

CONNECTICUT FUEL OIL CONSERVATION BOARD

2009 Annual Report
to the
Energy and Technology and
Environmental Committees
of the
Connecticut General Assembly

Submitted for Review
May 2010



I. INTRODUCTION

This second annual report is submitted by the Fuel Oil Conservation Board (FOCB) pursuant to its authorizing legislation. P.A. 07-242 sec. 116, as amended by June Sp. Sess. PA 07-1 sec. 131 and June 11 Sp. Sess., PA 08-2 sec. 7 (codified at Conn. Gen. Stat. sec. 16a-22f). The FOCB, with members appointed by authorities specified in the legislation, oversaw program development and implementation of the Connecticut Fuel Oil Conservation Fund, Inc. (CFOCF). Conn. Gen. Stat. sec. 16a-22f(d)(2) provides for the FOCB to prepare an annual report to the joint standing committees of the General Assembly having cognizance of matters relating to energy and the environment. The report “documents expenditures and fund balances and evaluates the cost-effectiveness of ...programs conducted in the preceding year, including any increased cost-effectiveness due to offering programs that save more than one fuel resource”.

Prior to its loss of funding effective July 1, 2009 (P.A. 09-1, sec. 8), the FOCB was responsible for fuel oil conservation efforts in the state, complementing other statewide conservation efforts, notably utility conservation programs of the Connecticut Energy Efficiency Fund (overseen by the Energy Conservation Management Board – ECMB - pursuant to Conn. Gen. Stat. secs. 16-245m and 16-32f), municipal utility conservation programs (coordinated by the Connecticut Municipal Electrical Energy Cooperative – CMEEC -Conn. Gen. Stat. sec. 7-233y), and weatherization assistance for low income households administered by the Community Action Agencies (CAA) under plans developed by the Connecticut Department of Social Services (DSS -- Conn. Gen. Stat. sec. 17b-2(2); 42 U.S.C. sec. 8621, *et seq.*; 45 C.F.R. secs. 96.80 - 96.89).

Legislation created the FOCB in June 2007 and provided for board member appointments by a range of legislative officials and the Governor.¹ Delays in some of the appointments and the lack of a central location to identify appointments made resulted in delays in the initial convening meeting. The FOCB began meeting in January 2008. No funding was available until December of 2008. During this period Board members developed program planning, held a public hearing, created a website and filed an application for nonprofit section 501(c)(3) tax exempt status.

In 2008, the FOCB issued a Request for Proposals to hire an administrator to develop and implement its programs, as contemplated in its legislation. As a practical matter, the initial legislative funding mechanism meant funding would not be available to pay an administrator or cover program costs until August 2008 at the earliest. In response, the legislature amended the FOCB statute to allow for release of \$2.5 million in funds effective July 1, 2008 (June 11 Sp. Sess. PA 08-2 sec. 7). An administrator with extensive experience in conservation programs in Connecticut, The Resource Link, LLC, was retained in October 2008. The CFOCF plans for calendar years 2008 and 2009 were developed and submitted to the ECMB. Public hearings were held and final plans adopted. These

¹ Appendix 1. is a list of FOCB Board members.

plans focused on meeting emergency need for furnace replacements in low income households (defined as eligible for assistance in the CT Energy Assistance Program) to ensure the availability of heat in the winter of 2008-09. The 2009 plan was designed to coordinate services with CEEF (including the funding subsidy for energy audits for households heating with deliverable fuels administered the Connecticut Office of Policy and Management - Aug. Sp. Sess. PA 08-2 sec. 9), CMEEC, DSS and the CAAs, and expand offerings to residential households with income above low income guidelines and business entities. Funding was ultimately released to the CFOCF in the latter part of December 2008. The FOCB then entered into contracts with CEEF administrators and the CAAs, and began plan program implementation.

The FOCB has a website maintained by its administrator, providing information regarding its meetings and plans. www.ctfocb.com.

