MIRA
Materials Innovation and Recycling Authority
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September 30, 2015

Joint Standing Committee on Finance, Revenue and Bonding
Connecticut General Assembly
State of Connecticut
Legislative Office Building
Hartford, CT 06106

RE: **Connecticut General Statutes, Section 22a-263b**
Materials Innovation and Recycling Authority
Annual Audited Financial Report for Fiscal Year Ended June 30, 2015

Dear Joint Standing Committee Chairs:

Pursuant to the above-referenced State statute, and Public Act 14-94, the Board of Directors of the Materials Innovation and Recycling Authority (the "Authority") shall submit to the Joint Standing Committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding a copy of each audit of the Authority conducted by an independent auditing firm, not later than seven days after the audit is received by the Board of Directors.

The Authority's Board of Directors accepted its annual audited financial report for the fiscal year ended June 30, 2015 substantially as discussed and presented at its September 16th and 17th, 2015 Finance Committee and Board meetings and received the final report on September 29, 2015. Accordingly, I enclose the fiscal year 2015 audited financial report.

Sincerely,

Donald S. Stein

Donald S. Stein
Chairman of the Board

Enclosure – as stated

Cc: Auditors of Public Accounts
Thomas D. Kirk, President and CEO (without enclosure)
Mark T. Daley, Chief Financial Officer (without enclosure)
Laurie Hunt, Esq., Director of Legal Services (without enclosure)
Deepa Krishna, Manager of Accounting and Finance Reporting (without enclosure)

Materials Innovation and Recycling Authority

MATERIALS INNOVATION AND RECYCLING AUTHORITY

A Component Unit of the State of Connecticut

ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014

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Essex

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Materials Innovation and Recycling Authority
Hartford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the Materials Innovation and Recycling Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Materials Innovation and Recycling Authority, as of June 30, 2015, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MahoneySabol CPAs and Advisors

Other Matters

The financial statements of the Materials Innovation and Recycling Authority as of and for the year ended June 30, 2014 were audited by other auditors whose report dated September 24, 2014, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules on pages 51 through 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

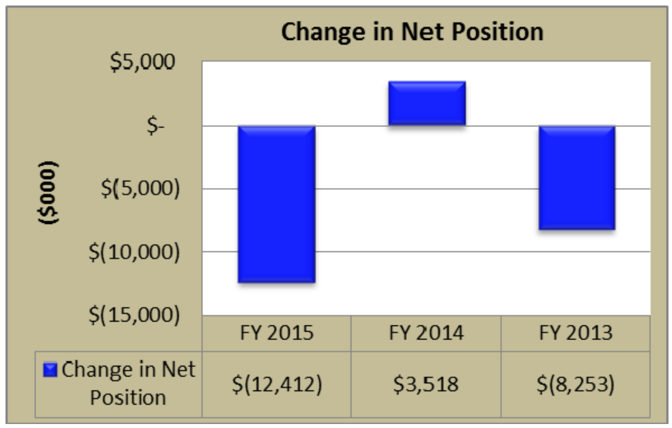
In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
September 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Materials Innovation and Recycling Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2015 and 2014. Please read it in conjunction with the Authority's financial statements that follow this section. The MD&A is intended to provide meaningful information to the reader for the current year, and in comparison to prior years, thereby enhancing the reader's understanding of the Authority's financial position and the results of its operations. Effective June 6, 2014 the State of Connecticut designated the Authority as successor to the Connecticut Resources Recovery Authority (CRRA). On this date the Authority assumed control over all of CRRA's assets, rights, duties and obligations and continued CRRA's ongoing business as described fully in Note 1.A to the Financial Statements.



In FY 2015, the Authority generated total operating revenue of $98.3 million, and incurred $91.0 million in operating expenses before depreciation, resulting in operating income before depreciation of $7.3 million. After $17.6 million in depreciation and amortization expenses, the Authority incurred a $10.3 million operating loss. The Authority also incurred net non-operating expenses of $2.1 million resulting in a total reduction in the Authority's net position of $12.4 million. Total operating revenues decreased by 20.3%, while total operating expenses before depreciation decreased by 14.2%, from fiscal year 2014 to fiscal year 2015. The Authority operated 6.5% below its total operating expense budget of $97.3 million. However, total operating revenues were 5.3% below the $103.7 million budget causing the Authority to rely more heavily than planned on its Tip Fee Stabilization Fund and also causing a reduction in the CSWS cash position. The Authority's total assets decreased by $13.5 million (6.9%) and its total liabilities decreased by $1.1 million (4.7%).

The most significant economic factor with the potential to adversely affect the Authority is its reliance on wholesale energy revenue to keep solid waste disposal fees for its Connecticut Solid Waste System (CSWS) below the levels that trigger customer contract termination provisions, the limited options available to the Authority through its other divisions to relieve this pressure on tip fees when energy revenues are low, reduced energy production associated with CSWS's aging resource recovery facility and an anticipated redevelopment of the CSWS in the context of this business model not targeted for completion until June 30, 2024. These are the primary factors contributing to the Authority's FY 2015 reduction in net position. Management's response to this challenge, discussed further under the Economic Factors and Outlook section of this MD&A, has been to create a "Tip Fee Stabilization Fund", undertake certain initiatives necessary to sustain and adapt the use of this fund to evolving needs over the long term, to hedge against wholesale energy price volatility by contracting a fixed price for a portion of the facility's energy output, and to maximize resources available for facility major maintenance, renewals and replacements. These initiatives are assessed and adapted annually as part of the Authority's long term financial planning.

Using This Report

The Authority is an enterprise fund of the State of Connecticut. Enterprise funds are used in governmental accounting to present activities where fees are charged to external customers for goods that are sold or services that are rendered. Usually these activities are financed by debt that is secured solely by a pledge of the operating revenues of that activity.

The Authority's financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The financial statements utilize the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles as applied to governmental entities. This means that all assets and liabilities associated with the operation of the Authority are included on its Statement of Net Position, and that all revenues and expenses are recognized when earned and incurred, respectively, on its Statement of Revenues, Expenses and Changes in Net Position.

The Authority's Net Position is presented in three components (i) net investment in capital assets, (ii) restricted, and (iii) unrestricted. Net position presented as net investment in capital assets consists of all significant capital assets owned by the Authority, net of accumulated depreciation, and reduced by any outstanding balances of bonds or other debt related to the acquisition, construction, or improvement of those assets. Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations that have an initial useful life beyond one year. Capital assets are depreciated over their useful lives and periodic depreciation expense is reported in the Statement of Revenues, Expenses and Changes in Net Position. Net Position is presented as restricted when constraints are placed on the Authority's assets by creditors, grantors, laws or imposed by law through constitutional provisions or enabling legislation.

The Statement of Revenues, Expenses and Changes in Net Position reflect the operating revenues and expenses and non-operating revenues and expenses of the Authority for the fiscal year with the difference representing the change in net position. That change, combined with the prior year-end net position total, reconciles to the net position total at the end of the current fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash balance at the end of the current fiscal year.

Unless otherwise stated, all values presented in this M,D&A are in thousands.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is important to understanding the financial statements. They are presented following this MD&A and the Authority's financial statements.

Supplemental Information

Supplemental information includes a Combining Schedule of Statement of Net Position, a Combining Schedule of Revenues, Expenses and Changes in Net Position, a Combining Schedule of Cash Flows, and a Combining Schedule of Net Position. These schedules segment the Authority's financial activities for the year ended June 30, 2015 between the various operating divisions and waste to energy facilities (projects) comprising the Authority. This segmentation reflects the terms and conditions of facility operating contracts, service agreements, related documents and statutes generally providing for the financial self-sufficiency of such projects and divisions as described further in Note 1.A to the Financial Statements (Entity and Services). For FY 2015, these projects and divisions include:

- Authority General Fund
- Connecticut Solid Waste System
- Mid Connecticut Project
- Southeast Project
- Southwest Division
- Property Division
- Landfill Division
- Recycling Division

Required Additional Reports

Required additional reports include a report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.

Statement of Net Position

The net position of the Authority is summarized in Table 1. Net position is a measurement of the Authority's financial condition at one point in time. As indicated in Table 1, the Authority's net position as of June 30, 2015 (total assets less total liabilities) was $159,354 which represents a $12,412 (7.2%) reduction from the prior year. The $12,412 reduction in Net Position is the result of a decrease in total assets of $13,516 offset by a reduction in total liabilities of $1,104.

TABLE 1
STATEMENT OF NET POSITION
As of June 30,
(Dollars in Thousands)

	2015	2014	2013
ASSETS			
Current unrestricted assets	$ 74,251	$ 81,282	$ 111,531
Current restricted assets	1,800	2,694	6,705
Total current assets	76,051	83,976	118,236
Non-current assets:			
Restricted investments	-	-	8,184
Capital assets, net	105,276	110,475	114,859
Development costs, net	392	784	1,177
Total non-current assets	105,668	111,259	124,220
TOTAL ASSETS	$ 181,719	$ 195,235	$ 242,456
LIABILITIES AND NET POSITION			
LIABILITIES			
Current unrestricted liabilities	$ 17,113	$ 15,873	$ 32,060
Current restricted liabilities	1,752	4,096	2,870
Total current liabilities	18,865	19,969	34,930
Long-term unrestricted liabilities	3,500	3,500	31,195
Long-term restricted liabilities	-	-	8,083
Total long-term liabilities	3,500	3,500	39,278
TOTAL LIABILITIES	22,365	23,469	74,208
NET POSITION			
Net invested in capital assets	105,277	110,476	114,859
Restricted	48	548	5,058
Unrestricted	54,029	60,742	48,331
TOTAL NET POSITION	159,354	171,766	168,248
TOTAL LIABILITIES AND NET POSITION	$ 181,719	$ 195,235	$ 242,456

Assets

The Authority's total assets are further summarized on Table 2. The $13,516 reduction in total assets is attributed to the reductions in cash and cash equivalents and accounts receivable shown in the Current Assets section of Table 2, as well as the net reduction in capital assets shown in the Non-Current Assets section of Table 2.

Current Assets

Cash and equivalents are segregated between unrestricted and restricted portions. As indicated on Table 2, unrestricted cash declined by $5,056 (8.6%) and restricted cash declined by $894 (33.2%) for a total reduction of $5,950 (9.7%).

The decline in cash and cash equivalents is centered within the Mid Connecticut Project, CSWS and Recycling Division. The Mid Connecticut Project saw a $5,831 (24.5%) reduction in cash due to the payment of project closeout activities and the transfer of Hartford Landfill closure project funds to the Authority's Landfill Division. CSWS saw a $3,711 (22.3%) reduction in cash primarily reflecting the excess of cash used for non-capital financing activities over net cash provided by operating activities (transfers to other divisions for various funds and reserves). The Recycling Division saw a $643 (100%) reduction in cash representing the closure of this division and distribution of remaining funds to member towns. These reductions were partially offset by increases in cash in the Property Division and Landfill Division. The Property Division saw an increase in cash of $1,176 (9.8%) reflecting the results of its operations less distributions to Wallingford and Recycling Division project towns, and less reserve funds received from other divisions net of cash used for capital (CSWS improvement fund spending). The Landfill Division saw an increase of $1,747 (81.3%) reflecting the transfer and consolidation of reserve funds remaining after the transfer of landfill post closure care obligations to the State Department of Energy and Environmental Protection (DEEP) and completion of closure of the Hartford Landfill. See notes 4 and 10 to the Financial Statements.

The $1,936 (13.8%) decline in accounts receivable is centered within the Authority's Southwest Division. This division effectively completed operations as of June 30, 2014 and its accounts receivable declined by $1,168 from FY 2014 to FY 2015. There were no accounts receivable related to this division as of June 30, 2015. The CSWS also saw a $731 (16.0%) reduction in accounts receivable. This is attributed to a similar reduction in the operating revenues of CSWS from FY 2014 to FY 2015.

Non-Current Assets

The $5,591 (5.0%) net reduction in non-current assets reflects a $1,362 (4.3%) increase in non-depreciable assets offset by a $392 (50.0%) reduction in development costs and a 6,561 (8.3%) reduction in depreciable assets.

The increase in non-depreciable assets is directly related to an increase in construction in progress representing major maintenance activity at the CSWS resource recovery facility. The reduction in development costs reflects annual amortization of the Authority's development costs related to the Southeast Project. The amortization of these expenses will be completed in FY 2016. The reduction in depreciable assets reflects the transfer of and acquisition of $11,854 in new plant and equipment placed in to service in FY 2015 less net sales and disposals of $993 and less the increase in accumulated depreciation of $17,422.

TABLE 2
SUMMARY OF CURRENT AND NON-CURRENT ASSETS
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2015	2014	2015 Increase/ (Decrease) from 2014	2015 Percent Increase/ (Decrease)	2013	2014 Increase/ (Decrease) from 2013	2014 Percent Increase/ (Decrease)
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	$ 53,771	$ 58,827	$ (5,056)	(8.6%)	$ 87,559	$ (28,732)	(32.8%)
Accounts receivable, net of allowances	12,122	14,058	(1,936)	(13.8%)	17,073	(3,015)	(17.7%)
Inventory	5,916	6,069	(153)	(2.5%)	6,544	(475)	(7.3%)
Prepaid expenses	2,442	2,328	114	4.9%	355	1,973	555.8%
Total Unrestricted Assets	74,251	81,282	(7,031)	(8.7%)	111,531	(30,249)	(27.1%)
Restricted Assets:							
Cash and cash equivalents	1,800	2,694	(894)	(33.2%)	6,705	(4,011)	(59.8%)
TOTAL CURRENT ASSETS	76,051	83,976	(7,925)	(9.4%)	118,236	(34,260)	(29.0%)
NON-CURRENT ASSETS							
Restricted investments	-	-	-	n/a	8,184	(8,184)	(100.0%)
Capital Assets:							
Depreciable, net	72,507	79,068	(6,561)	(8.3%)	84,517	(5,449)	(6.4%)
Nondepreciable	32,769	31,407	1,362	4.3%	30,342	1,065	3.5%
Development costs, net	392	784	(392)	(50.0%)	1,177	(393)	(33.4%)
TOTAL NON-CURRENT ASSETS	105,668	111,259	(5,591)	(5.0%)	124,220	(12,961)	(10.4%)
TOTAL ASSETS	$ 181,719	$ 195,235	$ (13,516)	(6.9%)	$ 242,456	(47,221)	(19.5%)

Liabilities

The Authority's total liabilities are further summarized on Table 3. The $1,104 (4.7%) reduction from FY 2014 to FY 2015 is largely attributed to changes in accrued expenses and other liabilities shown in the current liabilities section of Table 3. There was no change in the Authority's long term liabilities from FY 2014 to FY 2015.

