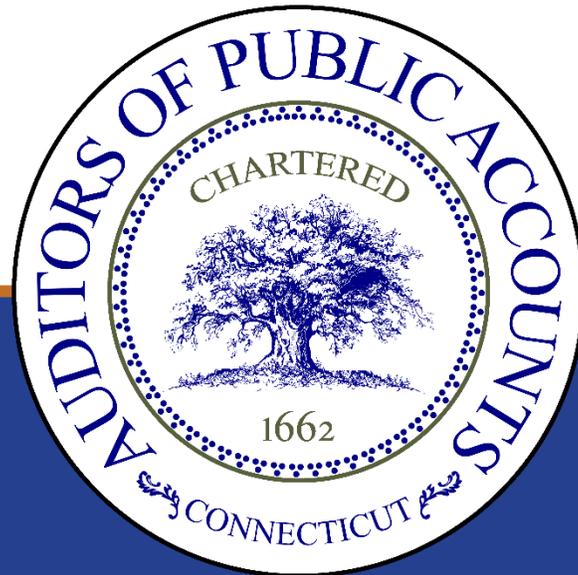


AUDITORS' REPORT

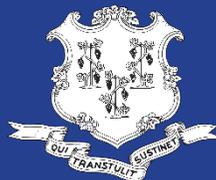
Connecticut Green Bank

FISCAL YEARS ENDED JUNE 30, 2020 AND 2021



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CLARK J. CHAPIN
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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December 21, 2023

INTRODUCTION

We are pleased to submit this audit of the Connecticut Green Bank (Green Bank) for the fiscal years ended June 30, 2020 and 2021 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified instances of noncompliance with laws, regulations, or policies and internal control deficiencies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Green Bank during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Derik Muller

A handwritten signature in black ink that reads "Derik J Muller".

Derik Muller
Associate Auditor

Approved:

A handwritten signature in black ink, appearing to be "John C. Geragosian".

John C. Geragosian
State Auditor

A handwritten signature in black ink that reads "Clark J. Chapin".

Clark J. Chapin
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut Green Bank disclosed the following two recommendations, which were not repeated from the previous audit.

Finding 1

Lack of Penalty for False Statement Language in Contracts and Agreements

Criteria

Section 1-126 of the General Statutes states that any quasi-public agency shall require any application, agreement, financial statement, certificate or other writing submitted to it with respect to any loan, mortgage, guarantee, investment, grant, lease, tax relief, bond financing or other extension of credit or financial assistance, that provides information on which the decision of such quasi-public agency was based, to be signed under penalty of false statement as provided in Section 53a-157b.

Section 53a-157b of the General Statutes provides that a person is guilty of a false statement when making intentionally false written statements pursuant to a form bearing notice, authorized by law, to the effect that the false statements are punishable. A false statement is a class A misdemeanor.

Condition

Green Bank contracts and loan agreements do not identify false statements as a violation of Section 53a-157b of the General Statutes and a class A misdemeanor. Green Bank loan agreements only identify false statements as a situation that could constitute a default.

Context

The Connecticut Green Bank awarded 26 loans of approximately \$19 million, and four grants of approximately \$250,000, for clean energy projects during the audited period.

Effect

The Connecticut Green Bank could loan or grant funds to individuals or companies that willfully mislead the agency about the size, scope, and purpose of the project.

Cause

The Connecticut Green Bank was not aware of the requirements of Sections 1-126 or 53a-157b of the General Statutes.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Connecticut Green Bank's contracts and agreements should identify false statements as a violation of Section 53a-157b of the General Statutes and a Class A misdemeanor to ensure compliance with Section 1-126 of the General Statutes.

Agency Response

"We agree with the finding.

Upon becoming aware of Section 1-126 of the General Statutes, the Connecticut Green Bank added the following provision to its loans, mortgages, guarantees, investments, grants, leases, tax relief, bond financings and other extensions of credit or financial assistance:

"Any warranty, representation or statement made or furnished by [Borrower] or on [Borrower]'s behalf under this [Agreement/application], or any related documents, are made or furnished under penalty of false statement as provided in Connecticut General Statutes § 53a-157b."

Contracts executed February 2023 and later now include this provision."

