MIRA
Materials Innovation and Recycling Authority
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September 30, 2016

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, 2016

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, 2016 substantially as discussed and presented at its September 15th and 22nd, 2016 Finance Committee and Board meetings and received the final report on September 27, 2016. Accordingly, I enclose the fiscal year 2016 audited financial report.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements are fairly presented in conformity with GAAP.

In addition to the annual independent audit, the Authority recently received an audit report from the State Auditors of Public Accounts concerning the activities of the Connecticut Resources Recovery Authority (predecessor to the Authority) for the three fiscal years ending June 30, 2014. We are pleased to note that report contained zero recommendations.

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

A Component Unit of the State of Connecticut

ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Materials Innovation and Recycling Authority
Rocky Hill, 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 years ended June 30, 2016 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016 and 2015, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 21 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*

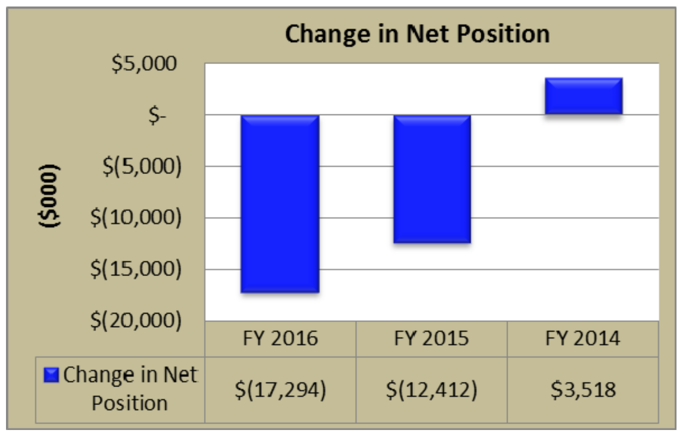
In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 27, 2016

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, 2016. 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.



In fiscal year 2016, the Authority generated total operating revenue of $83.34 million, and incurred $79.42 million in operating expenses before depreciation, resulting in operating income before depreciation of $3.92 million. After $19.42 million in depreciation and amortization expenses, the Authority incurred a $15.50 million operating loss. The Authority also incurred net non-operating expenses of $1.79 million resulting in a total reduction in the Authority's net position of $17.29 million. Total operating revenues decreased by 15.2%, while total operating expenses before depreciation decreased by 12.7%, from fiscal year 2015 to fiscal year 2016. The Authority experienced, and responded effectively, to significant budget variances within the Connecticut Solid Waste System causing it to rely more heavily than planned on its tip fee stabilization fund and contributing to a reduction in its total cash position. The Authority's total assets decreased by $25.13 million (13.8%) and its total liabilities decreased by $7.84 million (35.1%). The major factors contributing to the Authority's financial performance include the close out and transfer of control of its Southeast Project coupled with declining energy sales revenue and service charges associated with the CSWS.

The most significant economic factor with the potential to adversely affect the Authority is its reliance on wholesale energy revenue and disposal fees for waste not contractually committed to the CSWS to maintain disposal fees for CSWS participating municipalities below the levels that trigger their contract termination provisions. The Authority has limited options, through other CSWS revenues or other divisions, to relieve this pressure on participating municipality disposal fees when these revenues are low. Additional factors include reduced energy production associated with the CSWS's ageing resource recovery facility and an anticipated redevelopment of the CSWS not targeted for completion until June 30, 2024. 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 through bi-lateral agreements for fixed prices for a portion of the facility's energy output, and to maximize resources available for major facility maintenance, renewals and replacements. Management has also reviewed and is adapting its practices for securing fixed price energy contracts and establishing disposal fees for non-committed waste to help ensure these revenues are more stable and adequate to meet the needs of the CSWS. 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 MD&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, 2016 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 fiscal year 2016, these projects and divisions include:

- Authority General Fund
- Connecticut Solid Waste System
- Mid Connecticut Project
- Southeast Project
- Property Division
- Landfill 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, 2016 (total assets less total liabilities) was $142,060 which represents a $17,294 (10.8%) reduction from the prior year. The $17,294 reduction in net position is the result of a decrease in total assets of $25,133 partially offset by a reduction in total liabilities of $7,839.

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

	2016	2015	2014
ASSETS			
Current unrestricted assets	$ 57,883	$ 74,251	$ 81,282
Current restricted assets	207	1,800	2,694
Total current assets	58,090	76,051	83,976
Non-current assets:			
Capital assets, net	98,496	105,276	110,475
Development costs, net	-	392	784
Total non-current assets	98,496	105,668	111,259
TOTAL ASSETS	$ 156,586	$ 181,719	$ 195,235
LIABILITIES AND NET POSITION			
LIABILITIES			
Current unrestricted liabilities	$ 9,368	$ 17,113	$ 15,873
Current restricted liabilities	158	1,752	4,096
Total current liabilities	9,526	18,865	19,969
Long-term unrestricted liabilities	5,000	3,500	3,500
Total long-term liabilities	5,000	3,500	3,500
TOTAL LIABILITIES	14,526	22,365	23,469
NET POSITION			
Net: Invested in capital assets	98,496	105,277	110,476
Restricted	49	48	548
Unrestricted	43,515	54,029	60,742
TOTAL NET POSITION	142,060	159,354	171,766
TOTAL LIABILITIES AND NET POSITION	$ 156,586	$ 181,719	$ 195,235

Assets

The Authority's total assets are further summarized on Table 2. The $25,133 reduction in total assets is attributed to the reductions in cash and 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 $10,089 (18.8%) and restricted cash declined by $1,593 (88.5%) for a total reduction of $11,682 (21.0%). The reduction in total cash and equivalents represents nearly half the reduction in total assets and is centered within the Southeast Project, Mid Connecticut Project, and Property Division.

During fiscal year 2016 the Authority continued its efforts to close out the Southeast Project including transferring financial control of the project to the Southeastern Connecticut Regional Resource Recovery Authority (SCRRRA) and ownership of the resource recovery facility to its contract operator (Covanta). Effective November 15, 2015 the Southeast Project's Series A Refunding Bonds matured and were fully paid which resulted in the subsequent distribution of $5,525 in Special Capital Reserve Funds held by the Trustee of these Bonds to the Authority. To remain consistent with the flow of funds requirements of the project's bond indenture, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015. The Authority entered into initial release and indemnification agreements related to its transfer of financial control effective November 30, 2015 with both SCRRRA and Covanta. On December 15, 2015 title to the resource recovery facility transferred from the Authority to Covanta in accordance with relevant contract terms. As of February 29, 2016, the Authority closed its Southeast Project deposit and lockbox accounts and no longer accepted deposits of Southeast Project receipts. Effective March 24, 2016 the Authority approved an interim reserve requirement of $1,140 to provide for its remaining obligations under the Southeast Project and approved the transfer of $5,692 in surplus funds to SCRRRA. The net effect of this transfer of control is a $4,871 reduction in cash and equivalents associated with the Southeast Project from June 30, 2015 to June 30, 2016. This represents 41.7% of the Authority's total reduction in cash and equivalents. As of June 30, 2016, the Authority, SCRRRA and Covanta continued work on final release and indemnification documents related to the entire Southeast Project to include preservation of the Authority's rights to use a portion of the facility's capacity, to acquire the facility under certain circumstances and to inspect deliveries to the facility.

The Mid Connecticut Project saw a $3,887 (21.6%) reduction in its cash and equivalents. This reduction was primarily due to the transfer of $1,647 to the CSWS as reimbursement for the Mid Connecticut Project's deferred major maintenance costs that the CSWS initially bore. Additional contributing factors include payment of legal fees for ongoing litigation of $770, payments towards settlements of $550, payments for audit services of $353 and payments towards allocated overhead of $400. The Mid Connecticut Project represents 33.2% of the Authority's total reduction in cash and equivalents.

The Property Division saw a $3,406 (25.8%) reduction in its cash and equivalents. This reduction was primarily due to the transfer of $3,276 from the Property Division's tip fee stabilization fund to the CSWS operating account to subsidize CSWS operations. These transfers (loans) remain due to the tip fee stabilization fund from CSWS. The Property Division represents 29.2% of the Authority's total reduction in cash and equivalents.

The CSWS realized an increase in its total cash and equivalents of $868 (6.7%). This increase is solely related to the receipt of subsidy transfers from the Property Division's tip fee stabilization fund described above.

The $7,170 (59.1%) decline in accounts receivable is centered within the Southeast Project. The Southeast Project saw a $7,667 (100.0%) reduction in its accounts receivable due to the Authority's transfer of control of this project to SCRRRA as noted above. The CSWS saw a $450 (11.8%) increase in its accounts receivable reflecting normal fluctuations in payment patterns.

