



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

## **Fiscal Years Ended June 30, 2017 and 2016**



**MATERIALS INNOVATION AND RECYCLING AUTHORITY**  
**A Component Unit of the State of Connecticut**





A Component Unit of the State of Connecticut

# Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2017 and 2016

Submitted by:

Mark T. Daley  
Chief Financial Officer

Deepa Krishna  
Manager of Accounting and Financial Reporting

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**

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**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**

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**Comprehensive Annual Financial Report**  
**Fiscal Years Ended June 30, 2017 and 2016**

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# Introductory Section

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**

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Materials Innovation and Recycling Authority

200 CORPORATE PLACE Suite 202 • Rocky Hill • CONNECTICUT • 06067 • TELEPHONE (860) 757-7700  
FAX (860) 757-7740

December 22, 2017

Board of Directors  
Materials Innovation and Recycling Authority  
200 Corporate Place  
Rocky Hill, CT 06067

We are pleased to present the Materials Innovation and Recycling Authority's (the "Authority") Comprehensive Annual Financial Report prepared for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority's financial statements have been audited by MahoneySabol, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority as of and for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. 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 as of and for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

## PROFILE OF THE AUTHORITY

The Authority was created by the State of Connecticut (the “State”) under Public Act 14-94 (the “Act”) which became effective on June 6, 2014. The Authority constitutes a successor authority to the Connecticut Resources Recovery Authority (CRRA). In fiscal year 2014 the Authority assumed control over all of CRRA’s assets, rights, duties, and obligations. It now continues CRRA’s ongoing business. 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 purpose of the Authority is to plan, design, construct, finance, manage, own, operate and maintain 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 provides solid waste management services to municipalities, regions and persons within the State by receiving solid waste at Authority facilities, recovering resources from such solid waste, and generating revenues from such services sufficient for the Authority to operate on a self-sustaining basis. The Act served to narrow the Authority’s mission by removing its previous roles in state-wide recycling education and solid waste management or policy, its power to acquire real property by condemnation and by reducing its authorized positions from seventy to forty-five, thereby focusing its activities on operation and redevelopment of the Connecticut Solid Waste System (CSWS).

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 CSWS, 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 transferred CRRA’s prior role in statewide recycling education to the new “Recycle CT Foundation”. Following a transition period, the Authority closed its recycling education facilities and services effective 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, Bridgeport, Wallingford and Preston which have historically been known as the Mid Connecticut, Bridgeport, Wallingford and Southeast projects respectively. CRRA secured financing, facility developer, operator and customer contracts, and administered these projects throughout their various stages over the last four decades. The initial underlying contracts for the Mid Connecticut, Bridgeport, Wallingford and Southeast projects expired, terminated or were assigned over the last several years resulting in a distribution and/or reformation of project assets and forming the foundation for the fiscal structure presently in place at the Authority. For the fiscal year ended June 30, 2017, the Authority’s financial interests and activities were focused within its Property and Landfill divisions, operation of the CSWS, and undertaking certain final closeout activities related to the Mid Connecticut and Southeast projects that have advanced the Authority’s evolution to the central focus on operation and redevelopment of the CSWS envisioned by the Act.

**Property Division** – All capital assets retained by CRRA upon expiration of the Mid Connecticut and Bridgeport projects other than those associated with landfills were assigned to

the Property Division. This initially included the Hartford resource recovery facility, Hartford recycling facility, four transfer stations, four jet-powered electric generating “Peaking Units”, the land upon which the Bridgeport project was constructed, a recycling facility in Stratford and other property. The division derives net income from the lease of the Bridgeport Project and other property, and from the sale of Peaking Unit power products through various ISO New England energy markets. During fiscal year 2017, the Authority sold its recycling facility in Stratford and realized a gain on the sale of these assets. The Authority has assumed and evolved 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 and adjoining properties in the State which are assigned to the Landfill Division. Certain plant and equipment installations associated with these landfills, and the Hartford landfill which is governed by access agreement, are also assigned to this division. The Division generates revenue from the sale of power products from a solar array installed atop the Hartford Landfill, and funds an insurance program protecting the Authority against the long term risks of ownership of these sites. The Authority no longer has any liability for the closure or post closure care of its landfills. All landfills have been certified as closed and all of the Authority’s post closure care obligations have been transferred to DEEP pursuant to State statute.

**Connecticut Solid Waste System (CSWS)** - The CSWS presently provides solid waste disposal and recycling services to 50 municipalities and 43 private waste haulers in the State and is one of the primary operating divisions of the Authority. These services are provided through use of the Hartford resource recovery facility, the Hartford recycling facility and three transfer stations. In fiscal year 2017, the CSWS processed 622,673 tons of municipal solid waste, generated 313,999 megawatt hours of energy for the region, and recovered 64,635 tons of paper, cardboard and containers from the waste stream for resale into the recycled commodities markets. Due to steep declines in recycled commodity prices, CSWS did not generate surplus recycling revenue during fiscal year 2017 and consequently did not provide a recycling rebate to its participating municipalities.

**Project Closeout Activities** – During fiscal year 2016, the Authority completed final distribution of all funds associated with its Bridgeport and Wallingford projects, the Southeast Project’s Resource Recovery Revenue Refunding Bonds matured and were fully paid, financial control of the Southeast Project was transferred to Southeast Connecticut Regional Resource Recovery Authority (SCRRRA), and ownership of the Southeast Project’s resource recovery facility was transferred to Covanta. During fiscal year 2017, the Mid Connecticut and Southeast projects remained active on the Authority’s financial statements only for administrative and project closeout activities. This consisted of claims, litigation and settlement activities associated with the Mid Connecticut Project, and final assignment and termination of operating agreements associated with the Southeast Project, both of which experienced substantial resolution between the close of fiscal year 2017 and publication of this CAFR:

- **Mid Connecticut Project** – Effective October 3, 2017 the Authority and Metropolitan District Commission (MDC) entered into a Settlement Agreement and Absolute Release related to MDC services to the Mid Connecticut Project. Pursuant to this agreement, the Authority paid MDC \$8.25 million and the MDC released the Authority from all claims associated with the project. This is a major milestone toward completing the final close

of the Mid Connecticut Project. The Authority continues its efforts to address all remaining matters reflected in the notes to financial statements.

- Southeast Project - Effective July 12, 2017, the Authority and SCRRRA entered an Assignment, Release and Indemnification Agreement relating to the Authority's interests and obligations in the Southeast Project. Pursuant to this agreement, the Authority assigned its rights and obligations under the project's Service Agreement and certain ancillary agreements to SCRRRA and acknowledges termination of the project's Bridge and Management Agreement which concluded the Authority's involvement in the project. As part of this agreement, the Authority retained \$0.41 million in Southeast project reserves for its use without restriction and paid \$0.66 million, representing all remaining Southeast project reserves, to SCRRRA.

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.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The Authority is subject to certain statutory obligations and contractual commitments that are intended to ensure reasonable prices for the facilities and services it provides, yet challenge the CSWS financial performance when considered in the context of the non-disposal fee revenue it relies upon.

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 energy generated from the CSWS, use of the CSWS by non-participating municipalities and recycling revenues. Consequently, volatility in non-disposal fee revenue directly impacts the tip fees charged to participating towns. The Authority's "Tier 1 Long Term" and "Tier 1 Short Term" participating town contracts include tip fee thresholds ("opt-outs") which, if exceeded, allow the towns to terminate the contract. Unfortunately, non-disposal fee revenues in recent years have been sufficiently volatile to cause tip fees to approach and ultimately exceed this opt-out level with adoption of the fiscal year 2018 budget. This volatility is driven by the operating performance of the CSWS resource recovery facility and the pricing associated with all non-disposal fee revenue including energy, tip fees for non-participating towns and recycled commodities.

To address this challenge, management established a "Tip Fee Stabilization Fund" which may be drawn upon to support the CSWS when non-disposal fee revenues are low and which is to be reimbursed as non-disposal fee revenues rebound. The tip fee stabilization fund was established within the Authority's Property Division with income from the Authority's Peaking Units as the primary source of funding. The cash balance of the tip fee stabilization fund at June 30, 2017 was \$2.0 million and a total of \$13.7 million was contingently due back to the fund from the CSWS.



The Authority's Peaking Units operate subject to certain Federal and State air quality and emissions regulations which require issuance of a "Trading Order" permitting them to run. While the Authority's existing Trading Order extends through May 31, 2018, the Capacity Supply Obligations it has incurred to ISO New England extend through May 31, 2021.

As of the date of this CAFR, DEEP had adopted new regulations permitting the Authority to operate the Peaking Units potentially through May 31, 2023, and the Authority was working with DEEP to extend its Trading Order to span this period.

## **MAJOR INITIATIVES AND DEVELOPMENTS**

During fiscal year 2017, the Authority continued its efforts to evolve to an organization focused on the operation and redevelopment of the Connecticut Solid Waste System. As noted above, these efforts culminated shortly after the year came to a close when the Authority concluded its involvement in the Southeast Project and resolved a major outstanding condition precedent to closing out the Mid Connecticut Project (settlement of contract claims with MDC). These efforts built on prior year activities in which the Authority closed out its obligations with respect to the Bridgeport and Wallingford projects, the Southwest Connecticut Regional Recycling Operating Committee (SWEROC) and the Authority's Recycling Division.

The Authority is focused on operating the existing CSWS on a self-sustaining basis through its planned redevelopment. This commitment was originally made as part of a statutorily mandated transition plan and ten year financial plan prepared by CRRA in the lead up to the Authority's creation and assumption of control of CRRA's assets, rights, duties and obligations. This commitment spans the ten year period ending June 30, 2024. To aid in ensuring the fulfillment of this commitment, the Authority annually reviews the ten year plan in the context of current circumstances, adopts and implements necessary modifications as part of its annual budget development process. These modifications have addressed:

- Development and adaptation of the Authority's Tip Fee Stabilization Fund.
- Sustainability of funding sources for the Authority's Tip Fee Stabilization Fund.
- Operating performance of the CSWS resource recovery facility.
- Major maintenance requirements for the resource recovery facility.
- Methods to address declining energy, commodity and service pricing.
- Sale of surplus property to enhance the Authority's cash position.

During fiscal year 2017, wholesale energy prices and the operational performance of the CSWS resource recovery facility remained poor, and CSWS non-disposal fee revenue continued to decline. These trends were again examined in the context of the ten year plan as part of the Authority's fiscal year 2018 budget development process. While the Authority has been successful in establishing tip fees below contractual opt-out provisions from the inception of the CSWS through adoption of its fiscal year 2017 budget, the Authority concluded this would not be possible in fiscal year 2018. While the adopted tip fee exceeded the opt-out tip fee, none of the Authority's Tier 1 Long Term contract customers opted out of the contract. To the contrary, during fiscal year 2017, after adoption of the fiscal year 2018 budget, the Authority offered to renew its Tier 1 Short Term contracts that expire June 30, 2017. Ten of twelve municipalities representing 93% of the waste delivered pursuant to these expiring agreements opted to renew.

Nine of the renewing municipalities entered into Tier 1 Long Term agreements expiring June 30, 2027 and one entered into a Tier 1 Short Term agreement expiring June 30, 2022.

The Authority is also focused on moving beyond operation of the existing CSWS by working closely with DEEP in a redevelopment process mandated by Public Act 14-94. The Act provides that DEEP, in consultation with MIRA, shall issue a request for proposals for the purpose of redeveloping the CSWS and that DEEP may select one final proposal and direct MIRA to enter into an agreement for the redevelopment of the CSWS. DEEP's RFP, termed "Resource Rediscovery", was issued November 6, 2015 comfortably in advance of the January 1, 2016 statutory deadline. During fiscal year 2016, initial Phase One proposals for redevelopment of the CSWS were received and evaluated. During fiscal year 2017, DEEP announced the selection of three finalists which were invited to participate in a second phase RFP and final selection process. The Phase II RFP was issued March 31, 2017 and final proposals were received July 31, 2017. As of the date of this CAFR, DEEP continued its evaluation and final selection process. Public Act 14-94 provides that the final selection will be made by December 31, 2017.

While the nature, cost and funding mechanisms for this redevelopment are not yet determined, the Act 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.

Formulation of the Phase II RFP and the nature of final proposals received have served to identify the technologies available to enhance diversion of municipal solid waste in accordance with DEEP's goals, as well as the challenges DEEP and the Authority will need to overcome in order to achieve the vision of a CSWS redeveloped in accordance with the criteria noted above. These challenges relate to the interdependencies of governance, risk and financial feasibility.

With regard to governance and risk, the Phase II RFP included the contract principles DEEP expected final proposals to adhere to. The contract principles and other provisions of the RFP call upon the Authority to transfer key aspects of its governance of the CSWS to the private sector in return for the private sector assuming the financial risk of redeveloping, operating and maintaining the CSWS subject to firm tip fees. The key aspects of governing authority that would be transferred to the private sector include the authority to grant access to the CSWS, use CSWS surplus revenue, establish terms related to the generation of non-disposal fee revenue and the fee structure applicable to participating towns that are dependent on the use of regional transfer stations. Final proposals were also to assume that the Authority is paid no more than \$1 million annually for its project oversight and to fulfill its other statutory duties.

With regard to financial feasibility, two of the three final proposals received indicate the project may not be financeable under the conditions of Resource Rediscovery and propose certain changes to municipal service agreement terms, or revenue guarantees from MIRA, as solutions to move forward. The third proposal does not require financing as it does not propose a redevelopment of the CSWS. The nature of the changes and guarantees requested signal the private sector's hesitance to accept the financial risk of redeveloping the CSWS.

As of the date of this CAFR, the Authority has reviewed with DEEP alternative approaches to establish a framework sufficiently supportive for one of the proposed redevelopments of the CSWS to proceed. This necessarily involves some form of public support of the project. The Authority has also developed and reviewed with DEEP an alternative redevelopment concept which involves the Authority refurbishing the existing CSWS resource recovery facility and complementing it with technology identified through Resource Rediscovery. The Authority believes that its alternate redevelopment concept provides DEEP an additional avenue to successfully increase diversion, reduce environmental impacts, increase the host community benefit and provide a cost competitive service.

**Relevant Financial Policies** – The Authority has developed and maintains a strong policy portfolio aimed at safeguarding its assets, ensuring its financial statements, books and records are accurate and reliable, and that its financial interests and activities are planned and executed in accordance with management’s expectations. Specific written policies, reviewed on a periodic basis, address accounting and financial reporting, development of the annual budget and plan of operations, cash management and daily receipts, procurement, payments and wire transfers, expense reimbursements, fixed assets & tagging, as well as signatory approval authorizations. The Authority undertakes a comprehensive annual budgeting and long term forecasting process, both of which reflect all operating revenues and expenses, reserve requirements and the estimated net-cost tip fee to be borne by its member municipalities.