Finding 2**Agency Does Not Identify or Track Surplus Funds****Criteria**

Chapter XIV of Connecticut Green Bank's Operating Procedures Manual requires it to withdraw or transfer surplus funds generated through the sale of bonds, bond anticipation notes, or other obligations to its operating account when it is permitted under applicable resolutions for the bonds, bond anticipation notes, or other obligations to be used for any of the bank's lawful purposes.

Condition

The Connecticut Green Bank does not have a system or procedure to identify, track, and account for these surplus funds.

Context

The Green Bank deposited receipts from bonds and notes, including potential surplus funds into its operating account, which is its only active bank account. However, we could not determine the amount of the Green Bank's surplus funds.

Effect Without a system to identify and track surplus funds, the Connecticut Green Bank could inadvertently deposit or use the funds in a way that violates requirements in its operating manual.

Cause The Connecticut Green Bank was not aware of the requirements pertaining to the maintenance and use of surplus funds.

Prior Audit Finding This finding has not been previously reported.

Recommendation The Connecticut Green Bank should design and implement a system to identify and track any surplus funds generated by the sales of bonds and bond anticipation notes to ensure compliance with Chapter XIV of its operating procedures manual.

Agency Response "We agree with the finding.

The Green Bank deposits all proceeds from debt issuances into its operating account. Upon becoming aware of this finding, the Green Bank reviewed the Sources and Uses section of the Official Statement for each of the two series of Green Liberty Bonds issued during the fiscal year 2020 and fiscal year 2021 audit period. We noted the Total sources and Total Uses of bond proceeds were equal for each issuance and, as such, did not yield any surplus funds. The Green Bank will use this procedure for future bond issuances to identify and track any potential surplus funds."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Connecticut Green Bank contained three recommendations, which have been implemented or otherwise resolved.

| Prior Recommendation | Current Status |
|---|-----------------------|
| The Connecticut Green Bank should comply with the reporting requirements in the Connecticut General Statutes. | RESOLVED |
| The Connecticut Green Bank should offer its severance agreements closer to the employee's separation date. The Green Bank should confirm that the position is not needed before entering into a separation agreement. | RESOLVED |
| The Connecticut Green Bank supervisors should promptly approve employee timesheets each pay period. If a supervisor is not available, an appropriate designee with knowledge of the employee's attendance should approve the timesheet. | RESOLVED |

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Connecticut Green Bank in fulfillment of our duties under Sections 1-122 and 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2020 and 2021. The objectives of our audit were to evaluate the:

1. Agency's significant internal controls over compliance and its compliance with policies and procedures internal to the agency or promulgated by other state agencies, as well as certain legal provisions, including as applicable but not limited to, whether the agency has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds, and the distribution of loans, grants and other financial assistance;
2. Agency's internal controls over certain financial and management functions; and
3. Effectiveness, economy, efficiency, and equity of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the agency, as well as certain external parties; and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Financial Information is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the agency's management and the quasi-public's information systems and was not subjected to the procedures applied in our audit of the agency. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Connecticut Green Bank.

ABOUT THE AGENCY

Overview

[The Connecticut Green Bank](#) (Green Bank) operates primarily under Chapter 283, Section 16-245n of the General Statutes. Subsection (d)(1)(A) of that section includes Green Bank as a public instrumentality and political subdivision of the state. Pursuant to Section 1-120 of the General Statutes, Green Bank is a quasi-public agency subject to the requirements in Chapter 12. As a quasi-public agency, Green Bank's financial information is included as a component unit in the State of Connecticut's Annual Comprehensive Financial Report (ACFR).

The Green Bank supports 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. Its mission is to confront climate change and provide all of society a healthier and more prosperous future by increasing and accelerating the flow of private capital into markets that energize the green economy. In accordance with Section 16-245n(d)(1)(B), Green Bank's purpose includes: (1) developing separate programs to finance and otherwise support clean energy investment in residential, municipal, small business, and larger commercial projects and such others as Green Bank may determine, (2) supporting financing or other expenditures that promote investment in clean energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of clean energy sources and related enterprises, and (3) stimulating demand for clean energy and the deployment of clean energy sources within the state that serve end use customers in the state.

