

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

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2009

CONNECTICUT CLEAN ENERGY FUND

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
FINANCIAL STATEMENTS	
Balance Sheet and Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Activities	7
Notes to Financial Statements	8-12
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13-14

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Clean Energy Fund
Rocky Hill, Connecticut

We have audited the accompanying balance sheet and statement of net assets of the Connecticut Clean Energy Fund (a Special Revenue Fund of the State of Connecticut) as of June 30, 2009 and the related statement of revenues, expenditures and changes in fund balance and statement of activities for the year then ended. These financial statements are the responsibility of Connecticut Clean Energy Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Clean Energy Fund as of June 30, 2009 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Blum, Shapiro & Company, P.C.

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In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2009 on our consideration of Connecticut Clean Energy Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

September 24, 2009

CONNECTICUT CLEAN ENERGY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Connecticut Clean Energy Fund (the Fund) (a Special Revenue Fund of the State of Connecticut) for the fiscal year ended June 30, 2009. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to financial statements included in the "Financial Statements" section of this report.

Financial Statements Presented in this Report

The Fund was created to promote investment in renewable energy sources in accordance with a comprehensive plan developed by the Fund to foster the growth, development and commercialization of renewable energy sources and related enterprises, and to stimulate demand for renewable energy and the deployment of renewable energy sources, which serve end-use customers in the State.

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

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

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

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

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

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

Financial Highlights of Fiscal 2009

Net Assets

Net assets decreased by \$14.9 million to \$74 million at June 30, 2009. Cash and marketable securities decreased by \$16.8 million in 2009 to \$71.3 million. All marketable securities were sold in 2009. Cash decreased primarily as a result of increased grant expenditures during 2009.

As of June 30, 2009, the Board of Directors designated \$77.1 million in net assets to fund outstanding grant commitments as described in Note 5. These grants are expected to be paid over the next two fiscal years. The Fund has also budgeted an additional \$81.8 million to fund new grants which are expected to be awarded over the next two years.

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

Other assets are composed primarily of utility customer assessments receivable and Regional Greenhouse Gas Initiative (RGGI) auction receivables as of the end of the fiscal year.

The following table summarizes the net assets at June 30, 2009 and 2008 (in thousands):

<i>Net Assets</i> (in thousands)			
	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Cash and marketable securities	\$ 71,348	\$ 88,108	\$ (16,760)
Investments	1,224	427	797
Other assets	4,813	2,297	2,516
Total assets	<u>77,385</u>	<u>90,832</u>	<u>(13,447)</u>
Current liabilities	<u>3,332</u>	<u>1,887</u>	<u>1,445</u>
Total liabilities	<u>3,332</u>	<u>1,887</u>	<u>1,445</u>
Restricted	395	481	(86)
Unrestricted	<u>73,658</u>	<u>88,464</u>	<u>(14,806)</u>
Total net assets	<u>\$ 74,053</u>	<u>\$ 88,945</u>	<u>\$ (14,892)</u>

Changes in Net Assets

Revenues from utility customer assessments were \$28.1 million for 2009 compared to \$21.4 million in 2008. The net increase of \$6.7 million was primarily a result of the restoration of the assessment levied on utility customers to 1 mill from .7 mill during 2009.

Revenues from interest on cash deposits decreased \$2.3 million to \$1.2 million in 2009. Interest on short-term investments and cash deposits decreased due to the decrease in the average cash balance on hand and lower interest rates. Other income included \$2.9 million received from the state treasurer as proceeds from the defeasance of the rate reduction bonds. The fund received \$4.3 million from the state in RGGI auction proceeds.

Total expenditures for grants and programs in 2009 were \$48.9 million, an increase of \$29.2 million from the prior year due to growth in the Fund's grant programs. During 2009, the Fund committed a total of \$56.4 million for new grants and programs.

Program expenses increased by \$.7 million to \$3.4 million due to the hiring of additional program staff and consultants to administer the Fund's various programs. General and administrative expenses decreased by \$.1 million to \$2.0 million.

Realized gains on program investments increased by \$2.5 million over the prior year and unrealized appreciation on these investments increased slightly.

