



**CLEAN ENERGY**  
**FINANCE AND INVESTMENT AUTHORITY**

845 Brook Street  
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor  
Stamford, Connecticut 06901

T: 860.563.0015  
F: 860.563.4877  
www.ctcleanenergy.com

November 25, 2014

Dear Audit, Compliance and Governance Committee Members,

We look forward to our meeting on Tuesday, December 2<sup>nd</sup>, at the Connecticut Green Bank in Rocky Hill from 8:30 a.m. to 9:00 a.m. We have one agenda item:

1. Review of the final 2014 Comprehensive Annual Financial Report (includes the Draft Audited Financial Statements and the Federal Single Audit Report).

The materials for the meeting can be found in the link to the Board of Director's package that will be sent to you later today – in Agenda Item 5a and 5b. As always, please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Brian Farnen' followed by a long horizontal flourish.

Brian Farnen  
General Counsel & Chief Legal Officer



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**AGENDA**

Audit, Compliance and Governance Committee of the  
Connecticut Green Bank  
845 Brook Street  
Rocky Hill, CT 06067

Tuesday December 2, 2014 – Special Meeting  
8:30 to 9:00 a.m.

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

Others Invited: Jason D. Newman, Kimberly Stomper – Cohn Reznick

1. Call to order
2. Public Comments – 5 minutes
3. Approve meeting minutes for October 15, 2014 Regular Meeting\* – 5 minutes
4. Presentation of the 2014 Comprehensive Annual Financial Report (includes the Draft Audited Financial Statements and the Federal Single Audit Report for the Connecticut Green Bank for the Fiscal Year ending June 30, 2014)\* – 20 minutes
5. Adjourn

\*Denotes item requiring Committee action

**Join the meeting online at** <https://www4.gotomeeting.com/join/181584375>

Dial +1 (571) 317-3122

Meeting ID: 181-584-375



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**RESOLUTIONS**

Audit, Compliance and Governance Committee of the  
Connecticut Green Bank  
845 Brook Street  
Rocky Hill, CT 06067

Tuesday, December 2, 2014 – Special Meeting  
8:30 to 9:00 a.m.

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

1. Call to order
2. Public Comments – 5 minutes
3. Approve meeting minutes for October 15, 2014 Regular Meeting\* – 5 minutes

**Resolution #1**

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for October 15, 2014. Second. Discussion. Vote.

4. Review of the final 2014 Comprehensive Annual Financial Report (includes the Draft Audited Financial Statements and the Federal Single Audit Report for the Connecticut Green Bank for the Fiscal Year ending June 30, 2014)\* George Bellas – 20 minutes

**Resolution #2**

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank Operating Procedures requires the Audit, Compliance, and the Governance Committee (the “Committee”) to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors for approval the 2014 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2014 (Attachments A and B).

5. Adjourn

\*Denotes item requiring Committee action

**Join the meeting online at** <https://www4.gotomeeting.com/join/181584375>

Dial +1 (571) 317-3122

Meeting ID: 181-584-375



**CLEAN ENERGY**  
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# **Audit, Compliance and Governance Committee of the Connecticut Green Bank**

## **Agenda Item #1**

Call to Order

December 2, 2014 (Special Meeting)



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

# **Audit, Compliance and Governance Committee of the Connecticut Green Bank**

**Agenda Item #2**  
Public Comments  
December 2, 2014 (Special Meeting)



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Audit, Compliance and Governance Committee of the Connecticut Green Bank**

### **Agenda Item #3**

Approval of Meeting Minutes of October 15, 2014 (Regular Meeting)

December 2, 2014 (Special Meeting)



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

# **Audit, Compliance and Governance Committee of the Connecticut Green Bank**

## **Agenda Item #4**

2014 Comprehensive Annual Financial Report and the Federal  
Single Audit Report for the Connecticut Green Bank for the Fiscal  
Year ending June 30, 2014  
December 2, 2014 (Special Meeting)





# **CONNECTICUT GREEN BANK**

Presentation of the Audit for  
June 30, 2014

**MARCUM**  
ACCOUNTANTS ▲ ADVISORS

# The Audit

- Unmodified Opinion on the Financial Statements
- Audit conducted under
  - Auditing Standards Generally Accepted in the United States of America
  - *Government Auditing Standards* issued by the Comptroller General of the United States
- Federal Single Audit under Circular A-133

# Auditor Reporting to Governance

- **Marcum's responsibility is to report on conducting the engagement:**
  - Significant audit adjustments and proposed but unrecorded adjustments – NONE
  - Disagreements with management about auditing, accounting or disclosure matters – NONE
  - Management's consultations with other auditors – NONE

# Auditor Reporting to Governance

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



WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank Operating Procedures requires the Audit, Compliance, and the Governance Committee (the “Committee”) to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors for approval the 2014 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2014 (Attachments A and B).



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

# **Audit, Compliance and Governance Committee of the Connecticut Green Bank**

**Agenda Item #5**

Adjourn

December 2, 2014 (Special Meeting)

**AUDIT, COMPLIANCE & GOVERNANCE COMMITTEE OF THE  
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY**  
**Draft Minutes – Regular Meeting**  
**Wednesday, October 15, 2014**

A regular meeting of the Audit, Compliance and Governance Committee of the Board of Directors of the **Connecticut Green Bank (“Green Bank”)** was held on October 15, 2014, at the office of Green Bank, 845 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Mr. Ranelli, noting the presence of a quorum, called the Deployment Committee meeting to order at 1:02 p.m. Audit, Compliance, and Governance Committee members participating: John Harrity; and Patricia Wrice (by phone).

Staff Attending: Bert Hunter (by phone), George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Madeline Priest, and Cheryl Samuels.

Others attending: John Schuyler, Bill Sawicki and Gary Smith of Marcum LLP.

2. **Public Comments:**

There were no public comments.

3. **Approval of Meeting Minutes:**

The Audit, Compliance and Governance Committee members were asked to consider the minutes from the Special July 17, 2014 meeting.

**Upon a motion made by Ms. Wrice, seconded by Mr. Harrity, the Audit, Compliance, and Governance Committee members voted in favor of adopting the minutes from the July 17, 2014 special meeting as presented.**

4. **Marcum 2014 Comprehensive Annual Financial Report Presentation:**

Bill Sawicki of Marcum LLP, the Green Bank’s independent auditors, presented the committee with an overview of the draft of the Green Bank’s first Comprehensive Annual Financial Report (CAFR) for fiscal year 2014. In addition to audited financial statements the CAFR includes financial and non-financial information pertaining to the Green Bank’s operations and programmatic initiatives. Mr. Sawicki indicated that while the audit was essentially complete there remained some areas requiring further review primarily in the areas of foot note disclosures and management’s discussion and analysis of the results of operations for the fiscal year. Mr. Sawicki indicated that the audit was conducted under auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Mr. Sawicki reported to the Committee that there were no significant

audit adjustments or disagreements with management about auditing, accounting or disclosure matters. He also went on to report that no difficulties were encountered relating to the performance of the audit.

Mr. Bellas noted that the report was quite detailed. Since the Committee members wanted more time to review the report in detail, Green Bank staff and Marcum were open to addressing the report again at the next Committee meeting.

Mr. Ranelli stated that once committee members felt that they have had enough time to read the report, they would send all questions to Mr. Bellas and he will share the answers to all questions with whole committee.

Ms. Wrice asked if committee members could get a flow chart explaining the relationship between components and Mr. Bellas offered to provide that following the meeting.

Mr. Bellas asked the committee if they would like to hold an executive session without Green Bank management in the room to discuss. Mr. Ranelli asked the rest of the committee and it was agreed that the offer was not necessary.

**Upon a motion made by Mr. Harrity, seconded by Ms. Wrice, the Audit, Compliance, and Governance Committee members voted that Green Bank staff is authorized to present a final draft Comprehensive Annual Financial Report for the Connecticut Green Bank for the Fiscal Year ending June 30, 2014 to the Office of the Comptroller in advance of the Audit Compliance, and Governance Committee, Board of Directors review of approval.**

## **5. 2015 Legislative Agenda:**

Attorney Farnen provided a reminder for the committee that the Residential Solar Investment Program (RSIP) is capped at one third of rate payer funds annually and that the Green Bank was approaching this year's cap with market growth of fifty percent per year. Attorney Farnen warned that without addressing next steps now, the Green Bank could cause harm to the success of the program and the solar industry.

Mr. Garcia mentioned that the Green Bank goal of installing a minimum of 30 MW of solar photovoltaics (Solar PV) is eight years ahead of schedule, and now the organization is trying to align to the interest of other state policies. Mr. Garcia shared that installed costs for Solar PV have come down, and that this year is on track to double last year's number of Solar PV installations. The Green Bank wants to help the market continue to grow.



Attorney Farnen presented the Committee with Solar Home Renewable Energy Credits (SHREC) as a potential long term solution to allow the utilities to purchase clean energy in their goal to meet the Renewable Portfolio Standard (RPS).

Mr. Dykes said that the Green Bank does not want to reduce incentives to an unsustainable level. The SHREC policy would require the utilities to sign a fifteen year contract to purchase residential solar RECS that would mirror the cost of a sustainable RSIP incentive. Mr. Dykes anticipated that a REC price would be cheaper than current market costs, deliver in state RECS, create local jobs, and also allow the Connecticut Green Bank to meet the growing solar demand. Mr. Dykes went on to mention that analysis is being done now on what the rate payer savings or cost would be.

Mr. Garcia stated that policy cost implications, economic impact analysis on jobs through the Solar PV industry in Connecticut can bring to light some hidden benefits of our suggested policy. The economic impact research is being done by the University of Connecticut.

Attorney Farnen stated that this policy is designed to support residential ratepayers. He went on to mention that SHREC can address shortfalls of current the REC policy and help to grow our RSIP and Solar PV industry. SHREC creates a new class of RECS, but does not increase the size of the RPS pie.

Mr. Dykes stated that this would not change how the homeowner experiences RSIP incentives. SHREC will help create a new funding stream for RSIP and allows the Green Bank to use the \$9,000,000 for the RSIP towards other financing programs instead of rebates.

Ms. Wrice asked about projections on what additional revenue might be from SHREC. Mr. Garcia stated that the Green Bank predicts and estimates demand. While not every estimate is exactly correct, the predictions are close to the actual number. Based on progress on legislative goal in one year, with fifty to hundred percent growth annually, there is a potential to see two hundred megawatts in five years.

Ms. Wrice also asked if the goal with SHREC is to no longer rely on rate payer funds. Mr. Dykes answered that SHREC would be a different stream of funds that will already be spent by the utilities anyway to purchase RECS. The goal is to make local RECS more of an emphasis and encourage investing in residential solar. This would help make the rate payer funds go further.

Mr. Dykes noted that there exists an element of risk; SHREC is a hedge on REC prices for rate payers. In 2016 when the SHREC policy would go into effect, we would likely see a \$40 SHREC, which is currently cheaper than the market, but may not be later. The Green Bank is trying to forecast the market to expose savings or cost to rate payers.

**6. PURA Comments and Green Bank Involvement:**

Attorney Farnen briefed the committee on the Green Bank's role in potential upcoming legislation. The Green Bank will take a stance or comment when there is an impact to Green Bank promoted legislation, clean energy financing, permitting, or clean energy tax exemption for clean energy projects. Other items outlined would be topics the Green Bank would refrain from unless asked to speak on the topic. There was a discussion on things that were a gray area. It was mentioned that if there are other stakeholders speaking up on certain topics and they are adequately addressing the issues, then the Green Bank may take a back seat.

Mr. Ranelli said the list should be broken down differently. The list should be based on guiding principles such as, does the Green Bank have money at risk or programs at risk? Does the topic have other stakeholders adequately addressing the issue? These guiding principles would allow the Green Bank to respond mid-session as something arises.

Mr. Harrity agreed with Mr. Ranelli's statement and added that the Green Bank does not always need to be mentioned by name but should look at the impact to the organization.

Ms. Wrice contributed that the Green Bank should look at preparedness to weigh in. There are broader coalitions addressing many related topics and may not be the Green Bank's role to comment. Attorney Farnen, hearing Committee feedback agreed to create guiding principles for review.

7. **Review Bylaws and Joint Committee Bylaws – tabled for next meeting**

8. **Discuss Board Member appointments ending during Fiscal Year 2015**

Patricia Wrice – 6/30/15

Mun Choi – 6/30/15

Tom Flynn – 6/30/15

Matt Ranelli – 7/14/15

John Harrity – 9/12/15

Attorney Farnen made note of board members with expiring appointments and that Green Bank staff would reach out to each respective member to inquire regarding their continued interest on serving on our board.

9. **Adjournment:** Upon a motion made by Mr. Harrity seconded by, Ms. Wrice, the Deployment Committee members voted unanimously in favor of adjourning the meeting at 2:12 p.m.

Respectfully submitted,

---

Matt Ranelli, Chairperson of the  
Audit, Compliance, and Governance  
Committee

DRAFT

**CONNECTICUT GREEN BANK**  
(A Component Unit of the State of Connecticut)

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2014**  
(With Summarized Totals as of and for Fiscal Year Ended June 30, 2013)

Department of Finance and Administration  
845 Brook Street  
Rocky Hill, Connecticut

DRAFT

**CONNECTICUT GREEN BANK**  
(A Component Unit of the State of Connecticut)

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2014**  
(With Summarized Totals as of and for Fiscal Year Ended June 30, 2013)

Prepared by the

Department of Finance and Administration

Vice President – Finance and Administration – George Bellas

845 Brook Street  
Rocky Hill, Connecticut

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DRAFT

**INTRODUCTORY SECTION**



**CLEAN ENERGY**  
**FINANCE AND INVESTMENT AUTHORITY**

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[DATE]

We are pleased to present a Comprehensive Annual Financial Report (CAFR) of the Connecticut Green Bank (CGB) for the fiscal year ending June 30, 2014 accompanied by summarized totals as of and for the fiscal year ended June 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose.

Marcum LLP has issued an unmodified opinion on CGB's financial statements for the fiscal years ending June 30, 2014 and 2013. The independent auditor's report is presented in the financial section of this report. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. CGB's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Connecticut Green Bank**

The CGB<sup>1</sup> was established by the Governor and Connecticut's General Assembly on July 1, 2011 through Public Act 11-80 as a quasi-public agency that supersedes the former Connecticut Clean Energy Fund. As the nation's first state "Green Bank", the CGB leverages public and private funds to drive investment and scale-up clean energy deployment in Connecticut.

Pursuant to Section 16-245n of the General Statutes of Connecticut, the powers of the CGB are vested in and exercised by a Board of Directors that is comprised of eleven voting and two non-voting members each with knowledge and expertise in matters related to the purpose of the organization.

The Board of Directors is governed through the statute, as well as an [Ethics Statement](#) and [Ethical Conduct Policy](#), [Resolutions of Purposes](#), [Bylaws](#), and Comprehensive Plan.

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security and address climate change.

CGB's mission is to support the Governor's and Legislature's energy strategy to achieve cleaner, cheaper and more reliable sources of energy while creating jobs and supporting local economic development.

---

<sup>1</sup> Public Act 11-80 repurposed the Connecticut Clean Energy Fund (CCEF) administered by Connecticut Innovations, into a separate quasi-public organization called the Clean Energy Finance and Investment Authority (CEFIA). Per Public Act 14-94, CEFIA was renamed to the Connecticut Green Bank.



To achieve its vision and mission, the CGB has established the following three goals:

1. To attract and deploy capital to finance the clean energy<sup>2</sup> goals for Connecticut, including:
  - a. Help Connecticut in becoming the most energy efficient state in the nation;
  - b. Scale-up the deployment of renewable energy in Connecticut; and
  - c. Provide support for the infrastructure needed to lead the clean energy economy.
2. To develop and implement strategies that bring down the cost of clean energy in order to make it more accessible and affordable to consumers.
3. To reduce reliance on grants, rebates, and other subsidies and move towards innovative low-cost financing of clean energy deployment.

These goals support the implementation of Connecticut's clean energy policies be they statutory (i.e., Public Act 11-80, Public Act 13-298), planning (i.e., Comprehensive Energy Strategy, Integrated Resources Plan), or regulatory in nature.