The principal source of Green Bank's revenue is utility customer assessments made by the Public Utilities Regulatory Authority in accordance with Section 16-245n of the General Statutes. It is a charge per kilowatt-hour to each end-user of electrical services provided by utility companies in the State. Utility customer assessments can be used for Green Bank's general, administrative, and program expenses. During the audited period, the charge was 1 mill per kilowatt-hour. It is this assessment that provides the Green Bank's largest revenue source. The Green Bank also receives a portion of Connecticut's funds from the Regional Greenhouse Gas Initiative (RGGI) for the financing of energy efficiency and renewable energy projects. Funds from RGGI auctions are used to fund commercial property assessed clean energy program (C-PACE) loans. Other sources of revenue include renewable energy certificate (REC) sales, energy system sales, sale of Solar Renewable Energy Credits generated by facilities it has financed, and the federal government.

Since 2013, Green Bank transitioned to innovative, low-cost financing of clean energy deployment. This transition enabled Green Bank to invest its funds in activities that generate a return and create revenue that can be reinvested in solar energy for Connecticut. The Green Bank invests over 80 percent of its resources in loans, leases, and credit enhancements, and spends the other 20 percent on program and operating expenses.

Component Units

The Connecticut Green Bank manages ten for-profit entities that administer its clean energy program as follows:

CEFIA Holdings, LLC

CEFIA Holdings, LLC (CEFIA Holdings) is a Connecticut limited liability corporation, wholly owned by the Connecticut Green Bank. It was established to acquire and develop a portfolio of commercial and

residential solar photovoltaic equipment for the benefit of Connecticut homeowners, businesses, not-for-profits, and municipalities. CEFIA Holdings acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the end users. CEFIA Holdings is also responsible for procuring insurance, operation, maintenance, and warranty services for the ultimate owner of the solar assets, CT Solar Lease 2 LLC or CT Solar Lease 3 LLC. CEFIA Holdings sells the residential and commercial projects before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease 2 or CT Solar Lease 3 administers the portfolio of projects with the assistance of an outside corporation. CEFIA Holdings is presented in Green Bank's financial statements as a blended unit.

CT Solar Loan I, LLC

CT Solar Loan I is a limited liability corporation wholly owned by CEFIA Holdings and established to make loans to residential property owners for the purchase and installation of photovoltaic equipment. It is presented as a blended unit in Green Bank's financial statements.

CEFIA Solar Services, Inc.

CEFIA Solar Services is a Connecticut corporation, owned by CEFIA Holdings. It was established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic equipment and the sale of energy, as it is the managing member of CT Solar Lease 2 and CT Solar Lease 3. CEFIA Solar Services has an ownership interest in CT Solar 2 and CT Solar Lease 3 (1%) 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 and CT Solar Lease 3. CEFIA Solar Services is presented as a discrete unit in Green Bank's financial statements.

CT Solar Lease 2, LLC

CT Solar Lease 2 is a Connecticut limited liability corporation that acquires the title to residential and commercial solar projects from the developer, CEFIA Holdings, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners' repayment to CT Solar Lease 2 of their obligations under leases and power purchase agreements, as well as revenue from production-based incentives. CT Solar Lease 2 is owned by an outside-investor-member limited liability company (99%) and by CEFIA Solar Services (1%) as the managing member. This entity is presented as a discrete unit in Green Bank's financial statements.

CT Solar Lease 3, LLC

CT Solar Lease 3 is a Connecticut limited liability company. It was formed to acquire title to commercial solar projects from the developer, CEFIA Holding, using capital from its members. Its primary sources of revenue are from the sale of electricity generated by its solar photovoltaic (PV) facilities to property owners through power purchase agreements and the sale of renewable energy certificates generated from facility electrical production to third parties. It is owned by an outside-investor-member limited liability company (99%) and CEFIA Solar Services (1%) as the managing member. This entity is presented as a discrete unit in Green Bank's financial statements.

CGB Meriden Hydro, LLC

CBG Meriden Hydro, LLC is a single member limited liability corporation created for the purchase and leaseback of a hydroelectric facility. The hydroelectric facility was purchased from the facility's developer, Hanover Pond Hydro LLC (Hanover Pond), pursuant to a sale and leaseback agreement. Hanover Pond remits a monthly lease payment to CGB Meriden Hydro equal to the monthly payment made by the City of Meriden to Hanover Pond for the purchase of electricity generated by the hydroelectric facility. CGB Meriden also receives revenues from the sale of renewable energy credits generated by the facility and

sold to the local utility company under a sales and purchase contract. It is presented as a blended unit in Green Bank's financial statements.