The consolidated nature of the Authority's current assets summarized on Table 2 does not reflect amounts due from other funds. Amounts due from other funds increased significantly within the Property Division from fiscal year 2015 to fiscal year 2016 due to increased loans from the Property's Division's tip fee stabilization fund. Amounts loaned and used to supplement the CSWS operating account are recognized as due from other funds in the Authority's Combining Schedule of Statement of Net Position attached as Exhibit A to the Financial Statements. Tip fee stabilization funds loaned and used to supplement the CSWS improvement fund are not recognized as due from other funds in the Authority's financial statements as both of these funds reside within the Property Division. These funds are internally tracked and considered owed to the tip fee stabilization fund.

Non-Current Assets

The $7,172 (6.8%) reduction in non-current assets reflects a $3,049 (4.2%) reduction in depreciable assets coupled with a $3,731 (11.4%) reduction in non-depreciable assets and $392 (100.0%) reduction in development costs. The reduction in depreciable assets reflects depreciation expense and asset write offs which exceed additions to fixed assets. Write offs are primarily associated with Hartford landfill infrastructure transferred to the City of Hartford upon expiration of the lease for this landfill. The reduction in non-depreciable assets reflects reduction to construction in progress as projects were completed in fiscal year 2016 and transferred to depreciable assets. The reduction in development costs reflects annual amortization of the Authority's development costs related to the Southeast Project. The amortization of these expenses was completed in fiscal year 2016.

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

	2016	2015	2016 Increase/ (Decrease) from 2015	2016 Percent Increase/ (Decrease)	2014	2015 Increase/ (Decrease) from 2014	2015 Percent Increase/ (Decrease)
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	$ 43,682	$ 53,771	$ (10,089)	(18.8%)	$ 58,827	$ (5,056)	(8.6%)
Accounts receivable, net of allowances	4,952	12,122	(7,170)	(59.1%)	14,058	(1,936)	(13.8%)
Inventory	5,954	5,916	38	0.6%	6,069	(153)	(2.5%)
Prepaid expenses	3,295	2,442	853	34.9%	2,328	114	4.9%
Total Unrestricted Assets	57,883	74,251	(16,368)	(22.0%)	81,282	(7,031)	(8.7%)
Restricted Assets:							
Cash and cash equivalents	207	1,800	(1,593)	(88.5%)	2,694	(894)	(33.2%)
TOTAL CURRENT ASSETS	58,090	76,051	(17,961)	(23.6%)	83,976	(7,925)	(9.4%)
NON-CURRENT ASSETS							
Capital Assets:							
Depreciable, net	69,458	72,507	(3,049)	(4.2%)	79,068	(6,561)	(8.3%)
Nondepreciable	29,038	32,769	(3,731)	(11.4%)	31,407	1,362	4.3%
Development costs, net	-	392	(392)	(100.0%)	784	(392)	(50.0%)
TOTAL NON-CURRENT ASSETS	98,496	105,668	(7,172)	(6.8%)	111,259	(5,591)	(5.0%)
TOTAL ASSETS	$ 156,586	$ 181,719	$ (25,133)	(13.8%)	$ 195,235	(13,516)	(6.9%)

Liabilities

The Authority's total liabilities are further summarized on Table 3. The $7,839 (35.1%) reduction from fiscal year 2015 to fiscal year 2016 reflects a $9,339 (49.5%) reduction in the Authority's current liabilities offset by a $1,500 (42.9%) increase the Authority's long term liabilities.

The reduction in current liabilities is largely centered within the Southeast Project. The Southeast Project saw a $6,426 (99.7%) reduction in its current liabilities due to the Authority's transfer of control of this project to SCRRRA as noted above. The Property Division also had a large reduction in its current liabilities of $1,549 or 87.6%. This reflects reduced accounts payable related to capital project activities that had been ongoing at the close of fiscal year 2015. The Mid Connecticut Project saw a $1,872 (48.8%) reduction in its current liabilities attributed to reduced accounts payable and accrued expenses for legal services, landfill contractor work, project closeout and audit fees.

Offsetting the reduced liabilities associated with the Southeast Project, Mid Connecticut Project and Property Division was a $339 (5.5%) increase in the current liabilities of the CSWS. CSWS accounts payable, unearned revenue and accrued expenses payable from restricted assets increased by 32.1%, 13.1% and 9.4%, respectively. These increases were partially offset by a 25.6% reduction in CSWS accrued expenses payable from unrestricted assets. The Authority's General Fund and its Landfill Division also had increases in current liabilities of $117 (19.4%) and $52 (76.5%), respectively.

The increase in long term liabilities reflects the Authority's most recent estimate for settlement activity related to the close out of the Mid Connecticut Project.

The consolidated nature of the Authority's current liabilities summarized on Table 3 does not reflect amounts due to other funds. Amounts due to other funds increased significantly within the CSWS from fiscal year 2015 to fiscal year 2016 due to increased borrowing from the Property's Division's tip fee stabilization fund. Amounts borrowed and used to supplement the CSWS operating account are recognized as due to other funds in the Authority's Combining Schedule of Statement of Net Position attached as Exhibit A to the Financial Statements. Tip fee stabilization funds loaned and used to supplement the CSWS improvement fund are not recognized as due from other funds in the Authority's financial statements as both of these funds reside within the Property Division. These funds are internally tracked and considered owed to the tip fee stabilization fund.

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

	2016	2015	2016 Increase/ (Decrease) from 2015	2016 Percent Increase/ (Decrease)	2014	2015 Increase/ (Decrease) from 2014	2015 Percent Increase/ (Decrease)
CURRENT LIABILITIES							
Payable from unrestricted assets:							
Closure and post-closure care of landfills	$ -	$ -	$ -	n/a	$ 43	$ (43)	(100.0%)
Accounts payable	2,615	4,535	(1,920)	(42.3%)	4,740	(205)	(4.3%)
Acccrued expenses and other current liabilities	3,874	9,992	(6,118)	(61.2%)	8,498	1,494	17.6%
Unearned revenue	2,879	2,586	293	11.3%	2,592	(6)	(0.2%)
Total payable from unrestricted assets	9,368	17,113	(7,745)	(45.3%)	15,873	1,240	7.8%
Payable from restricted assets:							
Acccrued expenses and other current liabilities	158	1,752	(1,594)	(91.0%)	4,096	(2,344)	(57.2%)
Total payable from restricted assets	158	1,752	(1,594)	(91.0%)	4,096	(2,344)	(57.2%)
TOTAL CURRENT LIABILITIES	9,526	18,865	(9,339)	(49.5%)	19,969	(1,104)	(5.5%)
LONG-TERM LIABILITIES							
Payable from unrestricted assets:							
Other liabilities	5,000	3,500	1,500	42.9%	3,500	-	0.0%
Total payable from unrestricted assets	5,000	3,500	1,500	42.9%	3,500	-	0.0%
TOTAL LONG-TERM LIABILITIES	5,000	3,500	1,500	42.9%	3,500	-	0.0%
TOTAL LIABILITIES	$ 14,526	$ 22,365	$ (7,839)	(35.1%)	$ 23,469	(1,104)	(4.7%)

Statement of Revenues, Expenses and Changes in Net Position

The reduction in the Authority's net position from June 30, 2015 to June 30, 2016 shown on Table 1 was generated from the change in net position shown on Table 4, Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2016. Changes in net position represent the results of operations of the Authority (i.e. its net income).

The $17,294 (10.8%) reduction in net position reflects total operating and non-operating revenues of $84,175 as shown on Table 5 being exceeded by total operating and non-operating expenses of $101,469 as shown on Table 6. The Authority generated $3,917 in income before depreciation and net non-operating expenses. However, depreciation and amortization expenses totaled $19,422 and net non-operating expenses totaled $1,789.

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

	2016	2015	2014
Operating revenues	$ 83,336	$ 98,265	$ 123,362
Operating expenses	79,419	90,966	106,082
Income (loss) before depreciation and amortization and other non-operating revenues and (expenses)	3,917	7,299	17,280
Depreciation and amortization	19,422	17,614	16,101
Income (loss) before other non-operating revenues and (expenses), net	(15,505)	(10,315)	1,179
Non-operating revenues (expenses), net	(1,789)	(2,097)	2,339
Change in net position	(17,294)	(12,412)	3,518
Total net position, beginning of year	159,354	171,766	168,248
Total net position, end of year	$ 142,060	$ 159,354	$ 171,766

Revenues

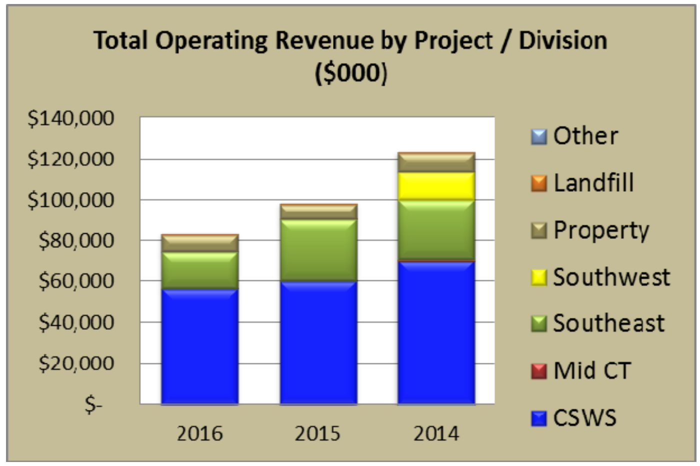


Table 5 summarizes total revenue (operating and non-operating) for the three prior fiscal years ending June 30, 2016.