CGB's strategies for achieving these goals over the next two fiscal year is outlined in the FY15 and FY16 Comprehensive Plan<sup>3</sup>

## **Initiatives and Results**

### *Deploying More Clean Energy, Creating Jobs, and Reducing Greenhouse Gas Emissions*

Since the inception of the CGB, our efforts have focused on supporting the Governor's and Legislature's energy policy by using limited public resources to attract more private investment in clean energy deployment in Connecticut. To that end, as a result of the efforts undertaken over the past three years, we are deploying more clean energy in our state than ever before – 66.3 MW in anaerobic digester, combined heat and power, fuel cell, solar PV, and wind resources. Connecticut's residents, businesses and institutions now have easier access to affordable capital to finance clean energy projects than ever before.

By using \$100 million of ratepayer funds, we have attracted over \$250 million of private investment in clean energy for a total investment of \$350 million to support clean energy projects creating nearly 2,500 jobs and reducing carbon emissions by over 580,000 tons. More importantly, rather than giving away ratepayer resources to support the sustainable growth and development of a thriving clean energy market in Connecticut, the CGB has transitioned from providing 100 percent of its resources as grants and subsidies to 40 percent by more responsibly managing public funds through loans. The CGB and its partners are working together to deploy more clean energy at a faster pace while using public resources responsibly.

---

<sup>2</sup> Public Act 11-80 defines "clean energy" broadly and includes familiar renewable energy sources such as solar photovoltaic, solar thermal, geothermal, wind and low-impact hydroelectric energy, but also includes fuel cells, energy derived from anaerobic digestion (AD), combined heat and power (CHP) systems, infrastructure for alternative fuels for transportation and financing energy efficiency projects.

<sup>3</sup> <http://www.ctcleanenergy.com/Portals/0/CEFIA%20FY15%20and%20FY16%20Comprehensive%20Plan.pdf>

## *Delivering on the Promise – Connecticut Green Bank is Working for You*

In only a couple of years, the CGB has demonstrated how public resources can be better invested in ways that attract private investment, lead to the deployment of more clean energy, and most importantly providing positive value to consumers. Consumers are benefiting through our financing programs that offer lower cost and longer terms enabling them to immediately receive positive economic benefits from clean energy – the energy savings exceed the debt service payments. Businesses and non-profit organizations are using C-PACE to lower their energy expenses by installing more efficient boilers and renewable energy systems, replacing windows, integrating energy management systems, and more. Households are taking advantage of the CT Solar Lease, CT Solar Loan, and EnergizeCT Smart-E Loan to reduce their energy budget by converting to natural gas, installing solar photovoltaic systems, insulating their walls and attic, and more.

As we continue to learn more every day about your challenges, we are confident that we can deliver you solutions – and in so doing, we not only stimulate the growth of clean energy, but we also strengthen our economy and protect our environment.

## *Setting an Example for the Country – The Green Bank Model at Work*

This year, we have seen the results of the CGB model and its programs take hold in states across the country. Not only are we delivering results for Connecticut, but the actions that we are taking are causing other states to take note and follow our lead.

- Connecticut co-hosted with the Brookings Institution and the Coalition for Green Capital, the first Green Bank Academy in Washington, DC that brought together ten states to discuss the Green Bank model. Our neighbors to the south – New Jersey and New York – have since created green banks within their states,<sup>4</sup> and our friends out west in California and Hawaii are pursuing similar models. Federal legislation called the “Green Bank Act of 2014” was even introduced in the House<sup>5</sup> by Congressman Van Hollen and Senate<sup>6</sup> by Senators Murphy and Blumenthal to create a \$50 billion U.S. Green Bank modelled after Connecticut. President Obama even called out the leadership of the Connecticut Green Bank.<sup>7</sup>
- Connecticut is the first state to use its cap-and-trade revenues from the Regional Greenhouse Gas Initiative (RGGI) to successfully securitize a pool of commercial and industrial energy efficiency and renewable energy transactions through the Commercial Property Assessed Clean Energy (C-PACE) program. By using greenhouse gas allowance revenues through RGGI to support C-PACE, we are able to attract more private capital investment in Connecticut’s communities in order to deliver 40 to 50 percent energy savings in buildings – making our businesses more competitive by lowering energy costs.

These are but a few examples where the CGB model has become a catalyst to releasing more private investment in clean energy across the country.

---

<sup>4</sup> New Jersey Energy Resilience Bank and the New York Green Bank

<sup>5</sup> H.R. 4522

<sup>6</sup> S. 2271

<sup>7</sup> The Wall Street Journal in “Goldman’s Cleantech Activities Receive a Presidential Shout Out” (May 9, 2014)

## **Economic Conditions and Developments**

CGB receives funding through a number of sources, including a Systems Benefit Charge, the Regional Greenhouse Gas Initiative (RGGI), renewable energy certificate (REC) sales and the federal government. CGB's predecessor organization's programs were all structured as grants, which meant the funds were spent with no expectation of return. This model put the organization at the mercy of these funding streams which, while reliable, are largely determined by activities outside of our control such as levels of state electricity use and RGGI allowance prices. With the transition to a new financing model, CGB is able to invest its funds in activities that earn a return and begin to build revenue streams that can be reinvested in clean energy.

## **Acknowledgements**

First and foremost, we would like to thank the entire CGB staff. In just three short years, through their hard work, dedication and innovation, they have built a model that is delivering results and making Connecticut a focus of attention at the national and international levels.

The preparation of this report would not have been possible without the dedicated work of the Finance and Accounting team. We thank them for their hard work.

We are grateful to our independent auditors, Marcum LLP, for their assistance and advice during the course of this audit.

Finally, we thank the Board of Directors for their continued leadership and guidance as the CGB continues to prove the Green Bank model and deliver cleaner, cheaper, and more reliable energy to Connecticut.

Respectfully submitted,

Bryan Garcia  
President and CEO

George Bellas  
Vice President – Finance and Administration

## Board of Directors

### Connecticut Green Bank

Position	Status	Voting	Name	Organization
State Treasurer (or designee)	Ex Officio	Yes	Bettina Ferguson	Treasurer's Office
Commissioner of DEEP <sup>8</sup> (or designee)	Ex Officio	Yes	Robert Klee <sup>9</sup>	DEEP
Commissioner of DECD <sup>10</sup> (or designee)	Ex Officio	Yes	Catherine Smith <sup>11</sup>	DECD
Residential or Low Income Group	Appointed	Yes	Pat Wrice	Operation Fuel
Investment Fund Management	Appointed	Yes	Norma Glover	NJG Associates
Environmental Organization	Appointed	Yes	Matthew Ranelli <sup>12</sup>	Shipman & Goodwin
Finance or Deployment	Appointed	Yes	Thomas Flynn	Environmental Data Resources
Finance of Renewable Energy	Appointed	Yes	Reed Hundt <sup>13</sup>	Coalition for Green Capital
Finance of Renewable Energy	Appointed	Yes	Kevin Walsh	GE Energy Financial Services
Labor	Appointed	Yes	John Harrity	IAM Connecticut
R&D or Manufacturing	Appointed	Yes	Mun Choi	University of Connecticut
President of the Green Bank	Ex Officio	No	Bryan Garcia	Connecticut Green Bank
Board of Connecticut Innovations <sup>14</sup>	Ex Officio	No	(unfilled)	(unfilled)

### Discretely Presented Component Units

Position	Name
President	Bryan Garcia
Treasurer	George Bellas
Secretary	Brian Farnen
Chief Investment Officer	Roberto Hunter

<sup>8</sup> Department of Energy and Environmental Protection

<sup>9</sup> Vice Chairperson of the Board of Directors and Chairperson of the Budget and Operations Committee

<sup>10</sup> Department of Economic and Community Development

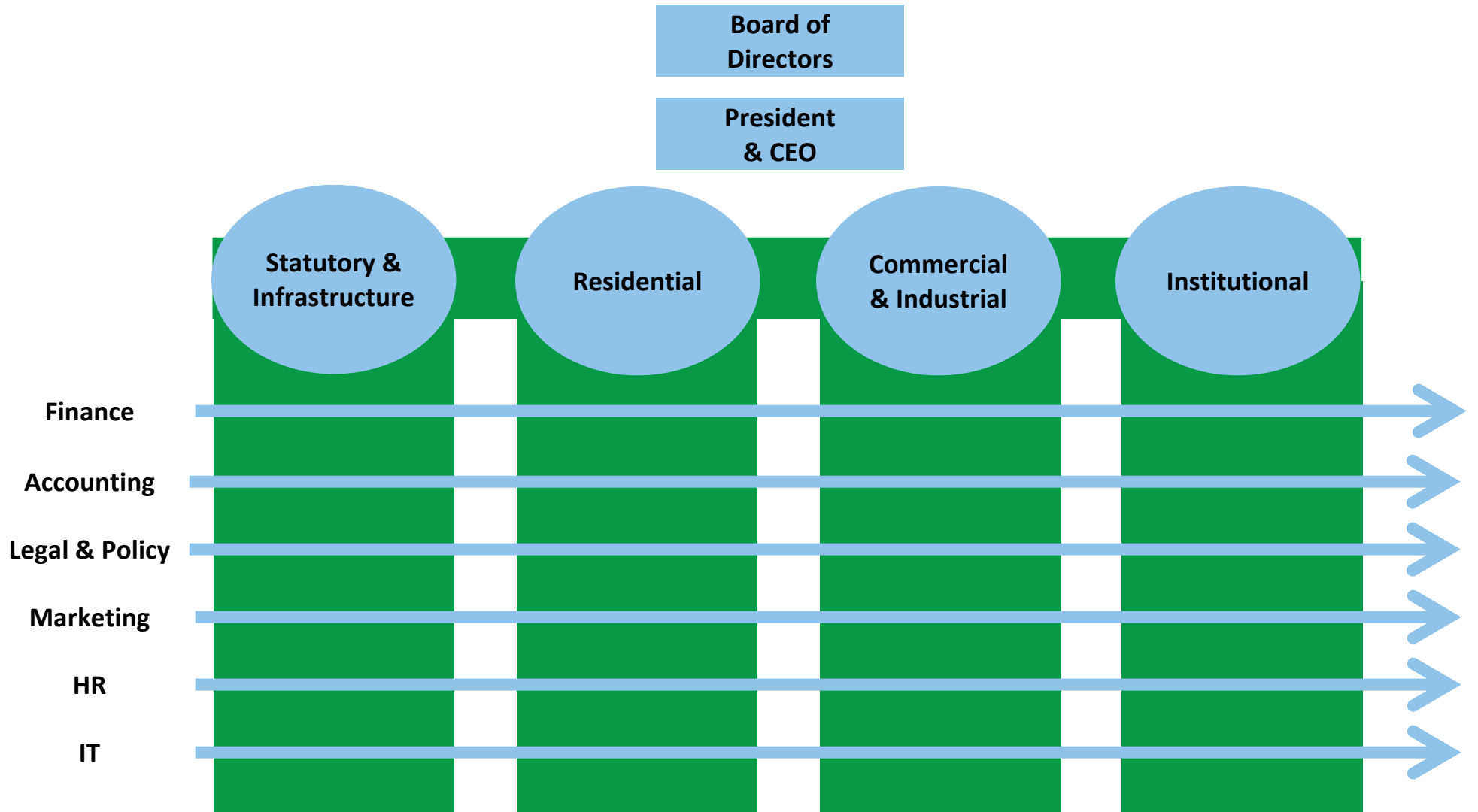
<sup>11</sup> Chairperson of the Board of Directors

<sup>12</sup> Secretary of the Board of Directors and Chairperson of the Audit, Compliance and Governance Committee

<sup>13</sup> Chairperson of the Deployment Committee

<sup>14</sup> It should be noted that several members of the Board of Directors of the Green Bank currently serve on the Board of Directors of Connecticut Innovations, including Mun Choi and Catherine Smith.

### Organizational Chart



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**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Connecticut Green Bank**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the Connecticut Green Bank (CGB) (a component unit of the State of Connecticut) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise CGB's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Connecticut Green Bank as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Restatement of Net Position*

As described in Note 1, net position of the total reporting entity and a discretely presented component unit has been restated at July 1, 2013 to reflect the capitalization of certain costs related to financing activities as well as a reclassification of a liability to net position. Our opinion is not modified with respect to these matters.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

The financial statistical section and other statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



## ***Other Matter – 2013 Financial Information***

As described in Note 1, the financial statements include prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. This information has been derived from CGB's 2013 complete financial statements on which our audit report dated December 23, 2013 expressed unmodified opinions on the primary government and its discretely presented component units. Accordingly, such information should be read in conjunction with CGB's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2014, on our consideration of the Connecticut Green Bank'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 financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Green Bank's internal control over financial reporting and compliance.

Hartford, CT  
\_\_\_\_\_, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Connecticut Green Bank (CGB), formerly known as the Clean Energy Finance and Investment Authority, (a component unit of the State of Connecticut) for the fiscal years ended June 30, 2014, 2013, and 2012. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to the financial statements included in the "Financial Statements" section of this report.

CBG as a reporting entity is comprised of the primary government and two discretely presented component units as defined under Government Auditing Standards Board Statement 61.

**FINANCIAL STATEMENTS PRESENTED IN THIS REPORT**

On June 6, 2014, Public Act 14-94 of the State of Connecticut changed the name of the Clean Energy Finance and Investment Authority to the Connecticut Green Bank.

CGB is a quasi-public agency of the State of Connecticut established on July 1, 2011 by Section 16-245n of the Connecticut General Statutes, created for the purposes of, but not limited to: (1) implementing the Comprehensive Plan developed by CGB pursuant to Section 16-245n(c) of the Connecticut General Statutes, as amended; (2) developing programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects, and such others as CGB may determine; (3) supporting financing or other expenditures that promote investment in clean energy sources to foster the growth, development and commercialization of clean energy resources and related enterprises; and (4) stimulating demand for clean energy and the deployment of clean energy sources within the state that serve end-use customers in the state. CGB constitutes the successor agency to Connecticut Innovations for the purposes of administering the Connecticut Clean Energy Fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CGB as of July 1, 2011.

The financial statements include: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides a measure of CGB's economic resources. The Statement of Revenues, Expenses and Changes in Net Position measures the transactions for the periods presented and the impact of those transactions on the resources of CGB. The Statement of Cash Flows reconciles the changes in cash and cash equivalents with the activities of CGB for the periods presented. The activities are classified as to operating, noncapital financing, capital and related financing, and investing activities.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS OF FISCAL 2014

*NET POSITION*

Net position increased by \$17.0 million to \$115.1 million at June 30, 2014 and cash and cash equivalents increased by \$3.2 million in 2014 to \$80.9 million.

The acquisition of \$1.6 million in bonds was a part of the proceeds received by CGB as a result of the sale of CPACE program loans in 2014. See Note 5. Solar lease notes decreased \$0.7 million as a result of scheduled principal repayments. See Note 6. The increase in program loans in 2014 to \$13.4 million as compared to \$3.8 million in 2013 was primarily a result of increased CGB financings of CPACE and Grid Tied projects. See Note 7. Capital assets increased to \$3.1 million from \$0.4 million in 2014 as a result of the acquisition of solar equipment by CT Solar Lease 2 LLC. See Note 1 for further discussion of CT Solar Lease 2 LLC's operations.

As of June 30, 2014, the Board of Directors designated \$63.5 million in net position to fund contingent grant, loan and investment commitments as described in Note 13. These grants, loans and investments are expected to be paid or funded over the next one to six fiscal years. In addition to these commitments, an additional \$34 million has been designated by the Board to fund future program commitments.