Accrued expenses and other current liabilities are segregated between costs payable from unrestricted assets and costs payable from restricted assets. The unrestricted portion increased by $1,494 (17.6%) while the restricted portion declined by $2,344 (57.2%) from FY 2014 to FY 2015.

The increase in accrued expenses and other liabilities payable from unrestricted assets is solely related to the Southeast Project and the annual true up of funds due to the contract operator of this facility. All other divisions saw a reduction in these accrued expenses. The CSWS saw a reduction of $1,256 (37.5%) primarily due to the timing of year end contractor accruals for this facility. The Mid Connecticut Project saw a reduction of $933 (23.7%) related to payment of expenses accrued in FY 2014 for project closeout activities including legal fees, site cleanup, and closure of the Hartford Landfill.

The decrease in accrued expenses and other liabilities payable from restricted assets is solely related to the Southeast Project and the change in funds on deposit within the project's restricted deposit account pending distribution for project related purposes.

TABLE 3
SUMMARY OF CURRENT AND LONG-TERM LIABILITIES
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2015	2014	2015 Increase/ (Decrease) from 2014	2015 Percent Increase/ (Decrease)	2013	2014 Increase/ (Decrease) from 2013	2014 Percent Increase/ (Decrease)
CURRENT LIABILITIES							
Payable from unrestricted assets:							
Closure and post-closure care of landfills	$ -	$ 43	$ (43)	(100.0%)	$ 14,214	$ (14,171)	(99.7%)
Accounts payable	4,535	4,740	(205)	(4.3%)	4,311	429	10.0%
Acccrued expenses and other current liabilities	9,992	8,498	1,494	17.6%	11,430	(2,932)	(25.7%)
Unearned revenue	2,586	2,592	(6)	(0.2%)	2,105	487	23.1%
Total payable from unrestricted assets	17,113	15,873	1,240	7.8%	32,060	(16,187)	(50.5%)
Payable from restricted assets:							
Accounts payable	-	-	-	n/a	33	(33)	(100.0%)
Acccrued expenses and other current liabilities	1,752	4,096	(2,344)	(57.2%)	2,837	1,259	44.4%
Total payable from restricted assets	1,752	4,096	(2,344)	(57.2%)	2,870	1,226	42.7%
TOTAL CURRENT LIABILITIES	18,865	19,969	(1,104)	(5.5%)	34,930	(14,961)	(42.8%)
LONG-TERM LIABILITIES							
Payable from unrestricted assets:							
Closure and post-closure care of landfills	-	-	-	n/a	27,695	(27,695)	(100.0%)
Other liabilities	3,500	3,500	-	0.0%	3,500	-	0.0%
Total payable from unrestricted assets	3,500	3,500	-	0.0%	31,195	(27,695)	(88.8%)
Payable from restricted assets:							
Closure and post-closure care of landfills	-	-	-	n/a	7,367	(7,367)	(100.0%)
Other liabilities	-	-	-	n/a	716	(716)	(100.0%)
Total payable from restricted assets	-	-	-	n/a	8,083	(8,083)	(100.0%)
TOTAL LONG-TERM LIABILITIES	3,500	3,500	-	0.0%	39,278	(35,778)	(91.1%)
TOTAL LIABILITIES	$ 22,365	$ 23,469	$ (1,104)	(4.7%)	$ 74,208	(50,739)	(68.4%)

Statement of Revenues, Expenses and Changes in Net Position

The reduction in net position shown on Table 1 was generated from the change in net position (operating and non-operating losses) shown on Table 4, Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015. Changes in net position represent the results of operations of the Authority (i.e. its net income).

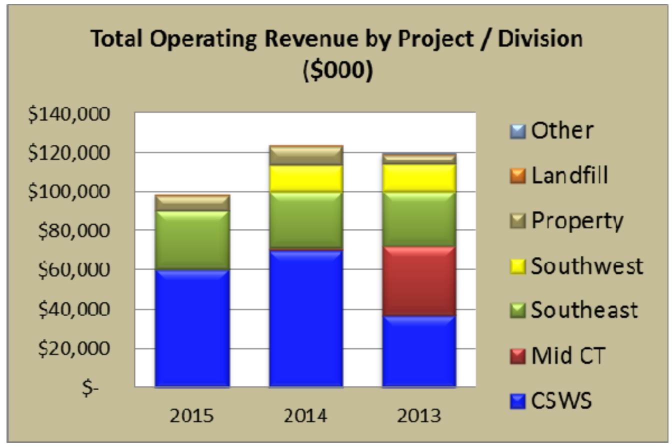
The reduction in net position is the result of a $30,044 (23.4%) reduction in total revenue as detailed in Table 5 being only partially offset by a $14,114 (11.3%) reduction in total expense as detailed in Table 6. The Authority generated $7,299 in income before depreciation and non-operating expenses. However, depreciation and amortization expenses totaled $17,614 and non-operating expenses, net totaled $2,097.

TABLE 4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2015	2014	2013
Operating revenues	$ 98,265	$ 123,362	$ 119,866
Operating expenses	90,966	106,082	112,113
Income (loss) before depreciation and amortization and other non-operating revenues and (expenses)	7,299	17,280	7,753
Depreciation and amortization	17,614	16,101	15,085
Income (loss) before other non-operating revenues and (expenses), net	(10,315)	1,179	(7,332)
Non-operating revenues (expenses), net	(2,097)	2,339	(921)
Change in net position	(12,412)	3,518	(8,253)
Total net position, beginning of year	171,766	168,248	176,501
Total net position, end of year	$ 159,354	$ 171,766	$ 168,248

Revenues

Table 5 summarizes total revenue (operating and non-operating) for the current and two prior fiscal years ending June 30, 2015.



As indicated in Table 5, operating revenue decreased by $25,097 (20.3%) from fiscal year 2014 to fiscal year 2015. There are three primary contributing factors to this reduction including completion of the Authority's Southwest Division, reduced CSWS energy revenue and completing final closure of the Hartford landfill.

Approximately 58% of the reduction in operating revenue ($14,583) is in Member Service Charges (tip fees). This is directly attributable to completion of operations of the Authority's Southwest Division effective June 30, 2014. As discussed in Note 1A, the Authority has historically used disposal capacity it retained in the Bridgeport Project upon its closure to serve the waste disposal needs of 12 municipalities in the southwest area of the State. In FY 2014 Member Service Fees within the Southwest Division were $13,389. With expiration of the relevant contracts and effective closing of this division on June 30, 2014, this revenue reduced to $67 in FY 2015. Member Service Fees for the CSWS were virtually unchanged from FY 2014 to FY 2015 while the Southeast Project saw a reduction of $825 (9.8%) during this period.

Approximately 38% of the reduction in operating revenue ($9,530) is in Energy Sales. The substantial portion of this reduction occurred within the CSWS which saw an $8,822 reduction in Energy Sales revenue. This is directly attributed to very low wholesale energy prices in FY 2015 (compared to very high prices in the prior year), coupled with declining electricity production, which factors were partially offset by a fixed energy sales contract discussed further in the Economic Factors and Outlook section of this Management Discussion and Analysis. Energy Sales revenue from the Southeast Project actually increased by $1,125 pursuant to the terms of the original long term energy procurement contract associated with this project (which expires February 2017). Energy Sales revenue within the Property Division declined by $1,904 primarily due to ISO New England's removal of the Authority's jet powered electric generating peaking units "Jet Peaking Units" from its "Black Start" program and reduced real time energy sales from these units.

The $1,491 reduction in other operating revenue is largely attributed to the cessation of soils acceptance at the Hartford Landfill as part of its closure project, and to a lesser extent, reduced recycling and related sales revenue driven by declining recycled commodity sales prices.

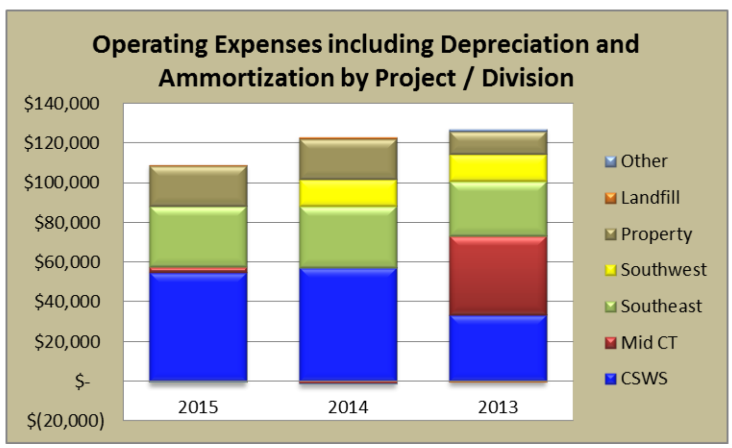
Table 5 also indicates that non-operating revenue decreased by $4,947 (98%) from FY 2014 to FY 2015. This is due to the Authority's recognition in FY 2014 of a gain on the write off of its landfill post closure care and maintenance liabilities. This gain (not included in FY 2015 non-operating revenue) represented the difference between funds transferred by the Authority to the State of Connecticut and the landfill post closure liabilities recorded by the Authority on the Authority's financial statements as of the date of transfer to the State. See notes 4 and 10 to the Financial Statements for additional information.

TABLE 5
SUMMARY OF OPERATING AND NON-OPERATING REVENUES
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2015	2014	2015 Increase/ (Decrease) from 2014	2015 Percent Increase/ (Decrease)	2013	2014 Increase/ (Decrease) from 2013	2014 Percent Increase/ (Decrease)
Operating Revenues:							
Member service charges	$ 31,005	$ 45,588	$ (14,583)	(32.0%)	$ 49,145	$ (3,557)	(7.2%)
Other service charges	17,020	16,513	507	3.1%	18,512	(1,999)	(10.8%)
Energy sales	46,921	56,451	(9,530)	(16.9%)	42,261	14,190	33.6%
Other operating revenues	3,319	4,810	(1,491)	(31.0%)	9,948	(5,138)	(51.6%)
Total Operating Revenues	98,265	123,362	(25,097)	(20.3%)	119,866	3,496	2.9%
Non-Operating Revenues:							
Investment income	60	109	(49)	(45.0%)	139	(30)	(21.6%)
Gain on write-off of postclosure liabilities	-	4,751	(4,751)	100.0%	-	4,751	n/a
Other income	43	190	(147)	(77.4%)	67	123	183.6%
Total Non-Operating Revenues	103	5,050	(4,947)	(98.0%)	206	4,844	2351.5%
Total Revenues	$ 98,368	$ 128,412	$ (30,044)	(23.4%)	$ 120,072	$ 8,340	6.9%

Expenses

Table 6 summarizes total expenses (operating and non-operating) for the current and two prior fiscal years. As indicated, total expenses declined $14,114 (11.3%) from FY 2014 to FY 2015.



Operating expenses (before depreciation) declined by $15,116 (14.2%) from fiscal year 2014 to fiscal year 2015. Depreciation and amortization expense increased by $1,513 (9.4%) during this same period.

The primary reason for the decline in operating expenses (before depreciation) is a reduction in solid waste operations expense which is directly attributed to the completion of operations of the Authority's Southwest Division. The Southwest Division's solid waste operations expense declined by $12,950 due to the completion of these operations. The CSWS also had a $2,772 (5.3%) decline in solid waste operations expense. This is attributed to reductions in payments in lieu of taxes, insurance and ash disposal costs, as well as GAAP adjustments to reflect the current value of spare parts in inventory and advance payments to vendors, offset by an increase in the cost to divert waste from CSWS to alternate disposal sites. Solid waste operations expense also declined within the Property Division. This $970 (28.7%) decline reflects a lower cost of fuel and Discrete Emission Reductions Credits (DERCs) used to operate the Jet Peaking Units, reduced service fees for the Authority's use of the capacity it maintained in the Wallingford Project, reduced consultant fees related to completion of a statutorily mandated transition plan in FY 2014 and reduced project closure expenses associated with the Bridgeport and Wallingford projects.

The $1,252 (41.6%) reduction in external legal services expense is attributed to reduced spending on matters related to the closeout of the Mid Connecticut Project as well as reduced spending within the Landfill Division associated with completion of the transfer of landfill post closure care obligations to DEEP in FY 2014.

The $3,392 increase in landfill closure and post closure expenses is directly related to the Authority's recognition, in FY 2014, of reduced estimated liabilities for the closure of the Hartford Landfill. The reduced liability was recorded as a credit to these expenses in FY 2014. The absence of this credit in FY 2015 produces the $3,392 increase in this category of expense shown on Table 6.