## **THE AUTHORITY’S ECONOMIC CONDITION**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the Authority operates. The following information is cited from the US Departments of Commerce and Defense, the University of Massachusetts, the Connecticut State Labor Department and official statements of Connecticut bond issuances.

### **Local Economy**

The Authority’s “local economy” entails the entire State. The Authority’s solid waste management project is situated in Hartford. In Fiscal year 2017, this system served the residents of 51 municipalities in the State.

**Population Characteristics** - Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is bordered by the Long Island Sound, New York, Massachusetts and Rhode Island. More than one-quarter of the total population of the United States and more than 50% of the Canadian population live within 500 miles of the State.

The population of Connecticut in mid-2016 was estimated at 3,576,452 an increase of 49,000 or 0.2% from the 3,527,000 figure of 2007. However, the State’s population growth has slowed during the past four decades. The 2016 population density was 738 persons per square mile, compared with 91 for the United States as a whole.

**Transportation and Utility Services** - Connecticut has an extensive network of expressways and major arterial highways that provide easy access to local and regional markets. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electrical companies. Transmission lines connect Connecticut with New York, Massachusetts, and Rhode Island. All electric utilities in the State are members of the New England Regional Power Pool (operated by ISO New England) and operate as part of the regional bulk power system, the Regional Transmission Organization for New England.

**Personal Income** - Connecticut has a high level of personal income; the historic average per capita income has consistently been among the highest in the nation. This is due to a concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance and real estate as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. Per capita income in 2015 was \$68,709 for Connecticut. Per capita income in 2007 was \$57,872 for Connecticut.

**Major industries** – Connecticut’s major industries include finance, insurance and real estate (FIRE), services, manufacturing and government. Production in these four industries accounted for 76.4% of the total Connecticut Gross State Product<sup>1</sup> compared to 78.3% in 2008 and 71.8% for the nation in 2015. This demonstrates that Connecticut’s economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

**Defense Industry** - One important component of the manufacturing sector in Connecticut is the defense industry. The State is a leading producer of aircraft engines and parts, helicopters, and submarines. Approximately one-quarter of the State’s manufacturing employees are employed in defense-related businesses. This sector’s significance in the State’s economy has declined considerably since the early 1980s as there has been a marked reduction in the amount of federal spending earmarked for defense related industries in the State. However, these amounts have been climbing since federal fiscal year 2002. In federal fiscal year 2015, the State received \$12.1 billion of prime contract awards that accounted for 4.8% of national total awards and ranked 5<sup>th</sup> in total defense dollars awarded, and 2<sup>nd</sup> in per capita dollars awarded nationwide. The same fiscal year, the State had \$3,383 in per capita defense awards, compared to the national average of \$972.

**Unemployment Rates** – The State’s unemployment rate reached its low of 2.4% in 2000, compared to New England’s average of 2.8% and the national average of 4.0%. State unemployment climbed to 5.4% in 2003, and then declined to 4.3% by 2006. It then climbed during the most recent recession to 9.1% in 2010. During the subsequent weak economic recovery, Connecticut’s average unemployment rate fell to 5.7% in 2016 (on a preliminary basis) compared to the New England average of 4.5% (preliminary basis) and the national average of 4.9% for the same period.

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<sup>1</sup> Gross State Product is the current market value of all final goods and services produced by labor and property located within the State of Connecticut. Source: State of Connecticut General Obligation Bonds (2017 – Green Bonds) dated October 19, 2016.



## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Materials Innovation and Recycling Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This is the third year that the Authority achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Authority believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGEMENTS

We would like to express our gratitude to the many employees whose dedication and support contributed to the production of this report. We appreciate the assistance and dedication of the audit team from MahoneySabol. We also would like to thank the Board of Directors for their interest and support in planning and conducting the Authority's finances and operations.

Respectfully Submitted,



Mark T. Daley  
Chief Financial Officer



Deepa Krishna  
Manager of Accounting and Financial Reporting

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**

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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Materials Innovation & Recycling  
Authority, Connecticut**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# **Board of Directors and Executive Management As of June 30, 2017**

## **Directors**

The Honorable Don Stein, Chairman  
The Honorable John Adams  
The Honorable Richard Barlow  
The Honorable Jim Hayden  
Ralph Eno  
Scott Shanley  
Robert L. Painter  
Patricia Widlitz

## **Ad Hoc Directors**

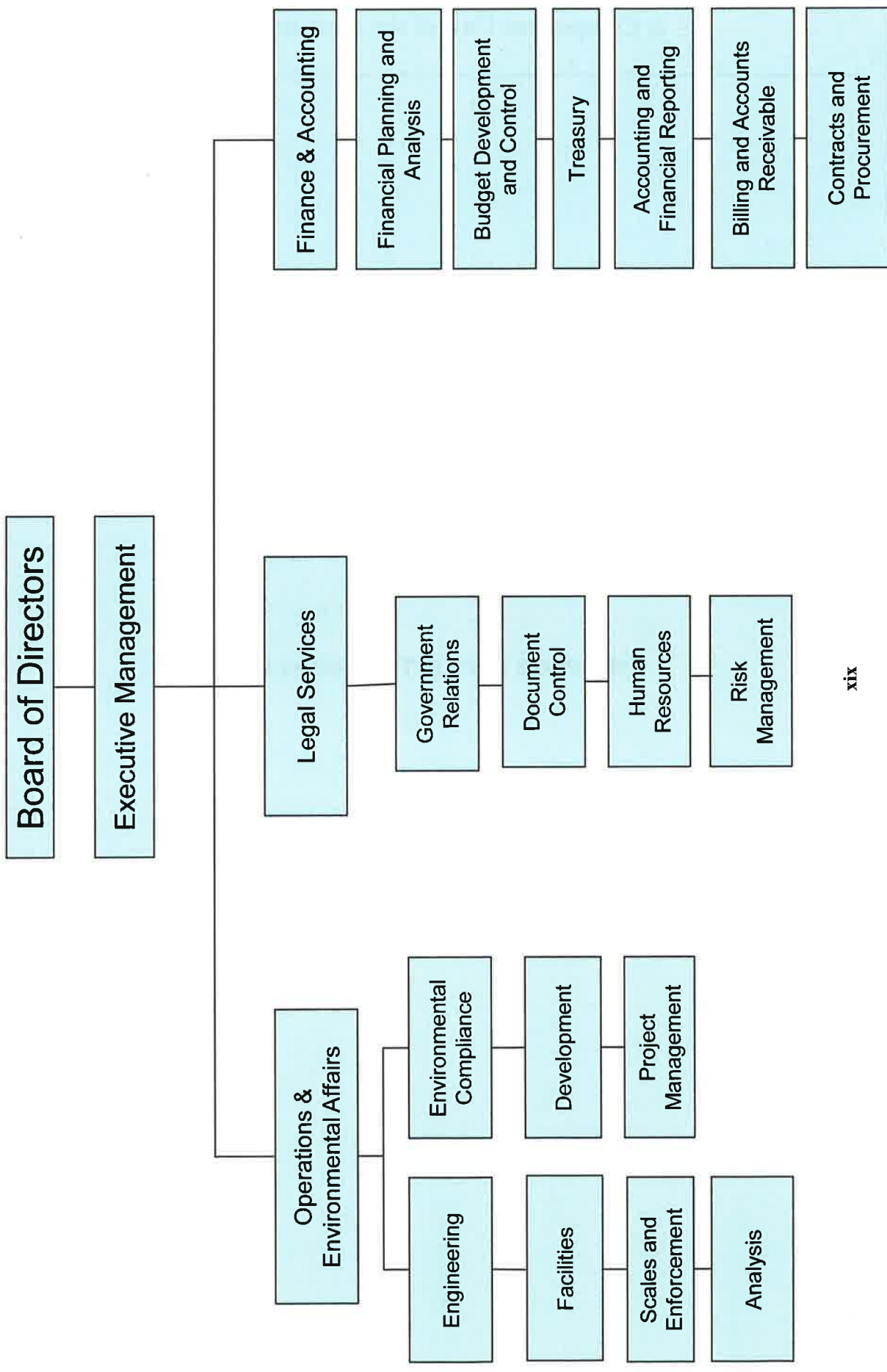
CSWS  
Vacant

## **Executive Management**

Thomas D. Kirk, President  
Mark T. Daley, Chief Financial Officer  
Peter W. Egan, Director of Operations & Environmental Affairs  
Laurie Hunt, Director of Legal Services

# Materials Innovation & Recycling Authority – Functional Organization Chart

As of June 30, 2017



**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**

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# Financial Section

**Materials Innovation and Recycling Authority**  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Materials Innovation and Recycling Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2017 and 2016, 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 audits 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, 2017 and 2016, 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 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.

### ***Other 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 introductory section, combining schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate 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.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, 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.

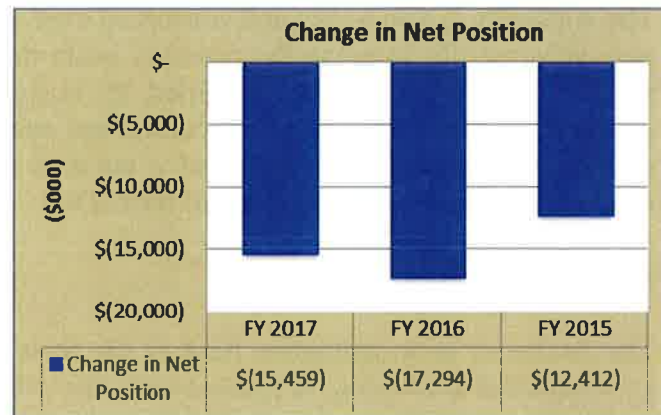


Glastonbury, Connecticut  
September 27, 2017

## 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, 2017. 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 2017, the Authority generated total operating revenue of \$63.43 million and incurred \$58.96 million in operating expenses before depreciation, resulting in operating income before depreciation of \$4.47 million. Total operating revenues decreased by 23.9%, total operating expenses before depreciation decreased by 25.8%, and income before depreciation increased by 14.1% from fiscal year 2016 to fiscal year 2017. The major factors contributing to these trends and performance



include a \$17.80 million reduction in operating revenue, surpassed by a \$23.87 million reduction in operating expenses, associated with the closeout and transfer of control of the Authority’s Southeast Project to the Southeastern Connecticut Regional Resource Recovery Authority (SCRRRA). The Authority’s Connecticut Solid Waste System (CSWS) also experienced a \$1.69 million (3.0%) reduction in operating revenue and a \$3.26 (6.4%) increase in operating expenses. After \$22.64 million in depreciation and amortization expenses, the Authority incurred an \$18.17 million operating loss. The Authority also earned net non-operating revenue of \$2.71 million resulting in a total reduction in the Authority’s net position of \$15.46 million.

The Authority experienced significant budget variances within the CSWS causing it to rely more heavily than planned on its tip fee stabilization fund and contributing to a \$2.1 million (4.8%) reduction in its total cash position. The Authority’s total assets decreased by \$15.43 million (9.9%) and its total liabilities increased modestly by \$0.03 million (0.2%).

The most significant economic factors with the potential to adversely affect the Authority, discussed further under the Economic Factors and Outlook section of this MD&A, are its CSWS business model and the economic framework of the Department of Energy and Environmental Protection’s (DEEP’s) proposed redevelopment of the CSWS.

The CSWS business model is challenging in its reliance on declining non disposal fee revenue to maintain disposal fees for CSWS participating municipalities below the levels that trigger their

contract termination provisions. The Authority has addressed this challenge by subsidizing disposal fees for CSWS participating municipalities to the extent possible with income and reserves from its Property Division, and by keeping the participating municipalities informed as to the limits of its ability to subsidize to the level necessary.

The economic framework of DEEP's proposed redevelopment of the CSWS is challenging in terms of the nature of revenue sources necessary for the anticipated private financing of the project, as well as the transfer of governance from the public to the private sector that the evolving process entails. The Authority is evaluating this framework and developing contract objectives supportive of our participating municipality's best interests in the event DEEP's project moves forward. The Authority is also developing alternative plans to undertake a refurbishment of the CSWS in the event it does not.

The Authority is also aware and concerned over several pending large scale landfill closures that may substantially increase the potential costs to divert waste from the CSWS in the event of service disruptions and has modified its business interruption insurance accordingly. The Authority is also re-assessing the contractual and logistical means by which it will divert large quantities of waste in the event of a covered service disruption or as may be necessary in conjunction with a redevelopment of the CSWS.

### **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, 2017 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 1A to the Financial Statements (Entity and Services). For fiscal year 2017, these projects and divisions include:

- Authority General Fund
- Connecticut Solid Waste System
- Property Division
- Landfill Division
- Mid Connecticut Project (for project closeout purposes)
- Southeast Project (for project closeout purposes)

### **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, 2017 (total assets less total liabilities) was \$126,601 which represents a \$15,459 (10.9%) reduction from the prior year. The \$15,459 reduction in net position is the result of a decrease in total assets of \$15,434 combined with a modest increase in total liabilities of \$25.

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

|   | 2017                     | 2016                     | 2015                     |
|---|--------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                             |                          |                          |                          |
| Current unrestricted assets               | \$ 54,846                | \$ 57,883                | \$ 74,251                |
| Current restricted assets                 | 204                      | 207                      | 1,800                    |
| Total current assets                      | <u>55,050</u>            | <u>58,090</u>            | <u>76,051</u>            |
| Non-current assets:                       |                          |                          |                          |
| Capital assets, net                       | 86,102                   | 98,496                   | 105,276                  |
| Development costs, net                    | -                        | -                        | 392                      |
| Total non-current assets                  | <u>86,102</u>            | <u>98,496</u>            | <u>105,668</u>           |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 141,152</u></u> | <u><u>\$ 156,586</u></u> | <u><u>\$ 181,719</u></u> |
| <b>LIABILITIES AND NET POSITION</b>       |                          |                          |                          |
| <b>LIABILITIES</b>                        |                          |                          |                          |
| Current unrestricted liabilities          | \$ 9,396                 | \$ 9,368                 | \$ 17,113                |
| Current restricted liabilities            | 155                      | 158                      | 1,752                    |
| Total current liabilities                 | <u>9,551</u>             | <u>9,526</u>             | <u>18,865</u>            |
| Long-term unrestricted liabilities        | 5,000                    | 5,000                    | 3,500                    |
| Total long-term liabilities               | <u>5,000</u>             | <u>5,000</u>             | <u>3,500</u>             |
| <b>TOTAL LIABILITIES</b>                  | <u><u>14,551</u></u>     | <u><u>14,526</u></u>     | <u><u>22,365</u></u>     |
| <b>NET POSITION</b>                       |                          |                          |                          |
| Net investment in capital assets          | 86,102                   | 98,496                   | 105,277                  |
| Restricted                                | 49                       | 49                       | 48                       |
| Unrestricted                              | 40,450                   | 43,515                   | 54,029                   |
| <b>TOTAL NET POSITION</b>                 | <u>126,601</u>           | <u>142,060</u>           | <u>159,354</u>           |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><u>\$ 141,152</u></u> | <u><u>\$ 156,586</u></u> | <u><u>\$ 181,719</u></u> |

### Assets

The Authority's total assets are further summarized on Table 2. The \$15,434 reduction in total assets is attributed to the reductions in cash and equivalents and prepaid expenses 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 \$2,077 (4.8%) and restricted cash declined by \$3 (1.4%) for a total reduction of \$2,080 (4.7%).