CGB KCF LLC

CGB KCF LLC is a Connecticut corporation owned solely by Green Bank. It was established on November 7, 2017, to hold the loan liability resulting from draws made on a \$3,000,000 loan facility provided by the Kresge Foundation. CGB KCF LLC drew \$1,000,000 in funds held in a restricted Green Bank cash account until January 2020, when it was transferred to Inclusive Property Capital, Inc. (IPC), with the agreement of the Kresge Foundation. IPC has assumed full responsibility for the loan and reporting to Kresge as of January 21, 2020. It is presented as a blended unit in Green Bank's financial statements.

SHREC ABS 1 LLC

SHREC ABS 1 LLC, is a Delaware corporation that is owned solely by Green Bank. It was established on February 19, 2019, to issue \$38,600,000 of SHREC Collateralized Notes, Series 2019-1 (SHREC notes), \$36,800,000 Class A notes, and \$1,800,000 Class B notes, with Bank of New York Mellon acting as trustee. The SHREC notes were sold to a single investor on April 2, 2019. Green Bank used the proceeds to retire its short-term debt and support its investment and operational activities. Green Bank funds quarterly payments of scheduled principal and interest for 14 years by billings to two Connecticut utilities for SHREC revenues generated by approximately 14,000 solar PV systems on residential rooftops. It is presented as a blended unit in Green Bank's financial statements.

CT Solar Lease 1 LLC

CT Solar Lease I LLC is a Connecticut corporation, owned solely by Green Bank. It was established on April 23, 2019, to hold collateral that supports a \$3,500,000 guaranty on a line of credit with Amalgamated Bank. On May 21, 2019, Green Bank assigned its solar lease promissory note portfolio to CT Solar Lease 1. CT Solar Lease 1 receives note payments and maintains a loan loss reserve for the portfolio. It is presented as a blended unit in Green Bank's financial statements.

SHREC Warehouse 1 LLC

SHREC Warehouse 1 LLC is a Connecticut corporation, single member LLC 100% owned by Green Bank, established on April 23, 2019, to collect payments due from Eversource and United Illuminating (UI) pursuant to the Master Purchase Agreement dated July 30, 2018, as amended for the purchase and sale of Solar Home Renewable Energy Credits (SHRECs). SHREC Warehouse 1 LLC acts as the sole borrower under a revolving loan facility provided by Liberty Bank and Webster Bank. Payments due from Eversource and UI are pledged as security for the loans. Loans drawn by SHREC Warehouse 1 LLC are advanced to Green Bank to be used for investment and operational activities. It is presented as a blended unit in Green Bank's financial statements.

Board of Directors and Administrative Officials

Pursuant to Section 16-245n(e) of the General Statutes, the powers of Green Bank are vested in and exercised by a board of directors. The Green Bank board consists of eleven voting and one nonvoting member, each with knowledge and expertise in matters related to the purpose and activities of CGB, and includes four members appointed by the Governor, four members appointed by various legislative leaders, the State Treasurer, and commissioners of the Department of Energy and Environmental Protection (DEEP) and Economic and Community Development (DECD). In addition, the Green Bank president serves on the board in ex-officio, nonvoting capacity. The Governor appoints the chairperson of the board. The board adopts bylaws and procedures it deems necessary to carry out its functions.

In addition, the board set up several committees and subcommittees to assist it in making Green Bank decisions. During the audited period, the CGB board had four standing committees: Audit, Compliance and Governance; Budget and Operations; Deployment; and the Joint Committee of the CT Energy Efficiency Board and the CGB Board of Directors. Bryan Garcia served as president throughout the audited period and continues to serve in that capacity.