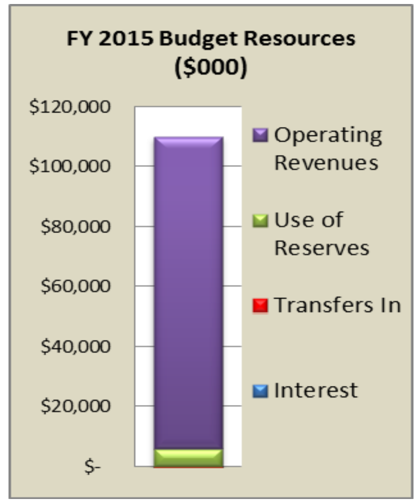
Depreciation and amortization expense increased by $1,513 (9.4%) from FY 2014 to FY 2015. This increase is primarily related to major maintenance activity occurring within the CSWS resource recovery facility and the approaching end of useful lives of its associated buildings and equipment. Certain major maintenance activities are depreciated over the remaining useful life of the underlying asset. For example, the useful life of boiler systems is thirty years ending June 30, 2019 and component replacements are not considered to extend the useful life of the system. Boiler system depreciation expense increased by $1,083 from FY 2014 to FY 2015. An additional factor contributing to the increase in depreciation expense is the Authority's completion and activation of a new solar array on top of the Hartford Landfill.

Non-operating expenses decreased by $511 (18.8%) from FY 2014 to FY 2015. This decline reflects the divergent elements of non-operating expense realized in FY 2014 versus FY 2015. In FY 2014, non-operating expenses were dominated by non-recurring settlement activity associated with the Mid Connecticut Project. In FY 2015 non-operating expenses primarily represented the write off of the undepreciated value of replaced resource recovery facility equipment as well as distributions to member towns associated with the closeout of the Wallingford project ($602) and Recycling Division ($551). See note 1.A to the Financial Statements for additional information.

TABLE 6
SUMMARY OF OPERATING AND NON-OPERATING EXPENSES
Fiscal Years Ended June 30,
(Dollars in Thousands)

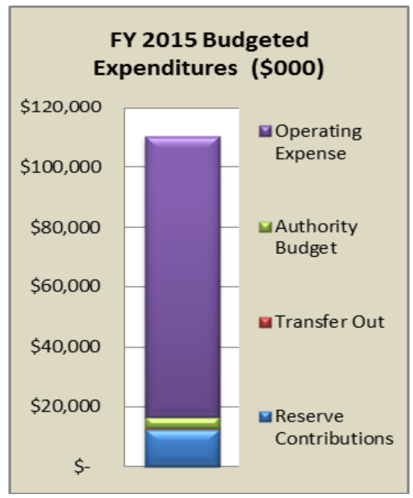
	2015	2014	2015 Increase/ (Decrease) from 2014	2015 Percent Increase/ (Decrease)	2013	2014 Increase/ (Decrease) from 2013	2014 Percent Increase/ (Decrease)
Operating Expenses:							
Solid waste operations	$ 81,852	$ 97,583	$ (15,731)	(16.1%)	$ 99,194	$ (1,611)	(1.6%)
Maintenance and utilities	1,144	1,313	(169)	(12.9%)	1,024	289	28.2%
Landfill closure and post-closure	-	(3,392)	3,392	(100.0%)	1,862	(5,254)	(282.2%)
Legal services - external	1,760	3,012	(1,252)	(41.6%)	1,209	1,803	149.1%
Administrative and operational services	6,210	6,191	19	0.3%	7,525	(1,334)	(17.7%)
Distribution to:							
Member towns	-	-	-	100.0%	810	(810)	
SCRRRA	-	1,375	(1,375)	100.0%	-	1,375	0.0%
SWEROC	-	-	-	100.0%	489	(489)	0.0%
Total Operating Expenses	90,966	106,082	(15,116)	(14.2%)	112,113	(6,031)	(5.4%)
Depreciation and amortization	17,614	16,101	1,513	9.4%	15,085	1,016	6.7%
Non-Operating Expenses:							
Interest expense	-	-	-	n/a	87	(87)	(100.0%)
Other expenses	2,200	2,711	(511)	(18.8%)	1,040	1,671	160.7%
Total Non-Operating Expenses	2,200	2,711	(511)	(18.8%)	1,127	1,584	140.6%
Total Expenses	$ 110,780	$ 124,894	(14,114)	(11.3%)	$ 128,325	$ (3,431)	(2.7%)

Budget versus Actual Performance



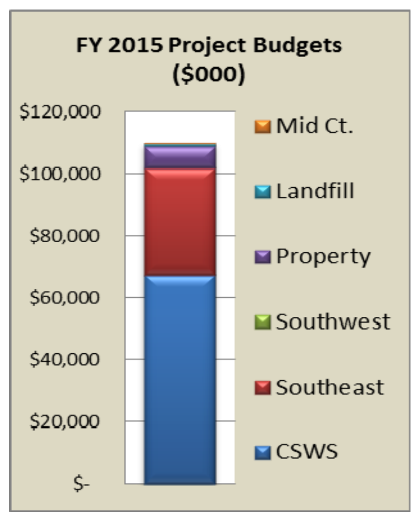
The Authority's total operating budget for FY 2015 was $110,019. The operating budget is funded through operating revenue of $103,723, plus interest, use of reserves and inter-fund transfers of $6,296.

The primary source of funding for the budget is the operating revenue generated by each project and division. Operating revenue provides 94.3% of total budget resources and includes solid waste delivery fees, energy sales, recycling sales and other revenue. Additional sources of funding include interest, use of previously established reserve funds and inter-fund transfers which provide 5.7% of total budget resources.



The operating budget provides balanced funding of the operating expense budgets of each project and division which total $93,504, their allocated share of the Authority's general administrative budget which totals $3,835 and their reserve contributions and transfers out which total $12,680. Operating expenses represent 85.0% of the total budget and include solid waste operations, maintenance and utilities, legal services and project – specific administrative and operations services. Reserve contributions funded in the FY 2015 operating budget included set asides for the CSWS improvement, risk, legal and general funds, the Property Division's tip fee stabilization and general funds, and the Authority's severance reserve.

The Authority's general administrative budget provides for its oversight of all projects and divisions including indirect salaries and benefits, and non-personnel services. This budget ultimately is allocated to each project and division on the basis of such ratios as waste deliveries, revenues, assets and transactions.



The CSWS consumes the largest portion of the total operating budget ($67,476 or 61.3% including operating expenses and reserve contributions). The Southeast Project represents 31.6% of the total operating budget. Other divisions total 7.1% of the budget.

The budget structure for the waste to energy facilities (CSWS and Southeast) reflect the terms and conditions of applicable municipal service agreements and operating contracts that generally require fees for waste disposal by member municipalities (tip fees) to be set at the level necessary to fund each facility's net cost of operation. The net cost of operation generally represents total operating expenses and reserve contributions less non disposal fee revenue where non-disposal fee revenue primarily includes the sale of electricity and use of the facility by non-members.

The operating budget for the Property Division is based on the estimated costs to operate and maintain Authority assets not funded within the waste to energy facility budgets. These costs are funded through electric sales revenue from the Authority's Jet Peaking Units and facility lease rentals. Net income from the division is distributed to its tip fee stabilization fund, improvement fund, or the Authority's severance reserve subject to authorized levels, or retained within the division's General fund when these authorized levels have been attained.

The operating budget for the Landfill Division is based on long term estimates for the Authority to fulfill its landfill post closure care obligations established by federal and State laws and regulations. These costs have been pre-funded through prior project fees and set aside in reserve accounts and trust funds established for these purposes. In FY 2014, these post closure care obligations were transferred to DEEP and certain associated reserve funds were transferred to the State general fund. However, the Authority remained obligated to perform post closure care work during a transition period extending into FY 2015 subject to reimbursement by DEEP. This activity was budgeted and paid within the Landfill Division in FY 2015.

The budget for the Mid Connecticut Project reflects only a share of the Authority's general administrative budget. Additional spending from this division for project close out activities including settlements is approved on an as needed basis by the Board of Directors.

Table 7 summarizes the budget versus actual performance for each project and division. Each project and division operated within its total operating expense budget and/or consistent with Board authorized use of reserve funds.

As indicated, the Authority General Fund operating expense budget was exceeded by $240. This reflects certain personnel services expenses paid through the Authority's severance reserve and therefore not allocated to other projects and divisions.

The CSWS experienced a very challenging year in terms of budget versus actual performance. Operating revenues were $6,834 (10.2%) below budget due to lower than budget wholesale energy prices, lower than budget production of electricity caused primarily by extended resource recovery facility downtime for major maintenance purposes, and lower than budget spot and other contract waste revenue also caused by extended downtime. CSWS operating expenses were $2,094 (3.7%) under budget with savings realized in virtually all categories of expense other than operation and maintenance of the CSWS power block where major maintenance activity was focused. Income before depreciation was $4,740 (46.5%) below budget. The shortfall in income necessitated more frequent than planned use of the Property Division's tip fee stabilization fund in accordance with Board criteria and a reduction in CSWS cash position. As of June 30, 2015, the amount due to the Tip Fee Stabilization Fund from CSWS was $1,353 and the CSWS cash position declined by $3,711.

The Property Division exceeded expectations with operating revenue that was $982 (14.8%) above budget and operating expenses that were $833 (18.4%) below budget. Operating revenues were strong due to above budget payments from ISO New England for real time energy sales and real time reserve payments for the Authority's Jet Peaking Units. Budget savings were realized in virtually all categories of operating expense.

The Southeast Project generated operating revenue that was $105 above budget and incurred operating expenses that were $4,588 below budget. Additional revenues were brought into the Southeast Project in FY 2015 due to diversions of waste from the CSWS necessitated by its extended downtime for major maintenance purposes. Operating expenses were under budget largely due to lower than anticipated contributions to the Southeast Connecticut Regional Resource Recovery Authority future use reserve. This was the result of a planned release of debt service reserve funds not being realized in FY 2015.

Table 7
Materials Innovation and Recycling Authority
FY 2015 Budget versus Actual Performance

Project / Division Budget*	Operating Revenue	Operating Expenses	Authority General Admin.	Total Operating Expenses	Income Before Depreciation	Add Interest, Reserve Use & Transfers In (Net)	Less Reserve Contributions & Transfers Out (Net)	Budget Balance
Authority General Fund	$ -	$ -	$ 1	$ 1	$ (1)	$ 1	$ -	$ -
CSWS	$ 67,261	$ 54,118	$ 2,957	$ 57,075	$ 10,186	$ 215	$ 10,401	$ -
Southeast Project	$ 29,808	$ 34,673	$ 143	$ 34,816	$ (5,008)	$ 5,008	$ -	$ -
Southwest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Property Division	$ 6,654	$ 3,904	$ 612	$ 4,516	$ 2,138	$ 141	$ 2,279	$ -
Landfill Division	$ -	$ 809	$ -	$ 809	$ (809)	$ 809	$ -	$ -
Mid Ct. Project	$ -	$ -	$ 122	$ 122	$ (122)	$ 122	$ -	$ -
Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 103,723	$ 93,504	$ 3,835	$ 97,339	$ 6,384	$ 6,296	$ 12,680	$ -

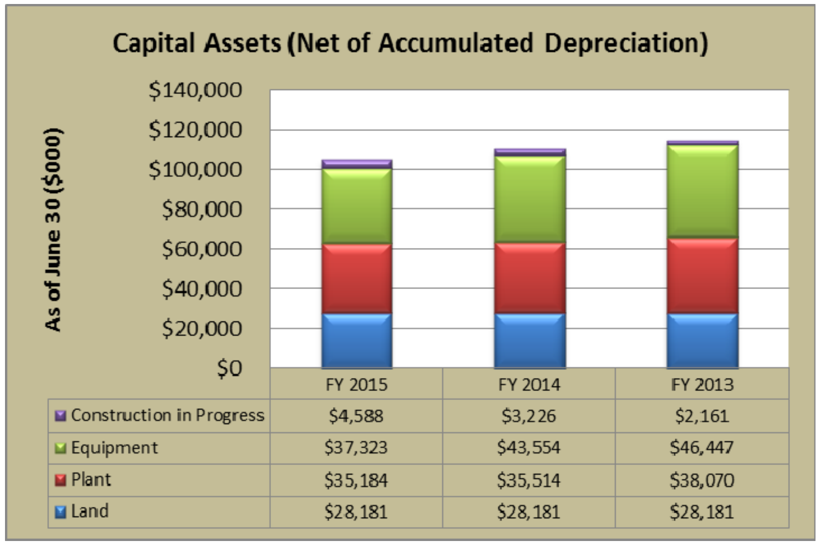
Project / Division Actual*	Operating Revenue	Operating Expenses	Authority General Admin.	Total Operating Expenses	Income Before Depreciation	Add Interest, Reserve Use & Transfers In (Net)	Less Reserve Contributions & Transfers Out (Net)	Budget Balance
Authority General Fund	$ -	$ 240	$ -	$ 240	$ (240)	$ 240	$ -	$ -
CSWS	$ 60,427	$ 52,118	$ 2,863	$ 54,981	$ 5,446	$ 1,380	$ 9,081	$ (2,255)
Southeast Project	$ 29,913	$ 30,090	$ 138	$ 30,228	$ (315)	$ 1,695	$ -	$ 1,380
Southwest	$ 67	$ (43)	$ -	$ (43)	$ 110	$ -	$ -	$ 110
Property Division	$ 7,636	$ 3,091	$ 592	$ 3,683	$ 3,953	$ 12	$ 4,340	$ (375)
Landfill Division	$ 222	$ 486	$ 48	$ 534	$ (312)	$ 312	$ -	$ -
Mid Ct. Project	$ -	$ 2,179	$ (45)	$ 2,134	$ (2,134)	$ 2,134	$ -	$ -
Other	$ -	$ (791)	$ -	$ (791)	$ 791	$ -	$ -	$ 791
Total	$ 98,265	$ 87,370	$ 3,596	$ 90,966	$ 7,299	$ 5,773	$ 13,421	$ (349)

Variance Over (Under) Budget*	Operating Revenue	Operating Expenses	Authority General Admin.	Total Operating Expenses	Income Before Depreciation	Add Interest, Reserve Use & Transfers In (Net)	Less Reserve Contributions & Transfers Out (Net)	Budget Balance
Authority General Fund	$ -	$ 240	$ (1)	$ 239	$ (239)	$ 239	$ -	$ -
CSWS	$ (6,834)	$ (2,000)	$ (94)	$ (2,094)	$ (4,740)	$ 1,165	$ (1,320)	$ (2,255)
Southeast Project	$ 105	$ (4,583)	$ (5)	$ (4,588)	$ 4,693	$ (3,313)	$ -	$ 1,380
Southwest	$ 67	$ (43)	$ -	$ (43)	$ 110	$ -	$ -	$ 110
Property Division	$ 982	$ (813)	$ (20)	$ (833)	$ 1,815	$ (129)	$ 2,061	$ (375)
Landfill Division	$ 222	$ (323)	$ 48	$ (275)	$ 497	$ (497)	$ -	$ -
Mid Ct. Project	$ -	$ 2,179	$ (167)	$ 2,012	$ (2,012)	$ 2,012	$ -	$ -
Other	$ -	$ (791)	$ -	$ (791)	$ 791	$ -	$ -	$ 791
Total	$ (5,458)	$ (6,134)	$ (239)	$ (6,373)	$ 915	$ (523)	$ 741	$ (349)

Operating revenue excludes interest income, use of reserves and transfers in which are used to balance budgets. Operating expenses exclude reserve conributions and transfers out to other projects / divisions. Income before depreciation reconciles to financial statements. Interest, reserves and transfers (net) used to balance budgets are separately stated after income before depreciation.