As indicated in Table 5, operating revenue decreased by $14,929 (15.2%) from fiscal year 2015 to fiscal year 2016. There are three primary contributing factors to this reduction including reduced operating revenue associated with the transfer of control of the Authority's Southeast Project to SCRRRA and reduced operating revenue from the CSWS which were partially offset by increased operating revenue from the Authority's Property Division.

Operating revenue from the Southeast Project declined by $12,115 (40.5%) from fiscal year 2015 to fiscal year 2016. In fiscal year 2016, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivery revenue through October 2015 which were distributed in accordance with applicable bond indenture requirements prior to the November 15, 2015 maturity of the project bonds. Control of all Southeast Project operating revenues subsequent to those recognized on the Authority's financial statements was transferred to SCRRRA.

Operating revenue from the CSWS declined by $3,556 (5.9%) from fiscal year 2015 to fiscal year 2016. All categories of operating revenue shown on Table 5 declined within the CSWS except member service charges which were flat. CSWS energy sales declined by $2,127 (11.8%) due to depressed "Day Ahead" wholesale energy prices established by ISO New England for the portion of CSWS energy not sold pursuant fixed contract. Other service charges declined by $713 (4.3%) reflecting steep declines in spot and other contract disposal fees partially offset by increased hauler contract disposal fees. Other revenue declined by $736 (28.2%) which primarily reflected steep decreases in the market prices for recycled commodities.

Operating revenue from the Property Division increased by $758 (9.9%) from fiscal year 2015 to fiscal year 2016. All of this increase is within energy sales revenue from the Authority's jet powered electric generating peaking units "Jet Peaking Units". In fiscal year 2016 the Authority actively placed the Jet Peaking Units into the forward reserve and capacity reconfiguration markets maintained by ISO New England in an effort to mitigate declines in real time reserve and "Black Start" program revenues.

Table 5 also indicates that non-operating revenue increased by $736 (714.6%) from fiscal year 2015 to fiscal year 2016. This is primarily due to the Authority's receipt of settlement funds in the matter of CRRA v Lay.

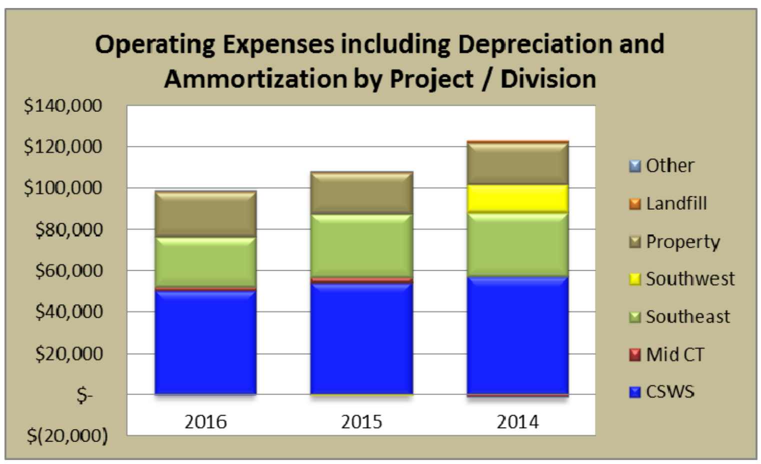
TABLE 5
SUMMARY OF OPERATING AND NON-OPERATING REVENUES
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2016	2015	2016 Increase/ (Decrease) from 2015	2016 Percent Increase/ (Decrease)	2014	2015 Increase/ (Decrease) from 2014	2015 Percent Increase/ (Decrease)
Operating Revenues:							
Member service charges	$ 26,103	$ 31,005	$ (4,902)	(15.8%)	$ 45,588	$ (14,583)	(32.0%)
Other service charges	21,493	17,020	4,473	26.3%	16,513	507	3.1%
Energy sales	33,347	46,921	(13,574)	(28.9%)	56,451	(9,530)	(16.9%)
Other operating revenues	2,393	3,319	(926)	(27.9%)	4,810	(1,491)	(31.0%)
Total Operating Revenues	83,336	98,265	(14,929)	(15.2%)	123,362	(25,097)	(20.3%)
Non-Operating Revenues:							
Investment income	99	60	39	65.0%	109	(49)	(45.0%)
Gain on write-off of postclosure liabilities	-	-	-	n/a	4,751	(4,751)	(100.0%)
Settlement Income	638	-	638	n/a	-	-	n/a
Other income	102	43	59	137.2%	190	(147)	(77.4%)
Total Non-Operating Revenues	839	103	736	714.6%	5,050	(4,947)	(98.0%)
Total Revenues	$ 84,175	$ 98,368	$ (14,193)	(14.4%)	$ 128,412	$ (30,044)	(23.4%)

Expenses

Table 6 summarizes total expenses (operating expenses, depreciation and non-operating expenses) for the three prior fiscal years ending June 30, 2016. As indicated, total expenses declined by $9,311 (8.4%) from fiscal year 2015 to fiscal year 2016.

Operating expenses (before depreciation) declined by $11,547 (12.7%) from fiscal year 2015 to fiscal year 2016.



Operating expenses (before depreciation) for all of the Authority's projects and divisions declined from fiscal year 2015 to fiscal year 2016. The Southeast Project saw the greatest decline ($6,326 or 20.9%) due to the transfer of control of this project to SCRRRA. The Authority's fiscal year 2016 operating expenses related to the Southeast Project include the distribution of $5,875 in net surplus funds available as a result of bond maturity and the transfer of control. Operating expenses (before depreciation) for the CSWS declined by $3,609 (6.7%). The CSWS reduced all major categories of expense other than maintenance and utilities. Reductions are attributable to savings in waste transportation, reduced operating expenses of the resource recovery facility, absence of a recycling rebate due to depressed commodity prices, and substantially reduced legal fees. The Property Division reduced its operating expenses by $660 (17.9%). This reduction is primarily associated with operating expenses for the Jet Peaking Units which declined based on the unit cost of jet fuel and reduced run time on the units.

Administrative expense charged to the Education and Trash Museum, which is part of the Property Division, were reduced significantly as well. The Mid Connecticut Project saw a $626 (29.3%) reduction in its operating expenses based on significantly reduced legal spending on matters related to the closeout of the project offset by a net increase in solid waste operations expense. The net increase in solid waste operations expense for the Mid Connecticut Project reflects the Authority's updated estimate for settlement activity to the closeout of the project offset by reductions associated with final payment to the contract operator of the resource recovery facility, as well as cleanup costs for the project's coal pond, which occurred in fiscal year 2015. All other Authority projects and divisions combined reduced their operating expenses by $326 (44.5%) mostly related to the absence of spending from the Authority's severance reserve and reduced landfill maintenance and utility expenses associated with the transition of such responsibilities to the Department of Energy and Environmental Protection.

Depreciation and amortization expenses increased by $1,808 (10.3%) from fiscal year 2015 to fiscal year 2016. This increase is primarily related to major maintenance activity occurring within the CSWS resource recovery facility and the approaching end of useful life 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.

Non-operating expenses increased by $428 (19.5%) from fiscal year 2015 to fiscal year 2016. This increase reflects the divergent elements of non-operating expense experienced from year to year. In fiscal year 2016 non-operating expenses primarily represented settlement expenses associated with the Mid Connecticut Project, final distribution of surplus funds associated with the closed Bridgeport and Wallingford projects, and the write off of assets primarily associated with the expiration of the Authority's long term lease for the Hartford Landfill.

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

	2016	2015	2016 Increase/ (Decrease) from 2015	2016 Percent Increase/ (Decrease)	2014	2015 Increase/ (Decrease) from 2014	2015 Percent Increase/ (Decrease)
Operating Expenses:							
Solid waste operations	$ 66,148	$ 81,852	$ (15,704)	(19.2%)	$ 97,583	$ (15,731)	(16.1%)
Maintenance and utilities	1,098	1,144	(46)	(4.0%)	1,313	(169)	(12.9%)
Landfill closure and post-closure	-	-	-	n/a	(3,392)	3,392	(100.0%)
Legal services - external	580	1,760	(1,180)	(67.0%)	3,012	(1,252)	(41.6%)
Administrative and operational services	5,718	6,210	(492)	(7.9%)	6,191	19	0.3%
Distribution to:							
SCRRRA	5,875	-	5,875	100.0%	1,375	(1,375)	0.0%
Total Operating Expenses	79,419	90,966	(11,547)	(12.7%)	106,082	(15,116)	(14.2%)
Depreciation and amortization	19,422	17,614	1,808	10.3%	16,101	1,513	9.4%
Non-Operating Expenses:							
Settlement expenses	693	-	693	n/a	-	-	n/a
Other expenses	1,935	2,200	(265)	(12.0%)	2,711	(511)	(18.8%)
Total Non-Operating Expenses	2,628	2,200	428	19.5%	2,711	(511)	(18.8%)
Total Expenses	$ 101,469	$ 110,780	(9,311)	(8.4%)	$ 124,894	$ (14,114)	(11.3%)

Significant Budget Variances

The Authority's original adopted total operating budget for all projects and divisions for fiscal year 2016 was $108,894.