The following table summarizes the net position at June 30, 2014 and 2013 (in thousands):

	2014	(as restated) 2013	Increase (Decrease)
Cash and cash equivalents	\$ 80,872	\$ 77,642	\$ 3,230
Bonds receivable	1,600	--	1,600
Portfolio investments	1,000	1,000	--
Solar lease notes	10,544	11,240	(696)
Program loans	13,403	3,788	9,615
Capital assets, net	3,074	362	2,712
Other assets	9,996	6,284	3,712
<b>Total Assets</b>	<u>120,489</u>	<u>100,316</u>	<u>20,173</u>
Current liabilities	4,801	1,816	2,985
Deferred revenue	469	--	469
Long term debt, less current maturities	121	--	121
<b>Total Liabilities</b>	<u>5,391</u>	<u>1,816</u>	<u>3,575</u>
Invested in capital assets	3,074	362	2,712
Restricted Net Position:			
Non-expendable	1	1	--
Restricted - energy programs	9,513	9,537	(24)
Unrestricted	102,510	88,600	13,910
<b>Total Net Position</b>	<u>\$ 115,098</u>	<u>\$ 98,500</u>	<u>\$ 16,598</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHANGES IN NET POSITION**

Revenue from interest on cash deposits and promissory notes increased \$455 thousand to \$1.14 million in 2014. CGB received \$20.1 million from the State in RGGI auction proceeds during the year as compared to RGGI auction proceeds of \$4.7 million in 2013. Public Act 13-247, see Note 9, allowed the Commissioner of the Connecticut Department of Energy and Environmental Protection to transfer additional RGGI auction proceeds to CGB to be used to support energy efficiency financing opportunities. This increase in RGGI auction proceeds helped offset payments to the State by CGB required under Public Act 13-247.

Total expenditures for grants and programs in 2014 were \$23.4 million, a decrease of \$196 thousand 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.

General and administrative expenses decreased by \$128 thousand from \$2.6 million to \$2.5 million.

The following table summarizes the changes in net position between June 30, 2014 and 2013 (in thousands):

	2014	<i>(as restated)</i> 2013	Increase (Decrease)
<b>Revenues</b>	\$ 48,754	\$ 43,343	\$ 5,411
<b>Operating Expenses</b>			
Provision for loan losses	1,311	--	1,311
Grants and programs	23,439	23,635	(196)
General and administrative expense	2,537	2,665	(128)
<b>Total Operating Expenses</b>	27,287	26,300	987
<b>Operating Income</b>	21,467	17,043	4,424
<b>Non-Operating Revenues (Expenses)</b>			
Interest earned	1,142	689	453
Investment loss	--	(657)	657
Capital contribution	201	238	(37)
Distribution to member	(12)	--	(12)
Payments to State of Connecticut	(6,200)	--	(6,200)
<b>Net Change</b>	\$ 16,598	\$ 17,313	\$ (715)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS OF FISCAL 2013

*NET POSITION*

Net position increased by \$17.3 million to \$98.5 million at June 30, 2013 and cash and cash equivalents increased by \$4.4 million in 2013 to \$77.6 million. Cash increased primarily as a result of greater than expected proceeds received from Regional Greenhouse Gas Initiative (RGGI) auctions and a reduction in grant activity and CEFIA's transition to a financing model as opposed to grant model to fund renewable energy and energy efficiency projects, See Note 7.

Other assets are composed primarily of utility customer assessment receivables and RGGI auction receivables. The promissory note portfolio of \$11.2 million as of June 30, 2013 and \$11.7 million as of July 1, 2012 funded a residential photovoltaic equipment lease program which ended during 2012.

As of June 30, 2013, the Board of Directors designated \$24.5 million in net position to fund contingent grant, loan and investment commitments as described in Note 8. These grants, loans and investments are expected to be paid or funded over the next one to six fiscal years. In addition to these commitments, an additional \$33.8 million has been designated by the Board to fund future program commitments.

The following table summarizes the net position at June 30, 2013 and 2012 (in thousands):

	<i>(as restated)</i>		Increase
	2013	2012	(Decrease)
Cash, certificates of deposit	\$ 77,642	\$ 73,214	\$ 4,428
Portfolio investments	4,788	2,155	2,633
Promissory notes	11,240	11,736	(496)
Capital assets, net	362	91	271
Other assets	6,284	4,980	1,304
<b>Total Assets</b>	<u>100,316</u>	<u>92,176</u>	<u>8,140</u>
Current liabilities	1,816	2,625	(809)
Deferred revenue	--	8,363	(8,363)
<b>Total Liabilities</b>	<u>1,816</u>	<u>10,988</u>	<u>(9,172)</u>
Invested in capital assets	362	91	271
Restricted Net Position:			
Non-expendable	1	--	1
Restricted - energy programs	9,537	177	9,360
Unrestricted	88,600	80,921	7,679
<b>Total Net Position</b>	<u>\$ 98,500</u>	<u>\$ 81,189</u>	<u>\$ 17,311</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**


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**CHANGES IN NET POSITION**

Revenue from interest on cash deposits and solar lease notes decreased \$42 thousand to \$687 thousand in 2013. Interest on short-term investments and cash deposits decreased due to the changes in interest rates. CEFIA received \$4.7 million from the State in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2013 were \$23.6 million, a decrease of \$7.5 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. In addition, CEFIA is transitioning to primarily a financing model as opposed to primarily issuing grants to fund renewable energy and energy efficiency projects.

General and administrative expenses increased by \$1.3 million from \$1.4 million to \$2.7 million.

The net loss of \$657,000 in investments represents write offs of investments previously reserved for and adjustments to the valuation of equity and debt investments currently held.

The following table summarizes the changes in net position between June 30, 2013 and 2012 (in thousands):

	<i>(as restated)</i>		Increase
	2013	2012	(Decrease)
<b>Revenues</b>	\$ 43,343	\$ 39,754	\$ 3,589
<b>Operating Expenses</b>			
Grants and programs	23,635	31,122	(7,487)
General and administrative expense	2,665	1,388	1,277
<b>Total Operating Expenses</b>	26,300	32,510	(6,210)
<b>Operating Income</b>	17,043	7,244	9,799
Interest earned	689	729	(40)
Investment loss	(657)	435	(1,092)
Capital Contribution	238	--	238
<b>Net Change in Net Position</b>	\$ 17,313	\$ 8,408	\$ 8,905

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of CGB's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Finance and Administration, 845 Brook Street, Rocky Hill, Connecticut 06067.

# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF NET POSITION

**JUNE 30, 2014**

(With Summarized Totals for June 30, 2013)

	Primary Government	Discretely Presented Component Units		Eliminations	2014	2013
		CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.		Total Reporting Entity	Total Reporting Entity
						(As Restated)
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 70,113,857	\$ 1,244,796	\$ 123	\$ --	\$ 71,358,776	\$ 68,105,014
Accounts receivable	4,547,770	--	--	--	4,547,770	1,940,835
Utility customer assessments receivable	3,402,401	--	--	--	3,402,401	2,604,826
Other receivables	355,405	--	120,000	(120,000)	355,405	--
Due from component units	10,265,044	--	--	(10,265,044)	--	--
Prepaid expenses and other assets	126,307	34,449	--	--	160,756	194,056
Current portion of solar lease notes	766,086	--	--	--	766,086	704,032
Current portion of program loans, net	652,447	--	--	--	652,447	--
<b>Total Current Assets</b>	<u>90,229,317</u>	<u>1,279,245</u>	<u>120,123</u>	<u>(10,385,044)</u>	<u>81,243,641</u>	<u>73,548,763</u>
<b>Noncurrent Assets</b>						
Portfolio investments	1,000,000	--	--	--	1,000,000	1,000,000
Bonds receivable	1,600,000	--	--	--	1,600,000	--
Solar lease notes, less current portion	9,778,315	--	--	--	9,778,315	10,536,136
Program loans, less current portion, net	12,750,457	--	--	--	12,750,457	3,788,094
Renewable energy credits	1,069,390	--	--	--	1,069,390	1,217,491
Investment in component units	100	--	4,794,801	(4,794,901)	--	--
Deferred financing fees, net	--	458,883	--	--	458,883	326,758
Capital assets, net of depreciation and amortization	289,932	3,538,975	--	(754,570)	3,074,337	362,505
Restricted assets:						
Cash and cash equivalents	5,013,715	4,500,000	--	--	9,513,715	9,536,656
<b>Total Noncurrent Assets</b>	<u>31,501,909</u>	<u>8,497,858</u>	<u>4,794,801</u>	<u>(5,549,471)</u>	<u>39,245,097</u>	<u>26,767,640</u>
<b>Total Assets</b>	<u>\$ 121,731,226</u>	<u>\$ 9,777,103</u>	<u>\$ 4,914,924</u>	<u>\$ (15,934,515)</u>	<u>\$ 120,488,738</u>	<u>\$ 100,316,403</u>

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



# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF NET POSITION (CONTINUED)

**JUNE 30, 2014**

(With Summarized Totals for June 30, 2013)

	Primary Government	Discretely Presented Component Units		Eliminations	2014	2013
		CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.		Total Reporting Entity	Total Reporting Entity (As Restated)
<b>Liabilities and Net Position</b>						
<b>Liabilities</b>						
Current maturities of long-term debt	\$ 6,280	\$ --	\$ --	\$ --	\$ 6,280	\$ --
Accounts payable and accrued expenses	3,751,694	314,678	--	(120,000)	3,946,372	1,401,498
Due to primary government	--	5,459,343	4,805,701	(10,265,044)	--	--
Due to outside agency	439,643	--	--	--	439,643	21,300
Custodial liability	408,979	--	--	--	408,979	360,000
Deferred revenue	58,000	411,009	--	--	469,009	33,000
<b>Total Current Liabilities</b>	<u>4,664,596</u>	<u>6,185,030</u>	<u>4,805,701</u>	<u>(10,385,044)</u>	<u>5,270,283</u>	<u>1,815,798</u>
<b>Long-Term Debt</b> , less current maturities	<u>119,808</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>119,808</u>	<u>--</u>
<b>Total Liabilities</b>	<u>4,784,404</u>	<u>6,185,030</u>	<u>4,805,701</u>	<u>(10,385,044)</u>	<u>5,390,091</u>	<u>1,815,798</u>
<b>Net Position</b>						
Invested in capital assets	289,932	3,538,975	--	(754,570)	3,074,337	362,505
Restricted net position						
Non-expendable	1,000	1,294,801	100	(1,294,801)	1,100	1,000
Restricted - energy programs	5,013,715	4,500,000	--	--	9,513,715	9,536,656
Unrestricted (deficit)	<u>111,642,175</u>	<u>(5,741,703)</u>	<u>109,123</u>	<u>(3,500,000)</u>	<u>102,509,595</u>	<u>88,600,444</u>
<b>Total Net Position</b>	<u>116,946,822</u>	<u>3,592,073</u>	<u>109,223</u>	<u>(5,549,371)</u>	<u>115,098,747</u>	<u>98,500,605</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 121,731,226</u>	<u>\$ 9,777,103</u>	<u>\$ 4,914,924</u>	<u>\$ (15,934,415)</u>	<u>\$ 120,488,838</u>	<u>\$ 100,316,403</u>

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

# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

**FOR THE YEAR ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units			2014 Total Reporting Entity	2013 Total Reporting Entity (As Restated)
		CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Eliminations		
<b>Operating Revenue</b>						
Utility customer assessments	\$ 27,779,345	\$ --	\$ --	\$ --	\$ 27,779,345	\$ 27,621,409
Grant revenue	321,642	--	--	--	321,642	10,035,250
RGGI Auction income	20,074,668	--	--	--	20,074,668	4,744,657
Energy sytem sales	3,548,840	--	--	(3,548,840)	--	--
Other income	576,788	1,770	120,000	(120,000)	578,558	941,777
<b>Total Operating Revenue</b>	<u>52,301,283</u>	<u>1,770</u>	<u>120,000</u>	<u>(3,668,840)</u>	<u>48,754,213</u>	<u>43,343,093</u>
<b>Operating Expenses</b>						
Cost of goods sold	2,794,270	--	--	(2,794,270)	--	--
Provision for loan losses	1,310,933	--	--	--	1,310,933	--
Grants and program expenditures	22,948,676	600,186	10,500	(120,000)	23,439,362	23,634,465
General and administrative expenses	2,408,715	127,511	377	--	2,536,603	2,664,883
<b>Total Operating Expenses</b>	<u>29,462,594</u>	<u>727,697</u>	<u>10,877</u>	<u>(2,914,270)</u>	<u>27,286,898</u>	<u>26,299,348</u>
<b>Operating Income (Loss)</b>	<u>22,838,689</u>	<u>(725,927)</u>	<u>109,123</u>	<u>(754,570)</u>	<u>21,467,315</u>	<u>17,043,745</u>
<b>Nonoperating Revenue (Expenses)</b>						
Interest income - promissory notes	1,034,953	8,642	--	--	1,043,595	583,575
Interest income - short term cash deposits	98,383	--	--	--	98,383	103,932
Interest income - component units	57,407	--	--	(57,407)	--	--
Interest expense - component units	--	(57,407)	--	57,407	--	--
Investment income (loss)	(1)	--	--	--	(1)	(656,546)
<b>Total Nonoperating Revenue (Expenses)</b>	<u>1,190,742</u>	<u>(48,765)</u>	<u>--</u>	<u>--</u>	<u>1,141,977</u>	<u>30,961</u>
<b>Income (Loss) Before Payments to State of Connecticut and Capital Contributions (Distributions)</b>	24,029,431	(774,692)	109,123	(754,570)	22,609,292	17,074,706
Payments to State of Connecticut	(6,200,000)	--	--	--	(6,200,000)	--
Capital contributions	--	1,496,135	--	(1,294,801)	201,334	237,594
Distributions to member	--	(12,584)	--	--	(12,584)	--
<b>Change in Net Position</b>	<u>17,829,431</u>	<u>708,859</u>	<u>109,123</u>	<u>(2,049,371)</u>	<u>16,598,042</u>	<u>17,312,300</u>
<b>Net Position - Beginning of Year (As Restated)</b>	<u>99,117,391</u>	<u>2,883,214</u>	<u>100</u>	<u>(3,500,100)</u>	<u>98,500,605</u>	<u>81,188,305</u>
<b>Net Position - End of Year</b>	<u>\$ 116,946,822</u>	<u>\$ 3,592,073</u>	<u>\$ 109,223</u>	<u>\$ (5,549,471)</u>	<u>\$ 115,098,647</u>	<u>\$ 98,500,605</u>

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

# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF CASH FLOWS

**FOR THE YEARS ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units			2014 Total Reporting Entity	2013 Total Reporting Entity (As Restated)
		CT Solar Lease 2 LLC	CEFIA Solar Services Inc.	Eliminations		
<b>Cash Flows from Operating Activities</b>						
Utility ratepayer assessments	\$ 26,981,768	\$ --	\$ --	\$ --	\$ 26,981,768	\$ 27,597,453
Grants	400,766	--	--	--	400,766	2,015,677
RGGI auctions	17,520,889	--	--	--	17,520,889	3,529,080
Other income	581,435	1,331	--	--	582,766	440,533
Lease prepayment	6,092	445,247	--	--	451,339	--
Syndication and financing fees	--	--	--	--	--	(1,130,223)
Grant and program expenditures	(7,518,831)	(378,302)	--	--	(7,897,133)	(24,632,056)
Grants, incentives and credit enhancements	(13,313,611)	--	--	--	(13,313,611)	--
General and administrative expenditures	(2,337,287)	(6,361)	(10,877)	--	(2,354,525)	(1,554,236)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>22,321,221</u>	<u>61,915</u>	<u>(10,877)</u>	<u>--</u>	<u>22,372,259</u>	<u>6,266,228</u>
<b>Cash Flows from Non-Capital Financing Activities</b>						
Payments to the State of Connecticut	(6,200,000)	--	--	--	(6,200,000)	--
Advances to CGB component units	(1,305,701)	--	--	1,305,701	--	(3,500,000)
Advances from CGB and component units	--	--	1,305,701	(1,305,701)	--	3,500,000
<b>Net Cash Provided from Non-Capital Financing Activities</b>	<u>(7,505,701)</u>	<u>--</u>	<u>1,305,701</u>	<u>--</u>	<u>(6,200,000)</u>	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchase of capital assets	(79,713)	--	--	--	(79,713)	(281,654)
Proceeds from long-term debt	122,463	--	--	--	122,463	--
Capital contributions from component units	--	1,294,701	(1,294,701)	--	--	--
Capital contributions from Firststar Development, LLC	--	201,434	--	--	201,434	237,594
Return of capital to Firststar Development, LLC	--	(12,584)	--	--	(12,584)	--
<b>Net Cash (Used in) Provided by Capital and Related Financing Activities</b>	<u>42,750</u>	<u>1,483,551</u>	<u>(1,294,701)</u>	<u>--</u>	<u>231,600</u>	<u>(44,060)</u>