The \$2,077 (4.8%) reduction in unrestricted cash and equivalents reflects a \$2,074 (15.2%) decline in CSWS operating funds due to its financial performance and flow of funds activities, a \$1,623 reduction in Mid Connecticut Project funds primarily associated with legal services for settlement activities, and a combined reduction of \$262 within the Authority's general fund, Landfill Division and Southeast Project. These reductions were partially offset by a \$1,882 (19.3%) increase in Property Division cash and equivalents associated with its financial performance, flow of funds activities and sale of assets. During fiscal year 2017, the Authority closed the sale of its vacant recycling facility located in Stratford. The net proceeds of the sale deposited to the Property Division general fund upon closing were \$4,798 excluding temporary lease income and legal fees. At the time of closing the building was fully depreciated and the value of land written off the Authority's books was \$1,942. The \$3 (1.4%) reduction in restricted cash and equivalents is exclusively related to the return of CSWS customer security deposits.

Prepaid expenses declined by \$973 (29.5%) from fiscal year 2016 to fiscal year 2017. Reductions occurred within all Authority projects and divisions other than the Southeast project and primarily represented the consumption of prepaid insurance policies.

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 2016 to fiscal year 2017 due to increased borrowings from the Property's Division's tip fee stabilization fund. Amounts borrowed 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 \$12,394 (12.6%) reduction in non-current assets reflects a \$10,519 (15.1%) reduction in depreciable assets coupled with a \$1,875 (6.5%) reduction in non-depreciable assets. The reduction in depreciable assets reflects depreciation expense and asset write offs which exceed additions to capital assets. These depreciable asset write offs are primarily associated with Hartford resource recovery facility equipment. The reduction in non-depreciable assets reflects a \$1,942 (6.9%) reduction in land associated with the sale of the Authority's recycling facility in Stratford, offset by a \$67 (7.8%) increase in construction in progress.

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

|  | 2017       | 2016       | 2017<br>Increase/<br>(Decrease)<br>from 2016 | 2017<br>Percent<br>Increase/<br>(Decrease) | 2015       | 2016<br>Increase/<br>(Decrease)<br>from 2015 | 2016<br>Percent<br>Increase/<br>(Decrease) |
|--|------------|------------|--|--|------------|--|--|
| <b>CURRENT ASSETS</b>                  |            |            |  |  |            |  |  |
| Unrestricted Assets:                   |            |            |  |  |            |  |  |
| Cash and cash equivalents              | \$ 41,605  | \$ 43,682  | \$ (2,077)                                   | (4.8%)                                     | \$ 53,771  | \$ (10,089)                                  | (18.8%)                                    |
| Accounts receivable, net of allowances | 4,982      | 4,952      | 30   | 0.6%                                       | 12,122     | (7,170)                                      | (59.1%)                                    |
| Inventory                              | 5,937      | 5,954      | (17)   | (0.3%)                                     | 5,916      | 38   | 0.6%                                       |
| Prepaid expenses                       | 2,322      | 3,295      | (973)  | (29.5%)                                    | 2,442      | 853  | 34.9%                                      |
| Total Unrestricted Assets              | 54,846     | 57,883     | (3,037)                                      | (5.2%)                                     | 74,251     | (16,368)                                     | (22.0%)                                    |
| Restricted Assets:                     |            |            |  |  |            |  |  |
| Cash and cash equivalents              | 204        | 207        | (3)  | (1.4%)                                     | 1,800      | (1,593)                                      | (88.5%)                                    |
| <b>TOTAL CURRENT ASSETS</b>            | 55,050     | 58,090     | (3,040)                                      | (5.2%)                                     | 76,051     | (17,961)                                     | (23.6%)                                    |
| <b>NON-CURRENT ASSETS</b>              |            |            |  |  |            |  |  |
| Capital Assets:                        |            |            |  |  |            |  |  |
| Depreciable, net                       | 58,939     | 69,458     | (10,519)                                     | (15.1%)                                    | 72,507     | (3,049)                                      | (4.2%)                                     |
| Nondepreciable                         | 27,163     | 29,038     | (1,875)                                      | (6.5%)                                     | 32,769     | (3,731)                                      | (11.4%)                                    |
| Development costs, net                 | -          | -          | -  | n/a  | 392        | (392)  | (100.0%)                                   |
| <b>TOTAL NON-CURRENT ASSETS</b>        | 86,102     | 98,496     | (12,394)                                     | (12.6%)                                    | 105,668    | (7,172)                                      | (6.8%)                                     |
| <b>TOTAL ASSETS</b>                    | \$ 141,152 | \$ 156,586 | \$ (15,434)                                  | (9.9%)                                     | \$ 181,719 | \$ (25,133)                                  | (13.8%)                                    |

## Liabilities

The Authority's total liabilities are further summarized on Table 3. The \$25 (0.2%) reduction from fiscal year 2016 to fiscal year 2017 is centered within the Authority's current liabilities and reflects a \$761 (29.1%) reduction in its accounts payable offset by a \$551 (14.2%) increase in accrued expenses and a \$238 (8.3%) increase in unearned revenue.

The \$761 (29.1%) reduction in its accounts payable primarily reflects a \$799 (32.8%) reduction in CSWS accounts payable realized through timely payment processing. The Authority's general fund, Southeast Project and Landfill Division also all experienced reductions in accounts payable totaling of \$73. These reductions were offset by a \$100 (526.3%) increase in Mid Connecticut Project accounts payable for legal services and an \$11 (25.6%) increase in Property Division accounts payable.

The \$551 (14.2%) increase in accrued expenses is centered within the Authority's CSWS and Property Division. Accrued expenses for the CSWS increased by \$308 (19.8%) primarily reflecting the true up of year end operating expenses, offset by reduced incentive fees, for the contract operator of the Hartford resource recovery facility plus accrued expenses of other vendors. Accrued expenses for the Property Division increased by \$313 (377.1%) also primarily reflecting the true up of year end operating expenses, offset by reduced incentive fees, for the contract operator of the jet powered electric generating peaking units "Jet Peaking Units" plus accrued expenses of other vendors. Accrued expenses for the Landfill Division also increased by \$64 (83.1%) mostly reflecting estimated legal fees addressing future development opportunities. These increases were offset by a combined \$134 reduction in accrued expenses of



the Southeast and Mid Connecticut projects, and the Authority's general fund, mostly due to inactivity and timely processing of invoices.

The \$238 (8.3%) increase in unearned revenue reflects a \$284 (12.2%) increase in prepaid tip fees for use of the CSWS offset by a combined reduction \$46 in accrued revenues of the Property and Landfill divisions reflecting changes in the status of lease payments for properties held within those divisions.

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 2016 to fiscal year 2017 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)**

|  | 2017             | 2016             | 2017<br>Increase/<br>(Decrease)<br>from 2016 | 2017<br>Percent<br>Increase/<br>(Decrease) | 2015             | 2016<br>Increase/<br>(Decrease)<br>from 2015 | 2016<br>Percent<br>Increase/<br>(Decrease) |
|--|------------------|------------------|--|--|------------------|--|--|
| <b>CURRENT LIABILITIES</b>                     |                  |                  |  |  |                  |  |  |
| Payable from unrestricted assets:              |                  |                  |  |  |                  |  |  |
| Accounts payable                               | \$ 1,854         | \$ 2,615         | \$ (761)                                     | (29.1%)                                    | \$ 4,535         | \$ (1,920)                                   | (42.3%)                                    |
| Accrued expenses and other current liabilities | 4,425            | 3,874            | 551  | 14.2%                                      | 9,992            | (6,118)                                      | (61.2%)                                    |
| Unearned revenue                               | 3,117            | 2,879            | 238  | 8.3%                                       | 2,586            | 293  | 11.3%                                      |
| Total payable from unrestricted assets         | 9,396            | 9,368            | 28   | 0.3%                                       | 17,113           | (7,745)                                      | (45.3%)                                    |
| Payable from restricted assets:                |                  |                  |  |  |                  |  |  |
| Accrued expenses and other current liabilities | 155              | 158              | (3)  | (1.9%)                                     | 1,752            | (1,594)                                      | (91.0%)                                    |
| Total payable from restricted assets           | 155              | 158              | (3)  | (1.9%)                                     | 1,752            | (1,594)                                      | (91.0%)                                    |
| <b>TOTAL CURRENT LIABILITIES</b>               | <b>9,551</b>     | <b>9,526</b>     | <b>25</b>                                    | <b>0.3%</b>                                | <b>18,865</b>    | <b>(9,339)</b>                               | <b>(49.5%)</b>                             |
| <b>LONG-TERM LIABILITIES</b>                   |                  |                  |  |  |                  |  |  |
| Payable from unrestricted assets:              |                  |                  |  |  |                  |  |  |
| Other liabilities                              | 5,000            | 5,000            | -  | 0.0%                                       | 3,500            | 1,500  | 42.9%                                      |
| Total payable from unrestricted assets         | 5,000            | 5,000            | -  | 0.0%                                       | 3,500            | 1,500  | 42.9%                                      |
| <b>TOTAL LONG-TERM LIABILITIES</b>             | <b>5,000</b>     | <b>5,000</b>     | <b>-</b>                                     | <b>0.0%</b>                                | <b>3,500</b>     | <b>1,500</b>                                 | <b>42.9%</b>                               |
| <b>TOTAL LIABILITIES</b>                       | <b>\$ 14,551</b> | <b>\$ 14,526</b> | <b>\$ 25</b>                                 | <b>0.2%</b>                                | <b>\$ 22,365</b> | <b>\$ (7,839)</b>                            | <b>(35.1%)</b>                             |

## Statements of Revenues, Expenses and Changes in Net Position

The reduction in the Authority's net position from June 30, 2016 to June 30, 2017 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, 2017. Changes in net position represent the results of operations of the Authority (i.e. its net income).

The \$15,459 (10.9%) reduction in net position reflects total operating and non-operating revenues of \$66,589 as shown on Table 5 being exceeded by total operating and non-operating expenses of \$82,048 as shown on Table 6. The Authority generated \$4,470 in income before depreciation and before certain net non-operating revenues. However, depreciation and amortization expenses totaled \$22,638, which were only partially offset by net non-operating revenue of \$2,709.

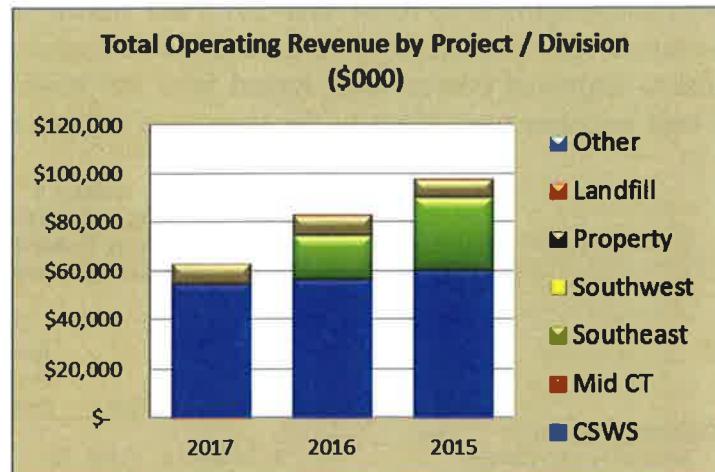
**TABLE 4**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Fiscal Years Ended June 30,**  
**(Dollars in Thousands)**

|  | 2017       | 2016       | 2015       |
|--|------------|------------|------------|
| Operating revenues   | \$ 63,426  | \$ 83,336  | \$ 98,265  |
| Operating expenses   | 58,956     | 79,419     | 90,966     |
| Income (loss) before depreciation and amortization and other non-operating revenues and (expenses) | 4,470      | 3,917      | 7,299      |
| Depreciation and amortization  | 22,638     | 19,422     | 17,614     |
| Income (loss) before other non-operating revenues and (expenses), net                              | (18,168)   | (15,505)   | (10,315)   |
| Non-operating revenues (expenses), net   | 2,709      | (1,789)    | (2,097)    |
| Change in net position   | (15,459)   | (17,294)   | (12,412)   |
| Total net position, beginning of year  | 142,060    | 159,354    | 171,766    |
| Total net position, end of year  | \$ 126,601 | \$ 142,060 | \$ 159,354 |

## Revenues

Table 5 summarizes total revenue (operating and non-operating) for the three prior fiscal years ended June 30, 2017.

As indicated in Table 5, operating revenue decreased by \$19,910 (23.9%) from fiscal year 2016 to fiscal year 2017. There are two 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.



Operating revenue from the Southeast Project declined by \$17,798 (100.0%) from fiscal year 2016 to fiscal year 2017. 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 in fiscal year 2016 was transferred to SCRRRA. There were no Southeast Project revenues recognized by the Authority in fiscal year 2017.

Operating revenue from the CSWS declined by \$1,698 (3.0%) from fiscal year 2016 to fiscal year 2017. Most of this reduction is in CSWS energy sales which declined by \$3,183. The major factors contributing to this decline include energy production, which declined by 29.4 million Kwh from fiscal year 2016 to fiscal year 2017, and the average energy price which declined by \$0.0062 per Kwh (15.3%). Tip fees for CSWS non-participating towns (other service charges) also declined by \$292 (1.9%). These declines were offset by a \$948 (50.6%) increase in CSWS other operating revenues which comprise recycling and metal sales activities. Also offsetting the decline in energy sales were service charges for CSWS participating towns (member service charges) which increased by \$829 (3.5%).

Operating revenue from the Property Division declined by \$126 (1.5%) from fiscal year 2016 to fiscal year 2017. This decline is the net effect of changes in the capacity, reserve and real time energy markets the Jet Peaking Units participate in.

Operating revenue from the Landfill Division declined by \$288 (105.5%) also reflecting reduced energy sales revenue. Energy sales were severely impacted by a lightning strike necessitating repairs to the Authority's solar array located on top of the Hartford landfill which kept the facility from producing energy for approximately half the fiscal year.

Table 5 also indicates that non-operating revenue increased by \$2,324 (277.0%) from fiscal year 2016 to fiscal year 2017. This is due to the \$2,955 gain on the sale of Authority property and equipment realized in fiscal year 2017 and shown as other income (primarily the sale of the Stratford recycling facility). The Authority's investment income increased by \$109 (110.1%) due to improved interest rates earned from the State Treasurer's Short Term Investment Fund. These increases were offset by the absence of settlement income in fiscal year 2017.