Financial Information

The financial position of Green Bank as of June 30, 2020 and 2021 is presented below. For comparative purposes, the amounts for the fiscal year ended June 30, 2019, are also presented. The financial position of Green Bank as of June 30, 2021, per its audited financial statements, is presented below.

| | As of June 30, | | |
|--|---------------------------|---------------------------|---------------------------|
| | 2021 | 2020 | 2019 |
| Assets | | | |
| Current: | | | |
| Cash and Cash Equivalent | \$ 44,136,194 | \$ 8,156,093 | \$ 18,947,214 |
| Accounts Receivable | 3,892,590 | 3,250,768 | 1,774,990 |
| Utility Remittance Receivable | 2,044,619 | 2,214,775 | 1,893,965 |
| Other Receivables | 4,445,946 | 2,298,035 | 3,004,780 |
| Due from Component Unit | - | - | - |
| Prepaid Expenses and Other Assets | 2,264,815 | 1,925,122 | 1,846,104 |
| Current maturities of prepaid warranty management | 259,148 | 259,148 | 259,148 |
| Current Portion of Solar Lease Notes | 990,505 | 967,530 | 942,056 |
| Current Portion of SBEA promissory notes | 1,185,782 | 1,549,492 | 1,709,491 |
| Current Portion of Program Loans | <u>9,038,575</u> | <u>4,396,615</u> | <u>3,756,932</u> |
| Total Current Assets | <u>68,258,174</u> | <u>25,017,578</u> | <u>34,134,680</u> |
| Non-Current: | | | |
| Portfolio Investments | 245,000 | 1 | 1 |
| Fair value of interest rate swap | - | - | - |
| Bonds Receivable | 986,792 | 3,031,134 | 3,288,656 |
| Prepaid Warranty management, less Current Portion | 3,466,587 | 3,725,735 | 3,984,883 |
| Solar Lease Notes, less Current Portion | 2,969,206 | 3,979,704 | 5,361,206 |
| SBEA Promissory Notes, less Current Portion | 690,752 | 968,608 | 1,799,007 |
| Program Loans, less Current Portion | 82,898,451 | 81,285,206 | 64,800,014 |
| Renewable Energy Credits | 348,716 | 407,360 | 468,736 |
| Investment in Component Units | - | - | - |
| Capital Assets, Net of Depreciation and Amortization | 77,148,329 | 79,971,996 | 80,523,040 |
| Asset Retirement Obligation, Net | - | - | - |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | <u>20,625,148</u> | <u>14,909,508</u> | <u>16,667,797</u> |
| Total Noncurrent Assets | <u>189,378,981</u> | <u>188,279,252</u> | <u>176,893,340</u> |
| Total Assets | <u>257,637,155</u> | <u>213,296,830</u> | <u>211,028,020</u> |
| Deferred Outflows of Resources | | | |
| Deferred Amount for Pensions | 4,550,879 | 6,265,821 | 7,756,235 |
| Deferred Amount for OPEB | 5,238,343 | 5,189,388 | 1,732,147 |
| Deferred Amount for Asset Retirement Obligations | 2,487,824 | 2,658,143 | 2,828,461 |
| Deferred Payments to State of Connecticut | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Deferred Outflow of Resources | <u>12,277,046</u> | <u>14,113,352</u> | <u>12,316,843</u> |