Capital Assets

The Authority's investment in capital assets (net of accumulated depreciation) as of June 30, 2015 totaled $105,276. This represents a $5,199 (4.7%) reduction from net capital assets as of June 30, 2014 which totaled $110,475. The Authority's investment in capital assets includes land, plant, equipment and construction in progress.



The Authority owns land used for waste management and related purposes in Bridgeport, Ellington, Hartford, Essex, Stratford, Shelton, Torrington, Waterbury and Watertown. Its plants primarily include the waste to energy facility in Hartford, four transfer stations and two recycling facilities. Equipment includes vehicles and machinery used in the Authority's waste processing and recycling operations. Construction in progress represents ongoing work for plant and equipment improvements or additions not yet in service. As of June 30, 2015 this primarily consisted of boiler and turbine improvements in the CSWS resource recovery facility.

The reduction in net capital assets reflects the cumulative effect of additions to construction in progress, less transfers out of construction in progress (to put assets into service), less net sales and disposals and depreciation expense as described more fully in Note 3 to the Financial Statements.

Long-Term Debt Issuance, Administration and Credit Ratings

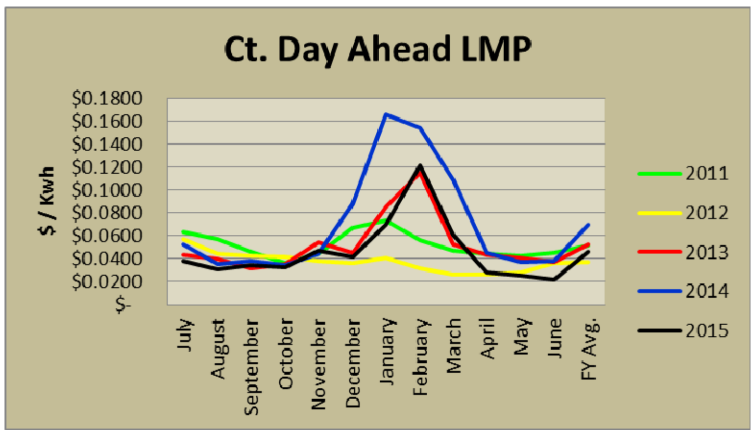
As of June 30, 2015, the Southeast Project had $48,770 of total outstanding debt that is not carried on the Authority's books. This includes the Authority's Resource Recovery Revenue Refunding Bonds (Covanta Southeastern Connecticut Company Project – 2010 Series A) supported by a Special Capital Reserve Fund (SCRF) with the State, and three series of Corporate Credit Revenue Bonds. The SCRF is a contingent liability of the State available to replenish any debt service reserve fund draws on bonds that have the SCRF designation. The funds used to replenish a debt service reserve draw are provided by the State's General Fund and are deemed appropriated by the Connecticut legislature. See Note 1.A to the Financial Statements for additional information on the structure of the Southeast Project.

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2015

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	X= SCRF-Backed[1]	Dated	Maturity Date	Original Principal ($000)	Principal Outstanding ($000)	On Authority's Books ($000)
SOUTHEAST PROJECT								
2010 Series A - Project Refunding [2]	Aa3	AA	X	12/02/10	11/15/15	27,750	5,270	-
CORPORATE CREDIT REVENUE BONDS								
1992 Series A - Corporate Credit	Ba1	NR	--	09/01/92	11/15/22	30,000	30,000	-
2001 Series A - Covanta Southeastern Connecticut Company-I	Ba1	NR	--	11/15/01	11/15/15	6,750	6,750	-
2001 Series A - Covanta Southeastern Connecticut Company-II	Ba1	NR	--	11/15/01	11/15/15	6,750	6,750	-
TOTAL PRINCIPAL BONDS OUTSTANDING							48,770	-

[1] SCRF = Special Capital Reserve Fund of the State of Connecticut.
[2] The 2010 Series A Bonds refunded the 1998 Series A Bonds originally issued in the amount of $87,650,000 on August 18, 1998.
NR = Not Rated

Economic Factors and Outlook



The most significant economic factors with the potential to adversely affect the Authority is the CSWS business model's reliance on wholesale energy revenue to keep solid waste disposal fees below the levels that trigger customer contract termination provisions, the limited options available to the Authority through other divisions to relieve this pressure on tip fees when energy revenues are low, reduced energy production associated with the aging CSWS resource recovery facility, and an anticipated redevelopment of the CSWS in the context of this model that is not targeted for completion until June 30, 2024.

The Connecticut Solid Waste System – The business model for CSWS provides that participating town waste disposal fees ("tip fees") are to be set at the level necessary to fund the net cost of operation of the CSWS. The net cost of operation is the total operating budget less non-disposal fee revenue where non-disposal fee revenue primarily consists of the sale of electricity and use of the CSWS by non-members. Consequently, price volatility in the wholesale energy market directly impacts the tip fees charged to member towns. Some of the Authority's member town contracts include tip fee caps above which the towns may terminate the contract ("opt out tip fee"). In the last five fiscal years, day ahead average wholesale electric prices ranged from a high of $0.0703 per Kwh to a low of $0.0375 per Kwh. Based on the current FY 2016 business model, this is sufficient to reduce tip fees to a low of $49 per ton (26% below the long term contract opt out), or to increase tip fees to a high of $81 per ton (23% above the long term contract opt out). To address this matter, management has established a "Tip Fee Stabilization Fund" which may be drawn upon to support the CSWS net cost of operation when wholesale energy prices are low, thereby avoiding the opt out price, and which is to be reimbursed as wholesale energy prices rebound. The tip fee stabilization fund was established within the Authority's Property Division primarily with income from the Authority's Jet Peaking Units. The value of the tip fee stabilization fund at June 30, 2015 was $5.2 million plus $1.4 million due from the CSWS. Property Division income will continue to flow to this fund in FY 2016 to an authorized level of $7.0 million pending further evaluation and adaptation to CSWS's evolving needs. Management has also undertaken the RFP and contracting process to establish a fixed price independent of the wholesale energy markets for a portion of the CSWS energy production. The process was concluded in December 2014 and established a fixed price of $0.067 per Kwh for the first 20 megawatts of CSWS energy for the period January 1, 2015 to June 30, 2015. This proved to be a very effective hedge in that the contract price generated approximately $1.0 million in revenue above what would have been earned at day ahead wholesale prices. A second contract period established a fixed price of $.054 per Kwh for the first 20 megawatts of CSWS energy for all of FY 2016. Additional cost control measures have been implemented to manage the budget model within the confines of the opt out price.

The Authority's Property Division – The primary source of revenue to the Property Division is participation in the wholesale energy markets of the Authority's Jet Peaking Units. The majority of revenue from the peaking units is derived specifically from ISO New England's Forward Capacity Reserve and Real Time Reserve markets. In these reserve markets, wholesale energy providers are compensated to have electric generation capacity available, not to produce and export energy to the grid. The Authority's peaking units are infrequently called to produce energy because they are older and less economically efficient to operate than other power plants in New England. This inefficiency triggers certain federal and State air quality and emissions regulations requiring issuance of a "Trading Order" that permits the peaking units to run for a limited number of hours subject to the Authority's acquisition of "Discrete Emission Reduction Credits" (DERCs). While the Authority's existing Trading Order extends through May 31, 2017, the Capacity Supply Obligations it has incurred to ISO New England extend through May 31, 2019. To address this matter, in FY 2015 management undertook a study to determine the feasibility of retrofitting the peaking units to meet air quality standards and eliminate the need for the Trading Order, evaluated the process necessary to "delist" the peaking units from the pool of electric generating resources available to ISO New England and avoid further extending the Authority's Capacity Supply Obligations and assessed the feasibility of extending the Trading Order as a stop gap measure. The conclusion of these efforts is that a retrofit is technically feasible at a cost of approximately $14.3 million but that a DEEP proposed phased compliance program that could extend the Trading Order through May 31, 2022 provided the optimum present value cash flow available to sustain the tip fee stabilization fund through completion of the CSWS planned redevelopment. Accordingly, management is deferring implementation of a retrofit, continuing to incur Capacity Supply Obligations and monitoring DEEP progress on implementing the phased compliance program.

The Authority's Landfill Division – In FY 2014, under State mandate, the Authority transferred its landfill post closure care obligations with respect to five landfills to DEEP and $31 million of its landfill post closure care reserves to the State. The transfer of these obligations and reserves did not otherwise affect the Authority's ownership and/or leasehold interest in the landfills or reduce the Authority's landfill liability. See Notes 4 and 10 to the Financial Statements for additional information concerning these transfers. To address this matter, management has secured a pollution legal liability insurance policy including coverage for the five landfills for a term of thirty-eight months commencing August 1, 2014. The policy provides coverage of $40 million per occurrence and $40 million aggregate over the policy term with a $250,000 deductible. The Authority has also negotiated a long term access agreement and power purchase agreement with the City of Hartford addressing the ownership and maintenance of a solar array the Authority installed on top of the Hartford landfill as part of its final capping and closure. These agreements are expected to be executed in early FY 2016 and generate adequate revenue for the Landfill Division to remain financially self-sufficient.

Redeveloping CSWS

In FY 2014, the State passed Public Act 14-94 (the "Act") forming the Authority and designating it as successor to the Connecticut Resources Recovery Authority (CRRA). One of the core objectives of the Act is to set a process in motion, with specific roles and deadlines for the Authority, DEEP and the private sector that will bring about the redevelopment of the CSWS. The major milestones of this initiative are summarized below.

- By January 1, 2016 DEEP, in consultation with the Authority, is to issue a Request for Proposals to redevelop the CSWS.

- By January 1, 2017 not more than three short-listed respondents selected by DEEP are to conduct and complete any required feasibility studies with the Authority's cooperation. DEEP is required to hold a public hearing concerning the feasibility studies but the deadline is not specified in the legislation.

- By July 1, 2017 the short-listed respondents are to submit final proposals to DEEP.

- By September 15, 2017 DEEP is to submit a report on the nature and status of CSWS redevelopment proposals to the State legislature.

- By October 30, 2017 the State legislature may hold a public hearing concerning DEEP's status report.

- By December 31, 2017 DEEP may select one final proposal and direct the Authority to enter into an agreement with the applicable respondent for the redevelopment of the CSWS.

While the nature, cost and funding mechanisms for this redevelopment are not yet determined, the underlying legislation did include proposal selection criteria sensitive to these matters. The Act requires DEEP to consider the level of investment proposed and whether the proposal is in the best interest of the municipalities under contract with the Authority, including maintenance or reduction of tip fees. The Act further provides that the selection of a final proposal by DEEP, in consultation with the Authority, is not to be construed as a legislative mandate that otherwise would increase the "opt out tip fee" established in certain municipal contracts.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, 100 Constitution Plaza – 6th Floor, Hartford, CT 06103.