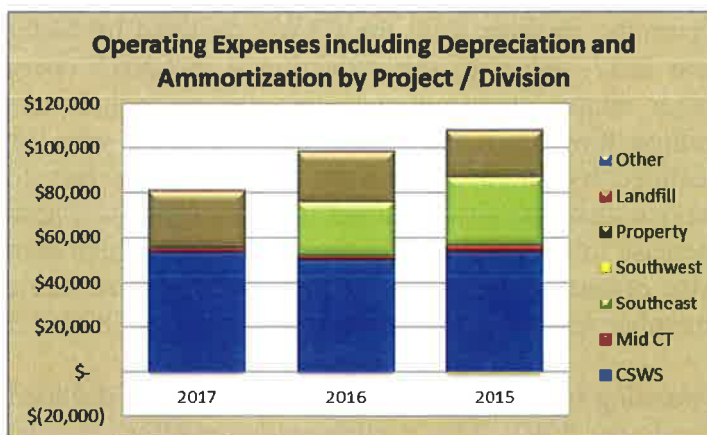
**TABLE 5**  
**SUMMARY OF OPERATING AND NON-OPERATING REVENUES**  
Fiscal Years Ended June 30,  
(Dollars in Thousands)

|                                     | 2017             | 2016             | 2017<br>Increase/<br>(Decrease)<br>from 2016 | 2017<br>Percent<br>Increase/<br>(Decrease) | 2015             | 2016<br>Increase/<br>(Decrease)<br>from 2015 | 2016<br>Percent<br>Increase/<br>(Decrease) |
|-------------------------------------|------------------|------------------|--|--|------------------|--|--|
| <b>Operating Revenues:</b>          |                  |                  |  |  |                  |  |  |
| Member service charges              | \$ 24,200        | \$ 26,103        | \$ (1,903)                                   | (7.3%)                                     | \$ 31,005        | \$ (4,902)                                   | (15.8%)                                    |
| Other service charges               | 15,478           | 21,493           | (6,015)                                      | (28.0%)                                    | 17,020           | 4,473  | 26.3%                                      |
| Energy sales                        | 20,375           | 33,347           | (12,972)                                     | (38.9%)                                    | 46,921           | (13,574)                                     | (28.9%)                                    |
| Other operating revenues            | 3,373            | 2,393            | 980  | 41.0%                                      | 3,319            | (926)  | (27.9%)                                    |
| <b>Total Operating Revenues</b>     | <b>63,426</b>    | <b>83,336</b>    | <b>(19,910)</b>                              | <b>(23.9%)</b>                             | <b>98,265</b>    | <b>(14,929)</b>                              | <b>(15.2%)</b>                             |
| <b>Non-Operating Revenues:</b>      |                  |                  |  |  |                  |  |  |
| Investment income                   | 208              | 99               | 109  | 110.1%                                     | 60               | 39   | 65.0%                                      |
| Settlement Income                   | -                | 638              | (638)  | n/a  | -                | 638  | n/a  |
| Other income                        | 2,955            | 102              | 2,853  | 2797.1%                                    | 43               | 59   | 137.2%                                     |
| <b>Total Non-Operating Revenues</b> | <b>3,163</b>     | <b>839</b>       | <b>2,324</b>                                 | <b>277.0%</b>                              | <b>103</b>       | <b>736</b>                                   | <b>714.6%</b>                              |
| <b>Total Revenues</b>               | <b>\$ 66,589</b> | <b>\$ 84,175</b> | <b>\$ (17,586)</b>                           | <b>(20.9%)</b>                             | <b>\$ 98,368</b> | <b>\$ (14,193)</b>                           | <b>(14.4%)</b>                             |

## Expenses

Table 6 summarizes total expenses (operating expenses, depreciation and non-operating expenses) for the three prior fiscal years ended June 30, 2017. As indicated, total expenses declined by \$19,421 (19.1%) from fiscal year 2016 to fiscal year 2017.

Operating expenses (before depreciation) declined by \$20,463 (25.8%) from fiscal year 2016 to fiscal year 2017. This was primarily due to the transfer of control of the Authority's Southeast Project to SCRRA. Operating expenses of the Southeast Project declined by \$23,873 (99.9%). Operating expenses for the Authority's Property and Landfill divisions also decreased by \$113 (3.7%) and \$70 (17.2%), respectively. However, these declines were offset partially by increases in the CSWS, Mid Connecticut Project and Authority general fund operating expenses described below:



- CSWS operating expenses (before depreciation) increased by \$3,257 (6.4%). This was driven by a \$3,211 (7.0%) increase in solid waste operations expense. The increase in CSWS solid waste operations expense relates primarily to contract labor and operating expenses for the resources recovery facility, which increased by \$3,266 (13.0%). This increase was partially offset by a \$263 (14.7%) reduction in management fees and incentive compensation for the contract operator of the resources recovery facility. CSWS ash disposal costs also mitigated the overall increase in CSWS operating expenses. Ash disposal expenses decreased by \$450 (4.6%) from fiscal year 2016 to fiscal year 2017.
- The Mid Connecticut Project's operating expenses increased by \$260 (17.2%) as the result of a \$1,045 (213%) increase in legal services that was partially offset by a \$625 (97.8%) reduction in accrued contract operating charges and a \$158 (42.0%) reduction in Authority administrative overhead charged to the Mid Connecticut Project.
- The Authority's unallocated general fund expenses increased from \$0 in fiscal year 2016 to \$76 in fiscal year 2017 reflecting employee severance paid from severance reserves.

Depreciation and amortization expenses increased by \$3,216 (16.6%) from fiscal year 2016 to fiscal year 2017. 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 decreased by \$2,174 (82.7%) from fiscal year 2016 to fiscal year 2017. This includes a \$693 (100%) reduction in settlement expense associated with the Mid Connecticut Project. This also includes a \$1,481 (76.5%) reduction in other expenses. These other expenses primarily represent the write off of assets. In fiscal year 2017 these write offs were focused on component replacements undertaken as part of the resource recovery facility major maintenance program, while in fiscal year 2016, the write offs were dominated by expiration of the Authority's long term lease for the Hartford Landfill.



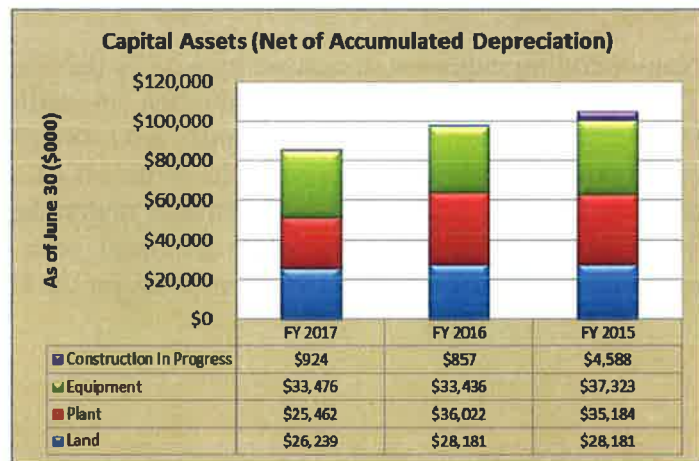
**TABLE 6**  
**SUMMARY OF OPERATING AND NON-OPERATING EXPENSES**  
**Fiscal Years Ended June 30,**  
**(Dollars in Thousands)**

|   | 2017      | 2016       | 2017<br>Increase/<br>(Decrease)<br>from 2016 | 2017<br>Percent<br>Increase/<br>(Decrease) | 2016       | 2016<br>Increase/<br>(Decrease)<br>from 2015 | 2016<br>Percent<br>Increase/<br>(Decrease) |
|---|-----------|------------|--|--|------------|--|--|
| Operating Expenses:                     |           |            |  |  |            |  |  |
| Solid waste operations                  | \$ 50,722 | \$ 66,148  | \$ (15,426)                                  | (23.3%)                                    | \$ 81,852  | \$ (15,704)                                  | (19.2%)                                    |
| Maintenance and utilities               | 1,522     | 1,098      | 424  | 38.6%                                      | 1,144      | (46)   | (4.0%)                                     |
| Legal services - external               | 1,713     | 580        | 1,133  | 195.3%                                     | 1,760      | (1,180)                                      | (67.0%)                                    |
| Administrative and operational services | 4,999     | 5,718      | (719)  | (12.6%)                                    | 6,210      | (492)  | (7.9%)                                     |
| Distribution to SCRRRA                  | -         | 5,875      | (5,875)                                      | 100.0%                                     | -          | 5,875  | 0.0%                                       |
| Total Operating Expenses                | 58,956    | 79,419     | (20,463)                                     | (25.8%)                                    | 90,966     | (11,547)                                     | (12.7%)                                    |
| Depreciation and amortization           | 22,638    | 19,422     | 3,216  | 16.6%                                      | 17,614     | 1,808  | 10.3%                                      |
| Non-Operating Expenses:                 |           |            |  |  |            |  |  |
| Settlement expenses                     | -         | 693        | (693)  | n/a  | -          | 693  | n/a  |
| Other expenses                          | 454       | 1,935      | (1,481)                                      | (76.5%)                                    | 2,200      | (265)  | (12.0%)                                    |
| Total Non-Operating Expenses            | 454       | 2,628      | (2,174)                                      | (82.7%)                                    | 2,200      | 428  | 19.5%                                      |
| Total Expenses                          | \$ 82,048 | \$ 101,469 | \$ (19,421)                                  | (19.1%)                                    | \$ 110,780 | \$ (9,311)                                   | (8.4%)                                     |

## Capital Assets

The Authority's investment in capital assets (net of accumulated depreciation) as of June 30, 2017 totaled \$86,102. This represents a \$12,394 (12.6%) reduction from net capital assets as of June 30, 2016 which totaled \$98,496. 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, Shelton, Torrington, Waterbury and Watertown. Its plants primarily include the waste to energy facility in Hartford, four transfer stations and a recycling facility. 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, 2017 this primarily consisted of boiler, conveyor and ash handling system improvements in the CSWS resource recovery facility.



The reduction in net capital assets primarily 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. In fiscal year 2017 the Authority also realized a \$1,942 (6.9%) reduction in the land component of net capital assets associated with the sale of its recycling facility in Stratford.

## **Long-Term Debt Issuance, Administration and Credit Ratings**

As of June 30, 2017, the Authority had no outstanding long term debt carried on its books and there were no corporate credit revenue bonds outstanding in connection with the Southeast Project or any Authority project or division.

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 was no longer any contingent liability of the State via a SCRF associated with the Authority.

During fiscal year 2017 (in November 2016) Covanta retired its \$30,000 in outstanding debt known as the 1992 Series A Corporate Credit Revenue Bonds associated with the Southeast Project.

See Note 1A for additional information on the structure of the Southeast Project.

## Economic Factors and Outlook

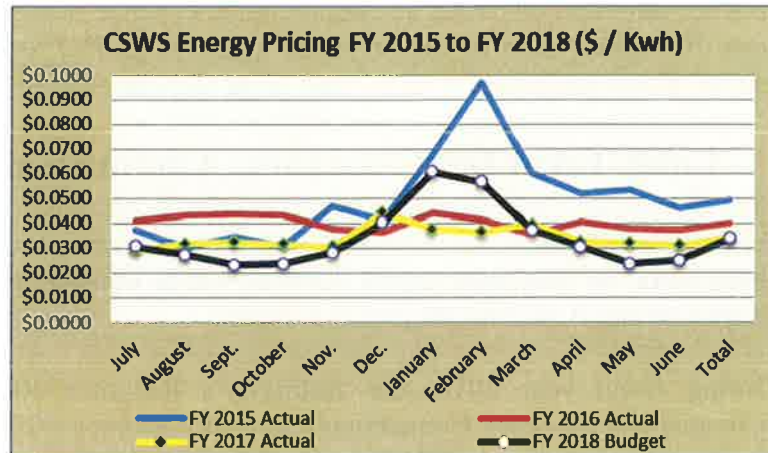
The most significant economic factors with the potential to adversely affect the Authority are its CSWS business model and the economic framework of the Department of Energy and Environmental Protection's (DEEP's) proposed redevelopment of the CSWS.

### CSWS Business Model

The business model for the CSWS is structured such 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 ("non-participating towns"). 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").

To address this matter, the Authority established a tip fee stabilization fund which has been 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, 2017 was \$1,998 and a total of \$13,694 was reimbursable from the CSWS contingent upon its future financial performance and availability of surplus funds.

The Authority has been successful in establishing tip fees below contractual opt-out provisions from the inception of the CSWS through adoption of its fiscal year 2017 budget. However, a series of planning initiatives undertaken during fiscal year 2017 concluded that continued erosion of non-disposal fee revenue driven by declining energy pricing and performance of the CSWS resource recovery facility would cause the Authority to exceed the opt-out tip fee with adoption of its fiscal year 2018 budget. These initiatives included an assessment of the key drivers associated with developing the budget. The assessment documented that CSWS performance has been consistently under budget in terms of MSW processed, energy generated and the prices received for the products it produces, and the services it provides, other than pricing of participating town tip fees. This has caused the CSWS to rely more heavily than planned on its tip fee stabilization fund. These price and production challenges, and the extent to which the Authority would be capable of mitigating them in the fiscal year 2018 budget first through use of the tip fee stabilization fund and second through an increase in participating town tip fees were





fully vetted with Authority stakeholders including all of its participating towns. The adopted budget for fiscal year 2018 ultimately included a \$4.00 per ton increase in participating town tip fees which produced a price above the opt-out provisions in the Authority's Tier 1 Long Term participating town contracts. While the adopted tip fee exceeded the opt-out tip fee, none of the towns opted out of the contract.

**Sustainability of the CSWS Tip Fee Stabilization Fund** – The adopted budget for fiscal year 2018, including the \$4.00 per ton increase in participating town tip fees, reflects continued reliance on the tip fee stabilization fund. Property Division income will continue to flow to this fund subject to an authorized cap of \$5,000 pending further action by the Authority's Board of Directors as necessary to address CSWS's evolving needs. The tip fee stabilization fund relies on revenue from the Jet Peaking Unit's participation in ISO New England's forward capacity market and its 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 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" by DEEP that permits the peaking units to run.

Critical to preservation of this source of funding was adoption by DEEP of its "Regulation Concerning NOx Emissions from Fuel-Burning Emission Units" which became effective December 22, 2016 (DEEP's Phased Compliance Program). This program provides the Authority with a compliance mechanism, through the continued acquisition and use of Discrete Emission Reduction Credits (DERCs), needed for the Authority to operate the peaking units potentially through May 2023. The Authority's existing Trading Order extends through May 31, 2018. The Capacity Supply Obligations the Authority has incurred to ISO New England extend through May 31, 2021. The Authority is now working with DEEP to extend its Trading Order through May 31, 2023 pursuant to the Phased Compliance Program.