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

# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF CASH FLOWS (CONTINUED)

**FOR THE YEARS ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units			2014 Total Reporting Entity	2013 Total Reporting Entity (As Restated)
		CT Solar Lease 2 LLC	CEFIA Solar Services Inc.	Eliminations		
<b>Cash Flows from Investing Activities</b>						
Return of principal on investments	\$ 7,022,954	\$ --	\$ --	\$ --	\$ 7,022,954	\$ 663,488
Interest on short-term investments, cash, solar lease notes and loans	442,257	8,642	--	--	450,899	373,955
CPACE program loan disbursements	(16,409,539)	--	--	--	(16,409,539)	(86,000)
Grid Tied program loan disbursements	(2,375,000)	--	--	--	(2,375,000)	(2,625,000)
Sales of energy systems	715,768	(715,768)	--	--	--	--
AD/CHP program loan disbursements	(150,000)	--	--	--	(150,000)	(100,000)
Alpha/Operational Demo program loan disbursements	(516,200)	--	--	--	(516,200)	--
Energy Efficiency program loan disbursements	(75,000)	--	--	--	(75,000)	--
Campus Efficiency NOW program loan disbursements	(315,669)	--	--	--	(315,669)	--
Residential Solar Lease program disbursements	--	--	--	--	--	--
Residential Solar Loan program disbursements	(805,484)	--	--	--	(805,484)	(20,536)
<b>Net Cash (Used in) Investing Activities</b>	<u>(12,465,913)</u>	<u>(707,126)</u>	<u>--</u>	<u>--</u>	<u>(13,173,039)</u>	<u>(1,794,093)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	2,392,357	838,340	123	--	3,230,820	4,428,075
<b>Cash and Cash Equivalents - Beginning</b>	<u>72,735,215</u>	<u>4,906,456</u>	<u>--</u>	<u>--</u>	<u>77,641,671</u>	<u>73,213,595</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 75,127,572</u>	<u>\$ 5,744,796</u>	<u>\$ 123</u>	<u>\$ --</u>	<u>\$ 80,872,491</u>	<u>\$ 77,641,670</u>

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

# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units			2014 Total Reporting Entity	2013 Total Reporting Entity (As Restated)
		CT Solar Lease 2 LLC	CEFIA Solar Services Inc.	Eliminations		
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
Operating income (loss)	\$ 22,838,689	\$ (725,927)	\$ 109,123	\$ --	\$ 22,221,885	\$ 17,043,745
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	102,797	38,546	--	--	141,343	79,364
Provision for loan losses	1,310,933	--	--	--	1,310,933	--
Discount on asset sales	235,239	--	--	--	235,239	--
Other	436,755	--	--	--	436,755	--
Changes in operating assets and liabilities:						
Receivables, notes, renewable credits	(5,434,234)	(3,568,949)	(120,000)	--	(9,123,183)	(1,117,501)
Accounts payable, accrued expenses, deferred revenue and due to related parties	2,831,042	4,318,245	--	--	7,149,287	(9,739,380)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 22,321,221</u>	<u>\$ 61,915</u>	<u>\$ (10,877)</u>	<u>\$ --</u>	<u>\$ 22,372,259</u>	<u>\$ 6,266,228</u>

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

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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#### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

##### *NATURE OF OPERATIONS*

The Connecticut Green Bank (CGB) was established in July 2011 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut as the successor entity of the Connecticut Clean Energy Fund. CGB, a component unit of the State of Connecticut, was created to promote energy efficiency and investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources and related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources which serve end-use customers in the State. CGB constitutes the successor agency to Connecticut Innovations Incorporated (CI), a quasi-public agency of the State of Connecticut, for the purposes of administering the Clean Energy Fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CGB as of July 1, 2011. Pursuant to Connecticut General Statute 4-38f, CGB is within CI for administrative purposes only.

On June 6, 2014 Public Act 14-94 of the State of Connecticut changed the name of the Clean Energy Finance and Investment Authority to the Connecticut Green Bank.

##### *RESTATEMENT OF NET POSITION (2013)*

A discretely component unit and total reporting entity net position have been restated as of June 30, 2013 to reflect the capitalization of certain previously expensed financing costs associated with securing financing and a reclassification of previously reported liability to net position. The effects of the above restatements as of June 30, 2013 are as follows:

	CT Solar Lease 2, LLC	Total Reporting Entity
Net position -		
June 30, 2013 (originally reported)	\$ (943,544)	\$ 98,173,847
Capitalization of financing costs	326,758	326,758
Reclassification of liability	<u>3,500,000</u>	<u>--</u>
Net position -		
July 1, 2013 (as restated)	<u>\$ 2,883,214</u>	<u>\$ 98,500,605</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*PRIOR-PERIOD SUMMARIZED FINANCIAL INFORMATION*

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CGB's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

*PRINCIPAL REVENUE SOURCES*

The Public Utility Regulatory Authority (PURA) assesses a charge per kilowatt-hour to each end-use customer of electric services provided by utility companies (excluding municipally owned entities) in the state, which is paid to CGB and is the principal source of CGB's revenue. CGB may deploy the funds for loans, direct or equity investments, contracts, grants or other actions that support energy efficiency projects and research, development, manufacture, commercialization, deployment and installation of renewable energy technologies.

CGB also received payments from the Regional Greenhouse Gas Initiative (RGGI) for the financing of energy efficiency and renewable energy projects through CGB's CPACE program.

*REPORTING ENTITY*

CGB, as the primary government, follows the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 61 (*The Financial Reporting Entity Omnibus – an Amendment of GASB Statements No. 14 and No. 34*) (the Statement) regarding presentation of component units. The Statement modifies certain requirements for including component units in the reporting entity, either by blending (recording their amounts as part of the primary government), or discretely presenting them (showing their amounts separately in the reporting entity's financial statements). To qualify as a blended component unit, the unit must meet one of the following criteria: (1) have substantively the same governing body as that of the primary government, and either (A) a financial benefit or burden relationship exists between the unit and the primary government, or (B) management of the primary government (below the level of the governing body) has operational responsibility of the unit; (2) the unit provides services or benefits exclusively or almost exclusively to the primary government; or (3) the unit's total debt outstanding, including leases, is expected to

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*REPORTING ENTITY (CONTINUED)*

be repaid by resources of the primary government. A unit which fails to meet the substantively the same governing requirement may still be included as a discretely presented component unit, if the primary government has appointed the voting majority of the component unit's governance or met other criteria specified in the Statement such as whether or not it would be misleading were the entity to be excluded.

CGB established four legally separate for-profit entities whose collective purpose, at the present time, is to administer the CGB's solar energy programs. CGB believes to exclude any of the entities from these financial statements would be misleading. Each entity is listed below, along with whether it is included as a blended component unit (blended) or qualifies as a discretely presented component unit (discrete) within these financial statements based on the criteria previously described.

*CEFIA Holdings LLC (blended)*

A Connecticut limited liability corporation (LLC), 99% owned by CGB (1% owned by CI), established to fund a portfolio of residential solar loans and, through its CT Solar Lease 2 program, to enable investment in solar photovoltaic and solar thermal equipment for the benefit of Connecticut homeowners, businesses, not-for-profits and municipalities (the "End Users"). CEFIA Holdings LLC acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation of the solar assets and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the End Users. CEFIA Holdings LLC is also responsible for procuring insurance for the solar assets, operation and maintenance services as well as warranty management services for the ultimate owner of the solar assets, CT Solar Lease 2 LLC, to which CEFIA Holdings LLC sells the residential and commercial projects before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease 2 LLC administers the portfolio of projects with the assistance of AFC First Financial Corporation.

*CEFIA Solar Loan I LLC (blended)*

A limited-liability corporation, wholly-owned by CEFIA Holdings LLC, established to make loans to residential property owners for the purposes of installing solar photovoltaic equipment.



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*CEFIA Solar Services, Inc. (discrete)*

A Connecticut corporation, 100% owned by CEFIA Holdings LLC, established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic and solar thermal equipment and the sale of energy under power purchase agreements as managing member of CT Solar Lease 2 LLC. CEFIA Solar Services, Inc. has a one percent ownership interest in CT Solar Lease 2 LLC and is the managing member of the entity responsible for performing all management and operational functions pursuant to the Operating Agreement of CT Solar Lease 2 LLC.

*CT Solar Lease 2 LLC (discrete)*

A Connecticut limited-liability corporation that acquires title to the residential and commercial solar projects from the developer, CEFIA Holdings LLC, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners payment to CT Solar Lease 2 LLC of their obligations under leases and power purchase agreements, as well as revenue earned from production-based incentives. CT Solar Lease 2 LLC is owned ninety-nine percent (99%) by Firstar Development, LLC, a Delaware limited liability company, as the Investor Member and one percent (1%) by CEFIA Solar Services Inc., as the Managing Member.

Advances between the primary government (CGB) and its component units, or between the component units themselves, involved establishment of funds to provide for loan loss reserves as well as pay certain organizational costs. Advances were eliminated in preparing the combining and reporting entity financial statements.

Condensed combining information for the primary government (CGB) and its two blended component units (CEFIA Holdings LLC and CEFIA Solar Loan I LLC) is presented as follows:

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 69,659,563	\$ 200,740	\$ 253,554	\$ --	\$ 70,113,857
Accounts receivable	4,547,770	--	--	--	4,547,770
Utility customer assessments receivable	3,402,401	--	--	--	3,402,401
Other receivables	355,405	--	--	--	355,405
Due from component units	9,355,892	--	10,181,422	(9,272,270)	10,265,044
Prepaid expenses and other assets	124,580	1,727	--	--	126,307
Current portion of solar lease notes	766,086	--	--	--	766,086
<b>Total Current Assets</b>	<u>88,211,697</u>	<u>202,467</u>	<u>10,434,976</u>	<u>(9,272,270)</u>	<u>89,576,870</u>
<b>Noncurrent Assets</b>					
Portfolio investments	1,000,000	--	--	--	1,000,000
Bonds receivable	1,600,000	--	--	--	1,600,000
Solar Lease Notes, less current portion	9,778,315	--	--	--	9,778,315
Program loans, less current portion	12,622,568	780,336	--	--	13,402,904
Renewable Energy Credits	1,069,390	--	--	--	1,069,390
Investment in component units	99,000	--	100	(99,000)	100
Deferred financing fees, net	--	--	--	--	--
Capital assets, net of depreciation and amortization	289,932	--	--	--	289,932
Restricted assets:					
Cash and cash equivalents	4,713,715	300,000	--	--	5,013,715
<b>Total Noncurrent Assets</b>	<u>31,172,920</u>	<u>1,080,336</u>	<u>100</u>	<u>(99,000)</u>	<u>32,154,356</u>
<b>Total Assets</b>	<u>\$ 119,384,617</u>	<u>\$ 1,282,803</u>	<u>\$ 10,435,076</u>	<u>\$ (9,371,270)</u>	<u>\$ 121,731,226</u>

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION (CONTINUED)*

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Liabilities and Net Position</b>					
<b>Liabilities</b>					
Current maturities of long-term debt	\$ --	\$ 6,280	\$ --	\$ --	\$ 6,280
Accounts payable and accrued expenses	2,606,620	10,323	1,134,751	--	3,751,694
Due to component units	--	858,850	8,413,420	(9,272,270)	--
Due to outside agency	439,643	--	--	--	439,643
Custodial liability	360,000	--	48,979	--	408,979
Deferred revenue	58,000	--	--	--	58,000
<b>Total Current Liabilities</b>	3,464,263	875,453	9,597,150	(9,272,270)	4,664,596
<b>Long-term debt, less current maturities</b>	--	119,808	--	--	119,808
<b>Total Liabilities</b>	3,464,263	995,261	9,597,150	(9,272,270)	4,784,404
<b>Net Position</b>					
Invested in capital assets	289,932	--	--	--	289,932
Restricted Net Position					
Non-expendable	--	--	100,000	(99,000)	1,000
Restricted for energy programs	4,713,715	300,000	--	--	5,013,715
Unrestricted (deficit)	110,916,707	(12,458)	737,926	--	111,642,175
<b>Total Net Position</b>	115,920,354	287,542	837,926	(99,000)	116,946,822
<b>Total Liabilities and Net Position</b>	\$ 119,384,617	\$ 1,282,803	\$ 10,435,076	\$ (9,371,270)	\$ 121,731,226

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### CONDENSED, COMBINING INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Operating Revenues</b>					
Utility customer assessments	\$ 27,779,345	\$ --	\$ --	\$ --	\$ 27,779,345
Grant revenue	321,642	300,000	--	(300,000)	321,642
RGGI Auction income	20,074,668	--	--	--	20,074,668
Energy system sales	--	--	3,548,840	--	3,548,840
Other income	576,788	--	--	--	576,788
<b>Total Operating Revenues</b>	<u>48,752,443</u>	<u>300,000</u>	<u>3,548,840</u>	<u>(300,000)</u>	<u>52,301,283</u>
<b>Operating Expenses</b>					
Cost of goods sold - energy systems	--	--	2,794,270	--	2,794,270
Provision for loan losses	1,310,933	--	--	--	1,310,933
Grants and program expenditures	23,214,496	23,620	10,560	(300,000)	22,948,676
General and administrative expenses	2,400,205	2,540	5,970	--	2,408,715
<b>Total Operating Expenses</b>	<u>26,925,634</u>	<u>26,160</u>	<u>2,810,800</u>	<u>(300,000)</u>	<u>29,462,594</u>
<b>Operating Income</b>	<u>21,826,809</u>	<u>273,840</u>	<u>738,040</u>	<u>--</u>	<u>22,838,689</u>
<b>Nonoperating Revenue (Expenses)</b>					
Interest income - promissory notes	1,021,189	13,764	--	--	1,034,953
Interest income - short term cash deposits	98,383	--	--	--	98,383
Interest income - component units	57,407	--	--	--	57,407
Interest expense - component units	--	--	--	--	--
Investment income (loss)	(1)	--	--	--	(1)
<b>Total Nonoperating Revenue (Expenses)</b>	<u>1,176,978</u>	<u>13,764</u>	<u>--</u>	<u>--</u>	<u>1,190,742</u>
<b>Change in Net Position before Payments to State of Connecticut and Capital Contributions</b>	23,003,787	287,604	738,040	--	24,029,431
Payments to State of Connecticut	(6,200,000)	--	--	--	(6,200,000)
Capital contributions	--	--	--	--	--
Distributions to member	--	--	--	--	--
<b>Change in Net Position</b>	<u>16,803,787</u>	<u>287,604</u>	<u>738,040</u>	<u>--</u>	<u>17,829,431</u>
<b>Net Position - Beginning of Year (as restated)</b>	<u>99,116,567</u>	<u>(62)</u>	<u>99,886</u>	<u>(99,000)</u>	<u>99,117,391</u>
<b>Net Position - End of Year</b>	<u>\$ 115,920,354</u>	<u>\$ 287,542</u>	<u>\$ 837,926</u>	<u>\$ (99,000)</u>	<u>\$ 116,946,822</u>