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MATERIALS INNOVATION AND RECYCLING AUTHORITY **EXHIBIT I**

A Component Unit of the State of Connecticut

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2015 AND JUNE 30, 2014

(Dollars in Thousands)

ASSETS	June 2015	June 2014
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	**$ 53,771**	$ 58,827
Accounts receivable, net of allowances	**12,122**	14,058
Inventory	**5,916**	6,069
Prepaid expenses	**2,442**	2,328
Total Unrestricted Assets	**74,251**	81,282
Restricted Assets:		
Cash and cash equivalents	**1,800**	2,694
Total Restricted Assets	**1,800**	2,694
TOTAL CURRENT ASSETS	**76,051**	83,976
NON-CURRENT ASSETS		
Capital Assets:		
Depreciable, net	**72,507**	79,068
Nondepreciable	**32,769**	31,407
Development costs, net	**392**	784
TOTAL NON-CURRENT ASSETS	**105,668**	111,259
TOTAL ASSETS	**181,719**	195,235

The accompanying notes are an integral part of these financial statements

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
STATEMENTS OF NET POSITION (Continued)
AS OF JUNE 30, 2015 AND JUNE 30, 2014
(Dollars in Thousands)

	June 2015	June 2014
LIABILITIES		
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Closure and post-closure care of landfills	$ -	$ 43
Accounts payable	4,535	4,740
Acccrued expenses and other current liabilities	9,992	8,498
Unearned revenue	2,586	2,592
Total payable from unrestricted assets	17,113	15,873
Payable from restricted assets:		
Acccrued expenses and other current liabilities	1,752	4,096
Total payable from restricted assets	1,752	4,096
TOTAL CURRENT LIABILITIES	18,865	19,969
LONG-TERM LIABILITIES		
Payable from unrestricted assets:		
Other liabilities	3,500	3,500
Total payable from unrestricted assets	3,500	3,500
TOTAL LONG-TERM LIABILITIES	3,500	3,500
TOTAL LIABILITIES	22,365	23,469
NET POSITION		
Net: Investment in capital assets	105,277	110,476
Restricted for:		
Covanta Wallingford escrow	-	500
Other restricted net position	48	48
Total Restricted	48	548
Unrestricted	54,029	60,742
TOTAL NET POSITION	$ 159,354	$ 171,766

The accompanying notes are an integral part of these financial statements

MATERIALS INNOVATION AND RECYCLING AUTHORITY **EXHIBIT II**

A Component Unit of the State of Connecticut

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

(Dollars in Thousands)

	June 2015	June 2014
Operating Revenues		
Service charges:		
Members	$ 31,005	$ 45,588
Others	17,020	16,513
Energy sales	46,921	56,451
Other operating revenues	3,319	4,810
Total Operating Revenues	98,265	123,362
Operating Expenses		
Solid waste operations	81,852	97,583
Maintenance and utilities	1,144	1,313
Closure and post-closure care of landfills	-	(3,392)
Legal services - external	1,760	3,012
Administrative and Operational services	6,210	6,191
Distribution to SCRRRA	-	1,375
Total Operating Expenses	90,966	106,082
Operating Income before depreciation and amortization	7,299	17,280
Depreciation and amortization	17,614	16,101
Operating Income (Loss)	(10,315)	1,179
Non-Operating Revenues (Expenses)		
Investment income	60	109
Gain on transfer of landfill post-closure care liabilities	-	4,751
Other income (expenses), net	(2,157)	(2,521)
Non-Operating Revenues (Expenses), Net	(2,097)	2,339
Change in Net Position	(12,412)	3,518
Total Net Position, beginning of period	171,766	168,248
Total Net Position, end of period	$ 159,354	$ 171,766

The accompanying notes are an integral part of these financial statements

MATERIALS INNOVATION AND RECYCLING AUTHORITY **EXHIBIT III**

A Component Unit of the State of Connecticut

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

(Dollars in Thousands)

	2015	2014
Cash Flows Provided (Used) by Operating Activities		
Payments received from providing services	$ 100,195	$ 126,561
Payments to suppliers and employees	(92,024)	(107,180)
Distribution to member towns	(1,039)	-
Distribution to SCRRRA	-	(1,375)
Net Cash Provided by Operating Activities	7,132	18,006
Cash Flows Provided by Investing Activities		
Proceeds from investments	-	8,184
Interest on investments	60	109
Net Cash Provided (Used) by Investing Activities	60	8,293
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Proceeds from sales of equipment	62	595
Payments for landfill closure and post-closure care liabilities	-	(14,200)
Cash transfer to State for post-closure care liabilities		(31,000)
Acquisition and construction of capital assets	(13,203)	(11,786)
Net Cash Used by Capital and Related Financing Activities	(13,141)	(56,391)
Cash Flows Used by Non-Capital Financing Activities		
Other interest and fees	(1)	(2,651)
Net Cash Used by Non-Capital Financing Activities	(1)	(2,651)
Net decrease in cash and cash equivalents	(5,950)	(32,743)
Cash and cash equivalents, beginning of year	61,521	94,264
Cash and cash equivalents, end of year	$ 55,571	$ 61,521
Reconciliation of Operating (Loss)Income to Net Cash Provided by Operating Activities:		
Operating (loss) Income	$ (10,315)	$ 1,179
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation of capital assets	17,222	15,709
Amortization of development costs	392	392
Provision for closure and post-closure care of landfills	(43)	-
Other income (expenses)	(1,039)	-
Changes in assets and liabilities, net of transfers:		
(Increase) decrease in:		
Accounts receivable, net	1,936	3,014
Inventory	153	475
Prepaid expenses and other current assets	(114)	(1,973)
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(1,060)	(790)
Net Cash Provided by Operating Activities	$ 7,132	$ 18,006

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

The Materials Innovation and Recycling Authority (the "Authority") was created by the State of Connecticut (the "State") under Public Act 14-94 (the "Act"). The Authority constitutes a successor authority to the Connecticut Resources Recovery Authority ("CRRA") which was created in 1973 under Chapter 446e of the State Statutes. The Authority is a public instrumentality and political subdivision of the State and is included as a component unit in the State's Comprehensive Annual Financial Report.

The Authority became CRRA's successor effective June 6, 2014 when it assumed control over all of CRRA's assets, rights, duties and obligations and continued CRRA's ongoing business. The Act and related statutes outlined below specified the transfer of responsibilities from CRRA to the Authority in a manner that assured continuity.

- The Authority's designation as CRRA's successor did not represent a grant of new authority by the State. The Authority replaced CRRA and CRRA no longer exists;
- Any effective orders or regulations of CRRA remain effective under the governance of the Authority;
- To the extent that CRRA was a party to any action or proceeding (civil or criminal), the Authority was substituted for CRRA in that action or proceeding;
- Any contract, right of action or matter undertaken or commenced by CRRA is now being undertaken and completed by the Authority;
- The officers and employees of CRRA have been transferred to the Authority; and
- All property of CRRA was delivered to the Authority.

The Authority is authorized to have a board consisting of eleven directors and eight ad-hoc members. The Governor appoints three directors and all eight ad-hoc members. The remaining eight directors are appointed by various state legislative leaders. All appointments require the advice and consent of both houses of the General Assembly.

The State Treasurer continues to approve the issuance of all Authority bonds and notes. The State is contingently liable to restore deficiencies in debt service reserves established for certain Authority bonds. The Authority has no taxing power.

Under the Act, the Authority's purpose continues to be the planning, design, construction, financing, management, ownership, operation and maintenance of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan. The Authority continues to provide solid waste management services to municipalities, regions and persons within the State by receiving solid wastes at Authority facilities, recovering resources from such solid wastes, and generating revenues from such services sufficient for the Authority to operate on a self-sustaining basis.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Entity and Services *(Continued)*

The Act established a new consultative partnership between the Authority and the State's Department of Energy and Environmental Protection ("DEEP"), specifically for redevelopment of the Authority's Connecticut Solid Waste System ("CSWS") described below, and generally for the development of new waste management industries, technologies and commercial enterprises on property owned by the Authority. The Act charged DEEP with revising the State's solid waste management plan and undertaking these consultative efforts consistent with the revised plan. The Act also transferred responsibility for statewide recycling education to a newly created "Recycle CT Foundation". The Authority continues to provide educational facilities and services to its customers as of June 30, 2015.

CRRA's original core mission was to develop a network of resource recovery and related facilities within the State to move the State away from the process of landfilling its municipal solid waste. Facilities were constructed in Hartford, Preston, Bridgeport and Wallingford, Connecticut, which have historically been known as the Mid Connecticut, Southeast, Bridgeport and Wallingford projects, respectively. CRRA secured financing, facility developer, operator and customer contracts, and administered these projects throughout their various stages over the last four decades. While the initial underlying contracts for the Southeast Project remain in effect, those for Mid Connecticut, Bridgeport and Wallingford have expired resulting in a distribution and/or reformation of project assets which formed the foundation for CRRA's core project / division and financial structure at the time of assumption by the Authority. The Authority continues to recognize CRRA's projects / divisions and financial structure outlined below.

Mid Connecticut Project and the Connecticut Solid Waste System - CRRA retained title to the resource recovery facility in Hartford (South Meadows), all support facilities and land when the initial underlying project contracts expired for the Mid Connecticut Project on November 15, 2012. No property transferred to the facility operator. CRRA assigned these assets to its Property Division and put them into service in the form of the **Connecticut Solid Waste System**. Assets in service to the CSWS include the resource recovery facility, four transfer stations and a major recycling facility. The CSWS presently provides solid waste disposal services to 50 Connecticut municipalities and 41 private waste haulers under contract with the Authority. The CSWS is the primary operating division of the Authority. All operating revenues and expenses of the CSWS, other than depreciation and amortization of assets, are assigned to the CSWS division. Prior Mid Connecticut Project assets not in service to the CSWS include the Education and Trash Museum and certain jet turbine powered electric generating peaking units. All revenues and expenses associated with the assets not in service to CSWS are assigned to the Property Division. The Mid Connecticut Project remains active administratively for project close out activities including funds distribution.

Wallingford Project – Title to the resource recovery facility and underlying land was transferred to the operator upon expiration of the project on June 30, 2010, but CRRA retained rights to a portion of the facility's waste processing capacity, which is presently used primarily for CSWS waste diversion purposes. While no Capital Assets were retained by CRRA, the Authority assumed CRRA's interests and obligations with respect to retained facility capacity, project close out and asset transfer activities.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Entity and Services *(Continued)*

Southeast Project – The initial underlying structure of this project remains in place. CRRA issued its Resource Recovery Revenue Bonds, and subsequently Refunding Bonds, (the "Bonds"), to finance construction of this resource recovery facility located in Preston, Connecticut and the supporting Special Capital Reserve Fund held by the State Treasurer. CRRA owned the facility and leased it to a private operator under a long-term contract. The private operator runs the facility pursuant to a Service Agreement with CRRA, under which CRRA is obligated to meet certain solid waste delivery requirements. To meet these requirements, the Southeastern Connecticut Regional Resource Recovery Authority ("SCRRRA") was established and SCRRRA entered into agreements with its twelve member municipalities requiring them to deliver waste to SCRRRA for disposal at the facility. Under a Bridge and Management Agreement between CRRA and SCRRRA, the Authority causes the facility to be operated and maintained and SCRRRA causes its members to deliver waste. Based on this structure, CRRA's Statements of Net Position do not include the Capital Assets comprising the facility as they will revert to operator ownership upon expiration of the underlying contracts. Likewise, the Authority's Statements of Net Position do not reflect the Current or Long Term Liabilities associated with these Capital Assets (debt service on the Bonds), which is secured solely by the pledge of revenue derived from the facility. CRRA's responsibility, among other things, has been to manage the flow of funds under the Bond Indenture. Accordingly, the Statement of Revenues, Expenses and Changes in Net Position include revenues and funds distributed by the Authority pursuant to the Bond Indenture. The Authority has assumed CRRA's interests and obligations under the Bonds, Lease, Service Agreement, Bridge and Management Agreement and reports this activity consistent with the structure noted above.

Bridgeport Project and Southwest Division – CRRA retained title to the land and a major recycling facility located in Stratford upon expiration of initial project underlying contracts on December 31, 2008. It transferred title to the resource recovery facility to the operator, but retained rights to a portion of the facility's waste processing capacity through June 30, 2014. CRRA leased the land to the operator and used its retained facility capacity to serve the waste processing needs of twelve towns in the Southwest area of the State. The processing of waste through this retained facility capacity is reflected in CRRA's **Southwest Division**, which was formed for this purpose, but ceased operations on June 30, 2014. Revenue from the facility lease was assigned to the Property Division. The Authority has assumed CRRA's interests and obligations in these assets and reports this activity consistent with the structure noted above.

Property Division – All Capital Assets retained by CRRA upon expiration of the Mid Connecticut and Bridgeport projects other than those associated with landfills have been assigned to this division. The division derives operating income primarily from the lease of property and the sale of jet turbine electric generating capacity in various ISO New England energy markets. The Authority has assumed CRRA's interests and obligations in the Property Division and reports this activity consistent with the structure noted above.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Entity and Services *(Continued)*

Landfill Division – As of June 6, 2014, the Authority assumed CRRA's ownership interests in three closed landfills in the State, and certain adjoining properties, which have been assigned to the Landfill Division. Certain plant and equipment installations associated with these landfills, and the leased Hartford landfill, have also been assigned to this division. The Authority has also assumed CRRA's interests and obligations pursuant to State statute and agreement with DEEP concerning the transfer of CRRA's landfill post closure care obligations to DEEP and the transfer of funds reserved for post closure care activities to the State. See Note 4 for additional information.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority is considered to be an Enterprise Fund. The Authority's activities are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses.

Enterprise funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services on a continuing basis are financed or recovered primarily through user charges.

The Authority's financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Interest on revenue bonds, used to finance the construction of certain assets, is capitalized during the construction period, net of interest earned on the investment of unexpended bond proceeds.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. The principal operating revenues of the Authority are charges to customers for user services and sales of electricity. Operating expenses include the cost of solid waste operations, maintenance and utilities, administrative expenses, rebates and distribution of funds associated with active Authority projects (CSWS and Southeast) and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses including distribution of funds associated with closeout of inactive projects (Wallingford and Recycling Division).

C. Estimates

The preparation of financial statements in conformity with GAAP 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 balance sheets and the reported amounts of revenues and expenses during the reporting period. Such estimates are subsequently revised as deemed necessary when additional information becomes available. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D. Cash and Cash Equivalents

All unrestricted and restricted highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

E. Accounts Receivable, Net

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral from non-municipalities. The Authority has established an allowance for the estimated portion that is not expected to be collected of $234,000 at June 30, 2015 and $254,000 at June 30, 2014.

