investment Fund (Connecticut Clean Energy Fund) was established was modified to create the Clean Energy Finance and Investment Authority (CEFIA), a quasi public agency of the State. The Renewable Energy Investment Fund was renamed the Clean Energy Fund. CEFIA is the successor agency to Connecticut Innovations, Inc, a quasi public agency of the State, for purposes of administering the Clean Energy Fund. The CEFIA is within Connecticut Innovations, Inc., a quasi public agency of the State of Connecticut for administrative purposes only.

NOTE 2 – FAIR VALUE MEASUREMENTS

The Fund values certain of its financial assets and liabilities at fair value, which it defines 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, the Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Fund also considers nonperformance risk in the overall assessment of fair value.

The Fund uses 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:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority Level 1 assets.

- Level 2: Observable inputs that are based on data not quoted in active markets, but corroborated by market data.

- Level 3: Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

Financial assets carried at fair value as of June 30, 2011 are classified in the following table in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 59,899,036	$ --	$ --	$ 59,899,036
Portfolio investments	--	--	1,698,715	1,698,715
	$ 59,899,036	$ --	$ 1,698,715	$ 61,597,751

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	$ 1,348,715
Purchases, issuances and settlements - net	350,000
Balance - end of year	$ 1,698,715

NOTE 3 – CASH AND CASH EQUIVALENTS

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

Checking	$ 193,337
Money Market	500
State Treasurer's Short-Term Investment Fund	57,470,254
Unrestricted cash and cash equivalents	57,664,091
Checking - restricted	100
State Treasurer's Short-Term Investment Fund - restricted	2,234,845
Total cash and cash equivalents	$ 59,899,036

STATE TREASURER'S SHORT-TERM INVESTMENT FUND

The State Treasurer's Short-Term Investment Fund is an investment pool. The value of the Fund'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

The Fund 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 the Fund 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

The Fund's investment policy does not limit the investment in any one investment vehicle. Other than the State Treasurer's Short-Term Investment Fund (STIF), the Fund has no investments in any one investment vehicle greater than 5% of the Fund's total investments. The STIF lowers risk by investing in high quality, well diversified securities with relatively short average maturities.

CUSTODIAL CREDIT RISK — DEPOSITS

In the case of deposits, this represents the risk that, in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the Fund'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, 2011, the Fund has no reportable custodial risk.

NOTE 4 - PORTFOLIO INVESTMENTS

The Fund 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, 2011 represent investments in two companies.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Fund is operated by its administrator, Connecticut Innovations, Incorporated, as provided in the General Statutes of the State of Connecticut. The administrator provides services to the Fund, at cost, for its operations. Such services include, but are not limited to, staff to manage and administer the Fund, office space, equipment and supplies, insurance and back office support. Pursuant to State statute, the Fund administrator is subject to a mandated personnel fringe benefit charges because the Fund's employees are paid by the State. The rates charged for fiscal years 2011 and 2010 in the aggregate comprised 63.73% and 62.92% of gross salaries, respectively. Expenses billed to the Fund by its administrator totaled $3,995,066 for the year ended June 30, 2011. As of June 30, 2011, amounts due to Connecticut Innovations Incorporated, totaled $131,919.

The administrator's employees may serve as directors and/or officers of portfolio companies and non-profit organizations whose work advances the mission of the Fund. Consistent with State law and the administrator's own policies, employees receive no compensation or benefits from such organizations. Serving as directors and/or officers was contemplated as part of the administrator's official duties.

NOTE 6 - COMMITTED FUND BALANCE

As of June 30, 2011, the Board of Directors has committed a portion of the fund balance to fund grants for specific projects in the following areas:

Fuel cells	$ 7,087,591
Solar	13,886,583
Other technologies	840,017
Project 150 and Predevelopment Program	10,702,892
Operation Demonstration Program	1,369,777
Education and outreach	338,246
	$ 34,225,106

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

CONNECTICUT CLEAN ENERGY FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 - RESTRICTED FUND BALANCE/NET ASSETS

As discussed in Note 1, the Fund has a contractual commitment of $233,875 to fund the maintenance of a fuel cell for a municipality in the State of Connecticut.

NOTE 8 - RISK MANAGEMENT

The Fund is subject to normal risks associated with its operations. All risks are managed through commercial insurance as the Fund is covered by the insurance policies maintained by the administrator.

NOTE 9 - RENEWABLE ENERGY CREDITS

The Fund owns Class 1 Renewable Energy Certificates (RECs) that are generated by certain renewable energy facilities for which the Fund provided the initial funding. The Fund 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, 2011 ranged from $19.00 to $21.00. However the Fund's inventory as of June 30, 2011 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.

The REC's are reported as part of Other Assets on the Balance Sheet and Statement of Net Assets.

NOTE 10 – DEFERRED REVENUE

The amount represents unspent grant funds received by the Fund under the American Recovery and Reinvestment Act program. These monies, $2,000,000, will fund State Energy Program Formula Grants for Fuel Cell projects under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5

DRAFT

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
Connecticut Clean Energy Fund

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, 2010 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 23, 2010. 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

In planning and performing our audit, we considered the Connecticut Clean Energy Fund'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 the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Connecticut Clean Energy Fund'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 Connecticut Clean Energy Fund'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
September 27, 2011

CONNECTICUT CLEAN ENERGY FUND

FEDERAL SINGLE AUDIT

JUNE 30, 2011

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CONNECTICUT CLEAN ENERGY FUND

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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
Connecticut Clean Energy Fund

We have audited the financial statements of the Connecticut Clean Energy Fund (CCEF) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 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 CCEF is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CCEF'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 CCEF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CCEF'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.

DRAFT

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCEF'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, Connecticut
September 27, 2011

DRAFT

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
Connecticut Clean Energy Fund

COMPLIANCE

We have audited the Connecticut Clean Energy Fund (CCEF) 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 CCEF's major federal programs for the year ended June 30, 2011. The CCEF'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 CCEF's management. Our responsibility is to express an opinion on CCEF'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 CCEF'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 CCEF's compliance with those requirements.

In our opinion, Connecticut Clean Energy Fund 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, 2011.

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Internal Control over Compliance

Management of CCEF 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 CCEF'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 CCEF'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 Connecticut Clean Energy Fund as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 2011. 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, Connecticut
September 27, 2011

CONNECTICUT CLEAN ENERGY FUND

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Program Title	CFDA Number	Expenditures
Department of Energy		
State Energy Program (Recovery Act)	81.041	$ 2,591,470
Energy Efficiency and Conservation Block Grant Program (EECBG) (Recovery Act)	81.128	1,176,351
Total Expenditures of Federal Awards		$ 3,767,821

See Notes to Schedule of Expenditures of Federal Awards.

CONNECTICUT CLEAN ENERGY FUND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

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 (CCEF) 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*.

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CONNECTICUT CLEAN ENERGY FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

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

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

- We issued reports, dated September 27, 2011 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.