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Cash Flows from Operating Activities</b>					
Sales of energy systems	\$ --	\$ --	\$ 715,768	\$ --	\$ 715,768
Utility ratepayer assessments	26,981,768	--	--	--	26,981,768
Grants	400,766	300,000	--	(300,000)	400,766
RGGI auction proceeds	17,520,889	--	--	--	17,520,889
Other income	581,435	--	--	--	581,435
Lease prepayment	--	--	6,092	--	6,092
Grant and program expenditures	(7,791,973)	(12,014)	(14,844)	300,000	(7,518,831)
Grants, incentives and credit enhancements	(13,313,611)	--	--	--	(13,313,611)
Purchases of energy equipment	--	--	(1,656,944)	--	(1,656,944)
General and administrative expenditures	(2,331,070)	(197)	(6,020)	--	(2,337,287)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>22,048,204</u>	<u>287,789</u>	<u>(955,948)</u>	<u>--</u>	<u>21,380,045</u>
<b>Cash Flows from Non-capital Financing Activities</b>					
Payments to State of Connecticut	(6,200,000)	--	--	--	(6,200,000)
Advances to CGB component units	(3,274,267)	--	(1,439,552)	3,408,118	(1,305,701)
Advances from CGB and component units	--	783,850	2,624,268	(3,408,118)	--
<b>Net Cash Provided by (Used in) Non-capital Financing Activities</b>	<u>(9,474,267)</u>	<u>783,850</u>	<u>1,184,716</u>	<u>--</u>	<u>(7,505,701)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of capital assets	(79,713)	--	--	--	(79,713)
Proceeds from long-term debt	--	122,463	--	--	122,463
Capital contributions from component entities	--	--	--	--	--
Capital contributions from Firststar Development, LLC	--	--	--	--	--
Return of capital to Firststar Development, LLC	--	--	--	--	--
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(79,713)</u>	<u>122,463</u>	<u>--</u>	<u>--</u>	<u>42,750</u>
<b>Cash Flows from Investing Activities</b>					
Return of principal on investments	6,965,232	57,722	--	--	7,022,954
Interest on short-term investments, cash, solar lease notes and loans	442,200	57	--	--	442,257

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS (CONTINUED)

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Cash Flows from Investing Activities (Continued)</b>					
CPACE program loan disbursements	\$ (14,752,595)	\$ --	\$ --	\$ --	\$ (14,752,595)
Grid Tied program loan disbursements	(2,375,000)	--	--	--	(2,375,000)
AD/CHP program loan disbursements	(150,000)	--	--	--	(150,000)
Alpha/Operational Demo program loan disbursements	(516,200)	--	--	--	(516,200)
Energy Efficiency program loan disbursements	(75,000)	--	--	--	(75,000)
Campus Efficiency NOW program loan disbursements	(315,669)	--	--	--	(315,669)
Residential Solar Loan program disbursements	--	(805,484)	--	--	(805,484)
<b>Net Cash Used in Investing Activities</b>	<u>(10,777,032)</u>	<u>(747,705)</u>	<u>--</u>	<u>--</u>	<u>(11,524,737)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,717,192	446,397	228,768	--	2,392,357
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>72,656,086</u>	<u>54,343</u>	<u>24,786</u>	<u>--</u>	<u>72,735,215</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 74,373,278</u>	<u>\$ 500,740</u>	<u>\$ 253,554</u>	<u>\$ --</u>	<u>\$ 75,127,572</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating income (loss)	\$ 21,826,809	\$ 273,840	\$ 738,040	\$ --	\$ 22,838,689
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	102,797	--	--	--	102,797
Provision for loan losses	1,310,933	--	--	--	1,310,933
Discount on asset sales	231,614	3,625	--	--	235,239
Other	436,755	--	--	--	436,755
Changes in operating assets and liabilities:					
Increase in receivables and other assets	(3,542,338)	--	(2,833,072)	--	(6,375,410)
Increase in accounts payable, accrued expenses, deferred revenue and other liabilities	1,681,634	10,324	1,139,084	--	2,831,042
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 22,048,204</u>	<u>\$ 287,789</u>	<u>\$ (955,948)</u>	<u>\$ --</u>	<u>\$ 21,380,045</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

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

In its accounting and financial reporting, the reporting entity follows Governmental Accounting Standards Board (GASB) Statement No. 62, *GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporates into GASB guidance pre-November 30, 1989 FASB Statements and Interpretations and Accounting Principles Board (APB) Opinions and Research Bulletins which do not conflict or contradict GASB statements.

***BASIS OF PRESENTATION***

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

***REVENUE RECOGNITION***

CGB, in addition to utility assessments and RGGI auction income, recognizes revenue from grants as expenses are incurred.

CEFIA Solar Loan I LLC revenues represents grant funds paid to it by CGB. This amount was eliminated to arrive at the total reporting entity revenue.

CEFIA Holdings LLC revenues from the sales of photovoltaic energy systems to CEFIA Solar Lease 2, LLC. This amount was eliminated to arrive at the total reporting entity revenue.

CEFIA Solar Services, Inc. revenue consists of an administrative fee from CGB. This amount was eliminated to arrive at the total reporting entity revenue.

In addition, CT Solar Lease 2 LLC is expected to derive revenue from the following sources: operating leases, energy generation, Production Based Incentives (PBIs) and the sale of Solar Renewable Energy Certificates (SRECs) to third parties. Rental income from residential and commercial operating leases will be recognized on a straight-line basis over the term of each underlying lease. Energy generation revenue will be recognized as electricity is generated, based on actual output and contractual prices set forth in long-term PPAs. PBI payments on

**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2014**(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****REVENUE RECOGNITION (CONTINUED)***

residential solar photovoltaic systems will be received through a rebate program funded by the CGB. Payments are based on actual production. Revenue from the sale of SRECs to third parties is recognized upon the transfer of title and delivery of the SRECs to third parties and is derived from contractual prices set forth in SREC sale agreements.

***OPERATING VS. NON-OPERATING REVENUE (EXPENSE)***

All entities distinguish operating revenues and expenses from non-operating items. Operating revenues consist of utility customer assessments, grants for operating activities, and other revenue generated in connection with investments in clean energy programs. Operating expenses consist of operating costs, including depreciation on capital assets and grants and programs. Non-operating revenue (expense) consists of investment earnings, and other items not considered operational by management.

***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 certain reported amounts and disclosures in the financial statements. Actual results could vary from the estimates that were used.

***USE OF RESTRICTED VS. NON-RESTRICTED RESOURCES***

When both restricted and unrestricted amounts are available for use, the policy is to use restricted resources for their intended purposes first and then unrestricted resources.

***CASH AND CASH EQUIVALENTS***

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

***CAPITAL ASSETS***

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



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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

*CAPITAL ASSETS (CONTINUED)*

The estimated useful lives of capital assets are as follows:

Asset	Years
Solar lease equipment	30 years
Furniture and equipment	5 years
Leasehold improvements	5 years
Computer hardware and software	2-3 years

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

*PORTFOLIO INVESTMENTS*

CGB carries all investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability by in an orderly transaction between market participants at the measurement date. As discussed in Note 4, CGB's portfolio investments are managed by CI. Fair value is determined by CI's independent valuation committee ("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. CI has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate. CGB management reserves the right to establish a reserve in addition to the reserve recommended by the 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. CGB 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 CGB's portfolio investments are uninsured against loss and unregistered, and are held in the administrator's name.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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

*DEFERRED FINANCING FEES*

Deferred financing fees of \$487,563 consist of costs incurred in connection with securing the long-term debt. These costs are amortized using the straight-line method over the maximum term of the credit facility, which is through July 1, 2030. Accumulated amortization at June 30, 2014 was \$28,680. Amortization expense for the year ended June 30, 2014 was \$28,680.

*NET POSITION*

Net position is presented in the following three categories:

- *Net Position Invested in Capital Assets* represent capital assets, net of accumulated depreciation and amortization that are attributable to those particular assets.
- *Restricted Net Position* represent assets whose use is restricted through external restrictions imposed by creditors, grantors, contributors and the like, or through restrictions imposed by laws or through constitutional provisions or enabling legislature, and includes equity interest within CGB's component units by outside entities.
- *Unrestricted Net Position* represents assets which do not meet the definition of the two preceding categories.

*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.

*RECLASSIFICATIONS*

Certain amounts in the 2013 summarized information have been reclassified to conform to the 2014 presentation.

*SUBSEQUENT EVENTS*

In September 2014, CT Solar Lease 2 LLC was required by agreement with First Niagara Bank, N.A. (the Bank) to enter into an interest rate protection agreement with the Bank.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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

*SUBSEQUENT EVENTS (CONTINUED)*

CGB has performed a review of events subsequent to the statement of net position date through \_\_\_\_\_, 2014, the date of the financial statements where available to be issued. Except as described above, no events requiring recording or disclosure in the financial statements were identified.

## NOTE 2 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In determining fair value, CGB utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. CGB also considers nonperformance risk in the overall assessment of fair value.

Investments are measured at fair value utilizing valuation techniques based on observable and/or unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect market assumptions. These inputs are classified into the following hierarchy:

*Level 1* – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. CGB's Level 1 securities were valued at the closing price reported on the active markets on which the individual securities are traded.

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

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

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

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

The following table sets forth by level, within the fair value hierarchy, CGB’s fair value measurements at June 30, 2014:

<i>Investment assets at Fair Value as of June 30, 2014</i>				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 80,872,491	\$ --	\$ --	\$ 80,872,491
Portfolio investments	--	--	1,000,000	1,000,000
	<u>\$ 80,872,491</u>	<u>\$ --</u>	<u>\$ 1,000,000</u>	<u>\$ 81,872,491</u>
	Level 1	Level 2	Level 3	Total
Primary Government:				
Cash and cash equivalents	\$ 75,127,572	\$ --	\$ --	\$ 75,127,572
Portfolio investments	--	--	1,000,000	1,000,000
Discretely Presented				
Component Units:				
CGB Solar Services, Inc.	123	--	--	123
CT Solar Lease 2 LLC				
Cash and cash equivalents	<u>5,744,796</u>	<u>--</u>	<u>--</u>	<u>5,744,796</u>
	<u>\$ 80,872,491</u>	<u>\$ --</u>	<u>\$ 1,000,000</u>	<u>\$ 81,872,491</u>

## NOTES TO FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, CGB's fair value measurements at June 30, 2013:

	<i>Investment assets at Fair Value as of June 30, 2013</i>			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 77,641,670	\$ --	\$ --	\$ 77,641,670
Portfolio investments	--	--	1,000,000	1,000,000
	<u>\$ 77,641,670</u>	<u>\$ --</u>	<u>\$ 1,000,000</u>	<u>\$ 78,641,670</u>
	Level 1	Level 2	Level 3	Total
Primary Government:				
Cash and cash equivalents	\$ 72,735,214	\$ --	\$ --	\$ 72,735,214
Portfolio investments	--	--	1,000,000	1,000,000
Discretely Presented				
Component Units:				
CGB Solar Services, Inc.	--	--	--	--
CT Solar Lease 2 LLC				
Cash and cash equivalents	<u>4,906,456</u>	<u>--</u>	<u>--</u>	<u>4,906,456</u>
	<u>\$ 77,641,670</u>	<u>\$ --</u>	<u>\$ 1,000,000</u>	<u>\$ 78,641,670</u>

There were no transfers between levels during the years ended June 30, 2014 and 2013.

Furthermore, there were no changes in level 3 assets during 2014 or 2013, respectively.

CONNECTICUT GREEN BANK

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

NOTE 3 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents for the reporting entity at June 30:

	2014	2013
Checking	\$ 2,205,106	\$ 1,846,114
State Treasurer's Short-Term Investment Fund	<u>69,688,946</u>	<u>66,258,900</u>
Unrestricted cash and cash equivalents	71,894,052	68,105,014
Checking - restricted	1,405,787	1,569,975
Money Market - restricted	3,500,000	3,500,000
State Treasurer's Short-Term Investment Fund - restricted	<u>4,072,652</u>	<u>4,466,681</u>
Total cash and cash equivalents	<u>\$ 80,872,491</u>	<u>\$ 77,641,670</u>

*Cash and cash equivalents as of June 30, 2014*

	Primary Government	CT Solar Lease 2 LLC	CGB Solar Services, Inc.	Total
Checking	\$ 960,188	\$ 1,244,796	\$ 123	\$ 2,205,107
State Treasurer's Short-Term Investment Fund	<u>69,688,946</u>	--	--	<u>69,688,946</u>
Unrestricted Cash and Cash Equivalents	70,649,134	1,244,796	123	71,894,053
Restricted Cash				
Checking	405,786	1,000,000	--	1,405,786
Money market	--	3,500,000	--	3,500,000
State Treasurer's Short-Term Investment Fund	<u>4,072,652</u>	--	--	<u>4,072,652</u>
	<u>\$ 75,127,572</u>	<u>\$ 5,744,796</u>	<u>\$ 123</u>	<u>\$ 80,872,491</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

	<i>Cash and cash equivalents as of June 30, 2013</i>			
	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Total
Checking	\$ 1,439,658	\$ 406,456	\$ --	\$ 1,846,114
State Treasurer's Short-Term Investment Fund	<u>66,258,900</u>	<u>--</u>	<u>--</u>	<u>66,258,900</u>
Unrestricted Cash and Cash Equivalents	67,698,558	406,456	--	68,105,014
Restricted Cash				
Checking	569,975	1,000,000	--	1,569,975
Money market	--	3,500,000	--	3,500,000
State Treasurer's Short-Term Investment Fund	<u>4,466,681</u>	<u>--</u>	<u>--</u>	<u>4,466,681</u>
	<u>\$ 72,735,214</u>	<u>\$ 4,906,456</u>	<u>\$ --</u>	<u>\$ 77,641,670</u>

***STATE TREASURER'S SHORT-TERM INVESTMENT FUND***

The State Treasurer's Short-Term Investment Fund is a Standard & Poors AAAM investment pool of high-quality, short-term money market instruments managed by the Cash Management Division of the State Treasurer's Office, and operates in a manner similar to Money Market Mutual Funds. It is the investment vehicle for the operating cash of the State of Connecticut Treasury, state agencies and authorities, municipalities, and other political subdivisions of the State. The value of CGB'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 itself has no maturity date and is available for withdrawal on demand.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

*INTEREST RATE RISK*

CGB 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 CGB 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 investment are as follows:

	Standard & Poor's
State Treasurer's Short-Term Investment Fund	AAAm

*CONCENTRATION OF CREDIT RISK*

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

*CUSTODIAL CREDIT RISK - DEPOSITS*

In the case of deposits, this represents the risk that, in the event of a bank failure, CGB's deposits may not be returned to it. CGB does not have a deposit policy for custodial credit risk. As of June 30, 2014 and 2013, \$6,554,413 and \$6,940,198, respectively, of CGB's bank balances were exposed to custodial credit risk. Primary government consisted of \$1,296,948 and \$2,283,742 as of June 30, 2014 and 2013. CT Solar Lease 2, LLC consisted of \$5,257,465 and \$4,656,456 as of June 30, 2014 and 2013, respectively. Funds held by banks on behalf of CT Solar Lease 2 LLC include a contractual requirement to maintain \$4,500,000 in deposits with financial institutions participating in the CGB Solar Lease Program which represent loan loss and lease maintenance reserves.

*CUSTODIAL CREDIT RISK - INVESTMENTS*

For an investment, this represents the risk that, in the event of the failure of the counterparty, CGB will not be able to recover the value of the investment. As of June 30, 2014 and 2013, the Fund has no reportable custodial risk.



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 4 – PORTFOLIO INVESTMENTS**

The former Connecticut Clean Energy Fund (CCEF) invested in emerging technology companies as equity and debt investments in Operational Demonstration projects. Based on a memorandum of understanding between CGB and CI, CI manages these investments on behalf of CGB.

**NOTE 5 – BONDS RECEIVABLE**

This amount represents two \$800,000 bonds received in connection with the CGB's May 2014 sale of C-PACE Loans to Clean Fund Holdings, LLC (CFH). CFH paid CGB approximately \$6.4 million in cash along with two bonds issued to CGB through Public Finance Authority (Subordinate Series 2014B-1 and 2014C-1). Each bond carries interest of 5.30% per annum with a maturity date of September 10, 2034. The bonds are secured by the C-PACE Loans sold to CFH. At June 30, 2014, management believes no valuation allowance is necessary on these bonds.

Each bond requires semi-annual interest-only payments to CGB starting September 10, 2014 and continuing to September 10, 2029. Starting March 10, 2030 and every six months thereafter, principal payments, along with the required interest is to be paid to CGB.