F. Inventory

The Authority's spare parts inventory is stated at the lower of cost or market using the weighted-average costing method. The Authority's fuel inventory is stated at the lower of cost or market using a first-in first-out (FIFO) method. Inventories at June 30, 2015 and 2014 are summarized as follows:

Inventories	Fiscal Year 2015 ($000)	Fiscal Year 2014 ($000)
Spare Parts	$ 4,699	$ 4,687
Fuel	1,217	1,382
Total	$ 5,916	$ 6,069

G. Investments

Investments are stated at fair value. Gains or losses on sales of investments are determined using the specific identification method.

Interest on investments is recorded as revenue in the year the interest is earned, unless capitalized as an offset to capitalized interest expense on assets acquired with tax-exempt debt.

H. Restricted Positions

Under provisions of various bond indentures and certain other agreements, restricted assets are used for debt service, special capital reserve funds and other debt service reserve funds, development, construction and operating costs.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

I. Development Costs

Costs incurred during the development stage of an Authority project, including, but not limited to, initial planning and permitting are capitalized. When the project begins commercial operation, the development costs are amortized using the straight-line method over the estimated life of the project.

Development costs at June 30, 2015 and 2014 are presented in the following table:

Southeast Development Costs	Fiscal Year 2015 ($000)	Fiscal Year 2014 ($000)
Development Costs	$ 10,006	$ 10,006
Less accummulated amortization	9,614	9,222
Total development costs, net	$ 392	$ 784

Remaining unamortized development costs are expected to be amortized during the year ended June 30, 2016.

J. Capital Assets

Capital assets with a useful life in excess of one year are capitalized at historical cost. Depreciation of exhaustible capital assets is charged as an expense against operations. Depreciation is charged over the estimated useful life of the asset using the straight-line method. The estimated useful lives of capital assets are as follows:

Capital Assets	Years
Resources Recovery Buildings	30
Other Buildings	20
Resources Recovery Equipment	30
Gas and Steam Turbines	10-20
Recycling Equipment	10
Rolling Stock and Automobiles	5
Office and Other Equipment	3-5
Roadways	20

The Authority’s capitalization threshold for property, plant, and equipment and for office furniture and equipment is $5,000 and $1,000, respectively. Improvements, renewals, and significant repairs that extend the useful life of a capital asset are capitalized; other repairs and maintenance costs are expensed as incurred. When capital assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any related gains or losses are recorded.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

J. Capital Assets *(Continued)*

The Authority reviews its capital assets used in operations for impairment when prominent events or changes in circumstances that may be indicative of impairment of a capital asset has occurred. The Authority records impairment losses and reduces the carrying value of a capital asset when both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. During the years ended June 30, 2015 and 2014, no impairment losses were recognized.

Construction in progress includes all associated cumulative costs of a constructed capital asset and deposits held by third parties for capital purchases. Construction in progress is relieved at the point at which an asset is placed in service for its intended use.

K. Compensated Absences

The Authority's liability for vested accumulated unpaid vacation and personal amounts is included in accrued expenses and other current liabilities in the accompanying balance sheet. The liability for compensated absences at June 30, 2015 and 2014 and the related changes for the years ended June 30, 2015 and 2014 are presented in the following table:

Compensated Absences	Balance at July 1, 2013 ($000)	Increases (Decreases) ($000)	Balance at June 30, 2014 ($000)	Increases (Decreases) ($000)	Balance at June 30, 2015 ($000)
Accrued vacation and personal time	$ 328	$ 41	$ 369	$ 10	$ 379
Total	$ 328	$ 41	$ 369	$ 10	$ 379

L. Net Position

The Authority's net position is reported in one of the following three components:

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position, consists of the portion of net position that has been either restricted by enabling legislation or that contain various externally imposed restrictions by creditors, grantors or laws and regulations of other governments. Restricted net position totaled $48,000 and $548,000 as of June 30, 2015 and 2014, respectively. None of the Authority's net position has been restricted by enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

L. Net Position *(Continued)*

Unrestricted net position, consists of the portion of net position not included in the other components of net position and has been divided into designated and undesignated portions. Designated net position represent the Authority's self-imposed limitations on the use of otherwise unrestricted net position. Unrestricted net position has been designated by the Board of Directors of the Authority for various purposes. Such designations totaled $24.4 million and $25.7 million as of June 30, 2015 and 2014, respectively. Unrestricted net position at June 30, 2015 and 2014 are summarized as follows:

Unrestricted Net Position	2015 ($000)	2014 ($000)
Undesignated	$ 29,593	$ 35,007
Designated:		
Debt service reserve	2,100	175
Enron litigation expense	-	394
Future loss contingencies	694	6,663
General	7,930	4,534
Improvements	2,113	5,343
Landfill development	297	296
Legal	601	508
Litigation reserve	-	790
Landfill Operating	3,552	1,783
Post-project closure	181	144
Project-closure	988	1,633
Recycling	-	190
Severances	792	874
Tip fee stablization	5,188	2,408
	24,436	25,735
Total Unrestricted Net Position	$ 54,029	$ 60,742

M. New Accounting Pronouncements

Effective July 1, 2014, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The adoption of these statements did not have a material effect on the Authority's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2015 and 2014:

Cash and Cash Equivalents	2015 ($000)	2014 ($000)
Unrestricted:		
Cash deposits	$ 8,999	$ 8,935
Cash equivalents:		
STIF *	44,772	49,892
	53,771	58,827
Restricted – current:		
Cash deposits	1,794	1,788
Cash equivalents:		
STIF *	6	584
Money Market Funds	-	322
	1,800	2,694
Total	$ 55,571	$ 61,521

* STIF = Short-Term Investment Fund of the State of Connecticut

Cash Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As of June 30, 2015 and 2014, approximately $8.9 million and $9.9 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2015 ($000)	2014 ($000)
Uninsured and Uncollateralized	$ 7,645	$8,495
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	1,269	1,427
Total	$ 8,914	$9,922

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Cash Deposits – Custodial Credit Risk *(Continued)*

All of the Authority's deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments in the State of Connecticut Short-Term Investment Fund ("STIF") and Money Market Funds as of June 30, 2015 and 2014 are included in cash and cash equivalents in the accompanying Statement of net position. For purposes of disclosure, such amounts are considered investments and have been included in the investment disclosures that follow.

Investments

Interest Rate Risk

As of June 30, 2015, the Authority's investments consisted of the following debt securities:

		Investment Maturities (In Years)			
Investment Type	Fair Value ($000)	Less than 1	1 to 5	6 to 10	More than 10
STIF	$ 44,778	$ 44,778	$ -	$ -	$ -
Total	$ 44,778	$ 44,778	$ -	$ -	$ -

As of June 30, 2014, the Authority's investments consisted of the following debt securities:

		Investment Maturities (In Years)			
Investment Type	Fair Value ($000)	Less than 1	1 to 5	6 to 10	More than 10
STIF	$ 50,476	$ 50,476	$ -	$ -	$ -
Total	$ 50,476	$ 50,476	$ -	$ -	$ -

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments ***(Continued)***

Interest Rate Risk (Continued)

STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly, and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares.

As of June 30, 2015 and 2014, STIF had a weighted average maturity of 37 days and 40 days; respectively. The Money Market Funds invest exclusively in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. This fund complies with Securities and Exchange Commission regulations regarding money market fund maturities, which requires that the weighted average maturity be 90 days or less. As of June 30, 2014, the weighted average maturity of this fund was 40 days.

The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority is limited to investment maturities as required by specific bond resolutions or as needed for immediate use or disbursement. Those funds not included in the foregoing may be invested in longer-term securities as authorized in the Authority's investment policy. The primary objectives of the Authority's investment policy are the preservation of principal and the maintenance of liquidity.

Credit Risk

The Authority's investment policy delineates the investment of funds in securities as authorized and defined within the bond resolutions governing the Southeast Projects for those funds established under the bond resolution and held in trust by the Authority's trustee. For all other funds, Connecticut state statutes permit the Authority to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

As of June 30, 2015, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$ 44,778	AAAm	Not Rated	Not Rated

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Credit Risk (Continued)

As of June 30, 2014, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$ 50,476	AAAm	Not Rated	Not Rated
Money Market Funds	$ 322	AAAm	Aaa-mf	AAAmmf

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy does not include provisions for custodial credit risk, as the Authority does not invest in securities that are held by counterparties. None of the Authority's investments require custodial credit risk disclosures. STIF is not subject to regulatory oversight nor is it registered with the Securities and Exchange Commission as an investment company.

Concentration of Credit Risk

The Authority's investment policy places no limit on the amount of investment in any one issuer, but does require diversity of the investment portfolio if investments are made in non-U.S. government or U.S. agency securities to eliminate the risk of loss of over-concentration of assets in a specific class of security, a specific maturity and/or a specific issuer. The asset allocation of the investment portfolio should, however, be flexible enough to assure adequate liquidity for Authority needs. As of June 30, 2015 and 2014, substantially all of the Authority's investments are in STIF, which is rated in the highest rating category by Standard & Poor's and provides daily liquidity, thereby satisfying the primary objectives of the Authority's investment policy.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2014 and 2015:

	Balance at June 30, 2013 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2014 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2015 ($000)
Depreciable assets:									
Plant	$ 195,566	$ -	$ 4,242	$ (1,662)	$ 198,145	$ -	$ 7,731	$ (4,089)	$ 201,788
Equipment	234,741	137	6,336	(1,034)	240,179	34	4,088	(2,055)	242,246
Total at cost	430,307	137	10,577	(2,697)	438,324	34	11,820	(6,143)	444,034
Less accumulated depreciation for:									
Plant	$ (157,496)	$ (6,460)	$ -	$ 1,325	$ (162,631)	$ (7,599)	$ -	$ 3,626	$ (166,604)
Equipment	(188,294)	(9,249)	-	918	(196,625)	(9,823)	$ -	1,525	(204,923)
Total accumulated depreciation	(345,790)	(15,709)	-	2,243	(359,256)	(17,422)	-	5,151	(371,527)
Total depreciable assets, net	**$ 84,517**	**$ (15,572)**	**$ 10,577**	**$ (454)**	**$ 79,068**	**$ (17,388)**	**$ 11,820**	**$ (992)**	**$ 72,507**
Nondepreciable assets:									
Land	$ 28,181	$ -	$ -	$ -	$ 28,181	$ -	$ -	$ -	$ 28,181
Construction-in-progress	2,161	11,649	(10,583)	-	3,226	13,169	(11,807)	-	4,587
Total nondepreciable assets	**$ 30,342**	**$ 11,649**	**$ (10,583)**	**$ -**	**$ 31,407**	**$ 13,169**	**$ (11,807)**	**$ -**	$ 32,768
Total depreciable and nondepreciable assets	**$ 114,859**	**$ (3,923)**	**$ (6)**	**$ (454)**	**$ 110,475**	**$ (4,220)**	**$ 13**	**$ (992)**	**$ 105,276**

4. LONG-TERM LIABILITIES FOR CLOSURE AND POST-CLOSURE CARE OF LANDFILLS

The Authority has historically operated five landfills located within the State. Three landfills (located in Ellington, Waterbury and Shelton) are owned in fee simple by the Authority and two landfills (located in Hartford and Wallingford) have been leased by the Authority.

Federal, State and local regulations require the Authority to place final cover on these landfills when it stops accepting waste at them (closure obligations), and to perform certain maintenance and monitoring functions for periods that may extend thirty years after closure (post closure obligations).

The Authority estimates its liability for closure and post-closure care costs and records any increases or decreases to the liability as an operating expense. For landfills presently open, such estimate is based on landfill capacity used as of the fiscal year end. The liability for these costs is reduced when the costs are actually paid, which is generally after the landfill is closed. Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation. As of June 30, 2014, all five of the Authority's landfills had no capacity available since 100% of their capacity had been used, and all landfills other than Hartford had been closed in compliance with applicable Federal, State and local regulations.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. LONG-TERM LIABILITIES FOR CLOSURE AND POST-CLOSURE CARE OF LANDFILLS *(Continued)*

During the year ended June 30, 2014, pursuant to applicable State statute as described further under Note 10, the Authority transferred $35.8 million in post closure care obligations for all of its landfills to DEEP and concurrently transferred $31 million of its landfill reserve accounts and trust funds to the State's General Fund. The Authority's closure obligation for the Hartford landfill was not transferred to DEEP.

During the year ended June 30, 2015, the Authority completed closure of the Hartford landfill in compliance with applicable Federal, State and local regulations. Accordingly, the accompanying Statement of Net Position as of June 30, 2015 no longer includes liabilities associated with the post closure or closure care of the Authority's landfills as these obligations were either assumed by DEEP during the year ended June 30, 2014 or have been completed by the Authority during the year ended June 30, 2015.

There were no capital assets transferred pursuant to these statutes. While the Authority retains fee simple ownership of the Ellington, Waterbury and Shelton landfills and related assets, the associated post closure care obligations have been assumed by DEEP. The Hartford landfill lease expired during the year ended June 30, 2015 (upon completion of the Authority's closure obligations) and its surviving post closure care obligations have been assumed by DEEP. The Wallingford Landfill lease previously expired and its surviving post closure care obligations have been assumed by DEEP.

The nature and status of these statutes and their implementation are described further under Note 10.

The following presents the liabilities for closure and post closure care of landfills as of June 30, 2015 and 2014 and the related changes in the liabilities for the years ended June 30, 2015 and 2014.