II. SUMMARY TIMELINE OF KEY FOCB ACTIVITIES

1. December 2008: Public hearing for program plan for 2009 held on December 16th and plan adopted December 19th. Plan budget \$10.0.
2. December 19, 2008: Initial state funding provided by state to CFOCF to begin plan implementation. \$2.5 million.
3. January 2009: Community Action Agencies begin submission to FOCB administrator for replacement heating systems or major system repair work. Contracts with CEEF program administrators, Connecticut Light & Power and The United Illuminating Company, are prepared for signature. Legislation passed reducing funding available for FOCB programs by 50%, or \$5 million, for the remainder of the fiscal year.
4. April 2009: Major scaling back on program commitments due to uncertainty of funding. Ultimately only \$2,560,000 of its \$5 million allocation is released. (See Appendix 3, Revenue and Expenditure Summary)
5. June 30, 2009: Program ended due to loss of funding with 451 low income customers receiving new or upgraded heating systems.
6. December 31, 2009: Delivery of Financial Audit to Office of the State Comptroller (See Appendix 4, UHY Audit of FOCB)

III. FUNDING AND FUNDING ISSUES

CFOCF funding source was the tax imposed by Conn. Gen. Stat. sec. 12-587 on the sale of petroleum products gross earnings that is in excess of the revenue collected during fiscal 2006. Up to \$10 million in funding was originally expected to be available for the fiscal year July 1, 2008 to June 30, 2009. In January 2009 the state legislature passed P.A. 09-1 sec. 8, which decreased CFOCF funds to \$5 million for the fiscal year ending June 30, 2009. At the January 28, 2009 FOCB meeting,

the Board reallocated program funding in the Plan for 2009 to account for the reduction in available funds. The FOCB maintained funding for the low income residential programs and implemented the portion of the plan providing for insulation rebates for oil heated households served by the CEEF Home Energy Solutions program. Ultimately the FOCB received only \$2,560,000 of its \$5 million allocation.

P.A. 09-1 sec. 8 eliminated funding for the fiscal year beginning July 1, 2009, effectively defunding the CFOCF and ending all programs. (See Appendix 3, Revenue and Expenditure Summary)

IV. 2009 Plan Summary

The initial 2009 plan provided for ongoing replacement of inoperable, unsafe or grossly inefficient heating systems for low income households, leveraging comprehensive weatherization assistance to homes receiving these new units through the CAA weatherization assistance programs. Additionally, the plan widened the scope of services to low income residents to include: broader weatherization services; inclusion of renter-occupied dwellings; and expansion of the program for heating/water systems replacement to include grossly inefficient units which may be operable.

The 2009 approved plan represented an effort to closely coordinate delivery of complementary conservation assistance with existing energy efficiency programs. The goal was to deliver conservation services with the least amount of administrative redundancy and cost in a manner that ensured consumers received comprehensive services and benefits at lower cost and with greater convenience to the consumer. The plan provided for coordination with the following entities:

Connecticut Energy Efficiency Fund through its utility administrators, CL&P and UI - which coordinate service delivery with conservation available from Connecticut Natural Gas, Southern Connecticut Gas and Yankee Gas www.ctsavesenergy.org

Community Action Agencies/ Department of Social Services – weatherization programs for low income households www.ct.gov/dss , www.cafca.org

Connecticut Municipal Electric Energy Cooperative – weatherization programs of municipal utilities

Connecticut Office of Policy and Management – energy audit subsidy program available through the CEEF Home Energy Solutions program and CMEEC Home Energy Savings program for deliverable fuel customers <http://ct.gov/opm>

As described above, P.A. 09-1 sec. 8, required that the plan be revised to reflect the 50% funding reduction to \$5 million for the remainder of that fiscal year, limiting possible coordination. Despite repeated requests for release of the \$5 million, without explanation only \$2,560,000 of the \$5 million allocation was ever released. Due to funding uncertainty while funding requests were pending, in April 2009 the FOCB limited its operation to only the low income heating system repair/replacement program.

V. Low Income Heating and Hot Water System Program

Program Description Overview

The low income heating and hot water system program was designed to fund the replacement or upgrade of inoperable, unsafe or grossly inefficient oil heating and hot water systems for Connecticut households with income at or below 60% of the state median income (see Target Audience section below for complete eligibility requirements).

In April 2009, this program was substantially scaled back due to funding uncertainty (see above explanation).