The fiscal year 2018 adopted budgets and DEEP's Phased Compliance Program help ensure the Authority's self-sufficiency through fiscal year 2018 and position it for continued self-sufficiency going forward. The increased internal financing of CSWS was further made possible by an increase in the capacity payments from ISO New England. In fiscal year 2018 these capacity payments for the peaking units will increase from \$5,754 in fiscal 2017 to \$12,898 in fiscal year 2018. This capacity payment increases further in fiscal year 2019 to \$16,651 and will remain at elevated levels in fiscal years 2020 and 2021. However, additional demands are expected to be placed on Authority resources in order to undertake a needed redevelopment of the CSWS. This may adversely impact the extent to which the Authority is able to mitigate further increases in the participating town tip fees.

Offsetting this potential adverse impact is recent State legislation modifying the nature and demand for the Class II Renewable Energy Credits produced by the CSWS. Effective July 1, 2017 Class II Renewable Energy Sources are limited to Connecticut permitted waste to energy facilities such as the CSWS and Connecticut energy distributors are required to acquire 4% of their energy from these sources or from Class I Renewable Energy Sources. The Authority

expects this new legislation will have a potentially significant positive impact on the value of its Class II renewable Energy Credits.

### **DEEP's Proposed Redevelopment of 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, many of which have already been achieved, are summarized below.

- By January 1, 2016 DEEP, in consultation with the Authority, is to issue a Request for Proposals (RFP) 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, 2017 DEEP had issued the second phase of the RFP to the three finalists it selected in the first phase. The second phase RFP included the contract principles DEEP expected final proposals to adhere to. The contract principles and other provisions of the RFP involve the Authority transferring key aspects of its governance of the CSWS to the private sector in return for the private sector's acceptance of risk and provision of firm pricing on tip fees for the Authority's participating towns. The key aspects of governance potentially to be transferred to the private sector include governing town access to the CSWS, the use of CSWS surplus revenue, the generation of non-disposal fee revenue from the system and the fee structure applicable to participating towns that use transfer stations. While final proposals are to assume that the Authority is paid no more than \$1,000 annually for its project oversight and to fulfill its other statutory duties, the RFP's contract principles provide the Authority with limited (contingent) revenue shares only if product sales from the CSWS exceed the selected developer's

long term revenue forecasts included in the proposals. The private sector is to assume the risk of developing, operating and maintaining the facility and providing waste management services subject to the firm prices proposed. The final proposals were received July 31, 2017. DEEP expects provisional selection by December 31, 2017 and contract execution by July 1, 2018. The redeveloped CSWS is expected to commence operations by July 1, 2023. The Authority's agreements with CSWS participating towns will expire four years into the new project (June 30, 2027). In selecting a final proposal, the Act required 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 current tip fees for contracted waste. 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.

The economic framework of DEEP's proposed redevelopment of the CSWS is challenging in terms of the nature of revenue sources necessary for the anticipated private financing of the project. There is no long term guaranteed flow of waste or contracted energy price to support the project. The Authority believes this may affect the private sector's ability to accept risk as anticipated as part of the transfer of governance from the public to the private sector that the evolving process entails. The Authority is evaluating this framework, and the RFP responses received, and developing contract objectives supportive of the CSWS participating town's best interests in the event a selection is made and the Authority commences negotiation of a redevelopment contract. The Authority is also developing alternative plans to undertake a refurbishment of the CSWS in the event DEEP's process does not move forward.

## **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, 2017 AND JUNE 30, 2016**  
**(Dollars in Thousands)**

**EXHIBIT I**  
**Page 1 of 2**

| <b>ASSETS</b>                          | <u><b>2017</b></u>    | <u><b>2016</b></u>    |
|--|-----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                  |                       |                       |
| Unrestricted Assets:                   |                       |                       |
| Cash and cash equivalents              | \$ 41,605             | \$ 43,682             |
| Accounts receivable, net of allowances | 4,982                 | 4,952                 |
| Inventory                              | 5,937                 | 5,954                 |
| Prepaid expenses                       | 2,322                 | 3,295                 |
| Total Unrestricted Assets              | <u>54,846</u>         | <u>57,883</u>         |
| Restricted Assets:                     |                       |                       |
| Cash and cash equivalents              | 204                   | 207                   |
| Total Restricted Assets                | <u>204</u>            | <u>207</u>            |
| <b>TOTAL CURRENT ASSETS</b>            | <u><b>55,050</b></u>  | <u><b>58,090</b></u>  |
| <b>NON-CURRENT ASSETS</b>              |                       |                       |
| Capital Assets:                        |                       |                       |
| Depreciable, net                       | 58,939                | 69,458                |
| Nondepreciable                         | 27,163                | 29,038                |
| <b>TOTAL NON-CURRENT ASSETS</b>        | <u><b>86,102</b></u>  | <u><b>98,496</b></u>  |
| <b>TOTAL ASSETS</b>                    | <u><b>141,152</b></u> | <u><b>156,586</b></u> |

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, 2017 AND JUNE 30, 2016**  
**(Dollars in Thousands)**

**EXHIBIT I**  
**Page 2 of 2**

|  | <u>2017</u>       | <u>2016</u>       |
|--|-------------------|-------------------|
| <b>LIABILITIES</b>                             |                   |                   |
| <b>CURRENT LIABILITIES</b>                     |                   |                   |
| Payable from unrestricted assets:              |                   |                   |
| Accounts payable                               | 1,854             | 2,615             |
| Accrued expenses and other current liabilities | 4,425             | 3,874             |
| Unearned revenue                               | 3,117             | 2,879             |
| Total payable from unrestricted assets         | <u>9,396</u>      | <u>9,368</u>      |
| Payable from restricted assets:                |                   |                   |
| Accrued expenses and other current liabilities | 155               | 158               |
| Total payable from restricted assets           | <u>155</u>        | <u>158</u>        |
| <b>TOTAL CURRENT LIABILITIES</b>               | <u>9,551</u>      | <u>9,526</u>      |
| <b>LONG-TERM LIABILITIES</b>                   |                   |                   |
| Payable from unrestricted assets:              |                   |                   |
| Other liabilities                              | 5,000             | 5,000             |
| Total payable from unrestricted assets         | <u>5,000</u>      | <u>5,000</u>      |
| <b>TOTAL LONG-TERM LIABILITIES</b>             | <u>5,000</u>      | <u>5,000</u>      |
| <b>TOTAL LIABILITIES</b>                       | <u>14,551</u>     | <u>14,526</u>     |
| <b>NET POSITION</b>                            |                   |                   |
| Net Investment in capital assets               | 86,102            | 98,496            |
| Restricted                                     | 49                | 49                |
| Unrestricted                                   | 40,450            | 43,515            |
| <b>TOTAL NET POSITION</b>                      | <u>\$ 126,601</u> | <u>\$ 142,060</u> |

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 REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Dollars in Thousands)**

**EXHIBIT II**

|  | <u>2017</u>       | <u>2016</u>       |
|--|-------------------|-------------------|
| <b>Operating Revenues</b>                                    |                   |                   |
| Service charges:   |                   |                   |
| Members  | \$ 24,200         | \$ 26,103         |
| Others   | 15,478            | 21,493            |
| Energy sales   | 20,375            | 33,347            |
| Other operating revenues                                     | 3,373             | 2,393             |
| <b>Total Operating Revenues</b>                              | <u>63,426</u>     | <u>83,336</u>     |
| <b>Operating Expenses</b>                                    |                   |                   |
| Solid waste operations                                       | 50,722            | 66,148            |
| Maintenance and utilities                                    | 1,522             | 1,098             |
| Legal services - external                                    | 1,713             | 580               |
| Administrative and Operational services                      | 4,999             | 5,718             |
| Distribution to SCRRRA                                       | -                 | 5,875             |
| <b>Total Operating Expenses</b>                              | <u>58,956</u>     | <u>79,419</u>     |
| <b>Operating Income before depreciation and amortization</b> | 4,470             | 3,917             |
| Depreciation and amortization                                | 22,638            | 19,422            |
| <b>Operating Loss</b>  | (18,168)          | (15,505)          |
| <b>Non-Operating Revenues (Expenses)</b>                     |                   |                   |
| Investment income  | 208               | 99                |
| Settlement income  | -                 | 638               |
| Settlement expenses  | -                 | (693)             |
| Other revenues (expenses), net                               | 2,501             | (1,833)           |
| <b>Non-Operating Revenues (Expenses), Net</b>                | <u>2,709</u>      | <u>(1,789)</u>    |
| <b>Change in Net Position</b>                                | (15,459)          | (17,294)          |
| <b>Total Net Position, beginning of year</b>                 | <u>142,060</u>    | <u>159,354</u>    |
| <b>Total Net Position, end of period</b>                     | <u>\$ 126,601</u> | <u>\$ 142,060</u> |

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 CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**  
**(Dollars in Thousands)**

**EXHIBIT III**

|   | <u>2017</u>      | <u>2016</u>      |
|---|------------------|------------------|
| <b>Cash Flows Provided (Used) by Operating Activities</b>                             |                  |                  |
| Payments received from providing services   | \$ 63,659        | \$ 90,774        |
| Payments to suppliers and employees   | (58,205)         | (82,544)         |
| Distribution to member towns  | -                | (181)            |
| Distribution to SCRRRA  | -                | (5,875)          |
| Settlement income   | -                | 638              |
| Settlement expense  | -                | (693)            |
| Net Cash Provided by Operating Activities   | <u>5,454</u>     | <u>2,119</u>     |
| <b>Cash Flows Provided by Investing Activities</b>                                    |                  |                  |
| Proceeds from investments   | 4,888            | -                |
| Interest on investments   | 208              | 100              |
| Net Cash Provided by Investing Activities   | <u>5,096</u>     | <u>100</u>       |
| <b>Cash Flows Provided (Used) by Capital and Related Financing Activities</b>         |                  |                  |
| Proceeds from sales of equipment  | 9                | 102              |
| Acquisition and construction of capital assets  | (12,639)         | (14,003)         |
| Net Cash Used by Capital and Related Financing Activities                             | <u>(12,630)</u>  | <u>(13,901)</u>  |
| <b>Net decrease in cash and cash equivalents</b>                                      | <u>(2,080)</u>   | <u>(11,682)</u>  |
| <b>Cash and cash equivalents, beginning of year</b>                                   | <u>43,889</u>    | <u>55,571</u>    |
| <b>Cash and cash equivalents, end of year</b>   | <u>\$ 41,809</u> | <u>\$ 43,889</u> |
| <b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b> |                  |                  |
| Operating loss  | \$ (18,168)      | \$ (15,505)      |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |                  |                  |
| Depreciation of capital assets  | 22,637           | 19,030           |
| Amortization of development costs   | -                | 392              |
| Other income (expenses)   | -                | (237)            |
| Changes in assets and liabilities, net of transfers:                                  |                  |                  |
| (Increase) decrease in:   |                  |                  |
| Accounts receivable, net  | (30)             | 7,170            |
| Inventory   | 17               | (38)             |
| Prepaid expenses and other current assets   | 973              | (853)            |
| Increase (decrease) in:   |                  |                  |
| Accounts payable, accrued expenses and other liabilities                              | 25               | (7,840)          |
| <b>Net Cash Provided by Operating Activities</b>                                      | <u>\$ 5,454</u>  | <u>\$ 2,119</u>  |

The accompanying notes are an integral part of these financial statements



# **Notes to the Financial Statements**

**Materials Innovation and Recycling Authority**  
A Component Unit of the State of Connecticut

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **JUNE 30, 2017 AND 2016**

#### **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 two ad-hoc members from each municipality that is the site of an Authority facility. The Governor appoints three directors and all 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, 2017 AND 2016

### 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 49 Connecticut municipalities and 42 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 now closed 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 only 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, 2017 AND 2016

### 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 initially owned the facility and leased it to a private operator (Covanta) under a long-term contract. Covanta ran the facility pursuant to a Service Agreement with CRRA, under which CRRA was obligated to meet certain solid waste delivery requirements. To meet these requirements, the Southeastern Connecticut Regional Resource Recovery Authority (“SCRRA”) was established and SCRRA entered into agreements with its twelve member municipalities requiring them to deliver waste to SCRRA for disposal at the facility. Under a Bridge and Management Agreement between CRRA and SCRRA, the Authority caused the facility to be operated and maintained and SCRRA caused 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 reverted to operator ownership upon expiration of the underlying contracts. Likewise, the CRRA’s Statements of Net Position did not reflect the Current or Long Term Liabilities associated with these Capital Assets (debt service on the Bonds), which were 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 has included revenues and funds distributed by CRRA 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 SCRRA and Covanta providing for the Authority’s transfer of financial control of the Project to SCRRA. 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 SCRRA, in addition to prior net distribution of \$183.

During fiscal year 2017, the Authority, SCRRA and Covanta continued work on final release and indemnification documents intended to address 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 SCRRA, and iii) the Authority’s rights to use a portion of the facility’s capacity. These documents were fully executed subsequent to the close of fiscal year 2017 (effective July 12, 2017) and represent final closeout of the Southeast Project including distribution of surplus project funds to SCRRA in the amount of 659,431 and retention by the Authority of \$405,639 for its use without restriction in recognition of the Authority’s rights assigned to SCRRA.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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 has been 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 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, 2017 AND 2016**

#### **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 including energy generation and participation in forward capacity and reserve markets managed by ISO New England. Operating expenses include the cost of solid waste operations, maintenance and utilities, administrative expenses, rebates and distribution of funds associated with active Authority projects and divisions (CSWS, Property and Landfill divisions) 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 the closeout of inactive projects.

##### **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, 2017 AND 2016**

**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, 2017 and June 30, 2016.

**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, 2017 and 2016 are summarized as follows:

| Inventories | Fiscal Year     |                 |
|-------------|-----------------|-----------------|
|             | 2017            | 2016            |
|             | (\$000)         | (\$000)         |
| Spare Parts | \$ 4,972        | \$ 5,036        |
| Fuel        | 965             | 918             |
| Total       | <u>\$ 5,937</u> | <u>\$ 5,954</u> |

**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 Assets**

Restricted assets consist of assets that have 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 consist mainly of customer guarantees of payment, the City of Hartford recycling education fund and the Town of Ellington trust-pooled funds.

**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.

The Authority has no development costs as of June 30, 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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

**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 is \$5,000 and for office furniture and equipment is \$1,000. 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.