Landfill	Liability at June 30, 2013 ($000)	Expense ($000)	Paid ($000)	Transfers ($000)	Liability at June 30, 2014 ($000)	Expense ($000)	Paid ($000)	Liability at June 30, 2015 ($000)	Amounts Due Within One Year ($000)
Ellington	$ 3,300	$ -	$ (187)	$ (3,113)	$ -	$ -	$ -	$ -	$ -
Hartford	30,608	(3,392)	(9,392)	(17,781)	43	6	(49)	-	-
Shelton	10,128	-	(350)	(9,778)	-	-	-	-	-
Wallingford	4,298	-	(137)	(4,161)	-	-	-	-	-
Waterbury	942	-	(25)	(917)	-	-	-	-	-
Total	$ 49,276	$ (3,392)	$(10,091)	$ (35,750)	$ 43	$ 6	$ (49)	$ -	$ -

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. MAJOR CUSTOMERS

Energy sales to ISO New England through the Authority's lead market participant Nextera Energy Power Marketing represented 26% of the Authority's operating revenues for the year ended June 30, 2015. Energy sales to Eversource represented 22% of operating revenue during the same period. Energy sales to Nextera Energy Power Marketing and Northeast Utilities totaled 29% and 17%, respectively, of the Authority's operating revenues for the year ended June 30, 2014.

Service charge revenues from All Waste, Inc. totaled 8.6% and 6.3% of the Authority's operating revenues for the years ended June 30, 2015 and 2014, respectively.

6. RETIREMENT BENEFIT PLAN

The Authority is the Administrator of its 401(k) Employee Savings Plan. This defined contribution retirement plan covers all eligible employees.

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are five percent of payroll plus a dollar for dollar match of employees' contributions up to five percent of employee wages. Authority contributions for the years ended June 30, 2015 and 2014 amounted to $350,000 and $392,000, respectively. Employees contributed $334,000 to the plan during the year ended June 30, 2015 and $390,000 to the plan during the year ended June 30, 2014.

In addition, the Authority is a participating employer in the State of Connecticut's defined contribution 457(b) Plan, which allows Authority employees to participate in the State of Connecticut's deferred compensation plan created in accordance with Internal Revenue Code Section 457. All amounts of compensation deferred under the 457(b) plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Authority holds no fiduciary responsibility for the plan; rather, fiduciary responsibility rests with the State Comptroller's office.

The Authority has no other post-employment benefit plans as of June 30, 2015 and 2014.

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss. The Authority endeavors to purchase commercial insurance for all insurable risks of loss that can be done so at reasonable expense. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years. The overall limit applies on a blanket basis, per occurrence, for property damage to all scheduled locations and provides coverage for business interruption and extra expense for the South Meadows facilities. The South Meadows waste-to-energy facility is the Authority's highest valued single facility.

The Authority is a member of the Connecticut Interlocal Risk Management Agency's ("CIRMA") Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. The premium for each of the policy periods from July 1, 2015 through July 1, 2016 and July 1, 2014 through July 1, 2015 was $52,000 and $66,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

8. COMMITMENTS

The Authority has various operating leases for office space and office equipment, which totaled $353,000 and $294,000 for the years ended June 30, 2015 and 2014, respectively.

The Authority also has agreements with various municipalities for payments in lieu of taxes ("PILOT") for personal and real property. For the years ended June 30, 2015 and 2014, the PILOT payments, which are included as a cost of solid waste operations in the accompanying Statements of Revenues, Expenses and Changes in Net Position, totaled $2,555,000 and $3,304,000, respectively. The City of Hartford PILOT agreement for the CSWS was effective as of November 27, 2013. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2015 are as follows:

Fiscal Year	Lease Amount ($000)	PILOT Amount ($000)
2016	$ 254	$ 2,600
2017	191	1,145
2018	192	38
2019	196	38
2020	200	38
Thereafter	488	266
Total	$ 1,521	$ 4,125

The Authority has executed contracts with the operators/contractors of the resources recovery facilities, regional recycling centers, transfer stations, and landfills containing various terms and conditions. Major operators/contractors and their contract expiration dates are as follows:

Operator/Contractor	Contract expiration date
Covanta Southeast	2/17/2022
Wheelabrator Technologies	2/17/2017
NAES Corporation	6/30/2016
Copes Rubbish Removal,Inc	6/30/2016
CWPM, LLC	6/30/2016
FCR Inc	6/30/2017

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

8. COMMITMENTS *(Continued)*

Generally, operating charges are derived from various factors such as tonnage processed, energy produced, and certain pass-through operating costs.

The approximate amount of contract operating charges, included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2015 and 2014 were as follows:

Project	2015 ($000)	2014 ($000)
Connecticut Solid Waste System	$ 45,447	$ 46,208
Mid-Connecticut	456	(793)
Southeast	19,437	20,349
SouthWest	(23)	12,907
Property	1,073	1,054
Landfill	218	750
Recycling	1	-
Total	$ 66,609	$ 80,475

9. OTHER FINANCING

The Authority served as a conduit issuer for several bonds pursuant to bond resolutions to fund the construction of waste processing facilities built and operated by independent contractors. The only bonds that remain outstanding relate to the Authority's Southeast project. The revenue bonds were issued by the Authority to lower the cost of borrowing for the contractor/operator of the projects. The Authority was not involved in the construction activities, and construction requisitions by the contractor were made from various trustee accounts. See note 1A to the Financial Statements for additional information on the structure of Southeast project.

The Authority is not obligated for the repayment of debt on these issues other than through the revenues of the Southeast project. In the event of default, and except in cases where the State has a contingent liability, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues on its financial statements. The principal amounts of these bond issues outstanding at June 30, 2015 and 2014 are as follows:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

9. OTHER FINANCING *(Continued)*

Project	2015 ($000)	2014 ($000)
Southeast -		
1992 Series A - Corp. Credit	$ 30,000	$ 30,000
2001 Series A - Covanta Southeastern Connecticut Company - I	6,750	6,750
2001 Series A - Covanta Southeastern Connecticut Company - II	6,750	6,750
2010 Series A - Project Refunding	5,270	11,295
Total	$ 48,770	$ 54,795

10. STATE PUBLIC ACTS

The Authority has implemented certain actions mandated by the State of Connecticut in its Public Act 13-247 and Section 99 of Public Act 13-184. These acts required the Authority to transfer all legally required obligations resulting from the closure of the Authority's landfills located in Hartford, Ellington, Waterbury, Wallingford and Shelton to the State's Department of Energy and Environmental Protection ("DEEP"), and to transfer up to $35 million of the Authority's resources to the State, to be credited to the resources of the State's General Fund, for the year ending June, 30, 2014.

The transfer of legal obligations resulting from the closure of landfills was addressed by a Memorandum of Understanding ("MOU") between the Authority and DEEP. The MOU became effective April 24, 2014, at which point in time DEEP began reimbursing the Authority for all of its post closure care and maintenance expenses at all landfills, other than the Hartford landfill, while the parties undertook a transition process for DEEP to begin performance of the work and assume all relevant federal and state licenses, permits and orders ("Authorizations") related to the landfills.

During the year ended June 30, 2015, the Authority continued to perform landfill post closure work at these four landfills subject to reimbursement by DEEP. As of August 7, 2014 all solid waste Authorizations concerning the landfills have been transferred to DEEP. As of December 5, 2014 the Authority completed its closure work for the Hartford landfill and DEEP began reimbursing the Authority for all of its post closure care expenses at the Hartford landfill. The transfer of up to $35 million of the Authority's resources to the State as required by Public Act 13-184 was addressed by resolution of the Authority's Board of Directors. The Authority received written confirmation from the State that the transfer of $31 million will fully satisfy the requirements of Public Act 13-184 and the Board directed the transfer of $31 million in stages based on the occurrence of certain relevant milestones that included i) execution of the MOU, ii) issuance of a purchase order providing for reimbursement of the Authority's ongoing work during the transition period, iii) transfer of certain Authorizations, iv) termination of certain trust agreements, and v) action required by certain local government policy boards. As of June 30, 2014, all of these milestones have been achieved and the Authority had transferred the $31 million to the State. No additional actions or transactions were required during the year ended June 30, 2015 to fully implement this act.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

10. STATE PUBLIC ACTS *(Continued)*

The implementation of Public Acts 13-247 and 13-184 is reflected on the Authority's Financial Statements as and for the year ended June 30, 2014 as a liquidation of the $31 million in trust and reserve funds previously held as financial assurance for post closure care obligations, a write off of long term liabilities associated with such post closure care obligations, and recognition of non-operating revenue representing the difference between such funds and the related liabilities.

During the year ended June 30, 2015, all work associated with the closure of the Hartford landfill was completed and as of June 30, 2015 the Authority no longer recognizes any liability for such closure on its Statement of Net Position. All landfill expense reimbursements received from DEEP during the year ended June 30, 2015 have been recorded as Other Operating Revenue on the Authority's Statement of Revenues, Expenses and Changes in Net Position. These reimbursements totaled $112,000 in FY2015.

11. CONTINGENCIES

Mid-Connecticut Project

On October 7, 2009, The Metropolitan District Commission ("MDC") initiated an arbitration proceeding against the Authority seeking a declaratory judgment that the Authority is responsible for certain post-employment benefits and other costs that MDC may incur following the expiration of its contract for the operation of a portion of the Mid-Connecticut Project (the "Contract") on December 30, 2011. The MDC did not specify the amount of its monetary claim in its demand for a declaratory judgment in arbitration; however, the MDC subsequently asserted an amended demand for arbitration based on similar underlying legal arguments and asserting a claim for unspecified damages. On February 26, 2013, MDC also filed an application for a prejudgment remedy (the "PJR Application"), asserting that an attachment or garnishment of $47 million, or more, is necessary to secure a remedy for its claims. MDC's application acknowledged, however, that it had only actually expended $2.1 million of its alleged $47 million claimed obligation. On April 1, 2013, the Authority filed a motion to dismiss MDC's PJR Application, which was granted on October 1, 2013. On October 22, 2013, MDC filed a new application for a prejudgment remedy, seeking an attachment of CRRA's assets to secure an alleged $52 million obligation. The Authority filed a motion to dismiss the application on November 8, 2013; the court has not ruled on the motion. Twenty-seven days of hearings on the question of liability only were held before a three-member arbitration panel between March 31, 2014 and June 25, 2015; a unanimous decision was received from the panel on August 21, 2015. The panel found that MDC failed to budget for the cited post-employment benefits until the final years of the Project, and is therefore largely not entitled to recover its claims for those costs, with the exception of certain costs related to the final years of the Contract and certain miscellaneous employee termination costs. The panel directed the parties to meet and confer regarding the calculation of the indicated costs, and to report to the panel on those discussions within 60 days. If the parties are unable to agree on the amount of damages owed by the Authority, additional discovery and arbitration hearings will be required.

The Authority believes that it has reserves sufficient to cover the costs it is likely to owe pursuant to the arbitration decision.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. CONTINGENCIES *(Continued)*

In March 2013, Tremont Public Advisors filed a complaint against the Authority in Connecticut Superior Court, claiming that the Authority illegally awarded a contract for Municipal Government Liaison Services and violated Connecticut's Antitrust Act, and seeking injunctions, damages, interest, and attorneys' fees and costs. The Authority denies the allegations and has asserted several defenses. On January 21, 2014, the Authority filed a motion to dismiss the complaint, supplemented on March 24, 2015, by a Motion to Strike the Antitrust count. On August 17, 2015, the court granted the Authority's Motion to Dismiss the second count of the complaint and the Authority's Motion to Strike the first count. On September 10, 2015, the plaintiff filed a substituted complaint.

CSWS

On August 21, 2014, the Authority was served with a Complaint of a former NAES Corporation employee, alleging that he was injured while employed by NAES at the Authority's waste-to-energy facility in Hartford. Pursuant to the terms of the Agreement between the Authority and NAES Corporation for the operation and maintenance of the facility, NAES is providing the Authority with indemnity and a defense of this claim.

Bridgeport Project

In the early 1990's, the Authority was named as a Potentially Responsible Party in the now-combined federal and State of New Jersey suits to recover the costs of remediation of the landfill known as Combe Fill South. The Authority's liability was substantially resolved in the spring of 2009 as a result of a mediated global settlement. However, one of the settling parties is pursuing a contribution action against certain non-settling entities. The Authority continues to monitor remaining case activities to the extent they may implicate the Authority.

Other Issues; Resolved Matters; Unasserted Claims and Assessments

The Municipal Solid Waste Management Agreement ("MSA") between the Authority and the City of Waterbury expired on June 30, 2013. On July 30, 2013, the City underpaid the Authority's invoice for June waste disposal services, indicating that it disputed the remainder of the invoice. On May 30, 2014, the Authority filed a Demand for Arbitration, alleging breach of contract, and claiming damages, together with late payment charges and costs of collection. An arbitration hearing concluded in July, 2015; on August 18, 2015, the Authority was awarded damages in the amount of $241,468.41. The Authority has not recognized this gain as of June 30,2015 and will account for the decision in the period the awarded amount is received from the City.

The MDC has included in several monthly invoices to the Authority a claim for reimbursement of certain MDC legal and consulting fees. The Authority has disputed these charges on the grounds that they are not related to the MDC's obligation to operate, maintain, and repair the WPF during the term of the Authority-MDC Agreement.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. CONTINGENCIES *(Continued)*

On March 31, 2009, the Authority submitted a timely water discharge renewal application seeking the re-issuance of the Authority's National Pollutant Discharge Elimination System ("NPDES") Permit to the Connecticut Department of Environmental Protection, now known as the Connecticut Department of Energy and Environmental Protection ("DEEP"). Review of the Authority's permit renewal application by DEEP is ongoing, including whether the current location, design, construction and capacity of the cooling water intake structures at the Authority's South Meadows Facility represents best technology available ("BTA") for minimizing adverse environmental impact and, if not, what additional operational and/or technological measures reflecting BTA will need to be implemented at the Facility.

The Authority is subject to numerous federal, state and local environmental and other laws and regulations and management believes it is in substantial compliance with all such governmental laws and regulations.