Principal maturities of these bonds are as follows:

Year ended June 30,	2014B-1	2014C-1	Total
2015	\$ --	\$ --	\$ --
2016	--	--	--
2017	--	--	--
2018	--	--	--
2019	--	--	--
2020 - 2024	--	--	--
2025 - 2029	--	--	--
2030 - 2034	792,500	792,500	1,585,000
2035	7,500	7,500	15,000
	\$ 800,000	\$ 800,000	\$ 1,600,000

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 6 – SOLAR LEASE NOTES

In June of 2008 the predecessor of the CGB, the Connecticut Clean Energy Fund (CCEF) entered into a Master Lease Program Agreement with CT Solar Leasing LLC, a third party leasing company, AFC First Financial Corporation, a third party servicer, and Firststar Development LLC, the tax equity investor, to develop a residential solar PV leasing program in Connecticut. CCEF purchased a total of \$13,248,685 of promissory notes issued by CT Solar Leasing LLC during the period commencing in April of 2009 and ending in February of 2012 to fund the program. Each nonrecourse promissory note is secured by the payments under a specific PV equipment lease, with a rate of interest of 5% and a term of 15 years. Future principal repayments under the program and the current loss reserve are as follows:

2015	\$	766,086
2016		805,281
2017		846,480
2018		889,788
2019		935,311
2020-2024		<u>6,407,966</u>
		10,650,912
Less reserve for losses:		<u>(106,509)</u>
	\$	<u>10,544,403</u>
Current portion	\$	766,086
Non-current portion		<u>9,778,317</u>
	\$	<u>10,544,403</u>

# CONNECTICUT GREEN BANK

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## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

#### NOTE 7 – PROGRAM LOANS

Outstanding principal balances by program for the years ending June 30, 2014 and 2013 are as follows:

	2014	2013
<b>Connecticut Green Bank</b>		
CPACE Program benefit assessments	\$ 6,902,682	\$ 86,000
Gried-Tied Program term loans	6,025,782	3,123,980
Pre Development Program loans	1,237,245	1,237,245
Operation Demonstration Program loans	1,100,801	1,390,312
Other program loans	437,031	50,000
<b>CT Solar Loan I LLC</b>		
Residential Solar PV Program loans-WIP	250,309	20,595
Residential Solar PV Program loans-Complete	530,026	--
	16,483,876	5,908,132
Reserve for loan losses	(3,080,972)	(2,120,038)
	\$ 13,402,904	\$ 3,788,094

Scheduled repayments of principal under these loans as of June 30, 2014 is as follows:

	2015	2016	2017	2018	2019	Thereafter	Total
<b>Connecticut Green Bank</b>							
CPACE Program benefit assessments	\$ 286,103	\$ 328,404	\$ 338,686	\$ 359,219	\$ 379,812	\$ 5,210,458	\$ 6,902,682
Gried-Tied Program term loans	--	--	--	--	--	6,025,782	6,025,782
Pre Development Program loans	--	--	--	--	--	1,237,245	1,237,245
Operation Demonstration Program loans	--	--	--	501,421	--	599,380	1,100,801
Other program loans	106,550	14,845	15,145	15,450	7,784	277,257	437,031
<b>CT Solar Loan I LLC</b>							
Residential Solar PV Program loans - WIP	250,309	--	--	--	--	--	250,309
Residential Solar PV Program loans - Complete	56,085	22,290	23,792	25,396	27,107	375,356	530,026
	699,047	365,539	377,624	901,486	414,703	13,725,477	16,483,876
Reserve for loan losses	(46,600)	--	--	(501,421)	(3,750)	(2,529,201)	(3,080,972)
	\$ 652,447	\$ 365,539	\$ 377,624	\$ 400,065	\$ 410,953	\$ 11,196,276	\$ 13,402,904

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 7 – PROGRAM LOANS (CONTINUED)**

Benefits assessments under the C-PACE program finance energy efficiency upgrades and the installation of renewable energy equipment on non-residential property. The assessments carry interest rates ranging from 5.0% to 6.0% with terms ranging from 10 to 20 years.

The grid-tied term loan represents the financing of the 15 megawatt Dominion Bridgeport Fuel Cell Park from Project 150. Interest is paid monthly on the outstanding principal balance at a rate of 5.0% until 2022 when principal payments commence over a 48-month period.

Pre development loans finance a clean energy facility developer's costs associated with acquiring site control, environmental assessments, impact studies, permitting costs and facility design. Repayments of principal begin when one of the following milestones is achieved: the closing of permanent financing of the project, commencement of commercial operation, or the sale of the project or its assets. Interest on repayments is at a rate of prime plus 1%. The projects financed continue to be under development and are investments of the organization that are consistent with its Comprehensive Plan and budget.

Operational demonstration program loans are residual transactions of the programs of the Connecticut Clean Energy Fund. The loans finance the development of emerging clean energy technologies. Repayment of each loan is based upon the commercial success of the technology and carries an interest rate of 6%. If commercial success is not achieved after ten years from the date of the loan agreement, the loan converts to a grant. Connecticut Innovations assists in overseeing these loans.

Other program loans represent the financing of feasibility studies for various renewable energy projects or energy efficiency upgrades that fall inside the organization's Comprehensive Plan and Budget.

The residential solar PV loan program administered by CT Solar Loan I LLC, makes loans to residential property owners for the purpose of installing solar photovoltaic equipment. Loans carry an interest rate ranging from 6.49% to 6.75% with a term of 15 years.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 8 – FINANCING ACTIVITIES

*LONG-TERM DEBT - LINE OF CREDIT – PRIMARY GOVERNMENT*

During 2014, CT Solar Loan 1 LLC entered into a \$4,000,000 line of credit (LOC) with Solar Mosaic, Inc. (Mosaic). Borrowings on the LOC immediately turn into a term note with predefined repayment terms at the time of borrowing. The LOC has \$3,873,912 available at June 30, 2014. The LOC borrowing period is through June 30, 2015. Borrowings on the LOC bear interest at 6.4586% (Base Rate) and have the option to buy-down the interest rate to 6.00% (Reduced Rate) by making a payment on the borrowing date of 2.875% of the principal amount of the loan (Rate Buy-down Amount). As of June 30, 2014 there was \$126,088 outstanding which matures in March 2029.

In connection with the LOC, CT Solar Loan 1 LLC is required to establish and maintain a collections account, debt service reserve account and a loan loss reserve account. Deposits shall be made into the collections account for all payments received by residential borrowers. The debt service reserve account is required to have no less than six months forward-looking principal and interest payments for the loans outstanding. The loan loss reserve account is required to have a one-time deposit of \$300,000.

Future maturities on borrowings on the Additional LOC are as follows:

Years ending June 30,	Principal	Interest	Total
2015	\$ 6,280	\$ 7,330	\$ 13,610
2016	6,516	7,011	13,527
2017	6,831	6,612	13,443
2018	7,163	6,193	13,356
2019	7,512	5,754	13,266
2020 - 2024	43,501	21,384	64,885
2025 - 2029	48,285	6,758	55,043
	<u>\$ 126,088</u>	<u>\$ 61,042</u>	<u>\$ 187,130</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 8 – FINANCING ACTIVITIES (CONTINUED)

*LINE OF CREDIT – DISCRETELY PRESENTED COMPONENT UNIT – CT SOLAR LEASE 2, LLC*

CT Solar Lease 2, LLC has a \$26,700,000 line of credit agreement (Additional LOC) with First Niagara Bank, N.A. (First Niagara) as the Administrative Agent and Lender along with three other participating lenders. The additional LOC is broken down by lender as follows:

First Niagara Bank, N.A.	\$ 10,700,000
Liberty Bank	7,000,000
Webster Bank, National Association	7,000,000
People's United Bank	<u>2,000,000</u>
	<u>\$ 26,700,000</u>

Funds may be drawn down in no more than ten total advances by July 1, 2015. With the exception of the final advance, each advance must be in the principal amount of \$2,670,000 or a whole multiple of \$100,000 in excess of \$2,670,000. Each loan funding will be shared by all participating lenders in accordance with their pro-rata share of the total facility commitment.

Each advance will be amortized separately. CT Solar Lease 2 LLC has the option with each advance of selecting between the LIBOR rate or the base rate which is defined as the highest of (a) the Federal Funds Effective Rate plus one-half of 1 percent, (b) First Niagara's prime rate (3.25 at June 30, 2014), and (c) the LIBOR rate plus 1 percent (\_\_\_\_\_ at June 30, 2014). CT Solar Lease 2 LLC may also elect to convert an advance from one rate to the other by following the process outlined in the credit agreement.

Payments of interest with respect to any LIBOR rate advances are due on the 15<sup>th</sup> day of the month following each calendar quarter end. Payments of interest with respect to any base rate advances are due monthly. Payments of principal with respect to all advances are due on the 15<sup>th</sup> day of the month following each calendar quarter end. Principal payments on each advance will be based on a modified 15 year amortization schedule as outlined in the credit agreement.

Within one month of each advance, CT Solar Lease 2 LLC is required to enter into an interest rate swap contract with respect to a minimum amount of 75% of such advance. If one of the participating lenders is the counterparty to the swap contract, such contract will be secured by the collateral of the credit agreement; otherwise, the swap contract will be unsecured.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 8 – FINANCING ACTIVITIES (CONTINUED)*****LINE OF CREDIT –DISCRETELY PRESENTED COMPONENT UNIT – CT SOLAR LEASE 2, LLC  
(CONTINUED)***

Certain obligations of CT Solar Lease 2 LLC under the credit agreement are guaranteed by CGB. This credit agreement is secured by all assets of CT Solar Lease 2 LLC as well as CT Solar Services (the “Managing Member”) interest in CT Solar Lease 2 LLC. There are no prepayment penalties. There are certain debt service coverage ratios CT Solar Lease 2 LLC must maintain related to each separate advance and which require the separate measurement of the net operating income with respect to the projects purchased with each advance.

As of June 30, 2014, there were no borrowings on the Additional LOC.

**NOTE 9 – PAYMENT TO STATE OF CONNECTICUT**

The Connecticut Legislature passed Public Act 13-247 pertaining to the State’s budget for the biennium ending June 30, 2015 and signed into law on June 19, 2013. This Act requires the Connecticut Green Bank to transfer \$6,200,000 and \$19,200,000 to the State’s General Fund during fiscal years 2014 and 2015, respectively.

**NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES*****DUE TO AFFILIATE***

CGB utilizes the services of CI, as provided in the General Statutes of the State of Connecticut. CI provides services to CGB, at cost, for its operations. Such services include, but are not limited to, staff for accounting and information technology support, office space, equipment, supplies and insurance. Expenses billed to CGB by CI totaled \$1,110,683 and \$880,741 for the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, amounts due to CI were \$439,643 and \$21,396, respectively.

***UNUSED COMMITMENT FEE***

The Investor Member of CT Solar Lease 2 LLC is entitled to an annual fee due within 30 days of the end of each calendar year, calculated on a monthly basis, based on the amount of the Investor Member’s unfunded capital contributions. The fee for each month is equal to 1.25 percent times the amount by which the Investor Member’s contribution cap exceeds the

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)***UNUSED COMMITMENT FEE (CONTINUED)*

total capital contributions funded as of the last day of the month in question divided by twelve. Amounts not paid timely accrue interest at the US Bank Prime Rate in effect on the due date plus 2 percent. The unused commitment fee totaled \$146,183 for the year ended June 30, 2014 and is included in accounts payable and accrued expenses on the accompanying statement of net assets. There was no unused commitment fee as of June 30, 2013.

*ADMINISTRATIVE SERVICES FEE*

The Managing Member of CT Solar Lease 2 LLC provides administrative and management services to the Company and earned a quarterly fee initially equal to \$30,000 per quarter beginning July 1, 2013. The amount of the fee will increase 2.5 percent each July 1<sup>st</sup> beginning July 1, 2014. The administrative services fee totaled \$120,000 for the year ended June 30, 2014 and is included in accounts payable and accrued expenses on the accompanying statement of net assets. There was no administrative services fee for the year ended June 30, 2013.

*PRIORITY RETURN*

The Investor Member is the Tax-Equity Investor and is entitled to substantially all of the tax benefits of CT Solar Lease 2 LLC until January 1 of the year which is five years after the date the last project is installed, which is anticipated to be January 1, 2021, the Flip Date.

The investor Member of CT Solar Lease 2 LLC shall be due a cumulative, quarterly distribution equal to 0.5% of its paid-in capital contributions in respect of projects beginning at the end of the first quarter after the first project acquisition capital contribution is made and continuing until the “Flip Date.” To the extent the priority return is not paid in a quarter until the Flip Date, unpaid amounts will accrue interest at the lower of 24% per annum or the highest rate permitted by law.

In accordance with the Operating Agreement all amounts and accrued interest due on the Priority Return are to be paid from net cash flow prior to certain required payments due under the Credit Agreement. The Investor Member was not paid a priority return for the years ended June 30, 2014 and 2013.



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)*****PREPAID PRIORITY RETURN***

The investor member of CT Solar Lease 2 LLC will be paid a prepaid priority return with respect to each residential energy system project where the customer has made a prepayment to CT Solar Lease 2 LLC. The prepaid priority return is a one-time distribution to the investor member equal to 4.2055% of each prepaid project's purchase price. The prepaid priority return will be paid to the investor member on the date it makes its initial acquisition capital contribution with respect to the purchase of the prepaid project. During the year ended June 30, 2014, the investor member was paid \$12,584 related to the prepaid priority return. The investor member was not paid a priority return for the year ended June 30, 2013.

***PAYROLL TAXES***

Pursuant to state statute, CGB is subject to fringe benefit charges for pension plan and medical plan contributions which are paid at the state level. CGB's employer payroll taxes are also paid at the state level. CGB reimburses the state for these payments. The reimbursement for 2014 and 2013 was \$2,721,651 and \$1,882,370, respectively, comprising 76.40% and 66.25%, respectively, of gross salaries.

***OPERATING LEASES***

During 2014, CGB entered into a non-cancellable operating lease with an unrelated entity for its main office space. The lease calls for monthly escalating payments beginning at \$12,567 through December 31, 2020. Rent expense related to this lease for the year ended June 30, 2014 was \$148,680.

In addition, CGB had a sub-lease for its main office space from CI under a non-cancellable Memorandum of Understanding (MOU) which expired during 2013. Rent expense related to this lease for the year ended June 30, 2013 amounted to \$84,305.

In addition, CGB has a non-cancelable operating lease for an additional office space from an unaffiliated entity which calls for initial monthly payments of \$7,333, with escalating payments through December 2020. Rent expense related to this lease for the years ended June 30, 2014 and 2013 amounted to \$88,998 and \$61,642, respectively.

In addition, CGB leases office equipment on a month-to-month basis. Rent expense related to the office equipment for the years ended June 30, 2014 and 2013 was \$24,415 and \$7,344, respectively.

**CONNECTICUT GREEN BANK**

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)**

Future minimum lease payments for office rentals are as follows:

<u>Years ending June 30,</u>	
2015	\$ 243,929
2016	250,172
2017	256,424
2018	262,672
2019	268,920
Thereafter	<u>414,341</u>
	<u><u>\$ 1,696,458</u></u>

**NOTE 11 – CAPITAL ASSETS**

Capital asset activity for reporting entity for the years ended June 30, 2014 and 2013 are as follows:

2014	Balance, July 1, 2013	Additions	Deletions	Adjustments	Balance, June 30, 2014
Capital assets being depreciated:					
Solar lease equipment	\$ --	\$ 1,314,350	\$ --	\$ (279,191)	\$ 1,035,159
WIP solar lease equipment	--	2,234,490	--	(475,379)	1,759,111
Furniture and equipment	335,744	3,194	--	--	338,938
Leasehold improvements	136,659	3,023	--	--	139,682
Computer hardware and software	71,470	16,867	--	--	88,337
Capital assets not being depreciated:	--	--	--	--	--
Construction in progress	--	7,141	--	--	7,141
	<u>543,873</u>	<u>3,579,065</u>	<u>--</u>	<u>(754,570)</u>	<u>3,368,368</u>
Less accumulated depreciation and amortization:					
Solar lease equipment	--	9,865	--	--	9,865
Furniture and equipment	146,560	59,260	--	--	205,820
Computer hardware and software	18,093	15,752	--	--	33,845
Leasehold improvements	16,715	27,786	--	--	44,501
	<u>181,368</u>	<u>112,663</u>	<u>--</u>	<u>--</u>	<u>294,031</u>
Capital assets, net	<u>\$ 362,505</u>	<u>\$ 3,466,402</u>	<u>\$ --</u>	<u>\$ (754,570)</u>	<u>\$ 3,074,337</u>

**CONNECTICUT GREEN BANK**

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 11 – CAPITAL ASSETS (CONTINUED)**

2013	Balance, July 1, 2012	Additions	Deletions	Adjustments	Balance, June 30, 2013
Capital assets being depreciated:					
Furniture and equipment	\$ 13,049	\$ 188,068	\$ --	\$ 134,627	\$ 335,744
Computer hardware and software	28,460	43,010	--	--	71,470
Leasehold improvements	<u>56,224</u>	<u>80,395</u>	<u>--</u>	<u>40</u>	<u>136,659</u>
	<u>97,733</u>	<u>311,473</u>	<u>--</u>	<u>134,667</u>	<u>543,873</u>
Less accumulated depreciation and amortization:					
Furniture and equipment	626	11,267	--	134,667	146,560
Computer hardware and software	3,807	14,286	--	--	18,093
Leasehold improvements	<u>1,971</u>	<u>14,744</u>	<u>--</u>	<u>--</u>	<u>16,715</u>
	<u>6,404</u>	<u>40,297</u>	<u>--</u>	<u>134,667</u>	<u>181,368</u>
Capital assets, net	<u>\$ 91,329</u>	<u>\$ 271,176</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 362,505</u>

**NOTE 12 – GRANT PROGRAMS**

CGB, the primary government, recognizes grant revenue based on expenditures or fulfillment of program requirements. For the year ended June 30, 2014, CGB recognized related grant revenue of \$321,642 under Department of Energy programs.