Implementation

The CFOCF contracted with the Connecticut Association for Community Action (CAFCA) and member CAAs to implement this program in conjunction with their energy and weatherization assistance. The program was designed to:

- Utilize the CT Department of Social Services (DSS) intake network for energy assistance to determine eligibility for the FOCB program. Like the DSS energy assistance program, eligibility for the FOCB program was capped at 60% state median income, and applied the energy assistance program asset limits. This approach allowed the FOCB to leverage weatherization assistance available through the CAA under other funding for FOCB program beneficiaries.
- Operate with a streamlined FOCB authorization process to enable a quick response in emergency situations.
- Result in installation of ENERGY STAR heating and/or hot water units as frequently as practical.
- Include cost-effective replacement of grossly inefficient or unsafe heating systems that may be operable.
- Include cost-effective repairs or upgrades on systems where appropriate, rather than a complete replacement.

Target Audience

Connecticut residents who participated in this program had to meet the following requirements:

1. Status of resident – owner (no co-payment requirement)
2. Housing type - Single family, owner occupied homes of 1-4 unit dwelling units, where the owner permanently resides in one of the four units. All units could be included in the FOCB program.
3. Income and asset requirements – household income must be at or below 60% of the CT state median income and under the asset limits in the energy assistance program: “2008/2009 Allocation Plan for the Low Income Home Energy Assistance Program Block Grant.” Income and assets were calculated in the same manner as the energy assistance plan.
4. Heating and hot water systems – units had to be certified by licensed HVAC contractors as inoperable, unsafe, unrepairable and/or unable to attain a 75% AFUE. Priority was given to inoperable units and those relied upon for domestic water use where possible repairs would be too costly.
5. Heating Fuel type – oil, bioheat
6. Research – participating households had to agree to participate in pre/post inspections and be responsive to customer surveys regarding the program and any related weatherization services.

VI. Results

The FOCB accomplished the following in the seven month period of operation between December 2008 through June 2009:

- 451 low income residents were provided services;
- Program participants were from 101 towns in CT (see Appendix 2, Clients Served);
- 386 grossly inefficient heating systems were replaced with efficient units;
- 23 participants received heating system repairs;
- 37% of participants already received CAA weatherization services or were in the process of being scheduled for such services;
- 93 unsafe oil tanks were replaced, typically in conjunction with the heating system replacement;
- 91 Connecticut HVAC contractors were utilized to provide the services;
- The average furnace efficiency was increased by 25% while the average boiler efficiency was increased by 28%, reducing the prospective fuel oil consumption and need for energy assistance, particularly in situations where the household also received weatherization assistance.
- A participant survey was mailed to over 235 participants in Spring 2009. 93% of responses indicated “very good” to “excellent” satisfaction with agency explanation of program and available assistance. (See appendix 5 for all results)

VII. Conclusions

In 2009, the FOCB funding was decreased to one quarter of the expected and planned for funding. The elimination of funding after June 30, 2009 limited programming. Despite this, the CFOCB provided significant services and benefits to Connecticut’s most needy residents at risk when their heating systems failed. The loss of funding resulted in closing down all programming.

The FOCB will hold its next meeting before the end of June 2010. The Board will review its obligations and responsibilities, taking into account the ongoing lack of funding for programs. Without further funding to meet basic obligations for board operations, such as insurance, the board could be forced to consider voting to dissolve.

Contact Information

Requests for additional information and/or to submit additional comments should be directed to:

Bob Barrieau, Chair
Connecticut Fuel Oil Conservation Board
94 Reed Avenue
West Hartford, CT 06110
Phone: 860-953-6111
Email to bbarrieau@barrieauoil.com

Or

Theresa R. Lavoie, *Connecticut Fuel Oil Conservation Fund Administrator*
Connecticut Fuel Oil Conservation Fund
www.ctfocb.com
P. O. Box 339
Litchfield, CT 06759-0339
Phone: 860-626-7173
Email to tlavoie@thereslink.com

Appendixes (all appendixes are also available at www.ctfocb.com)

- Appendix 1: FOCB List of Members
- Appendix 2: List of Towns Served
- Appendix 3: Revenue and Expenditure Summary
- Appendix 4: UHY Audit of FOCB
- Appendix 5: Program Participant Survey Results