The primary source of funding for the budget is $105,282 in total operating revenue generated by each project and division. Budgeted operating revenue includes solid waste delivery fees, energy sales, recycling sales and other revenue. Additional budget sources of funding include $3,612 in interest, use of previously established reserve funds and inter-fund transfers.

The operating budget provides balanced funding of the operating expense budgets of each project and division, their allocated share of the Authority's general administrative budget and their reserve contributions and transfers out. Operating expenses represent 84.0% 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 fiscal year 2016 operating budget included set asides for the CSWS improvement fund, the Property Division's improvement fund, General Fund and tip fee stabilization fund.

The CSWS experienced a very challenging year in terms of budget versus actual performance. Operating revenues including interest ended the year at $10,372 (15.4%) 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, other contract and member town waste delivery revenue.

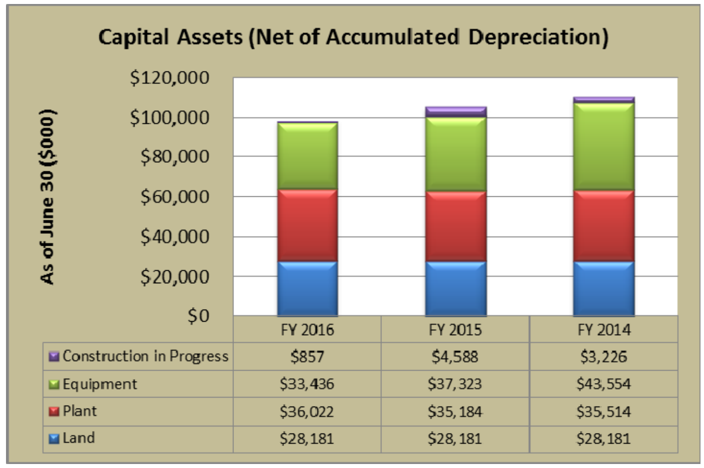
Management's response to the significant CSWS revenue budget shortfall, which began early in the fiscal year and persisted throughout, was to secure a Board authorized modification of the Authority's tip fee stabilization fund such that all Property Division income was transferred to the fund each month and CSWS was authorized to draw from the fund in support of budgeted improvement fund spending in addition to operating expenses. This was effective September 2015 through disbursement of receipts for the period ending June 30, 2016.

In addition to modification of the tip fee stabilization fund, the Board authorized an amendment to the CSWS operating expense budget. The $1,628 (2.8%) budget reduction was effective January 1, 2016 and was in addition to budget savings realized to that point through resource recovery facility downtime. The CSWS ended the year at $4,016 (7.0%) below its amended operating expense budget.

The above adaptations, coupled with the transfer of $1,647 to the CSWS as reimbursement for the Mid Connecticut Project's deferred major maintenance costs, allowed the Authority to complete and expand its fiscal year 2016 major maintenance program for the resource recovery facility with the goal of improving efficiency and energy production moving forward.

The Property Division significantly exceeded budget expectations. Operating revenue including interest and transfers was $1,481 (21.1%) above budget and operating expenses were $885 (25.4%) below budget.

Capital Assets



The Authority's investment in capital assets (net of accumulated depreciation) as of June 30, 2016 totaled $98,496. This represents a $6,782 (6.4%) reduction from net capital assets as of June 30, 2015 which totaled $105,277. 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, 2016 this primarily consisted of boiler, ash system 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.

Long-Term Debt Issuance, Administration and Credit Ratings

As of June 30, 2016, the Southeast Project had $30,000 of total outstanding debt that is not carried on the Authority's books. This includes only the 1992 Series A Corporate Credit Revenue Bonds. During fiscal year 2016, 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, matured and were fully paid, as were two additional 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. With maturity of the 2010 Series A Refunding Bonds, there is no longer any contingent liability of the State via a SCRF associated with the Authority. See Note 1A for additional information on the structure of the Southeast Project.

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2016

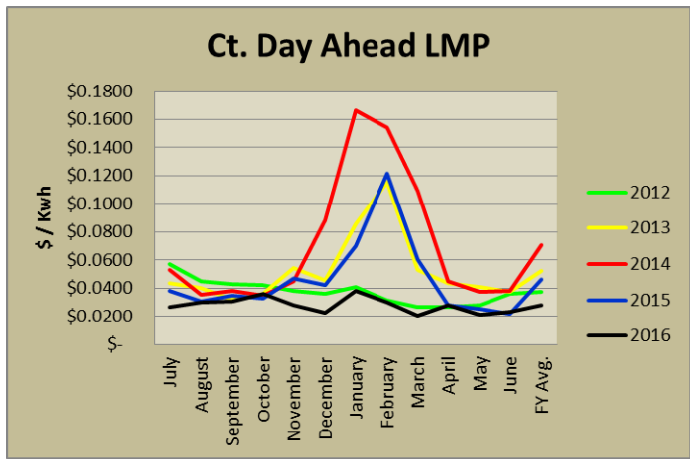
PROJECT / Series	Moody's Rating	Standard & Poor's Rating	X= SCRF-Backed [1]	Dated	Maturity Date	Original Principal ($000)	Principal Outstanding ($000)	On Authority's Books ($000)
SOUTHEAST PROJECT								
2010 Series A - Project Refunding [2]	Aa3	AA	X	12/02/10	11/15/15	27,750	-	-
CORPORATE CREDIT REVENUE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

[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 are the CSWS business model's reliance on wholesale energy revenue and disposal fees for waste not contractually committed to the CSWS to keep disposal fees for CSWS participating municipalities below the levels that trigger their contract termination provisions. The Authority has limited options, through other CSWS revenue or other divisions, to relieve this pressure on participating municipality tip fees when these revenues are low. Additional factors include reduced energy production associated with the ageing CSWS resource recovery facility, and an anticipated redevelopment of the CSWS in the context of this business 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 disposal fees for waste not contractually committed to the CSWS. Consequently, price volatility in the wholesale energy market and the tip fees paid by non-participating towns directly impact the tip fees charged to participating towns. Some of the Authority's participating 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 $.0703 per Kwh in fiscal year 2014 to a low of $.0279 per Kwh in fiscal year 2016. To demonstrate the hypothetical impact of electric price volatility, the high of $.0703 per Kwh would be sufficient to reduce tip fees to $39 per ton (41% below the opt out tip fee), and the low of $.0279 per Kwh would be sufficient to increase tip fees to a high of $82 per ton (24% above the opt out tip fee) based on the CSWS fiscal year 2017 business model. Actual disposal fees charged to non-participating towns in fiscal year 2016 (spot and other contract waste) averaged $49 per ton. To demonstrate the hypothetical impact of discounted tip fees for non-participating towns, this price differential added approximately $4.50 per ton to the fiscal year 2017 base disposal fee adopted for participating towns.

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 and other revenues are low, thereby avoiding the opt out price, and which is to be reimbursed as wholesale energy prices and other revenues 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 cash balance of the tip fee stabilization fund at June 30, 2016 was $3.7 million and a total of $7.4 million was owed from the CSWS. During fiscal year 2017, Property Division income will continue to flow to this fund subject to an authorized cap of $3.0 million pending further action by the Authority's Board of Directors as necessary to address 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 2015 and established a fixed price of $0.054 per Kwh for the first 20 megawatts of CSWS energy generated in fiscal year 2016. This proved to be a very effective hedge in that the contract price generated approximately $4.3 million in revenue above what would have been earned at day ahead wholesale prices. During fiscal year 2016 management also developed and implemented a new approach to establishing fixed prices for CSWS energy. NextEra Energy has been contracted to provide a flexible hedging program that provides management with real time data necessary to track forward energy markets and competitively secure fixed price contracts at times favorable to the Authority. Also during fiscal year 2016 management commenced multiple reviews intended to bolster disposal fees and revenue for waste not contractually committed to the CSWS.

The Authority's Property Division – The primary source of revenue to the Property Division is Jet Peaking Unit participation in ISO New England's Forward Capacity Reserve, Forward 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, 2020. To address this matter, in fiscal year 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 fiscal year 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 Note 4 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 executed 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 generate adequate revenue for the Landfill Division to remain financially self-sufficient.

Redeveloping CSWS

In fiscal year 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.

As of June 30, 2016 DEEP had issued the Request for Proposals, received responses and remained in the process of evaluating proposals and establishing the required shortlist. 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, 200 Corporate Place, Rocky Hill CT 06067.