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, 2017 and 2016, 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 Statements of net position. The liability for compensated absences at June 30, 2017 and 2016 and the related changes for the years ended June 30, 2017 and 2016 are presented in the following table. Compensated absences include accruals for salaries, employer taxes, employer's 401K retirement plan contributions and employer's matching contributions:

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

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

##### K. Compensated Absences *(Continued)*

|                                    | Balance at<br>July 1,<br>2015<br>(\$000) | Increases<br>(Decreases)<br>(\$000) | Balance at<br>June 30,<br>2016<br>(\$000) | Increases<br>(Decreases)<br>(\$000) | Balance at<br>June 30,<br>2017<br>(\$000) |
|------------------------------------|--|-------------------------------------|---|-------------------------------------|---|
| Compensated Absences               |  |                                     |   |                                     |   |
| Accrued vacation and personal time | \$ 379                                   | \$ 74                               | \$ 453                                    | \$ (85)                             | \$ 368                                    |
| Total                              | \$ 379                                   | \$ 74                               | \$ 453                                    | \$ (85)                             | \$ 368                                    |

Compensated absences do not include estimates of the Authority's liability pursuant to its severance policies applicable in the event of any employee separation without cause as the result of position elimination, reorganization, restructuring, reduction in force or other related circumstance.

##### 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. Net investment in capital assets totaled approximately \$86.1 million and \$98.5 million as of June 30, 2017 and 2016.

*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 as of June 30, 2017 and 2016. None of the Authority's net position has been restricted by enabling legislation.

*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 \$17.0 million and \$19.1 million as of June 30, 2017 and 2016, respectively. Unrestricted net position at June 30, 2017 and 2016 are summarized as follows:

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

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

##### L. Net Position *(Continued)*

| Unrestricted Net Position       | 2017<br>(\$000)  | 2016<br>(\$000)  |
|---------------------------------|------------------|------------------|
| Undesignated                    | \$23,462         | \$24,396         |
| Designated:                     |                  |                  |
| Authority:                      |                  |                  |
| Severance Fund                  | 723              | 796              |
| Southeast:                      |                  |                  |
| Post -project reserve           | 1,060            | -                |
| Property Division:              |                  |                  |
| General Fund                    | 6,470            | 1,986            |
| Improvement Fund- PD            | 27               | 342              |
| Improvement Fund - CSWS         | 293              | 913              |
| Tip fee stabilization           | 1,998            | 3,704            |
| MidConnecticut:                 |                  |                  |
| Litigation reserve              | 176              | 691              |
| Post project reserve            | 5,184            | 6,362            |
| CSWS:                           |                  |                  |
| Debt Service Fund               | 4                | 4                |
| Risk Fund                       | 446              | 443              |
| General Fund                    | 1                | 1                |
| Legal Fund                      | 606              | 603              |
| Landfill Division:              |                  |                  |
| Operating                       | -                | 3,274            |
|                                 | <u>16,988</u>    | <u>19,119</u>    |
| Total Unrestricted Net Position | <u>\$ 40,450</u> | <u>\$ 43,515</u> |

##### M. New Accounting Pronouncements

Effective July 1, 2016, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans, GASB Statement No. 77, Tax Abatement Disclosures, GASB Statement No. 78, Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans, GASB Statement No. 79, Certain External Investment Pools and Pool Participants, GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, and GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The adoption of these statements did not have a material effect on the Authority's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 2. CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2017 and 2016:

| Cash and Cash Equivalents | 2017<br>(\$000)  | 2016<br>(\$000)  |
|---------------------------|------------------|------------------|
| Unrestricted:             |                  |                  |
| Cash deposits             | \$ 9,676         | \$ 8,794         |
| Cash equivalents:         |                  |                  |
| STIF *                    | 31,929           | 34,888           |
|                           | <u>41,605</u>    | <u>43,682</u>    |
| Restricted -- current:    |                  |                  |
| Cash deposits             | 198              | 201              |
| Cash equivalents:         |                  |                  |
| STIF *                    | 6                | 6                |
|                           | <u>204</u>       | <u>207</u>       |
| Total                     | <u>\$ 41,809</u> | <u>\$ 43,889</u> |

\* 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, 2017 and 2016, approximately \$9.5 million and \$9.1 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

| Custodial Credit Risks   | 2017<br>(\$000) | 2016<br>(\$000) |
|--|-----------------|-----------------|
| Uninsured and Uncollateralized   | \$ 8,216        | \$7,758         |
| Uninsured but collateralized<br>with securities held by the<br>pledging bank's trust department<br>or agent but not in the<br>Authority's name | <u>1,375</u>    | <u>1,324</u>    |
| Total  | <u>\$ 9,591</u> | <u>\$9,082</u>  |



## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 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, 2017 and 2016 are included in cash and cash equivalents in the accompanying Statements 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, 2017, the Authority's investments consisted of the following debt securities:

| Investment<br>Type | Net Asset<br>Value<br>(\$000) | Investment Maturities<br>(In Years) |             |             |                    |
|--------------------|-------------------------------|-------------------------------------|-------------|-------------|--------------------|
|                    |                               | Less<br>than<br>1                   | 1 to<br>5   | 6 to<br>10  | More<br>than<br>10 |
| STIF               | \$ 31,935                     | \$ 31,935                           | \$ -        | \$ -        | \$ -               |
| <b>Total</b>       | <b>\$ 31,935</b>              | <b>\$ 31,935</b>                    | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>        |

As of June 30, 2016, the Authority's investments consisted of the following debt securities:

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

##### **Investments *(Continued)***

##### ***Interest Rate Risk (Continued)***

| Investment<br>Type | Net Asset<br>Value<br>(\$000) | Investment Maturities<br>(In Years) |             |             |                    |
|--------------------|-------------------------------|-------------------------------------|-------------|-------------|--------------------|
|                    |                               | Less<br>than<br>1                   | 1 to<br>5   | 6 to<br>10  | More<br>than<br>10 |
| STIF               | \$ 34,894                     | \$ 34,894                           | \$ -        | \$ -        | \$ -               |
| <b>Total</b>       | <b>\$ 34,894</b>              | <b>\$ 34,894</b>                    | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b>        |

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, 2017 and 2016, STIF had a weighted average maturity of 35 days and 40 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***

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.

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

##### *Investments (Continued)*

##### *Credit Risk (Continued)*

As of June 30, 2017, the Authority's investments were rated as follows:

| Security | Fair<br>Value<br>(\$000) | Standard<br>& Poor's | Moody's<br>Investor<br>Service | Fitch<br>Ratings |
|----------|--------------------------|----------------------|--------------------------------|------------------|
| STIF     | \$ 31,935                | AAAm                 | Not<br>Rated                   | Not<br>Rated     |

As of June 30, 2016, the Authority's investments were rated as follows:

| Security | Fair<br>Value<br>(\$000) | Standard<br>& Poor's | Moody's<br>Investor<br>Service | Fitch<br>Ratings |
|----------|--------------------------|----------------------|--------------------------------|------------------|
| STIF     | \$ 34,894                | AAAm                 | Not<br>Rated                   | Not<br>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, 2017 and 2016, 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, 2017 AND 2016

#### 3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2017 and 2016:

|  | Balance at<br>June 30, 2015<br>(\$000) | Additions<br>(\$000) | Transfers<br>(\$000) | Sales and<br>Disposals<br>(\$000) | Balance at<br>June 30, 2016<br>(\$000) | Additions<br>(\$000) | Transfers<br>(\$000) | Sales and<br>Disposals<br>(\$000) | Balance at<br>June 30, 2017<br>(\$000) |
|--|--|----------------------|----------------------|-----------------------------------|--|----------------------|----------------------|-----------------------------------|--|
| <b>Depreciable assets:</b>                         |  |                      |                      |                                   |  |                      |                      |                                   |  |
| Plant  | \$ 201,788                             | \$ 651               | \$ 10,320            | \$ (7,430)                        | \$ 205,330                             | \$ -                 | \$ 8,579             | \$ (9,733)                        | \$ 204,177                             |
| Equipment  | 242,246                                | 74                   | 6,689                | (7,082)                           | 241,927                                | 17                   | 3,975                | (3,334)                           | 242,586                                |
| Total at cost                                      | <u>444,034</u>                         | <u>725</u>           | <u>17,010</u>        | <u>(14,512)</u>                   | <u>447,257</u>                         | <u>17</u>            | <u>12,554</u>        | <u>(13,066)</u>                   | <u>446,763</u>                         |
| <b>Less accumulated depreciation for:</b>          |  |                      |                      |                                   |  |                      |                      |                                   |  |
| Plant  | (166,604)                              | (9,431)              | -                    | 6,728                             | (169,308)                              | (12,579)             | -                    | 3,173                             | (178,715)                              |
| Equipment  | (204,923)                              | (9,805)              | -                    | 6,237                             | (208,491)                              | (10,058)             | -                    | 9,440                             | (209,109)                              |
| Total accumulated depreciation                     | <u>(371,527)</u>                       | <u>(19,236)</u>      | <u>-</u>             | <u>12,965</u>                     | <u>(377,799)</u>                       | <u>(22,637)</u>      | <u>-</u>             | <u>12,612</u>                     | <u>(387,824)</u>                       |
| <b>Total depreciable assets, net</b>               | <u>\$ 72,507</u>                       | <u>\$ (18,511)</u>   | <u>\$ 17,010</u>     | <u>\$ (1,548)</u>                 | <u>\$ 69,458</u>                       | <u>\$ (22,620)</u>   | <u>\$ 12,554</u>     | <u>\$ (454)</u>                   | <u>\$ 58,939</u>                       |
| <b>Nondepreciable assets:</b>                      |  |                      |                      |                                   |  |                      |                      |                                   |  |
| Land   | \$ 28,181                              | \$ -                 | \$ -                 | \$ -                              | \$ 28,181                              | \$ -                 | \$ -                 | \$ (1,942)                        | \$ 26,239                              |
| Construction-in-progress                           | 4,588                                  | 13,278               | (17,010)             | -                                 | 857                                    | 12,622               | (12,554)             | -                                 | 924                                    |
| <b>Total nondepreciable assets</b>                 | <u>\$ 32,769</u>                       | <u>\$ 13,278</u>     | <u>\$ (17,010)</u>   | <u>\$ -</u>                       | <u>\$ 29,038</u>                       | <u>\$ 12,622</u>     | <u>\$ (12,554)</u>   | <u>\$ (1,942)</u>                 | <u>\$ 27,163</u>                       |
| <b>Total depreciable and nondepreciable assets</b> | <u>\$ 105,276</u>                      | <u>\$ (5,233)</u>    | <u>\$ -</u>          | <u>\$ (1,548)</u>                 | <u>\$ 98,496</u>                       | <u>\$ (9,998)</u>    | <u>\$ -</u>          | <u>\$ (2,396)</u>                 | <u>\$ 86,102</u>                       |

#### 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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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

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.

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 Authority no longer includes 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.

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 Authority had no liabilities for landfill closure and post-closure care of landfills as of June 30, 2017 and 2016.

**5. MAJOR CUSTOMERS**

Nextera Energy Power Marketing is the Authority's customer for fixed price (hedged) energy sales from the Connecticut Solid Waste System (CSWS) and represents 9.8 % of total operating revenue for the year ended June 30, 2017.

ISO New England is the Authority's customer for non-hedged energy sales, as well as forward capacity and reserve market sales, from the Connecticut Solid Waste System and the Property Divisions Peaking Units and represents 22.5% of total operating revenue for the year ending June 30, 2017.

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 13.1% and 9.8% of the Authority's operating revenues for the years ended June 30, 2017 and 2016, respectively.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **JUNE 30, 2017 AND 2016**

#### **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, 2017 and 2016 amounted to approximately \$321,000 and \$334,000, respectively. Employees contributed approximately \$311,000 to the plan during the year ended June 30, 2017 and \$332,000 to the plan during the year ended June 30, 2016.

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, 2017 and 2016.

#### **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 CSWS. The CSWS 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, 2017 and 2016, respectively.



## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 8. COMMITMENTS

The Authority has various operating leases for office space and office equipment, which totaled approximately \$194,000 and \$199,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 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 \$1,635,000 and \$2,039,000, 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, 2017 are as follows:

| Fiscal Year | Lease<br>Amount<br>(\$000) | PILOT<br>Amount<br>(\$000) |
|-------------|----------------------------|----------------------------|
| 2018        | \$ 195                     | \$ 1,636                   |
| 2019        | 199                        | 136                        |
| 2020        | 203                        | 136                        |
| 2021        | 204                        | 136                        |
| 2022        | 208                        | 136                        |
| Thereafter  | 238                        | 680                        |
| Total       | <u>\$ 1,247</u>            | <u>\$ 2,860</u>            |

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<br>expiration date |
|----------------------------|-----------------------------|
| Covanta Southeast (*)      | 7/12/2017                   |
| Wheelabrator Technologies  | 6/30/2019                   |
| NAES Corporation           | 6/30/2018                   |
| Copes Rubbish Removal, Inc | 6/30/2018                   |
| CWPM, LLC                  | 6/30/2018                   |
| FCR Inc                    | 6/30/2018                   |

(\*) Assignment, release and indemnification agreement signed with SCRRRA, terminated the contract with Covanta Southeast.

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

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 8. COMMITMENTS *(Continued)*

The approximate amount of contract operating charges, included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2017 and 2016 were as follows:

| Project                        | 2017<br>(\$000)  | 2016<br>(\$000)  |
|--------------------------------|------------------|------------------|
| Connecticut Solid Waste System | \$ 46,031        | \$ 44,366        |
| Mid-Connecticut                | -                | (8)              |
| Southeast                      | -                | 11,275           |
| Property Division              | 1,148            | 890              |
| Landfill Division              | (24)             | 20               |
| Total                          | <u>\$ 47,155</u> | <u>\$ 56,521</u> |

#### 9. OTHER FINANCING

The Authority has historically 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. While there were no such bonds outstanding as of June 30, 2017, several recent retirements relate to the Authority's Southeast Project. The principal amounts of these bond issues outstanding at June 30, 2017 and 2016 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 and status of the Southeast Project.

The Authority was not obligated for the repayment of debt on the 1992 Series A Corporate Credit Bonds 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 were secured by loan agreements between the Authority and the independent contract operator of the Southeast Project which were 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 was not guaranteed by the Authority or the State. Therefore, the Authority has not recorded the assets and liabilities related to these bond issues on its financial statements. These bonds were fully paid in November 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 9. OTHER FINANCING *(Continued)*

| Project                      | 2017<br>(\$000) | 2016<br>(\$000)  |
|------------------------------|-----------------|------------------|
| Southeast -                  |                 |                  |
| 1992 Series A - Corp. Credit | \$ -            | \$ 30,000        |
| Total                        | <u>\$ -</u>     | <u>\$ 30,000</u> |

#### 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. On February 26, 2013, MDC also filed an application for a prejudgment remedy (the “PJR Application”), asserting that an attachment or garnishment of \$47 million, or more, is necessary to secure a remedy for its claims. MDC’s application acknowledged, however, that it had only actually expended \$2.1 million of its alleged \$47 million claimed obligation. On April 1, 2013, the Authority filed a motion to dismiss MDC’s PJR Application, which was granted on October 1, 2013. On October 22, 2013, MDC filed a new application for a prejudgment remedy, seeking an attachment of CRRA’s assets to secure an alleged \$52 million obligation. The Authority filed a motion to dismiss the application on November 8, 2013; 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. 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. On December 19, 2016, the court confirmed the liability award. MDC moved for an articulation of the court’s confirmation, which the court denied. MDC then filed a motion for review with the Appellate Court, which ordered the Superior Court to articulate whether it had considered MDC’s claim that the liability award was ambiguous. On August 31, 2017, the Superior Court issued a memorandum, stating that the court considered and rejected MDC’s claims of ambiguity. Hearings regarding the specific amount of damages to be paid by the Authority pursuant to the arbitration panel’s ruling on liability were held between November 28, 2016 and July 7, 2017. As of the date hereof, at the request of the parties, the panel’s deliberations have been suspended while the parties engage in confidential settlement discussions.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **JUNE 30, 2017 AND 2016**

#### **10. CONTINGENCIES (*Continued*)**

If the parties reach a settlement, the arbitrators will be informed and the arbitration and court proceedings concluded. If no settlement is agreed to, the arbitrators will be notified, and will have until December 4, 2017, in which to issue an award.