The following table summarizes the changes in net assets between June 30, 2009 and 2008 (in thousands):

Changes in Net Assets
(in thousands)

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Revenues	\$ 36,715	\$ 28,935	\$ 7,780
Operating expenses:			
Grants and program investments	48,854	19,700	29,154
Program expenses	3,363	2,728	635
General and administrative expense	<u>1,987</u>	<u>2,142</u>	<u>(155)</u>
Total operating expenses	<u>54,204</u>	<u>24,570</u>	<u>29,634</u>
<i>Operating income</i>	(17,489)	4,365	(21,854)
Net change in unrealized appreciation in fair value of investments	1,746	1,696	50
Net realized gain (loss) on investments	<u>852</u>	<u>(1,696)</u>	<u>2,548</u>
<i>Net change in net assets</i>	<u>\$ (14,891)</u>	<u>\$ 4,365</u>	<u>\$ (19,256)</u>

CONNECTICUT CLEAN ENERGY FUND
BALANCE SHEET AND STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 64,952,366	\$	\$ 64,952,366
Certificates of deposit	6,000,000		6,000,000
Utility customer assessments receivable	2,491,466		2,491,466
RGGI auction receivable	1,076,659		1,076,659
Other assets	207,913	1,037,456	1,245,369
Portfolio investments		1,223,718	1,223,718
Restricted assets:			
Cash equivalents	<u>395,415</u>		<u>395,415</u>
Total assets	<u>\$ 75,123,819</u>	<u>\$ 2,261,174</u>	<u>\$ 77,384,993</u>
LIABILITIES AND FUND BALANCE/NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 3,255,105	\$	\$ 3,255,105
Due to fund administrator	76,309		76,309
Deferred revenue	<u>1,076,659</u>	<u>(1,076,659)</u>	<u>-</u>
Total liabilities	<u>4,408,073</u>	<u>(1,076,659)</u>	<u>3,331,414</u>
FUND BALANCE/NET ASSETS			
Unrestricted net assets		73,658,164	73,658,164
Committed fund balance	77,105,836	(77,105,836)	-
Unassigned fund balance	<u>(6,785,505)</u>	<u>6,785,505</u>	<u>-</u>
Total unrestricted	<u>70,320,331</u>	<u>3,337,833</u>	<u>73,658,164</u>
Restricted fund balance/net assets	<u>395,415</u>		<u>395,415</u>
Total fund balance/net assets	<u>70,715,746</u>	<u>3,337,833</u>	<u>74,053,579</u>
Total liabilities and fund balance/net assets	<u>\$ 75,123,819</u>	<u>\$ 2,261,174</u>	<u>\$ 77,384,993</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Long-term program investments are treated as expenditures for fund purposes	\$ 1,223,718
Long-term renewable energy certificates are treated as expenditures for fund purposes	636,447
Long-term solar lease notes receivable are treated as expenditures when the notes are purchased for fund purposes	401,009
Long-term RGGI auction receivable is not available to pay for current-period expenditures, and therefore, is deferred in the fund	<u>1,076,659</u>
Total adjustments to net assets	<u>\$ 3,337,833</u>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT CLEAN ENERGY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	Statement of Revenues, Expenditures and Changes in Fund		Statement of Activities
	<u>Balance</u>	<u>Adjustments</u>	<u>Activities</u>
REVENUES			
Utility customer assessments	\$ 28,104,415	\$	\$ 28,104,415
Interest on short-term investments	1,192,800		1,192,800
RGGI Auction income	3,228,595	1,076,659	4,305,254
Other income	3,114,810	(1,869)	3,112,941
Total revenues	<u>35,640,620</u>	<u>1,074,790</u>	<u>36,715,410</u>
EXPENDITURES/EXPENSES			
Program:			
Grants	49,892,928	(1,039,325)	48,853,603
Program expenses	<u>3,363,494</u>		<u>3,363,494</u>
Total program expenses	53,256,422	(1,039,325)	52,217,097
General and administrative expenses	<u>1,987,455</u>		<u>1,987,455</u>
Total expenditures and expenses	<u>55,243,877</u>	<u>(1,039,325)</u>	<u>54,204,552</u>
CHANGE IN FUND BALANCE/NET ASSETS			
BEFORE CHANGE IN VALUE OF INVESTMENTS	(19,603,257)	2,114,115	(17,489,142)
NET REALIZED GAIN (LOSS) ON INVESTMENTS	1,801,738	(949,999)	851,739
NET INCREASE IN FAIR VALUE OF INVESTMENTS		<u>1,746,298</u>	<u>1,746,298</u>
NET CHANGE IN FUND BALANCE/NET ASSETS	(17,801,519)	2,910,414	(14,891,105)
FUND BALANCE/NET ASSETS, Beginning of Year	<u>88,517,265</u>	<u>427,419</u>	<u>88,944,684</u>
FUND BALANCE/NET ASSETS, End of Year	<u>\$ 70,715,746</u>	<u>\$ 3,337,833</u>	<u>\$ 74,053,579</u>