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MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND JUNE 30, 2015
(Dollars in Thousands)

ASSETS	2016	2015
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	**$ 43,682**	$ 53,771
Accounts receivable, net of allowances	**4,952**	12,122
Inventory	**5,954**	5,916
Prepaid expenses	**3,295**	2,442
Total Unrestricted Assets	**57,883**	74,251
Restricted Assets:		
Cash and cash equivalents	**207**	1,800
Total Restricted Assets	**207**	1,800
TOTAL CURRENT ASSETS	**58,090**	76,051
NON-CURRENT ASSETS		
Capital Assets:		
Depreciable, net	**69,458**	72,507
Nondepreciable	**29,038**	32,769
Development costs, net	**-**	392
TOTAL NON-CURRENT ASSETS	**98,496**	105,668
TOTAL ASSETS	**156,586**	181,719

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, 2016 AND JUNE 30, 2015
(Dollars in Thousands)

	2016	2015
LIABILITIES		
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Accounts payable	**2,615**	4,535
Acccrued expenses and other current liabilities	**3,874**	9,992
Unearned revenue	**2,879**	2,586
Total payable from unrestricted assets	**9,368**	17,113
Payable from restricted assets:		
Acccrued expenses and other current liabilities	**158**	1,752
Total payable from restricted assets	**158**	1,752
TOTAL CURRENT LIABILITIES	**9,526**	18,865
LONG-TERM LIABILITIES		
Payable from unrestricted assets:		
Other liabilities	**5,000**	3,500
TOTAL LONG-TERM LIABILITIES	**5,000**	3,500
TOTAL LIABILITIES	**14,526**	22,365
NET POSITION		
Net investment in capital assets	**98,496**	105,277
Restricted	**49**	48
Unrestricted	**43,515**	54,029
TOTAL NET POSITION	**$ 142,060**	$ 159,354

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, 2016 AND 2015

(Dollars in Thousands)

	2016	2015
Operating Revenues		
Service charges:		
Members	$ 26,103	$ 31,005
Others	21,493	17,020
Energy sales	33,347	46,921
Other operating revenues	2,393	3,319
Total Operating Revenues	83,336	98,265
Operating Expenses		
Solid waste operations	66,148	81,852
Maintenance and utilities	1,098	1,144
Legal services - external	580	1,760
Administrative and Operational services	5,718	6,210
Distribution to SCRRRA	5,875	-
Total Operating Expenses	79,419	90,966
Operating Income before Depreciation and Amortization	3,917	7,299
Depreciation and Amortization	19,422	17,614
Operating Loss	(15,505)	(10,315)
Non-Operating Revenues (Expenses)		
Investment income	99	60
Settlement income	638	-
Settlement expenses	(693)	-
Other income (expenses), net	(1,833)	(2,157)
Non-Operating Revenues (Expenses), Net	(1,789)	(2,097)
Change in Net Position	(17,294)	(12,412)
Total Net Position, beginning of year	159,354	171,766
Total Net Position, end of year	$ 142,060	$ 159,354

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, 2016 AND 2015

(Dollars in Thousands)

	2016	2015
Cash Flows Provided by (Used in) by Operating Activities		
Payments received from providing services	$ 90,774	$ 100,195
Payments to suppliers and employees	(82,544)	(92,025)
Distribution to member towns	(181)	(1,039)
Distribution to SCRRRA	(5,875)	-
Settlement income	638	-
Settlement expense	(693)	-
Net Cash Provided by Operating Activities	2,119	7,131
Cash Flows Provided by Investing Activities		
Interest on investments	100	60
Net Cash Provided by Investing Activities	100	60
Cash Flows Provided by (Used in) Capital and Related Financing Activities		
Proceeds from sales of equipment	102	62
Acquisition and construction of capital assets	(14,003)	(13,203)
Net Cash Used in Capital and Related Financing Activities	(13,901)	(13,141)
Net decrease in cash and cash equivalents	(11,682)	(5,950)
Cash and cash equivalents, beginning of year	55,571	61,521
Cash and cash equivalents, end of year	$ 43,889	$ 55,571
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (15,505)	$ (10,315)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation of capital assets	19,030	17,222
Amortization of development costs	392	392
Provision for closure and post-closure care of landfills	-	(43)
Other income (expenses)	(237)	(1,040)
Changes in assets and liabilities, net of transfers:		
(Increase) decrease in:		
Accounts receivable, net	7,170	1,936
Inventory	(38)	153
Prepaid expenses and other current assets	(853)	(114)
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(7,840)	(1,060)
Net Cash Provided by Operating Activities	$ 2,119	$ 7,131

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 has been contingently liable to restore deficiencies in debt service reserves established for certain Authority bonds. However, with maturity of the Authority's 2010 Series A Southeast Project Refunding Bonds on November 15, 2015, there is no longer any contingent liability of the State associated with the Authority. 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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

A. Entity and Services *(Continued)*

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.

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 ceased providing educational facilities and services to its customers as of June 30, 2016.

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 remained in effect at the time the Authority was created, those for the Mid Connecticut, Bridgeport and Wallingford projects had expired and resulted 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 51 Connecticut municipalities and 44 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 has previously been 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, 2016 AND 2015

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

A. Entity and Services *(Continued)*

Southeast Project – The initial underlying structure of this project remained in place at the time the Authority was created. 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 (Covanta) under a long-term contract. Covanta 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 have not included the Capital Assets comprising the facility as they revert to operator ownership upon expiration of the underlying contracts. Likewise, the Authority's Statements of Net Position have not reflected 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 assumed CRRA's interests and obligations under the Bonds, Lease, Service Agreement, Bridge and Management Agreement and has reported this activity consistent with the structure noted above.

During fiscal year 2016, the Authority's role in the Southeast Project evolved significantly. Effective November 15, 2015 the Project's Series A Refunding Bonds matured and were fully paid. Effective November 30, 2015, the Authority entered into initial release and indemnification agreements with both SCRRRA and Covanta providing for the Authority's transfer of financial control of the Project to SCRRRA. On December 15, 2015 title to the resource recovery facility transferred from the Authority to Covanta in accordance with relevant contract terms. As of February 29, 2016, the Authority closed its Southeast Project deposit and lockbox accounts and no longer accepted deposits of Southeast Project receipts. Effective March 24, 2016 the Authority approved an interim reserve requirement of $1,140 to provide for its remaining obligations under the Southeast Project and approved the distribution of $5,692 in surplus funds to SCRRRA, in addition to prior net distribution of $183. As of June 30, 2016, the Authority, SCRRRA and Covanta continued work on final release and indemnification documents intended to provide for i) termination of the Bridge and Management Agreement, ii) assignment of the Authority's rights under the Service Agreement and certain ancillary agreements including the Project's energy sales contract to SCRRRA, and iii) preservation of the Authority's rights to use a portion of the facility's capacity, to acquire the facility under certain circumstances and to inspect deliveries to the facility.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

A. Entity and Services *(Continued)*

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.

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, were also 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.

During fiscal year 2016 the Authority's lease and subsequent Short Term Access Agreement for the Hartford Landfill expired resulting in the transfer of associated plant and equipment to the City of Hartford. Ownership of the solar array installed by the Authority on top of the Hartford landfill remains with the Authority subject to a new Long Term Site Access and Revenue Sharing Agreement with the City of Hartford. The Authority's financial interests and activities concerning this solar array are recognized within the Landfill Division.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

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.

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 (Bridgeport and Wallingford).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

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 $35,000 at June 30, 2016 and $234,000 at June 30, 2015.

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, 2016 and 2015 are summarized as follows:

Inventories	Fiscal Year 2016 ($000)	Fiscal Year 2015 ($000)
Spare Parts	$ 5,036	$ 4,699
Fuel	918	1,217
Total	$ 5,954	$ 5,916

G. Investments

Investments are reported at fair value (generally based on quoted market prices), except for investments in certain external investment pools that are permitted to be reported at the net asset value per share as determined by the pool.
Interest on investments is recorded as revenue in the year the interest is earned.