The Authority has sufficient reserves to cover its costs related to the anticipated settlement. In the event that settlement is not achieved, the Authority believes that its reserves are sufficient to cover the costs it is likely to owe pursuant to an arbitration ruling on damages.

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. On May 5, 2017, the court again denied the Motion to Dismiss and granted the Motion to Strike. Tremont did not file a third substitute complaint, but moved for Entry of Judgment and appealed the decision. MIRA has also raised issues in the appeal. The matter is pending; no deadlines have been scheduled.

#### **Other Issues; Unasserted Claims and Assessments**

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 10. CONTINGENCIES (*Continued*)

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, which holds a sewer easement, and the City of Hartford/Greater Hartford Flood Commission (the "GHFC"), which holds interests in and to the flood control dike and appurtenant pipelines and other facilities. MIRA is currently in negotiation with MDC to obtain subordination of its interests in connection with settlement of a separate dispute with MDC. MIRA has reached a tentative agreement with the GHFC to obtain subordination of its interests in exchange for payment of \$280,000 and an agreement by MIRA to perform certain inspections and be responsible for unknown contaminants in the dike. The MIRA board of directors has approved the requested payment. If agreement is reached with MDC, then a Verification (i.e., final sign-off) could be issued for the Site. If no agreement is reached with MDC, then TRC will issue a partial Verification for the site but likely refuse to complete remediation to applicable standards for the rest of the Site, thereby preventing the issuance of a full Verification for the Site. In the event that a full Verification is not issued for the Site, MIRA's alienability of the Site would be materially impaired thereby diminishing the value of the Site. In addition to the foregoing, the insurance policy issued by AIG Corporation that was the source of funds to perform the remediation under the Exit Strategy Contract expired on March 30, 2016. TRC may demand payment from MIRA for the additional costs to finalize the partial or full Verification of the Site, because the source of funding has expired. We have not been informed about the amount of such additional costs. If MIRA fails to obtain a subordination from the GHFC, and/or from the MDC, then it is possible that TRC may assert a claim against MIRA for liability in connection with such failure.

The Authority has entered into certain Tier 1 Long Term Municipal Solid Waste Management Services Agreements with Connecticut municipalities which expire June 30, 2027. The Authority has also entered into certain 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. For fiscal year 2017, the Authority adopted a Tier 1 Long Term disposal fee of \$64.00 per ton in comparison to a Tier 1 Long Term opt out disposal fee of \$64.07 per ton. For fiscal year 2017, the Authority adopted a Tier 1 Short Term disposal fee of \$66.00 per ton in comparison to a Tier 1 Short Term opt out disposal fee of \$66.07 per ton. In fiscal year 2017, 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. During fiscal year 2017, the Authority offered to renew its Tier 1 Short Term Municipal Solid Waste Management Services Agreements expiring June 30, 2017. Ten of twelve municipalities representing 93% of the waste delivered pursuant to these expiring agreements opted to renew. Nine of the renewing municipalities entered into Tier 1 Long Term agreements expiring June 30, 2027 and one entered into a Tier 1 Short Term agreement expiring June 30, 2022. For fiscal year 2018, the authority adopted Tier 1 Long Term and Short Term disposal fees that exceed the opt out disposal fee; however, no municipality elected to terminate its Municipal Solid Waste Management Services Agreement as permitted thereunder based upon the adopted disposal fee.

The Authority operates four jet powered electric generating peaking units subject to the terms and conditions of Trading Agreement and Order number 8359 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.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **JUNE 30, 2017 AND 2016**

#### **10. CONTINGENCIES (*Continued*)**

The current Trading Agreement and Order expires May 31, 2018. 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, 2021. The Authority expects to fulfill these obligations to ISO New England beyond expiration of the current Trading Agreement and Order via issuance of another order by DEEP pursuant to RCSA Section 22a-174-22e (control of nitrogen oxides emissions from fuel-burning equipment at major stationary sources of nitrogen oxides). RCSA Section 22a-174-22e went into effect on December 22, 2016. The Authority anticipates that the next order will permit the Authority to continue acquiring and using DERCs through May 31, 2023. In fiscal year 2017, the Authority's peaking units represented \$7.8 million (12.3%) 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.

#### **11. NEW ACCOUNTING**

##### **PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED**

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 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.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes



## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017 AND 2016

#### 11. NEW ACCOUNTING

##### PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED (*Continued*)

criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2019. The Authority has not yet determined the impact that this statement might have on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2019. The Authority does not expect this statement to have a material effect on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). 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 May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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, 2017 AND 2016**

**11. NEW ACCOUNTING**

**PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED (*Continued*)**

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2020. The Authority does not expect this statement to have a material effect on its financial statements.

# MATERIALS INNOVATION AND RECYCLING AUTHORITY

EXHIBIT A  
Page 1 of 3

## A Component Unit of the State of Connecticut

### SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION

AS OF JUNE 30, 2017

(Dollars in Thousands)

|  | Authority<br>General<br>Fund | Connecticut           |           | Mid-Connecticut<br>Project | Southeast<br>Project | Property |         | Landfill<br>Division | Eliminations | Total |
|--|------------------------------|-----------------------|-----------|----------------------------|----------------------|----------|---------|----------------------|--------------|-------|
|  |                              | Solid Waste<br>System |           |                            |                      | Division |         |                      |              |       |
| <b>ASSETS</b>                          |                              |                       |           |                            |                      |          |         |                      |              |       |
| <b>CURRENT ASSETS</b>                  |                              |                       |           |                            |                      |          |         |                      |              |       |
| Unrestricted Assets:                   |                              |                       |           |                            |                      |          |         |                      |              |       |
| Cash and cash equivalents              | \$ 1,696                     | \$ 11,541             | \$ 12,406 | \$ 1,077                   | \$ 11,645            | \$ 3,240 | \$ -    | \$ 41,605            |              |       |
| Accounts receivable, net of allowances | -                            | 3,896                 | -         | -                          | 1,086                | -        | -       | 4,982                |              |       |
| Inventory                              | -                            | 4,529                 | -         | -                          | 1,408                | -        | -       | 5,937                |              |       |
| Prepaid expenses                       | -                            | 2,249                 | 5         | -                          | 52                   | 16       | -       | 2,322                |              |       |
| Due from other funds                   | 517                          | -                     | -         | -                          | 3,381                | -        | (3,898) | -                    |              |       |
| Total Unrestricted Assets              | 2,213                        | 22,215                | 12,411    | 1,077                      | 17,572               | 3,256    | (3,898) | 54,846               |              |       |
| Restricted Assets:                     |                              |                       |           |                            |                      |          |         |                      |              |       |
| Cash and cash equivalents              | -                            | 149                   | 6         | -                          | 49                   | -        | -       | 204                  |              |       |
| Total Restricted Assets                | -                            | 149                   | 6         | -                          | 49                   | -        | -       | 204                  |              |       |
| <b>TOTAL CURRENT ASSETS</b>            | 2,213                        | 22,364                | 12,417    | 1,077                      | 17,621               | 3,256    | (3,898) | 55,050               |              |       |
| <b>NON-CURRENT ASSETS</b>              |                              |                       |           |                            |                      |          |         |                      |              |       |
| Capital Assets:                        |                              |                       |           |                            |                      |          |         |                      |              |       |
| Depreciable:                           |                              |                       |           |                            |                      |          |         |                      |              |       |
| Plant                                  | 84                           | -                     | -         | -                          | 178,740              | 25,353   | -       | 204,177              |              |       |
| Equipment                              | 1,016                        | -                     | 3,507     | -                          | 237,085              | 978      | -       | 242,586              |              |       |
|  | 1,100                        | -                     | 3,507     | -                          | 415,825              | 26,331   | -       | 446,763              |              |       |
| Less: Accumulated depreciation         | (1,010)                      | -                     | (889)     | -                          | (359,594)            | (26,331) | -       | (387,824)            |              |       |
| Total Depreciable, net                 | 90                           | -                     | 2,618     | -                          | 56,231               | -        | -       | 58,939               |              |       |
| Nondepreciable:                        |                              |                       |           |                            |                      |          |         |                      |              |       |
| Land                                   | -                            | -                     | -         | -                          | 10,130               | 16,109   | -       | 26,239               |              |       |
| Construction in progress               | -                            | -                     | -         | -                          | 924                  | -        | -       | 924                  |              |       |
| Total Nondepreciable                   | -                            | -                     | -         | -                          | 11,054               | 16,109   | -       | 27,163               |              |       |
| <b>TOTAL NON-CURRENT ASSETS</b>        | 90                           | -                     | 2,618     | -                          | 67,285               | 16,109   | -       | 86,102               |              |       |
| <b>TOTAL ASSETS</b>                    | 2,303                        | 22,364                | 15,035    | 1,077                      | 84,906               | 19,365   | (3,898) | 141,152              |              |       |

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**MATERIALS INNOVATION AND RECYCLING AUTHORITY**

**EXHIBIT A**  
**Page 2 of 3**

**A Component Unit of the State of Connecticut**

**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION (Continued)**

**AS OF JUNE 30, 2017**

**(Dollars in Thousands)**

|  | Authority<br>General<br>Fund | Connecticut<br>Solid Waste<br>System | Mid-Connecticut<br>Project | Southeast<br>Project | Property<br>Division | Landfill<br>Division | Eliminations | Total    |
|--|------------------------------|--------------------------------------|----------------------------|----------------------|----------------------|----------------------|--------------|----------|
| <b>LIABILITIES</b>                             |                              |                                      |                            |                      |                      |                      |              |          |
| <b>CURRENT LIABILITIES</b>                     |                              |                                      |                            |                      |                      |                      |              |          |
| Payable from unrestricted assets:              |                              |                                      |                            |                      |                      |                      |              |          |
| Accounts payable                               | \$ 26                        | \$ 1,635                             | \$ 119                     | \$ 13                | \$ 54                | \$ 7                 | -            | \$ 1,854 |
| Accrued expenses and other current liabilities | 543                          | 1,864                                | 1,479                      | 2                    | 396                  | 141                  | -            | 4,425    |
| Due to other funds                             | -                            | 3,796                                | 23                         | -                    | 67                   | 12                   | (3,898)      | -        |
| Unearned revenue                               | -                            | 2,620                                | 425                        | -                    | 72                   | -                    | -            | 3,117    |
| Total payable from unrestricted assets         | 569                          | 9,915                                | 2,046                      | 15                   | 589                  | 160                  | (3,898)      | 9,396    |
| Payable from restricted assets:                |                              |                                      |                            |                      |                      |                      |              |          |
| Accrued expenses and other current liabilities | -                            | 149                                  | 6                          | -                    | -                    | -                    | -            | 155      |
| <b>TOTAL CURRENT LIABILITIES</b>               | 569                          | 10,064                               | 2,052                      | 15                   | 589                  | 160                  | (3,898)      | 9,551    |
| <b>LONG-TERM LIABILITIES</b>                   |                              |                                      |                            |                      |                      |                      |              |          |
| Payable from unrestricted assets:              |                              |                                      |                            |                      |                      |                      |              |          |
| Other liabilities                              | -                            | -                                    | 5,000                      | -                    | -                    | -                    | -            | 5,000    |
| <b>TOTAL LONG-TERM LIABILITIES</b>             | -                            | -                                    | 5,000                      | -                    | -                    | -                    | -            | 5,000    |
| <b>TOTAL LIABILITIES</b>                       | 569                          | 10,064                               | 7,052                      | 15                   | 589                  | 160                  | (3,898)      | 14,551   |

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, 2017**  
**(Dollars in Thousands)**

|                                  | Authority<br>General<br>Fund | Connecticut<br>Solid Waste<br>System | Mid-Connecticut<br>Project | Southeast<br>Project | Property<br>Division | Landfill<br>Division | Eliminations | Total             |
|----------------------------------|------------------------------|--------------------------------------|----------------------------|----------------------|----------------------|----------------------|--------------|-------------------|
| <b>NET POSITION</b>              |                              |                                      |                            |                      |                      |                      |              |                   |
| Net Investment in capital assets | 90                           | -                                    | 2,618                      | -                    | 67,285               | 16,109               | -            | 86,102            |
| Restricted                       | -                            | -                                    | -                          | -                    | 49                   | -                    | -            | 49                |
| Unrestricted                     | 1,644                        | 12,300                               | 5,365                      | 1,062                | 16,983               | 3,096                | -            | 40,450            |
| <b>TOTAL NET POSITION</b>        | <b>\$ 1,734</b>              | <b>\$ 12,300</b>                     | <b>\$ 7,983</b>            | <b>\$ 1,062</b>      | <b>\$ 84,317</b>     | <b>\$ 19,205</b>     | <b>\$ -</b>  | <b>\$ 126,601</b> |