Appendix 1: List of FOCB Members

BOARD MEMBER	REPRESENTING	COMPANY/ORGANIZATION	APPOINTED BY
Robert Barrieau	Chair of Heating and Cooling Board	Barrieau Oil Company	Statutory Appointment
Thomas Devine	Dealers with retail oil heat sales less than fifteen million gallons in the state	Devine Brothers, Inc	Speaker of the House
David Pelletier	State Residents	Budwitz & Meyerjack PC	Governor Rell
Michael Fotos	Statewide environmental organization with knowledge of energy efficiency	Director (V-P) of Connecticut Farmland Trust (employed by Trinity College & Yale University)	Governor Rell
William Bussman	HVAC trades	Seaboard Energy	Speaker of the House
Kevin McKenna	Wholesale	Sprague Energy	House Majority Leader
Shirley Bergert	Low Income	Connecticut Legal Services	Governor Rell
Lisa Casey	Business Interests	Reflexite Corporation	Governor Rell
Erin Clark	Consumers	Operation Fuel	Governor Rell
Gene Guilford	State-wide retail oil dealer trade association	Independent CT Petroleum Association	Minority Leader, House of Representatives
Jonathan Gordon	Energy company	NRG Energy Inc.	Governor Rell
Craig Snyder	Dealers with retail oil heat sales in excess of fifteen million gallons in the state	Wesson Energy	President Pro Tempore of Senate
Jamie Howland	Statewide environmental organization with knowledge of energy efficiency	Environment Northeast	Senator McKinney

Appendix 2 Clients Served by Town

Town	# Clients Served	Town	# Clients Served
Ansonia	1	Newington	5
Baltic	1	Newtown	1
Beacon Falls	1	No.Grovesnordale	3
Bethlehem	1	North Branford	1
Bloomfield	6	North Stonington	1
Branford	1	Northford	1
Bridgeport	43	Norwalk	7
Bristol	13	Norwich	5
Broadbrook	1	Oakville	7
Brooklyn	4	Old Lyme	1
Canterbury	1	Old Saybrook	1
Chaplin	3	Pomfret	1
Cheshire	2	Prospect	3
Chester	1	Putnam	5
Clinton	3	Quaker Hill	1
Columbia	3	Ridgefield	1
Coventry	4	Rocky Hill	1
Danbury	2	Simsbury	1
Danielson	3	Somers	1
Dayville	2	South Meriden	1
Derby	1	South Windsor	6
East Granby	2	Stafford Springs	1
East Hampton	1	Stamford	8
East Hartford	10	Sterling	1
East Haven	3	Storrs	1
East Windsor	2	Stratford	8
Ellington	2	Suffield	1
Enfield	9	Taftville	1
Fairfield	11	Terryville	1
Glastonbury	1	Thomaston	3
Groton	1	Thompson	1
Guilford	2	Tolland	3
Hamden	6	Torrington	16
Hartford	13	Trumbull	10
Harwinton	2	Uncasville	1
Hebron	1	Union	1
Higganum	1	Vernon	2
Jewett City	1	Wallingford	1
Lisbon	1	Waterbury	77
Manchester	3	Waterford	1
Mansfield	1	Watertown	1
Meriden	7	West Hartford	2
Middletown	1	West Haven	3
Milford	2	Wethersfield	3
Monroe	6	Willimantic	8
Moosup	1	Windham	1
Naugatuck	9	Windsor	9
New Britain	4	Windsor Locks	1
New Haven	20	Wolcott	5
New Milford	1	Woodbridge	2
		Woodstock	3
		Total Clients Served	451

Appendix 3: Revenue and Expenditure Summary

	Fiscal Year Ended	
	<u>June 30, 2009</u>	
<u>Revenue and Support</u>		
Grant revenue	\$	2,560,000.00
Interest Income		10,846
Contribution		<u>100</u>
Total Revenue and Support		<u>2,570,946</u>
<u>Expenses</u>		
Heating System Replacement Costs		2,294,301
Program Administrator - program development and implementation		85,020
Community Action Agency - program implementation fees		147,701
General and Administrative expenses		<u>11,654</u>
Total Expenses		<u>2,538,676</u>
Excess Support over Expenses	\$	<u><u>32,270</u></u>

**CONNECTICUT FUEL OIL
CONSERVATION FUND, INC.**

**AUDITED FINANCIAL STATEMENTS
AND
STATE SINGLE AUDIT REPORTS**

Year ended June 30, 2009

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Connecticut Fuel Oil Conservation Fund, Inc.