| | | | |
|--|----------------------|----------------------|----------------------|
| Liabilities | | | |
| Current Maturities of Long-Term Debt | 6,264,686 | 4,470,704 | 4,598,103 |
| Current Maturities of Warranty Management | 1,358,476 | 1,669,539 | 1,669,539 |
| Accounts Payable and Accrued Expenses | 9,680,205 | 7,897,387 | 7,873,645 |
| Due to Component Units | - | - | - |
| Line of Credit | 100,000 | 6,100,000 | - |
| Custodial Liability | 1,626,346 | 1,676,674 | 2,695,326 |
| Unearned Revenue | 721,301 | 801,261 | 879,512 |
| Total Current Liabilities | 19,751,014 | 22,615,565 | 17,716,125 |
| Asset Retirement Obligation | 4,018,011 | 3,919,988 | 3,824,355 |
| Long-Term Debt, Less Current Maturities | 100,023,753 | 65,404,658 | 73,028,810 |
| Warranty Management, less Current Maturities | - | 187,934 | 187,934 |
| Fair Value of Interest Rate Swap | 699,023 | 1,164,356 | 523,224 |
| Pension Liability | 20,268,725 | 25,174,453 | 25,805,346 |
| OPEB Liability | 23,688,513 | 28,484,971 | 24,000,448 |
| Payable to State of Connecticut | - | - | - |
| Total Noncurrent Liabilities | 148,698,025 | 124,336,360 | 127,370,117 |
| Total Liabilities | 168,449,039 | 146,951,925 | 145,086,242 |
| Deferred Inflows of Resources | | | |
| Deferred Amount for Pension | 5,071,624 | 1,380,337 | 80,906 |
| Deferred Amount for OPEB | 7,227,544 | 2,336,216 | 1,895,599 |
| Total Deferred Inflows of Resources | 12,299,168 | 3,716,553 | 1,976,505 |
| Net Position | | | |
| Invested in Capital Assets | 5,402,713 | 4,528,927 | 3,794,400 |
| Restricted Net Position: | | | |
| Nonexpendable | 62,273,018 | 64,388,085 | 66,901,619 |
| Restricted for Energy Programs | 16,881,312 | 10,585,153 | 11,537,185 |
| Unrestricted (Deficit) | 4,608,951 | (2,760,461) | (5,951,088) |
| Total Net Position | \$ 89,165,994 | \$ 76,741,704 | \$ 76,282,116 |

During the fiscal year ended June 30, 2020, total current assets decreased by \$9.1 million. Cash decreased \$10.8 million compared to fiscal year 2019 due to normal operating activities, along with disbursements to contractors for construction of CSCU solar photovoltaic systems and the transfer of a \$1.0 million Kresge Loan to a strategic partner. Total current assets increased by \$43.2 million in fiscal year 2021 primarily from the closing of the 2020-1 and 2021-1 series Green Liberty Bonds during fiscal year 2021.

Current and noncurrent program loans increased by \$17.1 million in fiscal year 2020 due to additional low- and moderate-income lending of \$5.0 million, commercial solar photovoltaic asset sale financing of \$4.1 million, multifamily lending of \$2.7 million, fuel cell financing of \$2.3 million, C-PACE lending facilities of \$1.8 million, C-PACE benefit assessment financing of \$0.6 million, and hydropower financing of \$0.6 million.

Current liabilities increased by \$5.0 million in fiscal year 2020 mainly due to \$6.1 million in draws on the \$14.0 million SHREC Warehouse 1 LLC line of credit with Webster Bank and Liberty Bank. Total liabilities increased \$21.5 million in fiscal year 2021. Long-term debt increased \$34.6 million due to the issuance of the 2020-1 and 2021-1 series Green Liberty Bonds, totaling \$16.8 million and \$24.8 million, respectively.

A schedule of revenues, expenses, and changes in net assets for the fiscal years ended June 30, 2020 and 2021, follows. The financial position of Green Bank as of June 30, 2021, per its audited financial statements, is presented below.