Amounts reported for governmental activities in the statement of activities are different because:

Long-term program investments are treated as expenditures for fund purposes	\$ 1,223,718
Long-term renewable energy certificates are treated as expenditures for fund purposes	636,447
The purchase of long-term solar lease notes is treated as an expenditure for fund purposes	402,878
The repayment of solar lease notes is treated as revenue for fund purposes	(1,869)
RGGI auction revenue in the statement of activities does not provide current financial resources and, therefore, is not reported as revenue for fund purposes	<u>1,076,659</u>
Total adjustments to net assets	<u>\$ 3,337,833</u>

The accompanying notes are an integral part of the financial statements

CONNECTICUT CLEAN ENERGY FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Connecticut Clean Energy Fund (the Fund) (statutorily referred to as the Renewable Energy Investment Fund) was established in July 1998 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut. The Fund, a Special Revenue Fund of the State of Connecticut, was created to promote investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources and related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources that serve end-use customers in the State. As described in Note 4, the Fund is administered by Connecticut Innovations, Incorporated.

The Department of Public Utility Control assesses a charge per kilowatt-hour to each end-use customer of electric services in the State, which is paid to the Fund. The Fund, through its administrator, Connecticut Innovations, Incorporated, may deploy the funds for grants, direct or equity investments, contracts or other actions which support research, development, manufacture, commercialization, deployment and installation of renewable energy technologies, and actions which expand the expertise of individuals, businesses and lending institutions with regard to renewable energy technologies.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

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

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

Marketable Securities — Marketable securities are carried at fair value determined by quoted market prices. Marketable securities were liquidated in 2009.

Restricted Assets — Restricted assets consist of short-term investments in the State Treasurer's Short-Term Investment Funds which are legally restricted for a contractual commitment to fund a project to purchase, install and maintain fuel cells for a municipality in the State of Connecticut.

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

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

Fund Balance/Net Assets — On the fund financial statements, the Fund has elected early adoption of GASB Statement No. 54, *Fund balance Reporting and Governmental Fund Type Definitions*. In accordance with the Statement, the Fund has reported its fund balances in the following categories:

- Committed Fund Balance – represents amounts that can only be used for specific purposes imposed by formal action of the Board of Directors
- Restricted Fund Balance – represents amounts with restrictions that are legally enforceable

- Unassigned Fund Balance – represents fund balance that is neither restricted, committed or assigned to specific purposes

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

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

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

NOTE 2 – CASH AND SHORT-TERM INVESTMENTS

The following is a summary of cash, certificates of deposit and short-term investments at June 30, 2009:

Cash and cash equivalents:	
Checking	\$ 403,383
State Treasurer’s Investment Fund	<u>64,548,983</u>
Unrestricted cash and cash equivalents	64,952,366
State Treasurer’s Investment Fund – restricted	<u>395,415</u>
Total cash and cash equivalents	\$ <u><u>65,347,781</u></u>
Certificates of deposit	\$ <u><u>6,000,000</u></u>

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

Investment Maturities — The State Treasurer’s Investment Fund has no maturity date and funds are available for withdrawal on demand. Certificates of deposit have a maturity of one year or less.

Interest Rate Risk — The Fund manages its exposure to declines in fair value by limiting the average maturity of its nonportfolio investments to one year.

Credit Risk — Connecticut General Statutes authorize the Fund to invest in obligations of the U.S. Treasury including its agencies and instrumentalities, commercial paper, banker’s acceptance, repurchase agreements and the State Treasurer’s Investment Fund.