**CONNECTICUT GREEN BANK**

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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 13 – COMMITMENTS**

As of June 30, 2014 and 2013, the Board of Directors designated a portion of CGB’s unrestricted net position to fund financial incentives for specific commercial and residential projects in the following areas:

	2014	2013
Solar	\$ 24,442,941	\$ 10,795,323
AD/CHP Programs	14,558,887	--
CPACE	14,294,826	1,458,455
Campus Efficiency NOW Program	3,726,946	1,000,000
Wind	2,800,000	--
Fuel cells	1,363,388	4,944,157
Education and outreach	988,701	1,305,165
Operation Demonstration Programs	987,333	1,381,974
Project 150 and Pre-Development Programs	262,755	1,500,000
Other technologies	103,274	1,064,500
Geothermal and Solar Thermal	--	1,036,986
	\$ 63,529,051	\$ 24,486,560

These incentives are expected to be paid over the next one to six fiscal years and are contingent upon the completion of performance milestones by the recipient of the incentive.

In addition, at June 30, 2014, the Board of Directors through various resolutions has made available an additional \$33,981,288 of unrestricted net position to fund the following programs for which specific commercial and residential projects have not yet been identified:

CPACE	\$ 18,856,424
Solar loan programs	9,219,664
Solar lease program	5,905,200
	\$ 33,981,288

All commitments are those of the primary government.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 14 – PENSION PLAN**

All employees of the CGB participate in the State Employees' Retirement System (SERS), which is administered by the State Employees' Retirement Commission. The CGB has no liability for pension costs other than the annual contribution. The latest actuarial study was performed on the plan as a whole, as of June 30, 2012, and does not separate information for employees of the CGB. Therefore, certain pension disclosures pertinent to CGB otherwise required pursuant to accounting principles generally accepted in the United States of America are omitted. Based upon the 2012 valuation, the Plan, as a whole, utilized the project unit credit cost method to develop employer contributions, and included the following actuarial assumptions: (1) investment return of 8% (previously 8.25%); (2) price inflation of 2.75% (previously 3%) for cost of living adjustments; (3) projected salary increases of 4% to 20%, Social Security wage base increases of 3.50% per annum; (4) payroll growth of 3.75% per annum; and (5) the RP-2000 Mortality Table. Information on the total plan funding status and progress, contribution required and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report available from the Office of the State Comptroller, 55 Elm Street, Hartford, CT 06106.

***PLAN DESCRIPTION***

SERS is a single-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 and 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers. Tier I and Tier IIA are contributory plans, and Tier II is a noncontributory plan.

Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in an amount of 2 percent of the annual average earnings (which are based on the three highest earning years of service) over \$4,800 plus 1 percent of \$4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 65 with 5 years of service, are entitled to one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. Tier II employees between the ages of 55 and 62 with 10 years but less than 25 years of service may retire with reduced benefits. In addition, Tier II and Tier IIA members with at least five but less than ten years of actual state service who terminate their state employment July 2, 1997 or later and prior to attaining age 62 will be in deferred vested status and may commence receipt of normal retirement benefits on the first of the month on or following their sixty-fifth (65) birthday.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 14 – PENSION PLAN (CONTINUED)**

Employees hired on and after July 1, 1997, will become members of Tier IIA. Tier IIA plan is essentially the existing Tier II plan with the exception that employee contributions of 2 percent of salary are required. Tier I members are vested after ten years of service, while Tier II and Tier IIA members may be vested after five years of service under certain conditions, and all three plans provide for death and disability benefits.

Employees hired on or after July 1, 2011 are covered under the Tier III plan. Tier III requires employee contributions of two percent of salary up to a \$250,000 limit after which no additional contributions will be taken on earnings above this limit. The normal retirement date will be the first of any month on or after age 63 if the employee has at least 25 years of vested service or age 65 if the employee has at least 10 but less than 25 years of vested service. Tier III members who have at least 10 years of vested service can receive early reduced retirement benefits if they retire on the first of any month on or following their 58th birthday. Tier III normal retirement benefits include annual retirement benefits for life, in the amount of one and one-third percent of the five year average annual earnings plus one-half of one percent of the five year average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service plus one and five-eighths of the five year annual average salary times years of credited service over 35 years.

The total payroll for employees of the CGB covered by SERS for the years ended June 30, 2014 and 2013 was \$3,121,583 and \$2,517,190, respectively.

***CONTRIBUTIONS MADE***

CGB's contribution is determined by applying a State mandated percentage to eligible salaries and wages as follows for the years ended June 30:

	2014	2013	2012
Contributions made:			
By employees	\$ 139,217	\$ 104,214	\$ 59,034
Percent of current year covered payroll	4.5%	4.1%	3.8%
By CGB	\$ 1,669,961	\$ 1,125,649	\$ 601,014
Percent of current year covered payroll	53.5%	44.7%	39.0%

CONNECTICUT GREEN BANK

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

NOTE 15 – RESTRICTED NET POSITION (PRIMARY GOVERNMENT)

Restricted net position at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Non-Expendable		
CGB component unit equity interest	\$ <u>1,000</u>	\$ <u>1,000</u>
Energy Programs		
Primary Government		
CGB		
Assets restricted to fund maintenance of a fuel cell for a Connecticut municipality	\$ 176,975	\$ 176,975
Assets restricted for specific programs in accordance with contractual obligations	464,088	393,000
Assets restricted for maintaining loan loss and interest rate buydown reserves	4,072,652	4,466,681
CT Solar Loan I LLC		
Assets restricted by contractual obligations for maintaining loan loss and interest rate buydown reserves	<u>300,000</u>	<u>--</u>
	5,013,715	5,036,656
Discretely Presented Component Units		
CT Solar Lease 2 LLC		
Assets restricted for maintaining loan loss and interest rate buydown reserves	3,500,000	3,500,000
Assets restricted for operating and maintenance reserve	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 9,513,715</u>	<u>\$ 9,536,656</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 16 – RISK MANAGEMENT**

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

**NOTE 17 – RENEWABLE ENERGY CREDITS (PRIMARY GOVERNMENT)**

CGB owns Class 1 Renewable Energy Certificates (RECs) that are generated by certain commercial renewable energy facilities for which CGB provided the initial funding. On October 22, 2010, CGB entered into an agreement to sell a total of 10,000 RECs generated, or to be generated, during the period January 1 to December 31, 2014 at a price of \$15.00 per REC, totaling \$150,000. As of June 30, 2014, CGB has satisfied its obligations under this agreement.

RECs trade on the New England Power Pool (NEPOOL) market. The market price of Connecticut Class 1 RECs as of June 30, 2014 ranged from \$53.00 to \$54.00. CGB's inventory as of June 30, 2014 has been priced at its cost.



**STATISTICAL SECTION**  
(unaudited)

**STATISTICAL SECTION INTRODUCTION**

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This part of the Connecticut Green Bank’s (CGB) comprehensive annual financial report presents detailed information as a context for understanding what the information about the primary government and the discretely presented component units in the financial statements, note disclosures, and required supplementary information says about the benefits of CGB’s investments.

**FINANCIAL STATISTICS**

## CONNECTICUT GREEN BANK

## NET POSITION

	June 30,		
	2012	2013	2014
<b>Primary Government</b>			
Invested in capital assets, net of related debt	\$ 91,329	\$ 362,505	\$ 289,932
Restricted Net Position			
Non-expendable	--	1,000	1,000
Restricted - energy programs	176,974	5,036,656	5,013,715
Unrestricted	<u>80,920,002</u>	<u>93,717,230</u>	<u>111,642,175</u>
	<u>81,188,305</u>	<u>99,117,391</u>	<u>116,946,822</u>
<b>CT Solar Lease 2 LLC</b>			
Invested in capital assets, net of related debt	--	--	3,538,975
Restricted Net Position			
Non-expendable	--	100	1,294,801
Restricted - energy programs	--	4,500,000	4,500,000
Unrestricted (deficit)	<u>--</u>	<u>(1,616,886)</u>	<u>(5,741,703)</u>
	<u>--</u>	<u>2,883,214</u>	<u>3,592,073</u>
<b>CEFIA Solar Services, Inc.</b>			
Restricted Net Position			
Non-expendable	--	100	100
Restricted - energy programs	--	--	--
Unrestricted (deficit)	<u>--</u>	<u>--</u>	<u>109,123</u>
	<u>--</u>	<u>100</u>	<u>109,223</u>
<b>Total Net Position</b>	<u>\$ 81,188,305</u>	<u>\$ 102,000,705</u>	<u>\$ 120,648,118</u>

## CONNECTICUT GREEN BANK

## CHANGES IN NET POSITION

	Year Ended June 30,		
	2012	2013	2014
<b><u>Primary Government</u></b>			
<b>Operating Revenues</b>	\$ 39,753,684	\$ 43,343,093	\$ 52,601,283
<b>Operating Expenses</b>			
Grants and program expenditures	31,122,355	23,634,465	23,214,499
General and administrative expenses	1,387,854	1,811,227	2,403,068
Cost of Goods Sold	--	--	2,794,270
Provision for loan losses	--	--	1,310,933
<b>Total Operating Expenses</b>	<u>32,510,209</u>	<u>25,445,692</u>	<u>29,722,770</u>
<b>Operating Income (Loss)</b>	<u>7,243,475</u>	<u>17,897,401</u>	<u>22,878,513</u>
<b>Non-Operating Revenue and (Expenses)</b>			
Interest on solar lease notes	589,007	583,575	571,396
Interest on short-term investments	140,786	103,928	551,393
Interest income	--	--	67,958
Realized gain (loss) on investments	--	(1,034,605)	(350,000)
Unrealized gain (loss) on investments	434,702	378,059	349,999
<b>Net Non-Operating Revenues</b>	<u>1,164,495</u>	<u>30,957</u>	<u>1,190,746</u>
<b>Income (Loss) Before Transfers, Capital Contributions and Member (Distributions)</b>	8,407,970	17,928,358	24,069,259
<b>Capital Contributions</b>	--	1,000	--
<b>Transfers to State of Connecticut</b>	--	--	<u>(6,200,000)</u>
<b>Increase in Net Position</b>	<u>\$ 8,407,970</u>	<u>\$ 17,929,358</u>	<u>\$ 17,869,259</u>

## CONNECTICUT GREEN BANK

## CHANGES IN NET POSITION

	Year Ended June 30,		
	2012	2013	2014
<b><u>CT Solar Lease 2 LLC</u></b>			
<b>Operating Revenues</b>	\$ --	\$ --	\$ 1,770
<b>Operating Expenses</b>			
General and administrative expenses	--	853,480	727,697
<b>Total Operating Expenses</b>	--	853,480	727,697
<b>Operating Loss</b>	--	(853,480)	(725,927)
<b>Non-Operating Revenue and (Expenses)</b>			
Interest on solar lease notes	--	--	8,642
Interest expense	--	--	(57,407)
<b>Net Non-Operating Revenues</b>	--	--	(48,765)
<b>Income (Loss) Before Transfers, Capital Contributions and Member (Distributions)</b>	--	(853,480)	(774,692)
<b>Capital Contributions</b>	--	3,736,694	1,496,135
<b>Distributions to Members</b>	--	--	(12,584)
<b>Increase in Net Position</b>	\$ --	\$ 2,883,214	\$ 708,859

## CONNECTICUT GREEN BANK

## CHANGES IN NET POSITION

	Year Ended June 30,		
	2012	2013	2014
<b><u>CEFIA Solar Services, Inc.</u></b>			
<b>Operating Revenues</b>	\$ --	\$ --	\$ 120,000
<b>Operating Expenses</b>			
General and administrative expenses	--	--	10,877
<b>Total Operating Expenses</b>	--	--	10,877
<b>Operating Loss</b>	--	--	109,123
<b>Net Non-Operating Revenues</b>	--	--	--
<b>Income (Loss) Before Transfers, Capital     Contributions and Member (Distributions)</b>	--	--	109,123
<b>Capital Contributions</b>	--	100	--
<b>Increase in Net Position</b>	\$ --	\$ 100	\$ 109,123

## CONNECTICUT GREEN BANK

## REVENUE BY SOURCE

	Total Revenues	Utility Customer Assessments		RGGI Auction Proceeds		Grant Revenue		Sales of Energy Equipment		Other Revenues		Investment Income	
		Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual
<b><u>Primary Government</u></b>													
2012	\$ 40,918,179	\$ 27,025,088	66.05 %	\$ 2,052,748	5.02 %	\$ 10,435,251	25.50 %	\$ --	-- %	\$ 240,597	0.59 %	\$ 1,164,495	2.85 %
2013	43,374,050	27,621,409	63.68 %	4,744,657	10.94 %	10,035,250	23.14 %	--	-- %	941,777	2.17 %	30,957	0.07 %
2014	53,792,029	27,779,345	51.64 %	20,074,668	37.32 %	621,642	1.16 %	3,548,840	6.60 %	576,788	1.07 %	1,190,746	2.21 %
<b><u>CT Solar Lease 2 LLC</u></b>													
2012	\$ --	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %
2013	--	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %
2014	10,412	--	-- %	--	-- %	--	-- %	--	-- %	1,770	17.00 %	8,642	83.00 %
<b><u>CEFIA Solar Services, Inc.</u></b>													
2012	\$ --	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %
2013	--	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %
2014	120,000	--	-- %	--	-- %	--	-- %	--	-- %	120,000	100.00 %	--	-- %



**NON-FINANCIAL STATISTICS**

NON-FINANCIAL STATISTICS CONTENTS

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<b><u>Tab</u></b>	<b><u>Contents</u></b>
1	Project Status
2	Energy Benefits – Clean Energy Produced and Energy Saved
3	Total Clean Energy Investment and Estimated Jobs Created
4	Environmental Benefits – Carbon Emission Reductions and Equivalencies
5	Green Bank Model
6	Renewable Energy Technology Deployment

## 1. PROJECT STATUS

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CGB tracks projects through three phases as they move through the pipeline to construction completion and operation – Approved, Closed, and Completed. Approved signifies that the appropriate authority within CGB, whether President and CEO, Deployment Committee, or Board of Directors, has approved CGB’s investment in the project. Closed indicates all financial and legal documents have been executed and any additional funding has been secured. Completion indicates all construction and installation is complete and the project is operational. The table highlights the fact that projects can take some time to move through this pipeline. The full energy, economic, and environmental benefits from these projects are not fully realized until they are completed.