H. Restricted Positions

Restricted 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. MIRA's restricted assets are mainly customer guarantees, City of Hartford recycling education fund and Town of Ellington trust–pooled funds.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015 are presented in the following table:

Southeast Development Costs	Fiscal Year 2016 ($000)	Fiscal Year 2015 ($000)
Development Costs	$ 10,006	$ 10,006
Less accummulated amortization	10,006	9,614
Total development costs, net	$ -	$ 392

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, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015 and the related changes for the years ended June 30, 2016 and 2015 are presented in the following table:

Compensated Absences	Balance at July 1, 2014 ($000)	Increases (Decreases) ($000)	Balance at June 30, 2015 ($000)	Increases (Decreases) ($000)	Balance at June 30, 2016 ($000)
Accrued vacation and personal time	$ 369	$ 10	$ 379	$ 74	$ 453
Total	$ 369	$ 10	$ 379	$ 74	$ 453

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 approximately $49,000 and $48,000 as of June 30, 2016 and 2015, respectively. None of the Authority's net position has been restricted by enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 $19.1 million and $24.4 million as of June 30, 2016 and 2015, respectively. Unrestricted net position at June 30, 2016 and 2015 are summarized as follows:

Unrestricted Net Position	2016 ($000)	2015 ($000)
Undesignated	$ 24,396	$ 29,593
Designated:		
Debt service reserve	4	2,100
Future loss contingencies	443	694
General	1,987	7,930
Improvements	1,255	2,113
Landfill development	-	297
Legal	603	601
Litigation reserve	691	-
Landfill Operating	3,274	3,552
Post-project closure	6,362	181
Project-closure	-	988
Severances	796	792
Tip fee stablization	3,704	5,188
	19,119	24,436
Total Unrestricted Net Position	$ 43,515	$ 54,029

M. New Accounting Pronouncements

Effective July 1, 2015, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB 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*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and certain provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The adoption of these statements did not have a material effect on the Authority's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2016 and 2015:

Cash and Cash Equivalents	2016 ($000)	2015 ($000)
Unrestricted:		
Cash deposits	$ 8,794	$ 8,999
Cash equivalents:		
STIF *	34,888	44,772
	43,682	53,771
Restricted – current:		
Cash deposits	201	1,794
Cash equivalents:		
STIF *	6	6
	207	1,800
Total	$ 43,889	$ 55,571

* 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, 2016 and 2015, approximately $9.1 million and $8.9 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2016 ($000)	2015 ($000)
Uninsured and Uncollateralized	$ 7,758	$7,645
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	1,324	1,269
Total	$ 9,082	$8,914

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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") as of June 30, 2016 and 2015 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, 2016, the Authority's investments consisted of the following debt securities:

		Investment Maturities (In Years)			
Investment Type	Net Asset Value ($000)	Less than 1	1 to 5	6 to 10	More than 10
STIF	$ 34,894	$ 34,894	$ -	$ -	$ -
Total	$ 34,894	$ 34,894	$ -	$ -	$ -

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015, STIF had a weighted average maturity of 40 days and 37 days; respectively.

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 Project 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, 2016, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$ 34,894	AAAm	Not Rated	Not Rated

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Credit Risk (Continued)

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

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, 2016 and 2015, 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, 2016 AND 2015

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2016 and 2015:

	Balance at June 30, 2014 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2015 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2016 ($000)
Depreciable assets:									
Plant	$ 198,145	$ -	$ 7,731	$ (4,089)	$ 201,788	$ 651	$ 10,320	$ (7,430)	$ 205,330
Equipment	240,179	34	4,088	(2,055)	242,246	74	6,689	(7,082)	241,927
Total at cost	438,324	34	11,819	(6,144)	444,034	725	17,010	(14,512)	447,257
Less accumulated depreciation for:									
Plant	(162,631)	(7,599)	-	3,626	(166,604)	(9,431)	-	6,728	(169,308)
Equipment	(196,625)	(9,823)	-	1,525	(204,923)	(9,805)	-	6,237	(208,491)
Total accumulated depreciat	(359,256)	(17,422)	-	5,151	(371,527)	(19,236)	-	12,965	(377,799)
Total depreciable assets, net	**$ 79,068**	**$ (17,388)**	**$ 11,819**	**$ (993)**	**$ 72,507**	**$ (18,511)**	**$ 17,010**	**$ (1,548)**	**$ 69,458**
Nondepreciable assets:									
Land	$ 28,181	$ -	$ -	$ -	$ 28,181	$ -	$ -		$ 28,181
Construction-in-progress	3,227	13,169	(11,807)	-	4,588	13,278	(17,010)	-	857
Total nondepreciable assets	**$ 31,408**	**$ 13,169**	**$ (11,807)**	**$ -**	**$ 32,769**	**$ 13,278**	**$ (17,010)**	**$ -**	**$ 29,038**
Total depreciable and nondepreciable assets	**$ 110,476**	**$ (4,219)**	**$ 12**	**$ (993)**	**$ 105,276**	**$ (5,233)**	**$ (0)**	**$ (1,548)**	**$ 98,496**

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) were leased by the Authority.

Federal, State and local regulations required the Authority to place final cover on its landfills when it stopped 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). Accordingly, the Authority has previously estimated its liability for closure and post-closure care costs and recorded any increases or decreases to the liability as an operating expense. For open landfills, such estimate was 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.

During the year ended June 30, 2014, pursuant to the State of Connecticut's Public Act 13-247 and Section 99 of Public Act 13-184, the Authority transferred $35.8 million in post closure care obligations for all of its landfills to the State's Department of Energy and Environmental Protection (DEEP) and concurrently transferred $31.0 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. 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, 2016 AND 2015

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

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 included liabilities associated with the post closure or closure care of any Authority 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 following presents the liabilities for closure and post closure care of landfills as of June 30, 2016 and 2015 and the related changes in the liabilities for the years ended June 30, 2016 and 2015. For periods beyond June 30, 2016, the Authority's financial statements and accompanying notes will no longer report landfill closure or post closure care obligations.

Landfill	Liability at June 30, 2014 ($000)	Expense ($000)	Paid ($000)	Liability at June 30, 2015 ($000)	Expense ($000)	Paid ($000)	Liability at June 30, 2016 ($000)	Amounts Due Within One Year ($000)
Hartford	$ 43	$ 6	$ (49)	$ -	$ -	$ -	$ -	$ -
Total	$ 43	$ 6	$ (49)	$ -	$ -	$ -	$ -	$ -

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

5. MAJOR CUSTOMERS

Eversource is the Authority's customer for energy sales from the Southeast Project as well as the Landfill Division's solar array and represents 11 % of total operating revenue for the year ending June 30, 2016.

Nextera Energy Power Marketing is the Authority's customer for fixed price (hedged) energy sales from the Connecticut Solid Waste System (CSWS) and represents 11 % of total operating revenue for the year ending June 30, 2016.

ISO New England is the Authority's customer for non-hedged energy sales from the Connecticut Solid Waste System and the Property Divisions Peaking Units and represents 18% of total operating revenue for the year ending June 30, 2016.

Nextera Energy Power Marketing also acts as the Authority's designated Lead Market Participant and Generation Asset Owner for ISO New England to provide scheduling, bidding and marketing services with respect to all CSWS and Property Division energy described above.

Service charge revenues from All Waste, Inc. totaled 9.8% and 8.6% of the Authority's operating revenues for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 amounted to approximately $334,000 and $350,000, respectively. Employees contributed approximately $332,000 to the plan during the year ended June 30, 2016 and $334,000 to the plan during the year ended June 30, 2015.

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, 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 was previously a member of the Connecticut Interlocal Risk Management Agency's ("CIRMA") Workers' Compensation Pool, a risk sharing pool which was established in 1980. The Workers' Compensation Pool provided statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. During fiscal year 2016, the Authority terminated its membership in CIRMA and purchased workers compensation coverage from a commercial insurance carrier. Policy premiums expensed for such coverage totaled approximately $50,000 and $52,000 for the years ended June 30, 2016 and 2015, respectively.

8. COMMITMENTS

The Authority has various operating leases for office space and office equipment, which totaled approximately $199,000 and $353,000 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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 $2,039,000 and $2,555,000, 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, 2016 are as follows:

Fiscal Year	Lease Amount ($000)	PILOT Amount ($000)
2017	$ 193	$ 1,636
2018	192	38
2019	196	38
2020	200	38
2021	204	38
Thereafter	284	228
Total	$ 1,269	$ 2,016

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

8. COMMITMENTS *(Continued)*

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	6/30/2017
Copes Rubbish Removal,Inc	6/30/2017
CWPM, LLC	6/30/2017
FCR Inc	6/30/2017

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, 2016 and 2015 were as follows:

Project	2016 ($000)	2015 ($000)
Connecticut Solid Waste System	$ 44,366	$ 45,447
Mid-Connecticut	(8)	456
Southeast	11,275	19,437
Property Division	890	1,073
Landfill Division	20	218
Total	$ 56,543	$ 66,609

9. OTHER FINANCING

The Authority has 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 principal amounts of these bond issues outstanding at June 30, 2016 and 2015 are shown below. The revenue bonds were issued by the Authority to lower the cost of borrowing for the independent contractors 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 the Southeast Project.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

9. OTHER FINANCING *(Continued)*

The Authority is not obligated for the repayment of debt on the 2010 Series A Project Refunding Bonds other than through the revenues of the Southeast Project, and in the event of default, the State has had a contingent liability for these bonds through its Special Capital Reserve Fund (SCRF). 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 2010 Series A Project Refunding Bonds matured and were fully paid during fiscal year 2016 and the State's contingent liability no longer exists.

The Authority is not obligated for the repayment of debt on the 1992 Series A Corporate Credit Bonds (currently outstanding) or the 2001 Series A Covanta Southeastern Connecticut Company I and II bonds that also matured and were fully paid during fiscal year 2016. These bonds are secured by loan agreements between the Authority and the independent contract operator of the Southeast Project which have been assigned to the trustee of these bonds, and through additional corporate guarantee agreements between the trustee and third party guarantors. The payment of debt on these bonds 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.