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

	Moody’s Investors Service	Standard & Poor’s
State Treasurer’s Investment Fund	Aaa	AAAm

Concentration of Credit Risk — The Fund’s investment policy does not limit the investment in any one investment vehicle. The Fund has no investments in any one investment vehicle greater than 5% of the Fund’s total investments. The State Treasurer’s 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, the Fund’s deposits may not be returned to it. The Fund does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$293,380 of the Fund’s bank balance was exposed to custodial credit risk because it was not covered under federal depository insurance or collateralized.

Custodial Credit Risk — Investments — For an investment, this represents the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of the investment. As of June 30, 2009, the Fund has no reportable custodial risk. The State Treasurer’s Investment Fund is not subject to this disclosure.

NOTE 3 — PORTFOLIO INVESTMENTS

The Fund invests in emerging companies, which, in the event the company becomes successful, could represent a significant portion of the investment balances at a given time. Securities held at June 30, 2009 represent investments in three companies.

NOTE 4 — RELATED PARTY TRANSACTIONS

The Fund is operated by its administrator, Connecticut Innovations, Incorporated, as provided in the General Statutes of the State of Connecticut. The administrator provides services to the Fund, at cost, for its operations. Such services include, but are not limited to, staff to manage and administer the Fund, office space, equipment and supplies, insurance and back office support. Pursuant to state statute, the Fund administrator is subject to mandated personnel fringe benefit charges because the Fund’s employees are paid by the State. The rates charged for fiscal years 2009 and 2008 totaled 55.03% and 51.84% of gross salaries, respectively. Expenses billed to the Fund by its administrator totaled \$6,622,799 for the year ended June 30, 2009. As of June 30, 2009, amounts due to Connecticut Innovations, Incorporated, totaled \$76,309.

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

NOTE 5 — COMMITTED FUND BALANCE

Commitments to fund projects require a formal approval by the Board and a contract signed by both the customer and the Fund. The outstanding commitments to fund projects are then offset by payments made during the year. As of June 30, 2009, the Board of Directors has committed a portion of fund balance to fund grant commitments in the following areas:

Fuel cells	\$ 3,723,175
Solar	57,990,444
Project 150 and Predevelopment Program	11,750,308
Operation Demonstration Program	2,197,220
Education and outreach	<u>1,444,689</u>
	\$ <u>77,105,836</u>

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

NOTE 6 — COMMITMENTS

As discussed in Note 1, the Fund has a contractual commitment to maintain a reserve of \$395,415 to fund a project to purchase, install and maintain fuel cells for a municipality in the State of Connecticut. This commitment has been presented as restricted net assets.

NOTE 7 — RISK MANAGEMENT

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

NOTE 8 — RENEWABLE ENERGY CREDITS

The Fund owns Class 1 renewable energy certificates (RECs) that are generated by certain renewable energy facilities for which the Fund provided the initial funding. On March 26, 2007, the Fund entered into an agreement to sell a total of 21,000 megawatts of RECs generated through December 31, 2009 at a price of \$36.50 per certificate, totaling \$766,500.

RECs trade on the NEPOOL GIS market. The market price of Connecticut Class 1 RECs as of June 30, 2009 was \$28. However, the administrator's inventory at June 30, 2009 has been priced at the sales price per the agreement. Based on historical performance, management believes that the RECs it will receive annually from its funded facilities will well exceed its commitment to sell under the agreement.

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

To the Board of Directors
Connecticut Clean Energy Fund
Rocky Hill, Connecticut

We have audited the balance sheet and statement of net assets of the Connecticut Clean Energy Fund (a Special Revenue Fund of the State of Connecticut) as of June 30, 2009 and the related statement of revenues, expenditures and changes in fund balance and statement of activities for the year then ended, and have issued our report thereon dated September 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Connecticut Clean Energy Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connecticut Clean Energy Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Connecticut Clean Energy Fund's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connecticut Clean Energy Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. These laws and regulations included the provisions of Connecticut Public Act No. 88-266 Section 41 (the Act) which address affirmative action, personnel practice, the purchase of goods and services, the use of surplus funds, the issuance and retirement of bonds and the award of loans. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Blum, Shapiro & Company, P.C.

September 24, 2009