We have audited the accompanying statement of financial position of Connecticut Fuel Oil Conservation Fund, Inc. (the Fund) as of June 30, 2009, and the related statements of activity, and cash flows for the year then ended. These financial statements are the responsibility of the 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

As described more fully in Note 1 to the financial statements, the State of Connecticut has passed legislation that in management's opinion has eliminated the Fund's only source of revenue. If no further funding becomes available, management intends to discontinue operations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Fuel Oil Conservation Fund, Inc. as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2009 on our consideration of Connecticut Fuel Oil Conservation Fund, Inc.'s internal control structure over financial reporting and 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Connecticut Fuel Oil Conservation Fund, Inc. taken as a whole. The accompanying supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

UHY LLP

New Haven, Connecticut
December 7, 2009

An Independent Member of Urbach Hacker Young International Limited

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 102,979
Receivable:	
State Grant	<u>60,000</u>
	<u>\$ 162,979</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued expenses	<u>\$ 130,709</u>
Total current liabilities	130,709
NET ASSETS - Temporarily Restricted	<u>32,270</u>

\$ 162,979

See notes to financial statements.

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CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Grant revenue	\$ -	\$ 2,560,000	\$ 2,560,000
Contribution	100	-	100
Interest income	<u>10,846</u>	<u>-</u>	<u>10,846</u>
	10,946	2,560,000	2,570,946
Net assets released from restrictions	<u>2,527,730</u>	<u>(2,527,730)</u>	<u>-</u>
Total Revenue and Support	<u>2,538,676</u>	<u>32,270</u>	<u>2,570,946</u>
Expenses			
Program Expenses			
Direct program costs	2,294,301	-	2,294,301
Program implementation and CAA administration fees	<u>147,701</u>	<u>-</u>	<u>147,701</u>
Total Program Expenses	2,442,002	-	2,442,002
Supporting Services			
General and administrative expenses	<u>96,674</u>	<u>-</u>	<u>96,674</u>
Total Expenses	<u>2,538,676</u>	<u>-</u>	<u>2,538,676</u>
Increase in Net Assets	-	32,270	32,270
Net Assets, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, End of year	<u>\$ -</u>	<u>\$ 32,270</u>	<u>\$ 32,270</u>

See notes to financial statements.

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CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2009

Operating Activities	
Increase in net assets	\$ 32,270
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Grant receivable	(60,000)
Accounts payable and accrued expenses	<u>130,709</u>
Net cash provided by operating activities	<u>102,979</u>
Net increase in cash	102,979
Cash and Cash Equivalents, Beginning	<u>-</u>
Cash and Cash Equivalents, Ending	<u>\$ 102,979</u>

See notes to financial statements.

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CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization and Nature of Activities

The Connecticut Fuel Oil Conservation Fund, Inc. (the Fund) was incorporated in the State of Connecticut in the year 2008 and was determined to be exempt from federal income taxes by the Internal Revenue Service due to the charitable nature of its activities.

The Connecticut Fuel Oil Conservation Fund was created by Public Act 07-242, the first-of-its-kind in the nation fuel oil conservation fund operated as a Connecticut corporation, and as a 501(c)(3) non-profit corporation under the IRS code. The Fund was formed to administer conservation programs, including programs that benefit low-income persons; research, development and commercialization of products or processes that are more energy-efficient than those generally available; development of markets for such products and processes; support for energy use assessment, engineering studies and services related to new construction or major building renovations; the design, manufacture, commercialization and purchase of energy-efficient appliances and heating devices; program planning and evaluation; joint fuel conservation initiatives and programs targeted at saving more than one fuel resource; and public education regarding conservation. Such support may be by direct funding, manufacturers' rebates, sale price and loan subsidies, leases and promotional and educational activities. A total of \$2,560,000 was awarded from the State of Connecticut's Comptroller's Office during the year ended June 30, 2009 for the program's purpose. The final determination of the allowability of expenses charged to the program rests with the State.

To facilitate the operation of the program, the Fund entered into agreements with five community action agencies throughout Connecticut. The agencies determine an individual's eligibility, arrange for the equipment installations and insure final inspections of the work have taken place. Based upon completed installations and related inspections, the agencies submit the costs to the Fund. The Fund pays the agencies who in turn are responsible for payments to the contractors.