| | Fiscal Year Ended June 30, | | |
|--|-----------------------------------|-----------------------------|-----------------------------|
| | 2021 | 2020 | 2019 |
| Operating Revenues | | | |
| Utility Remittances | \$ 25,144,416 | \$ 24,854,150 | \$ 26,094,682 |
| Interest Income - Promissory Notes | 6,844,741 | 6,105,613 | 3,909,495 |
| Grant Revenue | 13,288 | 76,402 | 200,779 |
| RGGI Auction Proceeds | 6,452,886 | 4,581,628 | 2,130,255 |
| Energy System Sales | 746,515 | 4,006,395 | 2,795,336 |
| REC Sales | 12,189,916 | 9,256,168 | 6,489,479 |
| Other Income | 4,124,886 | 4,443,242 | 4,012,334 |
| Total Operating Revenue | <u>55,516,648</u> | <u>53,323,598</u> | <u>45,632,360</u> |
| Operating Expenses | | | |
| Cost of Goods Sold - Energy Systems | 746,515 | 4,006,394 | 2,877,040 |
| Provision for Loan Losses | 238,942 | 4,962,343 | 2,908,974 |
| Grant and Incentive Programs | 15,879,966 | 16,343,824 | 14,671,750 |
| Program Administration Expenses | 17,522,836 | 16,460,756 | 17,505,206 |
| General and Administrative Expenses | 4,003,987 | 6,936,125 | 5,722,397 |
| Total Operating Expenses | <u>38,392,246</u> | <u>48,709,442</u> | <u>43,685,367</u> |
| Operating Income (Loss) | <u>7,124,402</u> | <u>4,614,156</u> | <u>1,946,993</u> |
| Non-Operating Revenue (Expenses) | | | |
| Interest Income-Short Term Cash Deposits | 18,861 | 165,570 | 416,258 |
| Interest Expense-Long Term Debt | (3,269,115) | (3,395,242) | (1,983,502) |
| Interest Income - Component Units | - | - | - |
| Interest Expense - Component Units | - | - | (429) |
| Debt Issuance Costs | (1,001,139) | (18,800) | (1,738,746) |
| Payments to State of Connecticut | - | - | (14,000,000) |
| Distributions to Member | (526,754) | (597,404) | (588,663) |
| Distribution to Former Member | - | - | (1,000) |
| Realized and Unrealized Gain (Loss) on Investments | (387,299) | (120,113) | (104,466) |
| Unrealized Gain (Loss) on Interest Rate Swap | 465,334 | (641,133) | (694,702) |
| Total Nonoperating Revenue (Expenses) | <u>4,700,112</u> | <u>(4,607,122)</u> | <u>(18,695,250)</u> |
| Change in Net Position before Capital Contributions | 12,424,290 | 7,034 | (16,748,257) |
| Capital Contributions | - | 452,554 | 1,695,722 |
| Change in Net Position | 12,424,290 | 459,588 | (15,052,535) |
| Net Position - Beginning of Year | 76,741,704 | 76,282,116 | 91,334,651 |
| Net Position - End of Year | <u>\$ 89,165,994</u> | <u>\$ 76,741,704</u> | <u>\$ 76,282,116</u> |

Revenues

Total operating revenue increased by \$7.7 million in fiscal year 2020, mainly due to sales of Renewable Energy Credits (RECs), which grew by \$2.8 million due to the inclusion of sales of RECs for Tranche 3 systems to the two public utility companies in Connecticut, and also proceeds from quarterly Regional Greenhouse Gas Initiative (RGGI) auctions. RGGI auction proceeds increased \$2.5 million in fiscal year

2020 due to diversion of proceeds earmarked for the Green Bank into the state's General Fund to meet projected budget shortfalls during fiscal year 2019.

Total operating revenue increased by \$2.2 million in fiscal year 2021, mainly due to sales of RECs, which grew by \$2.6 million as a result of the inclusion of sales of RECs for Tranche 4 systems to the two public utility systems in Connecticut and proceeds from RGGI auctions, which increased \$1.9 million over the year. The growth in RGGI auction proceeds is primarily due to the price per allowance increasing substantially throughout fiscal year 2021 compared to fiscal year 2020. Sales of energy systems decreased \$3.3 million in fiscal year 2021 due to fewer sales of commercial Power Purchase Agreements (PPA) projects to third-party renewable energy companies compared to the prior year.

Expenses

Total operating expenses increased by \$5.0 million in fiscal year 2020. Provision for loan losses increased \$2.1 million in fiscal year 2020 due to higher reserves being provided for a larger program portfolio, as well as reserve growth due to anticipated loan payment deferrals due to COVID-19. Grant and incentive program expenses increased by \$1.7 million primarily due to higher Performance Based Incentive and Expected Performance-Based Buydown solar PV payments under the Residential Solar Investment Program (RSIP).

Total operating expenses decreased by \$10.3 million in fiscal year 2021. Provision for loan losses decreased \$4.8 million in fiscal year 2021 due to higher reserves being provided in the prior year due to anticipated loan payment deferrals as a result of COVID-19. General and administrative expenses decreased by \$2.9 million (42%). Included in general and administrative costs for 2021 and 2020 is \$0.6 million and \$3.6 million the state allocated to the Green Bank for the noncash GASB 68 pension and GASB 75 OPEB expenses, respectively.

Other Examinations

Independent public accountants audited the Connecticut Green Bank's financial statements for the years under review. Those audits provided assurance that the financial statements presented fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of Green Bank as of June 30, 2020 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the independent public accountants provided reports on compliance and internal control over financial reporting. The reports disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.