12. NEW ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for a) determining a fair value measurement for financial reporting purposes and b) applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2015. The Authority does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of GASB Statement No. 68. The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68 are effective for the Authority's reporting period beginning July 1, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for the Authority's reporting period beginning July 1, 2015. The requirements of this statement for pension plans that are within the scope of GASB Statement No. 67, or for pensions that are within the scope of GASB Statement No. 68, are effective for the Authority's reporting period beginning July 1, 2015. The Authority does not expect this statement to have a material effect on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

12. NEW ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED *(Continued)*

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans.* This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans,* as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2016. The Authority does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2017. The Authority does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement establishes the hierarchy of GAAP for state and local governments and supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2015. The Authority does not expect this statement to have a material effect on its financial statements.

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION
AS OF JUNE 30, 2015
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	**Total**
ASSETS										
CURRENT ASSETS										
Unrestricted Assets:										
Cash and cash equivalents	$ 1,658	$ 12,760	$ 17,916	$ 4,371	$ -	$ 13,170	$ 3,896	$ -	$ -	**$ 53,771**
Accounts receivable, net of allowances	-	3,828	-	7,667	-	617	10	-	-	**12,122**
Inventory	-	4,216	-	-	-	1,700	-	-	-	**5,916**
Prepaid expenses	12	2,277	27	4	-	85	37	-	-	**2,442**
Due from other funds	655	2	9	-	-	1,354	-	-	(2,020)	**-**
Total Unrestricted Assets	2,325	23,083	17,952	12,042	-	16,926	3,943	-	(2,020)	**74,251**
Restricted Assets:										
Cash and cash equivalents	-	139	6	1,607	-	48	-	-	-	**1,800**
Total Restricted Assets	-	139	6	1,607	-	48	-	-	-	**1,800**
TOTAL CURRENT ASSETS	2,325	23,222	17,958	13,649	-	16,974	3,943	-	(2,020)	**76,051**
NON-CURRENT ASSETS										
Capital Assets:										
Depreciable:										
Plant	864	-	-	-	-	175,571	25,353	-	-	**201,788**
Equipment	1,237	-	3,507	-	-	235,199	2,303	-	-	**242,246**
	2,101	-	3,507	-	-	410,770	27,656	-	-	**444,034**
Less: Accumulated depreciation	(2,069)	-	(614)	-	-	(341,188)	(27,656)	-	-	**(371,527)**
Total Depreciable, net	32	-	2,893	-	-	69,582	-	-	-	**72,507**
Nondepreciable:										
Land	-	-	-	-	-	12,072	16,109	-	-	**28,181**
Construction in progress	-	-	-	-	-	4,588	-	-	-	**4,588**
Total Nondepreciable	-	-	-	-	-	16,660	16,109	-	-	**32,769**
Development costs, net	-	-	-	392	-	-	-	-	-	**392**
TOTAL NON-CURRENT ASSETS	32	-	2,893	392	-	86,242	16,109	-	-	**105,668**
TOTAL ASSETS	$ 2,357	$ 23,222	$ 20,851	$ 14,041	$ -	$ 103,216	$ 20,052	$ -	$ (2,020)	**$ 181,719**

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION (Continued)
AS OF JUNE 30, 2015
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	**Total**
LIABILITIES										
CURRENT LIABILITIES										
Payable from unrestricted assets:										
Accounts payable	25	1,843	407	686	-	1,564	10	-	-	**4,535**
Acccrued expenses and other current liabilities	579	2,091	3,000	4,155	-	109	58	-	-	**9,992**
Due to other funds	-	1,860	20	24	-	100	16	-	(2,020)	**-**
Unearned revenue	-	2,066	425	-	-	95	-	-	-	**2,586**
Total payable from unrestricted assets	604	7,860	3,852	4,865	-	1,868	84	-	(2,020)	**17,113**
Payable from restricted assets:										
Acccrued expenses and other current liabilities	-	139	6	1,607	-	-	-	-	-	**1,752**
TOTAL CURRENT LIABILITIES	604	7,999	3,858	6,472	-	1,868	84	-	(2,020)	**18,865**
LONG-TERM LIABILITIES										
Payable from unrestricted assets:										
Other liabilities	-	-	3,500	-	-	-	-	-	-	**3,500**
TOTAL LONG-TERM LIABILITIES	-	-	3,500	-	-	-	-	-	-	**3,500**
TOTAL LIABILITIES	604	7,999	7,358	6,472	-	1,868	84	-	(2,020)	**22,365**

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION (Continued)
AS OF JUNE 30, 2015
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	**Total**
NET POSITION										
Net: Investment in capital assets	33	-	2,894	-	-	86,241	16,109	-	-	**105,277**
Restricted	-	-	-	-	-	48	-	-	-	**48**
Unrestricted	1,720	15,223	10,599	7,569	-	15,059	3,859	-	-	**54,029**
TOTAL NET POSITION	1,753	15,223	13,493	7,569	-	101,348	19,968	-	-	**159,354**

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY **EXHIBIT B**

A Component Unit of the State of Connecticut

SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

AS OF JUNE 30, 2015

(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	**Total**
Operating Revenues										
Service charges:										
Members	$ -	$ 23,351	$ -	$ 7,577	$ 67	$ 10	$ -	$ -	$ -	**$ 31,005**
Others	-	16,483	-	537	-	-	-	-	-	**17,020**
Energy sales	-	17,984	-	21,799	-	7,067	71	-	-	**46,921**
Other operating revenues	-	2,609	-	-	-	559	151	-	-	**3,319**
Total Operating Revenues	-	60,427	-	29,913	67	7,636	222	-	-	**98,265**
Operating Expenses										
Solid waste operations	-	49,489	601	30,001	(43)	2,413	182	1	(792)	**81,852**
Maintenance and utilities	-	607	(25)	-	-	387	175	-	-	**1,144**
Legal services - external	-	255	1,529	13	-	(22)	(15)	-	-	**1,760**
Administrative and Operational services	240	4,630	29	214	-	905	192	-	-	**6,210**
Total Operating Expenses	240	54,981	2,134	30,228	(43)	3,683	534	1	(792)	**90,966**
Operating Income (Loss) before Depreciation and Amortization	(240)	5,446	(2,134)	(315)	110	3,953	(312)	(1)	792	**7,299**
Depreciation and amortization	21	-	614	392	-	16,587	-	-	-	**17,614**
Operating Income (Loss)	(261)	5,446	(2,748)	(707)	110	(12,634)	(312)	(1)	792	**(10,315)**
Non-Operating Revenues (Expenses)										
Investment income	-	27	15	4	-	12	2	-	-	**60**
Other income (expenses), net	34	-	-	-	-	(1,654)	-	(537)	-	**(2,157)**
Non-Operating Revenues (Expenses), net	34	27	15	4	-	(1,642)	2	(537)	-	**(2,097)**
Income (Loss) before Transfers	(227)	5,473	(2,733)	(703)	110	(14,276)	(310)	(538)	792	**(12,412)**
Transfers in (out)	420	(9,380)	(2,417)	(1)	(265)	10,043	2,416	(24)	(792)	**-**
Change in Net Position	193	(3,907)	(5,150)	(704)	(155)	(4,233)	2,106	(562)	-	**(12,412)**
Total Net Position, beginning of period	1,560	19,130	18,643	8,273	155	105,581	17,862	562	-	**171,766**
Total Net Position, end of period	$ 1,753	$ 15,223	$ 13,493	$ 7,569	$ -	$ 101,348	$ 19,968	$ -	$ -	**$ 159,354**

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MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2015
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	**Total**
Cash Flows Provided (Used) by Operating Activities										
Payments received from providing services	$ -	$ 61,057	$ 34	$ 29,826	$ 1,235	$ 7,795	$ 248	$ -	$ -	**$ 100,195**
Payments to suppliers and employees	(398)	(56,308)	(3,565)	(28,418)	(1,187)	(2,122)	(796)	(22)	792	**(92,024)**
Payments to other funds	100	893	102	(4)	-	(908)	(124)	(59)	-	**-**
Distribution to member towns	-	-	-	-	-	(502)	-	(537)	-	**(1,039)**
Net Cash Provided (Used) by Operating Activities	(298)	5,642	(3,429)	1,404	48	4,263	(672)	(618)	792	**7,132**
Cash Flows Provided by Investing Activities										
Interest on investments	-	27	15	4	-	12	2	-	-	**60**
Net Cash Provided by Investing Activities	-	27	15	4	-	12	2	-	-	**60**
Cash Flows Used by Capital and Related Financing Activities										
Proceeds from sales of equipment	34	-	-	-	-	28	-	-	-	**62**
Acquisition and construction of capital assets	(34)	-	-	-	-	(13,169)	-	-	-	**(13,203)**
Net Cash Used by Capital and Related Financing Activities	-	-	-	-	-	(13,141)	-	-	-	**(13,141)**
Cash Provided (Used) by Non-Capital Financing Activities										
Other interest and fees	-	-	-	-	-	(1)	-	-	-	**(1)**
Transfer in / (out)	420	(9,380)	(2,417)	(1)	(265)	10,043	2,417	(25)	(792)	**-**
Net Cash Provided (Used) by Non-Capital Financing Activities	420	(9,380)	(2,417)	(1)	(265)	10,042	2,417	(25)	(792)	**(1)**
Net decrease in cash and cash equivalents	122	(3,711)	(5,831)	1,407	(217)	1,176	1,747	(643)	-	**(5,950)**
Cash and cash equivalents, beginning of year	1,536	16,610	23,753	4,571	217	12,042	2,149	643	-	**61,521**
Cash and cash equivalents, end of year	$ 1,658	$ 12,899	$ 17,922	$ 5,978	$ -	$ 13,218	$ 3,896	$ -	$ -	**$ 55,571**

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MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS (Continued)
AS OF JUNE 30, 2015
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	**Total**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:										
Operating (loss) income	$ (261)	$ 5,446	$ (2,748)	$ (707)	$ 110	$ (12,634)	$ (312)	$ (1)	$ 792	**$ (10,315)**
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:										
Depreciation of capital assets	21	-	614	-	-	16,587	-	-	-	**17,222**
Amortization of development costs	-	-	-	392	-	-	-	-	-	**392**
Provision for closure and post-closure care of landfills	-	-	(43)	-	-	-	-	-	-	**(43)**
Other income (expenses)	-	-	-	-	-	(502)	-	(537)	-	**(1,039)**
Changes in assets and liabilities, net of transfers:										
(Increase) decrease in:										
Accounts receivable, net	-	731	34	(87)	1,168	64	26	-	-	**1,936**
Inventory	-	(12)	-	-	-	165	-	-	-	**153**
Prepaid expenses and other current assets	(12)	(5)	(27)	(4)	-	(29)	(37)	-	-	**(114)**
Increase (decrease) in:										
Accounts payable, accrued expenses and other liabilities	(146)	(1,411)	(1,361)	1,814	(1,230)	1,520	(225)	(21)	-	**(1,060)**
Due to/from other funds	100	893	102	(4)	-	(908)	(124)	(59)	-	**-**
Net Cash Provided by Operating Activities	$ (298)	$ 5,642	$ (3,429)	$ 1,404	$ 48	$ 4,263	$ (672)	$ (618)	$ 792	**$ 7,132**

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MATERIALS INNOVATION AND RECYCLING AUTHORITY

A Component Unit of the State of Connecticut

SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION

AS OF JUNE 30, 2015

(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	**Total**
Net position, net investment in capital assets	$ 33	$ -	$ 2,894	$ -	$ -	$ 86,241	$ 16,109	$ -	**$ 105,277**
Restricted net position:									
Current restricted cash and cash equivalents :									
City of Hartford recycling education fund	-	-	6	-	-	-	-	-	**6**
Customer guarantee of payment	-	139	-	-	-	-	-	-	**139**
Revenue fund	-	-	-	1,607	-	-	-	-	**1,607**
Town of Ellington trust - pooled funds	-	-	-	-	-	48	-	-	**48**
Total current restricted cash and cash equivalents	-	139	6	1,607	-	48	-	-	**1,800**
Less liabilities to be paid with current restricted assets:									
Other liabilities	-	139	6	1,607	-	-	-	-	**1,752**
Total liabilities to be paid with current restricted assets	-	139	6	1,607	-	-	-	-	**1,752**
Total restricted net position	-	-	-	-	-	48	-	-	**48**

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MATERIALS INNOVATION AND RECYCLING AUTHORITY

A Component Unit of the State of Connecticut

SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION (Continued)

AS OF JUNE 30, 2015

(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	**Total**
Unrestricted net position:									
Designated for:									
Debt service reserve	$ -	$ 2,100	$ -	$ -	$ -	$ -	$ -	$ -	**$ 2,100**
Future loss contingencies	-	442	-	252	-	-	-	-	**694**
General fund	-	916	6,154	-	-	860	-	-	**7,930**
Improvement	-	-	-	-	-	2,113	-	-	**2,113**
Landfill development	-	-	297	-	-	-	-	-	**297**
Legal	-	601	-	-	-	-	-	-	**601**
Litigation reserve	-	-	-	-	-	-	-	-	**0**
Post-closure	-	-	-	-	-	-	3,552	-	**3,552**
Project/Post-project closure	-	-	988	-	-	181	-	-	**1,169**
Severance	792	-	-	-	-	-	-	-	**792**
Tip fee stabilization	-	-	-	-	-	5,188	-	-	**5,188**
Undesignated	928	11,164	3,160	7,317	-	6,717	307	-	**29,593**
Total unrestricted net position	1,720	15,223	10,599	7,569	-	15,059	3,859	-	**54,029**
Total Net Position	$ 1,753	$ 15,223	$ 13,493	$ 7,569	$ -	$ 101,348	$ 19,968	$ -	**$ 159,354**

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

To the Board of Directors of the
Materials Innovation and Recycling Authority
Hartford, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Materials Innovation and Recycling Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
September 28, 2015