Significant Accounting Policies

Financial Statement Presentation and Accounting Method

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Fund pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. Generally, the donors of such assets permit the Fund to use all or part of the income earned on the assets.

The Fund had no permanently restricted net assets at June 30, 2009.

The financial statements of the Fund have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

Donated services for which a fair value can be established using reasonable methods are recorded at their fair value on the date the services are rendered.

The Fund pays for its administration services which require specific expertise. However, the Board of Directors volunteers their time and performs a variety of tasks that assist the Fund with its program; none of the Board members are compensated. No amounts have been reflected in the financial statements for donated services for the year ended June 30, 2009.

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Tax Status

The Fund is exempt from federal tax under section 501(c)(3) of the Internal Revenue Code. However, income from activities not related directly to the Fund's tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Fund qualifies for the charitable contribution deduction under section 170(B)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)2. The Fund is exempt from state taxation by virtue of its federal exemption.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include all funds on hand, and on deposit with financial institutions.

Concentrations of Credit Risk

The Fund maintained all of its cash and cash equivalents with one financial institution. At June 30, 2009, and at other times during the year, amounts of cash and cash equivalents maintained on deposit were in excess of Federal Deposit Insurance Corporation (FDIC) limits.

Economic Dependency

For the year ended June 30, 2009 the Fund received 100% of its revenue from a single award from the Connecticut Office of the State Comptroller, the loss of which would have a material adverse effect on the Fund.

On January 15, 2009, the Connecticut legislature approved Public Act 09-1, *An Act Concerning Deficit Mitigation for the Fiscal Year Ending June 30, 2009*, which, among other factors, transferred amounts that had been appropriated for the Fuel Oil Conservation Account back to the General Fund. Management believes that as a result of this action, and if no appropriation for the purpose is subsequently made, the Fund will not receive further state support for 2010 operations. If no further funding becomes available, management intends to discontinue operations.

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Functional Allocation of Expenditures

The Fund charges expenditures where they are specifically identified with a grant, contract or contribution. After expenditures have been charged in this manner, the remaining costs are allocated with reference to award conditions and budgets. Management and general expenditures include those expenses that are not directly identifiable with any other specific program but provide for the overall support of the Fund.

Property and Equipment

It is the Fund's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Fund reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Fund had no property and equipment at June 30, 2009.

Subsequent Events

Events subsequent to June 30, 2009 have been evaluated through December 7, 2009, the date the financial statements were available to be issued.

NOTE 2 — GRANT RECEIVABLE

Grant receivable at June 30, 2009 consisted of funds due from the State of Connecticut that were received in September 2009.

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
Year ended June 30, 2009

Program administrator	\$ 85,020
Legal fees	9,188
Insurance	1,665
Miscellaneous expense	<u>801</u>
	<u>\$ 96,674</u>

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

Board of Directors
Connecticut Fuel Oil Conservation Board

We have audited the financial statements of the Connecticut Fuel Oil Conservation Fund, Inc. (CFOCF) (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. Our audit report contains an emphasis of matter regarding CFOCF's funding for its next fiscal year. 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 CFOCF'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 CFOCF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CFOCF'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 combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles 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 control.

Our consideration of 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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFOCF'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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

UHY LLP

New Haven, Connecticut
December 7, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM, ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE STATE SINGLE AUDIT
ACT, AND ON THE SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE**

Board of Directors
Connecticut Fuel Oil Conservation Fund, Inc.

Compliance

We have audited the compliance of the Connecticut Fuel Oil Conservation Fund, Inc. (CFOCF) with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to its major state program for the year ended June 30, 2009. The major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state program is the responsibility of the CFOCF's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about the CFOCF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the CFOCF's compliance with those requirements.

In our opinion, the CFOCF complied, in all material respects, with the requirements referred to above that are applicable to its major state program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements which is required to be reported in accordance with the State Single Audit Act and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

CFOCF's response to the finding identified in our audit is described in their response which is included in this reporting package. We did not audit CFOCF's response and, accordingly, we express no opinion on it.

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Internal Control Over Compliance

The management of the CFOCF is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 CFOCF's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program 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 material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by CFOCF's internal control.