Project	2016 ($000)	2015 ($000)
Southeast -		
1992 Series A - Corp. Credit	$ 30,000	$ 30,000
2001 Series A - Covanta Southeastern Connecticut Company - I	-	6,750
2001 Series A - Covanta Southeastern Connecticut Company - II	-	6,750
2010 Series A - Project Refunding	-	5,270
Total	$ 30,000	$ 48,770

10. 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

10. CONTINGENCIES *(Continued)*

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. 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; on August 26, 2015. the court entered a judgment of dismissal due to MDC's failure to prosecute its application. The arbitration was bifurcated into two phases – liability and damages. 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 parties conferred regarding the calculation of the indicated costs, as directed by the panel, but failed to reach agreement. Additionally, on February 26, 2016, the Authority filed an action in superior court to confirm the liability award. MDC filed its opposition, and the parties argued the matter on August 29, 2016; a decision is pending. The damages phase of the arbitration is now underway; hearings to determine the specific amount of damages to be paid by the Authority are scheduled to begin November 28, 2016.

The Authority has provided for an estimated accrual in the accompanying statements of net position as of June 30, 2016 and 2015 based on rulings to date. It is reasonably possible that a material change in the estimated accrual could occur in the near term.

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. The Authority filed both a Motion to Dismiss and a Motion to Strike the single count of the new complaint on September 25, 2015; on March 31, 2016, the court denied the first, but granted the second. The plaintiff filed a second substituted complaint on April 25, 2016; as before, the Authority responded with Motions to Dismiss and to Strike. A hearing on both motions was held on August 24th; a decision is pending.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

10. CONTINGENCIES *(Continued)*

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 received payment of the award during the year ended June 30, 2016.

On March 31, 2009, the Authority submitted a timely water discharge permit 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"). Timely submission of the renewal application allows the Authority to continue to operate under the terms and conditions of the existing Permit until such time as the DEEP processes the application and either issues the renewed permit or denies the application to renew. 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 ("Intake Structures") at the Authority's South Meadows Facility represents best technology available ("BTA") for minimizing adverse environmental impact. If DEEP determines that the existing Intake Structures do not represent BTA, then the renewed permit would include requirements for the Facility to implement BTA measures. There is a range of potential alternative BTA measures (from not material to material) that DEEP may ultimately require the Authority to implement. Modification of the Intake Structures may be required in the short term or postponed pending decisions concerning the redevelopment of the Connecticut Solid Waste System (CSWS) presently being evaluated by DEEP and the Authority. As of June 30, 2016 the operation of the CSWS has not been impaired and the Authority has not incurred a liability with respect to renewal of the NPDES Permit. The potential cost to implement BTA for the Intake Structures cannot be reasonably estimated until such time as any BTA measures to be implemented are identified.

In connection with acquisition of the South Meadows real estate in December, 2000, the Authority assumed responsibility for the remediation of pre-existing pollution conditions at the site. At the same time, the Authority entered into an Exit Strategy Contract with TRC Companies, Inc. ("TRC"), whereunder TRC assumed the obligation for such remediation and agreed to be the Certifying Party pursuant to the Connecticut Transfer Act. In pursuit of its obligations, TRC proposed to leave certain contaminants in place and impose an Environmental Land Use Restriction ("ELUR") on the site, and record it on the Hartford land records, all in accordance with applicable environmental regulations. Prior to imposition of the ELUR, all parties holding an interest in the site to whom DEEP does not grant a waiver must subordinate their interest to the ELUR. As of the date hereof, all parties holding such interests have subordinated them to the ELUR except the MDC and the City of Hartford/Greater Hartford Flood Commission (the "GHFC"). The MDC's failure to subordinate does not appear to result in significant financial risk to the Authority. The GHFC has agreed in principle to subordinate in return for a one-time payment from MIRA, but has not yet signed an agreement. The insurance policy that provided the funds for remediation of the site expired on March 30, 2016. If GHFC signs a subordination agreement, TRC may demand payment for MIRA for its costs incurred since that date. If MIRA fails to obtain GHFC's agreement to the subordination, it is possible that TRC may assert a claim against MIRA in connection with such failure.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

10. CONTINGENCIES *(Continued)*

The Authority has entered into thirty-five Tier 1 Long Term Municipal Solid Waste Management Services Agreements with Connecticut municipalities which expire June 30, 2027. The Authority has also entered into twelve Tier 1 Short Term Municipal Solid Waste Management Services Agreements with Connecticut municipalities which expire June 30, 2017. These Tier 1 long term and short term agreements provide that the municipality may terminate the agreement within thirty days after receiving notice that the Authority has adopted a disposal fee that exceeds the opt out disposal fee established in the agreement. In fiscal year 2016, the Authority adopted a Tier 1 Long Term disposal fee of $62.00 per ton in comparison to a Tier 1 Long Term opt out disposal fee of $64.09 per ton. In fiscal year 2016, the Authority adopted a Tier 1 Short Term disposal fee of $64.00 per ton in comparison to a Tier 1 Short Term opt out disposal fee of $66.09 per ton. In fiscal year 2016, Tier 1 Long Term and Tier 1 Short Term agreements represented 32% and 22%, respectively, of total waste delivered to the Connecticut Solid Waste System.

The Authority operates four jet powered electric generating peaking units subject to the terms and conditions of Trading Agreement and Order number 8331 with the Connecticut Department of Energy and Environmental Protection (DEEP). This agreement permits operation of these units subject to the Authority's acquisition and use of Discrete Emission Reduction Credits (DERCs) also issued by DEEP. The Trading Agreement and Order expires May 31, 2017. The Authority has placed these units into certain Forward Capacity Markets administered by ISO New England and has incurred associated Capacity Supply Obligations to ISO New England through May 31, 2020. The Authority expects to fulfill these obligations to ISO New England beyond expiration of the Trading Agreement and Order pursuant to regulations proposed by DEEP to adopt, amend and repeal various sections of the air quality regulations concerning emissions of nitrogen oxides from fuel burning equipment. As of the date of this Audit Report, these regulations have been approved by the State's Attorney General and are scheduled for action by the State's Legislative Regulation Review Committee by November 10, 2016. In fiscal year 2016, the Authority's peaking units represented $7.9 million (9.5%) of the Authority's total operating revenue.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

11. NEW ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

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 August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes disclosure of information about the nature and magnitude of tax abatements to allow users of the financial statements to understand 1) how tax abatements affect a government's future ability to raise resources and meets its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. 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 December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). 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 January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.* This statement amends the blending requirements established in GASB Statement No. 14, *The Financial Reporting Entity, as amended*. 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. 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 March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73.* This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. 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.

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, 2016
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	**Total**
ASSETS								
CURRENT ASSETS								
Unrestricted Assets:								
Cash and cash equivalents	$ 1,768	$ 13,615	$ 14,029	$ 1,107	$ 9,763	$ 3,400	$ -	**$ 43,682**
Accounts receivable, net of allowances	-	4,278	-	-	580	94	-	**4,952**
Inventory	-	4,553	-	-	1,401	-	-	**5,954**
Prepaid expenses	14	2,449	69	-	684	79	-	**3,295**
Due from other funds	660	1	-	-	3,276	-	(3,937)	**-**
Total Unrestricted Assets	2,442	24,896	14,098	1,107	15,704	3,573	(3,937)	**57,883**
Restricted Assets:								
Cash and cash equivalents	-	152	6	-	49	-	-	**207**
Total Restricted Assets	-	152	6	-	49	-	-	**207**
TOTAL CURRENT ASSETS	2,442	25,048	14,104	1,107	15,753	3,573	(3,937)	**58,090**
NON-CURRENT ASSETS								
Capital Assets:								
Depreciable:								
Plant	84	-	-	-	179,893	25,353	-	**205,330**
Equipment	1,120	-	3,507	-	236,322	978	-	**241,927**
	1,204	-	3,507	-	416,215	26,331	-	**447,257**
Less: Accumulated depreciation	(1,093)	-	(752)	-	(349,623)	(26,331)	-	**(377,799)**
Total Depreciable, net	111	-	2,755	-	66,592	-	-	**69,458**
Nondepreciable:								
Land	-	-	-	-	12,072	16,109	-	**28,181**
Construction in progress	-	-	-	-	857	-	-	**857**
Total Nondepreciable	-	-	-	-	12,929	16,109	-	**29,038**
TOTAL NON-CURRENT ASSETS	111	-	2,755	-	79,521	16,109	-	**98,496**
TOTAL ASSETS	2,553	25,048	16,859	1,107	95,274	19,682	(3,937)	**156,586**