	2012	2013	2014	Total
Approved	20	64	2,139	2,223
Closed	--	3	276	279
Completed	<u>396</u>	<u>1,055</u>	<u>596</u>	<u>2,047</u>
<b>Total</b>	<u><u>416</u></u>	<u><u>1,122</u></u>	<u><u>3,011</u></u>	<u><u>4,549</u></u>

**2. ENERGY BENEFITS**  
**CLEAN ENERGY PRODUCED AND ENERGY SAVED**

---

CGB’s vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as “E3” metrics – Energy, Economic, and Environmental. This chart shows the energy benefits from CGB projects, in terms of capacity (megawatts [MW]), clean energy production (lifetime megawatt hours [MWh]), and annual energy savings (MMBTU).

	2012	2013	2014	Total
<b>MW</b>				
Approved	0.1	0.5	31.4	32.0
Closed	--	--	4.3	4.3
Completed	<u>2.7</u>	<u>23.0</u>	<u>4.2</u>	<u>29.9</u>
<b>Total</b>	<u><u>2.9</u></u>	<u><u>23.5</u></u>	<u><u>39.9</u></u>	<u><u>66.3</u></u>
<b>MWh (Lifetime)</b>				
Approved	3,235.30	10,979.00	1,479,289.00	1,493,503.30
Closed	--	140.00	103,318.00	103,458.00
Completed	<u>64,849.10</u>	<u>1,427,252.00</u>	<u>100,050.00</u>	<u>1,592,151.10</u>
<b>Total</b>	<u><u>68,084.40</u></u>	<u><u>1,438,371.00</u></u>	<u><u>1,682,657.00</u></u>	<u><u>3,189,112.40</u></u>
<b>MMBTU (Annual)</b>				
Approved	--	--	200,479	200,479
Closed	--	777	38,365	39,142
Completed	<u>--</u>	<u>15,228</u>	<u>18,001</u>	<u>33,229</u>
<b>Total</b>	<u><u>--</u></u>	<u><u>16,005</u></u>	<u><u>256,845</u></u>	<u><u>272,850</u></u>

### 3. TOTAL CLEAN ENERGY INVESTMENT AND ESTIMATED JOBS CREATED

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as "E3" metrics – Energy, Economic, and Environmental. The chart below highlights the economic benefits of CGB's projects. Investment represents the total amount of private and public funding for clean energy projects and direct and indirect and induced jobs quantifies the resulting job creation.

	2012	2013	2014	Total
<b>Investment</b>				
Approved	\$ 667,959	\$ 2,227,475	\$ 179,097,044	\$ 181,992,478
Closed	--	404,596	19,429,244	19,833,840
Completed	<u>14,234,954</u>	<u>107,987,517</u>	<u>26,196,310</u>	<u>148,418,781</u>
<b>Total</b>	<b><u>\$ 14,902,913</u></b>	<b><u>\$ 110,619,588</u></b>	<b><u>\$ 224,722,598</u></b>	<b><u>\$ 350,245,099</u></b>
<b>Direct Jobs</b>				
Approved	4	13	469	486
Closed	--	3	108	111
Completed	<u>84</u>	<u>559</u>	<u>157</u>	<u>800</u>
<b>Total</b>	<b><u>88</u></b>	<b><u>575</u></b>	<b><u>734</u></b>	<b><u>1,397</u></b>
<b>Indirect and Induced Jobs</b>				
Approved	6	21	754	781
Closed	--	5	172	177
Completed	<u>135</u>	<u>1,132</u>	<u>252</u>	<u>1,519</u>
<b>Total</b>	<b><u>142</u></b>	<b><u>1,158</u></b>	<b><u>1,179</u></b>	<b><u>2,478</u></b>

Jobs estimates are based on multipliers determined as a result of work performed by Navigant Consulting for the *Connecticut Renewable Energy and Energy Efficiency Economy Baseline Study* completed in March 2009 and subsequently updated in 2010. This Navigant Study was an independent, third party analysis of Connecticut's clean energy economy. Data was acquired as a result of primary research. Navigant performed a census of over 300 companies, institutions, and organizations identified as active players in Connecticut's renewable energy and energy efficiency economy. Seventy four (74) key renewable energy and energy efficiency companies were interviewed; 95 additional key companies were researched in detail. All renewable companies in Connecticut were identified and analyzed. Key energy efficiency companies were identified and analyzed, with the overall market size estimated by extrapolation. Company interviews included questions about customers, supply chain, number of jobs, corresponding salaries, and revenue. Detailed interview questionnaires are available in the Methodology section of the Baseline Study, pages 58-81 – <http://www.ctcleanenergy.com/Portals/0/Phase%201%20Deliverable%20Final%20Full.pdf>.

DECD has approved of the methodology for estimating the economic development benefits (i.e., job-years created) from the investment in clean energy projects.

**4. ENVIRONMENTAL BENEFITS**  
**CARBON EMISSION REDUCTIONS AND EQUIVALENCIES**

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CGB’s vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as “E3” metrics – Energy, Economic, and Environmental. The chart below highlights the environmental benefits of these projects as a reduction in carbon (CO<sub>2</sub>) emissions and standard equivalencies.

	2012	2013	2014	Total
<b>Lifetime CO<sub>2</sub> Emission Reductions (Tons)</b>				
Approved	1,678	5,693	264,630	272,000
Closed	--	73	53,570	53,643
Completed	<u>33,624</u>	<u>171,786</u>	<u>51,876</u>	<u>257,286</u>
<b>Total</b>	<u><u>35,302</u></u>	<u><u>177,551</u></u>	<u><u>370,076</u></u>	<u><u>582,929</u></u>
<b>Energy for Number of Homes</b>				
Approved	15	52	1,866	1,934
Closed	--	1	492	493
Completed	<u>309</u>	<u>2,166</u>	<u>476</u>	<u>2,951</u>
<b>Total</b>	<u><u>324</u></u>	<u><u>2,219</u></u>	<u><u>2,835</u></u>	<u><u>5,377</u></u>
<b>Cars off the Road</b>				
Approved	11	38	1,544	1,593
Closed	--	0	472	473
Completed	<u>224</u>	<u>3,245</u>	<u>439</u>	<u>3,908</u>
<b>Total</b>	<u><u>235</u></u>	<u><u>3,283</u></u>	<u><u>2,455</u></u>	<u><u>5,973</u></u>
<b>Planting Number Acres of Trees</b>				
Approved	22	76	2,704	2,802
Closed	--	1	684	685
Completed	<u>448</u>	<u>1,580</u>	<u>746</u>	<u>2,775</u>
<b>Total</b>	<u><u>471</u></u>	<u><u>1,657</u></u>	<u><u>4,134</u></u>	<u><u>6,262</u></u>

#### 4. ENVIRONMENTAL BENEFITS CARBON EMISSION REDUCTIONS AND EQUIVALENCIES

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All emissions reductions from renewable energy projects are determined using ISO-New England information, because that is where the energy will be displaced. This produces results that may be significantly different from emissions savings based on a comparison to national averages. In addition, the generation characteristics of each technology have an impact on the emissions reduction that can be expected. Solar-powered systems will produce only during the daylight hours, which normally coincide with the peak demand period for the utilities. The generating fleet during this time may include peaking plants and reserve plants, which will have lower efficiencies than the “baseload” plants which run 24 hours per day. Consequently, emissions are higher, and the renewable energy systems look better by comparison. The calculations are based on the results of the 2007 New England Marginal Emission Rate Analysis ([http://www.iso-ne.com/genrtion\\_resrcs/reports/emission/2007\\_mea\\_report.pdf](http://www.iso-ne.com/genrtion_resrcs/reports/emission/2007_mea_report.pdf)). The appropriate marginal emissions rates for Connecticut are used to determine the net avoided emissions for each of the technologies evaluated.

- a. PV systems are analyzed using the average of the Marginal Emission Rates (in Lbs/MWh) for “On-Peak Ozone Season” and “On-Peak Non-Ozone Season”. The underlying assumptions are that PV systems will be operating primarily during the on-peak periods, and that their output in the five months of the “Ozone Season” (May – September) is about the same as in the seven months of the “Non-Ozone Season.”
- b. Fuel cells are also evaluated using the “Annual Average (all hours) Marginal Emission Rates”, because they are expected to produce power continually as “base load” generators. Fuel Cell emissions assume that 50% of the thermal output (“waste heat”) is used to displace natural gas used for heating. This is conservative, since 50% thermal utilization is the minimum standard for CCEF’s acceptance of a fuel cell project.

It should be noted that emissions estimates for anaerobic digester, wind, and energy efficiency projects were not estimated.

To determine the exact avoided CO<sub>2</sub> for CHP projects we need to know what the CHP system is displacing (i.e. boiler, grid, etc.), as well as the efficiencies, in order to determine the existing CO<sub>2</sub> emissions and then do the calculation to get the avoided emissions. For general purposes a typical 3.7 MW system operating on natural gas would generate about 13,000 tons of CO<sub>2</sub> annually and 195,000 Tons over its 15-year life. Typically avoiding 35-50% CO<sub>2</sub> overall from the existing infrastructure. Not factoring in the utility transmission and distribution losses.

It should be noted that a methodology for estimating the environmental protection benefits (i.e., GHG emissions reduced) has not yet been proposed to or approved by DEEP from the investment in clean energy projects.

### 5. GREEN BANK MODEL

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As the first Green Bank in the country, CGB seeks to use limited public resources to attract private capital investment in clean energy. CGB does this by moving away from the grant-based model of supporting clean energy and towards a financing model. As highlighted in the below chart, CGB has quickly moved towards this model, with less and less funds devoted to subsidies. This trend has corresponded to an increase in total investment in clean energy, \$350 million in total, as CGB is able to do more while managing ratepayer resources more responsibly.

Fund Used*	2012	2013	2014	Total
Subsidies	\$ 4,567,434	\$ 14,681,558	\$ 22,242,024	\$ 41,491,016
Credit Enhancements	--	9,004	1,217,694	1,226,698
Loans and Leases	--	6,910,492	50,457,895	57,368,387
<b>Total</b>	<b>\$ 4,567,434</b>	<b>\$ 21,601,054</b>	<b>\$ 73,917,613</b>	<b>\$ 100,086,101</b>
<b>Percent Green Bank Funds Invested in Subsidies</b>	<b><u>100.0 %</u></b>	<b><u>68.0 %</u></b>	<b><u>30.0 %</u></b>	<b><u>41.5 %</u></b>

\* approved/closed/completed in FY 2012 - FY 2014



## CONNECTICUT GREEN BANK

### 6. RENEWABLE ENERGY TECHNOLOGY DEPLOYMENT

CGB's takes a technology agnostic approach to its financing products, with any commercially available technology that meets legal guidelines eligible.

	Residential Sector		Commercial and Industrial Sector		Institutional Sector		Infrastructure Sector		Total	
	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)
Solar PV	4.7	110,632	5.1	120,780	--	--	29.2	694,920	39.0	926,332
Anaerobic Digesters	--	--	--	--	--	--	3.8	605,491	3.8	605,491
Fuel Cell	--	--	--	--	--	--	14.8	1,166,832	14.8	1,166,832
Combined Heat and Power	--	--	--	--	--	--	3.8	44,658	3.8	44,658
Wind	--	--	--	--	--	--	5.0	226,096	5.0	226,096
<b>Total</b>	<u>4.7</u>	<u>110,632</u>	<u>5.1</u>	<u>120,780</u>	<u>--</u>	<u>--</u>	<u>56.6</u>	<u>2,737,997</u>	<u>66.3</u>	<u>2,969,409</u>

*Includes approved, closed, and completed projects*

DRAFT

**CONNECTICUT GREEN BANK**

(A Component Unit of the State of Connecticut)

**REPORTING UNDER *GOVERNMENT AUDITING STANDARDS***

**AND**

**REPORTING REQUIRED UNDER FEDERAL CIRCULAR OMB A-133**

**FOR THE YEAR ENDED JUNE 30, 2014**

CONNECTICUT GREEN BANK

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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***

To the Board of Directors  
**Clean Energy Finance and Investment Authority**

We have audited, 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, the financial statements of the business-type activity and discretely presented component units of the Connecticut Green Bank (a component unit of the State of Connecticut), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Connecticut Green Bank's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2014.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered the Connecticut Green Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Connecticut Green Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Connecticut Green Bank's internal control.

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

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the Connecticut Green Bank'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*.

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope and testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hartford, CT  
\_\_\_\_\_, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
**Clean Energy Finance and Investment Authority**

***Report on Compliance for Each Major Federal Program***

We have audited the Connecticut Green Bank's ("CGB") compliance 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 CGB's major federal programs for the year ended June 30, 2014. CGB's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of CGB's major federal programs based on our audit of the types of compliance requirements referred to above. 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 CGB'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 on compliance for each major federal program. However, our audit does not provide a legal determination of CGB's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, CGB complied, in all material respects, with the types of 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, 2014.

## ***Report on Internal Control Over Compliance***

Management of CGB is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CGB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 CGB'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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding #2014-1 that we consider to be a significant deficiency.

CGB's response to the internal control over compliance finding identified in our audit is contained in the accompanying management's response in this reporting package. CGB's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

We have audited the financial statements of CGB as of and for the year ended June 30, 2014, and have issued our reported thereon dated \_\_\_\_\_, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose for forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hartford, CT  
\_\_\_\_\_, 2014



CONNECTICUT GREEN BANK

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Program Title	CFDA Number	Expenditures
Department of Energy		
Passed Through by the State of Connecticut Department of Energy and Environmental Protection:		
State Energy Program (Recovery Act)	81.041	\$ 537,683
Energy Efficiency and Conservation		
Block Grant Program (EECBG) (Recovery Act)	81.128	323,520
Energy Efficiency and Renewable Energy		
Cooperative Agreement (Energy Policy Act)	81.117	<u>77,436</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 938,639</u></u>

*See Notes to Schedule of Expenditures of Federal Awards.*

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES*****BASIS OF PRESENTATION***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Connecticut Green Bank (CGB) and is presented on the accrual basis of accounting. 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*.

**NOTE 2 – CHANGE OF NAME**

In June 2014, the Clean Energy Finance and Investment Authority (CEFIA) changed its name to the Connecticut Green Bank.

**NOTE 3 – STATE ENERGY PROGRAM (RECOVERY ACT) #81.041**

Included within the program's total federal expenditures is \$523,883 of funds set aside during 2014 under written agreements for loan-loss reserves and interest rate buy-down programs with banks which participate with CGB in financing of solar energy programs. The funds are committed to these loan-loss reserves and interest rate buy-downs for a period of fifteen years and are unavailable for any other use or purpose by CGB.

Federal expenditures under #81-041 for purposes of the schedule are comprised as follows:

Commitments for loan-loss reserves and interest rate buy-downs	\$ 523,883
Amounts expensed for interest rate buy-downs	<u>13,800</u>
	<u>\$ 537,683</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements*

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditors’ report issued on compliance for major programs: unmodified.

Any audit finding disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  yes  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:** Yes

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

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

- We issued reports, dated \_\_\_\_\_, 2014, 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*****Finding #2014-1:*** Reporting - #81.041/#81.128***Criteria:*** Reports should be reviewed prior to submission by someone other than the preparer of those reports in order to insure completeness and accuracy over reporting.***Condition:*** CGB financial reporting is not subject to a documented review process prior to submissions. Internal control over a reporting process dictates that one individual should not be the preparer, reviewer, and submitter of required reports. Reviews by someone other than the preparer should be documented through either direct signoff or by electronic means, prior to submission.***Questioned Costs:*** None***Context and Cause:*** One individual prepares and then submits reports. At the time reports are filed with the Connecticut Department of Energy and Environmental Protection (DEEP) they are simultaneously submitted to various members of CGB management. Our test work disclosed no errors in reporting.***Effect:*** Without a review prior to the submission, errors in reporting could occur that otherwise might be identified and corrected timely.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

***Recommendation:*** All future reports should be reviewed prior to their submission by a designated member of management other than the preparer. Such review should be documented manually or through electronic means.

***Views of Responsible Officials and Planned Corrective Action:***

See management's response contained in this reporting package.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2014

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*Finding #2013-1*

**Condition:** The reporting for June 30, 2013 for federal program #81.041 contained an incorrect amount for contractual outlay expenditures. Such report was not reviewed prior to its submission by someone other than the preparer.

**Status:** Repeated as to the review process in finding #2014-1.