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

Schedule of Expenditures of State Financial Assistance

We have audited the basic financial statements of the Connecticut Fuel Oil Conservation Fund, Inc. (CFOCF), as of and for the year ended June 30, 2009 and have issued our unqualified report thereon dated December 7, 2009. Our audit report contains an emphasis of matter regarding CFOCF's funding for its next fiscal year. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

WAY LLP

New Haven, Connecticut
December 7, 2009

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year ended June 30, 2009

<u>Program Title</u>	<u>State Grant Program CORE - CT Number</u>	<u>Expenditures</u>
<u>Office of the State Comptroller</u>		
Fuel Conservation Fund	Public Act 07-242	<u>\$ 2,538,676</u>
Total Expenditures of State Financial Assistance		<u>\$ 2,538,676</u>

See notes to schedule of expenditures of state financial assistance.

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CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2009

The Comptroller's Office of the State of Connecticut provided financial assistance to the Connecticut Fuel Oil Conservation Fund, Inc. (CFOCF) to provide programs in furtherance of fuel oil conservation.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the CFOCF conform to accounting principles generally accepted in the United States of America as applicable to nonprofit entities. The financial statements are prepared on the accrual basis. Revenues are recognized when earned and expenditures when the related liability for goods and services is incurred.

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2009

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 7, 2009, 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 indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no material weaknesses.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

This finding relates to CFOCF's program funded under Public Act 07-242

09-1 Finding

One form documenting furnace replacement activity, of the twenty five sampled, did not contain the post-inspection signature of an agency representative.

Criteria

CFOCF's policy is prior to payment to an agency for an installation, a post-installation inspection is to be performed and the related form signed by both the homeowner and a representative of the agency who contracted for the work.

Condition

Management oversight in controls over activities allowed was lacking in this instance.

Questioned Cost

None

Context

CFOCF reviewed hundreds of installation activities during the year ended June 30, 2009. The activity referenced did contain the homeowner's signature on the form as well as an accompanying picture showing the new unit.

Effect

None

Recommendation

All forms should contain the required signatures.

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2009

IV. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS
(Continued)

View(s) of Responsible Officials
See attached response.

CONNECTICUT FUEL OIL CONSERVATION FUND, INC.
SUMMARY OF PRIOR YEAR FINDINGS
Year Ended June 30, 2009

No prior year findings were reported.



P.O. Box 339 Litchfield, CT 06759
860.626.7173 www.ctfocb.com

December 7, 2009

Office of Policy and Management
450 Capitol Avenue
Hartford CT 06106-1379

The Connecticut Fuel Oil Conservation Fund, Inc. respectfully submits the following responses to the audit findings associated with the June 30, 2009 financial statements.

Name and address of independent public accounting firm:

UHY LLP
555 Long Wharf Drive
New Haven CT 06511

Audit Period: June 30, 2009

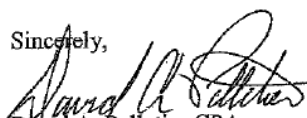
Finding 09-01:

One form documenting furnace replacement activity, of the twenty five sampled did not contain the post-inspection signature of an agency representative.

Management Response:

During the course of the fiscal year the organization reviewed in excess of 400 applications and did maintain high levels of documentation of all the installations that were made. After a review of the application in question it appears that the CAA inspector completed the necessary inspections but signed off on the wrong line. The inspector did obtain the customer's signature along with a photograph of the finished project but the signature appeared on the incorrect line.

If the Office of Policy and Management has questions regarding the response please call David Pelletier (Treasurer) at (203) 272-1621 or Theresa Lavoie (Program Administrator) at (860) 626-7173.

Sincerely,

David A. Pelletier CPA
Treasurer

Appendix 5. Program Participant Survey Results

	Survey Questions	Excellent	Very good	Acceptable	Needs improvement	Unacceptable	Not applicable	YES	NO	Total Responses
1	Overall satisfaction with our response time.	76%	14%	5%	3%	2%	0%			235
2	Satisfaction with agency explanation of program and available assistance.	73%	19%	2%	2%	3%	2%			237
3	Overall satisfaction with the new heating system.	77%	15%	0%	3%	1%	3%			236
4	Is the new htg sys running as expected?							98%	2%	219
5	Did the installer give you info on care and maintenance?							85%	15%	219
6	Did you have energy conservation work performed on your home by the CAA or utility?							37%	63%	220
7	Can we contact you to participate in energy conservation programs?							94%	6%	224