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, 2016
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	**Total**
LIABILITIES								
CURRENT LIABILITIES								
Payable from unrestricted assets:								
Accounts payable	82	2,434	19	19	43	18	-	**2,615**
Acccrued expenses and other current liabilities	639	1,556	1,516	3	83	77	-	**3,874**
Due to other funds	1	3,743	85	-	102	6	(3,937)	**-**
Unearned revenue	-	2,336	425	-	93	25	-	**2,879**
Total payable from unrestricted assets	722	10,069	2,045	22	321	126	(3,937)	**9,368**
Payable from restricted assets:								
Acccrued expenses and other current liabilities	-	152	6	-	-	-	-	**158**
TOTAL CURRENT LIABILITIES	722	10,221	2,051	22	321	126	(3,937)	**9,526**
LONG-TERM LIABILITIES								
Payable from unrestricted assets:								
Other liabilities	-	-	5,000	-	-	-	-	**5,000**
TOTAL LONG-TERM LIABILITIES	-	-	5,000	-	-	-	-	**5,000**
TOTAL LIABILITIES	722	10,221	7,051	22	321	126	(3,937)	**14,526**

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, 2016
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	**Total**
NET POSITION								
Net investment in capital assets	111	-	2,755	-	79,521	16,109	-	**98,496**
Restricted	-	-	-	-	49	-	-	**49**
Unrestricted	1,720	14,827	7,053	1,085	15,383	3,447	-	**43,515**
TOTAL NET POSITION	$ 1,831	$ 14,827	$ 9,808	$ 1,085	$ 94,953	$ 19,556	$ -	**$ 142,060**

See Independent Auditor's Report

EXHIBIT B

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
AS OF JUNE 30, 2016
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	**Total**
Operating Revenues								
Service charges:								
Members	$ -	$ 23,371	$ -	$ 2,732	$ -	$ -	$ -	**$ 26,103**
Others	-	15,770	-	5,723	-	-	-	**21,493**
Energy sales	-	15,857	-	9,343	7,898	249	-	**33,347**
Other operating revenues	-	1,873	-	-	496	24	-	**2,393**
Total Operating Revenues	-	56,871	-	17,798	8,394	273	-	**83,336**
Operating Expenses								
Solid waste operations	-	47,890	639	17,554	1,830	336	(2,101)	**66,148**
Maintenance and utilities	-	652	-	-	443	3	-	**1,098**
Legal services - external	-	(22)	490	77	-	35	-	**580**
Administrative and Operational services	-	4,161	379	396	750	32	-	**5,718**
Distribution to SCRRRA	-	-	-	5,875	-	-	-	**5,875**
Total Operating Expenses	-	52,681	1,508	23,902	3,023	406	(2,101)	**79,419**
Operating Income (Loss) before depreciation and amortization	-	4,190	(1,508)	(6,104)	5,371	(133)	2,101	**3,917**
Depreciation and Amortization	23	-	138	392	18,869	-	-	**19,422**
Operating Income (Loss)	(23)	4,190	(1,646)	(6,496)	(13,498)	(133)	2,101	**(15,505)**
Non-Operating Revenues (Expenses)								
Investment income	-	39	22	12	26	-	-	**99**
Settlement income, net	-	-	-	-	638	-	-	**638**
Settlement expense, net	-	-	(693)	-	-	-	-	**(693)**
Other income (expenses), net	101	1	-	-	(1,935)	-	-	**(1,833)**
Non-Operating Revenues (Expenses), net	101	40	(671)	12	(1,271)	-	-	**(1,789)**
Income (Loss) before Transfers	78	4,230	(2,317)	(6,484)	(14,769)	(133)	2,101	**(17,294)**
Transfers in (out)	-	(4,626)	(1,368)	-	8,374	(279)	(2,101)	**-**
Change in Net Position	78	(396)	(3,685)	(6,484)	(6,395)	(412)	-	**(17,294)**
Total Net Position, beginning of year	1,753	15,223	13,493	7,569	101,348	19,968	-	**159,354**
Total Net Position, end of year	$ 1,831	$ 14,827	$ 9,808	$ 1,085	$ 94,953	$ 19,556	$ -	**$ 142,060**

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2016
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	**Total**
Cash Flows Provided by (Used in) Operating Activities								
Payments received from providing services	$ -	$ 56,691	$ -	$ 25,465	$ 8,429	$ 189	$ -	**$ 90,774**
Payments to suppliers and employees	115	(53,121)	(1,922)	(24,449)	(4,871)	(397)	2,101	**(82,544)**
Payments to other funds	(5)	1,884	74	(24)	(1,920)	(9)	-	**-**
Distribution to member towns	-	-	-	-	(181)	-	-	**(181)**
Distribution to SCRRRA	-	-	-	(5,875)	-	-	-	**(5,875)**
Settlement income	-	-	-	-	638	-	-	**638**
Settlement expenses	-	-	(693)	-	-	-	-	**(693)**
Net Cash Provided by (Used in) Operating Activities	110	5,454	(2,541)	(4,883)	2,095	(217)	2,101	**2,119**
Cash Flows Provided by Investing Activities								
Interest on investments	-	40	22	12	26	-	-	**100**
Net Cash Provided by Investing Activities	-	40	22	12	26	-	-	**100**
Cash Flows Used Provided by (Used in) Capital and Related Financing Activities								
Proceeds from sales of equipment	101	-	-	-	1	-	-	**102**
Acquisition and construction of capital assets	(101)	-	-	-	(13,902)	-	-	**(14,003)**
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	-	-	-	(13,901)	-	-	**(13,901)**
Cash Provided by (Used in) Non-Capital Financing Activities								
Transfers in/(out)	-	(4,626)	(1,368)	-	8,374	(279)	(2,101)	**-**
Net Cash Provided by (Used in) Non-Capital Financing Activities	-	(4,626)	(1,368)	-	8,374	(279)	(2,101)	**-**
Net increase (decrease) in cash and cash equivalents	110	868	(3,887)	(4,871)	(3,406)	(496)	-	**(11,682)**
Cash and cash equivalents, beginning of year	1,658	12,899	17,922	5,978	13,218	3,896	-	**55,571**
Cash and cash equivalents, end of year	$ 1,768	$ 13,767	$ 14,035	$ 1,107	$ 9,812	$ 3,400	$ -	**$ 43,889**

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, 2016
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	**Total**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Operating income (loss)	$ (23)	$ 4,190	$ (1,646)	$ (6,496)	$ (13,498)	$ (133)	$ 2,101	**$ (15,505)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation of capital assets	23	-	138	-	18,869	-	-	**19,030**
Amortization of development costs	-	-	-	392	-	-	-	**392**
Other income (expenses)	-	-	(693)	-	456	-	-	**(237)**
Changes in assets and liabilities, net of transfers:								
(Increase) decrease in:								
Accounts receivable, net	-	(450)	-	7,667	37	(84)	-	**7,170**
Inventory	-	(337)	-	-	299	-	-	**(38)**
Prepaid expenses and other current assets	(2)	(172)	(42)	4	(599)	(42)	-	**(853)**
Increase (decrease) in:								
Accounts payable, accrued expenses and other liabilities	117	339	(372)	(6,426)	(1,549)	51	-	**(7,840)**
Due to/from other funds	(5)	1,884	74	(24)	(1,920)	(9)	-	**-**
Net Cash Provided by (Used in) Operating Activities	$ 110	$ 5,454	$ (2,541)	$ (4,883)	$ 2,095	$ (217)	$ 2,101	**$ 2,119**

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2016
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	**Total**
Net position, net investment in capital assets	$ 111	$ -	$ 2,755	$ -	$ 79,521	$ 16,109	**$ 98,496**
Restricted net position:							
Current restricted cash and cash equivalents :							
City of Hartford recycling education fund	-	-	6	-	-	-	**6**
Customer guarantee of payment	-	152	-	-	-	-	**152**
Town of Ellington trust - pooled funds	-	-	-	-	49	-	**49**
Total current restricted cash and cash equivalents	-	152	6	-	49	-	**207**
Less liabilities to be paid with current restricted assets:							
Other liabilities	-	152	6	-	-	-	**158**
Total liabilities to be paid with current restricted assets	-	152	6	-	-	-	**158**
Total restricted net position	-	-	-	-	49	-	**49**

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, 2016
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	**Total**
Unrestricted net position:							
Designated for:							
Debt service reserve	$ -	$ 4	$ -	$ -	$ -	$ -	**$ 4**
Future loss contingencies	-	443	-	-	-	-	**443**
General fund	-	1	-	-	1,986	-	**1,987**
Improvement	-	-	-	-	1,255	-	**1,255**
Legal	-	603	-	-	-	-	**603**
Litigation reserve	-	-	691	-	-	-	**691**
Landfill Operating	-	-	-	-	-	3,274	**3,274**
Project/Post-project closure	-	-	6,362	-	-	-	**6,362**
Severance	796	-	-	-	-	-	**796**
Tip fee stabilization	-	-	-	-	3,704	-	**3,704**
Undesignated	924	13,776	-	1,085	8,438	173	**24,396**
Total unrestricted net position	1,720	14,827	7,053	1,085	15,383	3,447	**43,515**
Total Net Position	$ 1,831	$ 14,827	$ 9,808	$ 1,085	$ 94,953	$ 19,556	**$ 142,060**

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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
Rocky Hill, 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, 2016, 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 27, 2016.

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 27, 2016