See Independent Auditor's Report

**MATERIALS INNOVATION AND RECYCLING AUTHORITY**  
**A Component Unit of the State of Connecticut**

**EXHIBIT B**

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

**AS OF JUNE 30, 2017**

**(Dollars in Thousands)**

|   | Authority<br>General<br>Fund | Connecticut<br>Solid Waste<br>System | Mid-Connecticut<br>Project | Southeast<br>Project | Property<br>Division | Landfill<br>Division | Eliminations | Total      |
|---|------------------------------|--------------------------------------|----------------------------|----------------------|----------------------|----------------------|--------------|------------|
| <b>Operating Revenues</b>   |                              |                                      |                            |                      |                      |                      |              |            |
| Service charges:  |                              |                                      |                            |                      |                      |                      |              |            |
| Members   | \$ -                         | \$ 24,200                            | \$ -                       | \$ -                 | \$ -                 | \$ -                 | \$ -         | \$ 24,200  |
| Others  | -                            | 15,478                               | -                          | -                    | -                    | -                    | -            | 15,478     |
| Energy sales  | -                            | 12,674                               | -                          | -                    | 7,771                | (70)                 | -            | 20,375     |
| Other operating revenues  | -                            | 2,821                                | -                          | -                    | 497                  | 55                   | -            | 3,373      |
| <b>Total Operating Revenues</b>                                     | -                            | 55,173                               | -                          | -                    | 8,268                | (15)                 | -            | 63,426     |
| <b>Operating Expenses</b>   |                              |                                      |                            |                      |                      |                      |              |            |
| Solid waste operations  | -                            | 50,157                               | 14                         | -                    | 1,662                | 46                   | (1,157)      | 50,722     |
| Maintenance and utilities   | -                            | 829                                  | -                          | -                    | 568                  | 125                  | -            | 1,522      |
| Legal services - external   | -                            | 60                                   | 1,534                      | 29                   | 37                   | 53                   | -            | 1,713      |
| Administrative and Operational services                             | 76                           | 3,948                                | 220                        | -                    | 643                  | 112                  | -            | 4,999      |
| <b>Total Operating Expenses</b>                                     | 76                           | 54,994                               | 1,768                      | 29                   | 2,910                | 336                  | (1,157)      | 58,956     |
| <b>Operating Income (Loss) before depreciation and amortization</b> | (76)                         | 179                                  | (1,768)                    | (29)                 | 5,358                | (351)                | 1,157        | 4,470      |
| Depreciation and amortization                                       | 30                           | -                                    | 138                        | -                    | 22,470               | -                    | -            | 22,638     |
| <b>Operating Income (Loss)</b>                                      | (106)                        | 179                                  | (1,906)                    | (29)                 | (17,112)             | (351)                | 1,157        | (18,168)   |
| <b>Non-Operating Revenues (Expenses)</b>                            |                              |                                      |                            |                      |                      |                      |              |            |
| Investment income   | -                            | 69                                   | 81                         | 6                    | 52                   | -                    | -            | 208        |
| Other revenues (expenses), net                                      | 9                            | -                                    | -                          | -                    | 2,492                | -                    | -            | 2,501      |
| <b>Non-Operating Revenues (Expenses), net</b>                       | 9                            | 69                                   | 81                         | 6                    | 2,544                | -                    | -            | 2,709      |
| Income (Loss) before Transfers                                      | (97)                         | 248                                  | (1,825)                    | (23)                 | (14,568)             | (351)                | 1,157        | (15,459)   |
| Transfers in (out)  | -                            | (2,775)                              | -                          | -                    | 3,932                | -                    | (1,157)      | -          |
| <b>Change in Net Position</b>                                       | (97)                         | (2,527)                              | (1,825)                    | (23)                 | (10,636)             | (351)                | -            | (15,459)   |
| <b>Total Net Position, beginning of year</b>                        | 1,831                        | 14,827                               | 9,808                      | 1,085                | 94,953               | 19,556               | -            | 142,060    |
| <b>Total Net Position, end of period</b>                            | \$ 1,734                     | \$ 12,300                            | \$ 7,983                   | \$ 1,062             | \$ 84,317            | \$ 19,205            | \$ -         | \$ 126,601 |

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, 2017**  
**(Dollars in Thousands)**

**EXHIBIT C**  
**Page 1 of 2**

|   | Authority<br>General<br>Fund | Connecticut<br>Solid Waste<br>System | Mid-Connecticut<br>Project | Southeast<br>Project | Property<br>Division | Landfill<br>Division | Eliminations | Total     |
|---|------------------------------|--------------------------------------|----------------------------|----------------------|----------------------|----------------------|--------------|-----------|
| <b>Cash Flows Provided (Used) by Operating Activities</b>           |                              |                                      |                            |                      |                      |                      |              |           |
| Payments received from providing services                           | \$ -                         | \$ 55,839                            | \$ -                       | \$ -                 | \$ 7,741             | \$ 79                | \$ -         | \$ 63,659 |
| Payments to suppliers and employees                                 | (214)                        | (55,264)                             | (1,642)                    | (36)                 | (1,961)              | (245)                | 1,157        | (58,205)  |
| Payments to other funds   | 142                          | 54                                   | (62)                       | -                    | (140)                | 6                    | -            | -         |
| <b>Net Cash Provided (Used) by Operating Activities</b>             | (72)                         | 629                                  | (1,704)                    | (36)                 | 5,640                | (160)                | 1,157        | 5,454     |
| <b>Cash Flows Provided by Investing Activities</b>                  |                              |                                      |                            |                      |                      |                      |              |           |
| Proceeds from investments   | -                            | -                                    | -                          | -                    | 4,888                | -                    | -            | 4,888     |
| Interest on investments   | -                            | 69                                   | 81                         | 6                    | 52                   | -                    | -            | 208       |
| <b>Net Cash Provided by Investing Activities</b>                    | -                            | 69                                   | 81                         | 6                    | 4,940                | -                    | -            | 5,096     |
| <b>Cash Flows Used by Capital and Related Financing Activities</b>  |                              |                                      |                            |                      |                      |                      |              |           |
| Proceeds from sales of equipment                                    | 9                            | -                                    | -                          | -                    | -                    | -                    | -            | 9         |
| Acquisition and construction of capital assets                      | (9)                          | -                                    | -                          | -                    | (12,630)             | -                    | -            | (12,639)  |
| <b>Net Cash Used by Capital and Related Financing Activities</b>    | -                            | -                                    | -                          | -                    | (12,630)             | -                    | -            | (12,630)  |
| <b>Cash Provided (Used) by Non-Capital Financing Activities</b>     |                              |                                      |                            |                      |                      |                      |              |           |
| Transfer in / (out)   | -                            | (2,775)                              | -                          | -                    | 3,932                | -                    | (1,157)      | -         |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b> | -                            | (2,775)                              | -                          | -                    | 3,932                | -                    | (1,157)      | -         |
| <b>Net increase (decrease) in cash and cash equivalents</b>         | (72)                         | (2,077)                              | (1,623)                    | (30)                 | 1,882                | (160)                | -            | (2,080)   |
| <b>Cash and cash equivalents, beginning of year</b>                 | 1,768                        | 13,767                               | 14,035                     | 1,107                | 9,812                | 3,400                | -            | 43,889    |
| <b>Cash and cash equivalents, end of year</b>                       | \$ 1,696                     | \$ 11,690                            | \$ 12,412                  | \$ 1,077             | \$ 11,694            | \$ 3,240             | \$ -         | \$ 41,809 |

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 (Continued)**  
**AS OF JUNE 30, 2017**  
**(Dollars in Thousands)**

**EXHIBIT C**  
**Page 2 of 2**

|   | Authority<br>General<br>Fund | Connecticut<br>Solid Waste<br>System | Mid-Connecticut<br>Project | Southeast<br>Project | Property<br>Division | Landfill<br>Division | Eliminations    | Total           |
|---|------------------------------|--------------------------------------|----------------------------|----------------------|----------------------|----------------------|-----------------|-----------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                              |                                      |                            |                      |                      |                      |                 |                 |
| Operating (loss) income   | \$ (106)                     | \$ 179                               | \$ (1,906)                 | \$ (29)              | \$ (17,112)          | \$ (351)             | \$ 1,157        | \$ (18,168)     |
| Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities: |                              |                                      |                            |                      |                      |                      |                 |                 |
| Depreciation of capital assets  | 30                           | -                                    | 137                        | -                    | 22,470               | -                    | -               | 22,637          |
| Other income (expenses)   | -                            | -                                    | -                          | -                    | -                    | -                    | -               | -               |
| Changes in assets and liabilities, net of transfers:  |                              |                                      |                            |                      |                      |                      |                 |                 |
| (Increase) decrease in:   |                              |                                      |                            |                      |                      |                      |                 |                 |
| Accounts receivable, net  | -                            | 382                                  | -                          | -                    | (506)                | 94                   | -               | (30)            |
| Inventory   | -                            | 24                                   | -                          | -                    | (7)                  | -                    | -               | 17              |
| Prepaid expenses and other current assets   | 14                           | 200                                  | 64                         | -                    | 632                  | 63                   | -               | 973             |
| Increase (decrease) in:   |                              |                                      |                            |                      |                      |                      |                 |                 |
| Accounts payable, accrued expenses and other liabilities  | (152)                        | (210)                                | 63                         | (7)                  | 303                  | 28                   | -               | 25              |
| Due to/from other funds   | 142                          | 54                                   | (62)                       | -                    | (140)                | 6                    | -               | -               |
| <b>Net Cash Provided by Operating Activities</b>  | <b>\$ (72)</b>               | <b>\$ 629</b>                        | <b>\$ (1,704)</b>          | <b>\$ (36)</b>       | <b>\$ 5,640</b>      | <b>\$ (160)</b>      | <b>\$ 1,157</b> | <b>\$ 5,454</b> |

See Independent Auditor's Report

**MATERIALS INNOVATION AND RECYCLING AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION**  
**AS OF JUNE 30, 2017**  
**(Dollars in Thousands)**

|  | Authority<br>General<br>Fund | Connecticut<br>Solid Waste<br>System | Mid-Connecticut<br>Project | Southeast<br>Project | Property<br>Division | Landfill<br>Division | Total     |
|--|------------------------------|--------------------------------------|----------------------------|----------------------|----------------------|----------------------|-----------|
| <b>Net position, net investment in capital assets</b>              | \$ 90                        | \$ -                                 | \$ 2,618                   | \$ -                 | \$ 67,285            | \$ 16,109            | \$ 86,102 |
| <b>Restricted net position:</b>                                    |                              |                                      |                            |                      |                      |                      |           |
| Current restricted cash and cash equivalents :                     |                              |                                      |                            |                      |                      |                      |           |
| City of Hartford recycling education fund                          | -                            | -                                    | 6                          | -                    | -                    | -                    | 6         |
| Customer guarantee of payment                                      | -                            | 149                                  | -                          | -                    | -                    | -                    | 149       |
| Town of Ellington trust - pooled funds                             | -                            | -                                    | -                          | -                    | 49                   | -                    | 49        |
| Total current restricted cash and cash equivalents                 | -                            | 149                                  | 6                          | -                    | 49                   | -                    | 204       |
| <b>Less liabilities to be paid with current restricted assets:</b> |                              |                                      |                            |                      |                      |                      |           |
| Other liabilities  | -                            | 149                                  | 6                          | -                    | -                    | -                    | 155       |
| Total liabilities to be paid with current restricted assets        | -                            | 149                                  | 6                          | -                    | -                    | -                    | 155       |
| <b>Total restricted net position</b>                               | -                            | -                                    | -                          | -                    | 49                   | -                    | 49        |

See Independent Auditor's Report

**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, 2017**

**(Dollars in Thousands)**

**EXHIBIT D**

**Page 2 of 2**

|                                   | Authority<br>General<br>Fund | Connecticut<br>Solid Waste<br>System | Mid-Connecticut<br>Project | Southeast<br>Project | Property<br>Division | Landfill<br>Division | Total             |
|-----------------------------------|------------------------------|--------------------------------------|----------------------------|----------------------|----------------------|----------------------|-------------------|
| <b>Unrestricted net position:</b> |                              |                                      |                            |                      |                      |                      |                   |
| Designated for:                   |                              |                                      |                            |                      |                      |                      |                   |
| Debt service reserve              | \$ -                         | \$ 4                                 | \$ -                       | -                    | \$ -                 | -                    | \$ 4              |
| Future loss contingencies         | -                            | 446                                  | -                          | -                    | -                    | -                    | 446               |
| General fund                      | -                            | 1                                    | -                          | -                    | 6,470                | -                    | 6,471             |
| Improvement                       | -                            | -                                    | -                          | -                    | 320                  | -                    | 320               |
| Legal                             | -                            | 606                                  | -                          | -                    | -                    | -                    | 606               |
| Litigation reserve                | -                            | -                                    | 176                        | -                    | -                    | -                    | 176               |
| Project/Post-project closure      | -                            | -                                    | 5,184                      | 1,060                | -                    | -                    | 6,244             |
| Severance                         | 723                          | -                                    | -                          | -                    | -                    | -                    | 723               |
| Tip fee stabilization             | -                            | -                                    | -                          | -                    | 1,998                | -                    | 1,998             |
| Undesignated                      | 921                          | 11,243                               | 5                          | 2                    | 8,195                | 3,096                | 23,462            |
| Total unrestricted net position   | 1,644                        | 12,300                               | 5,365                      | 1,062                | 16,983               | 3,096                | 40,450            |
| <b>Total Net Position</b>         | <b>\$ 1,734</b>              | <b>\$ 12,300</b>                     | <b>\$ 7,983</b>            | <b>\$ 1,062</b>      | <b>\$ 84,317</b>     | <b>\$ 19,205</b>     | <b>\$ 126,601</b> |

See Independent Auditor's Report

**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, 2017, 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, 2017.

**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.

A handwritten signature in black ink that reads "Mahoney Sabol + Company, LLP". The signature is written in a cursive, flowing style.

Glastonbury, Connecticut  
September 27, 2017



# Statistical Section

The Statistical Section of the Authority's Comprehensive Annual Financial Report presents detailed financial trends, key performance indicators and service area demographics as additional context for understanding the Authority's financial statements, note disclosures, and required supplementary information.

## **Contents**

## **Pages**

### **Financial Trends**

**61-73**

These schedules include ten-year trends to help the reader understand and assess changes in the net position of the Authority and its various projects and divisions over time. Exhibit 1 provides a summary of the net investment in capital assets, restricted and unrestricted portions of net position for all Authority projects and divisions over this period. Exhibit 2 details the change in net position resulting from the Authority's operating and non-operating revenues and expenses for all Authority projects and divisions over this period.

### **Revenue Capacity**

**74-85**

These schedules include ten-year trends to help the reader understand and assess the key drivers behind the Authority's financial performance. Exhibits 3A through 3E provide a summary of municipal solid waste delivered to and processed at each Authority project and division over this period. Exhibit 3F presents recyclable material processed at each facility over this period. Exhibit 4 presents this municipal solid waste and recyclable material information in graphic form. Exhibit 5 summarizes the energy produced through combustion of municipal solid waste at each facility. Exhibits 6 through 9 provide further information concerning top sources of waste deliveries, fees for waste delivery, and break down the revenues derived at each facility through these activities.

### **Debt Capacity**

**86-89**

These schedules present information to help the readers understand and assess the affordability of the Authority's current levels of outstanding debt and its ability to issue additional debt in the future.

### **Demographic Information**

**90-91**

The schedule offers demographic indicators to help the readers understand the environment within which the Authority's financial activities take place.

### **Operating Information**

**92-95**

These schedules include ten-year trends to help the reader understand and assess the major areas of expense for the Authority's projects and divisions over time. Exhibit 16 details all expenditures by function and project / division. Exhibit 17 breaks down full time employees by function for the same ten year period.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 1 - Net Position**

Last Ten Fiscal Years  
(Dollars in Thousands)

|  | 2008    | 2009    | 2010    | 2011    | 2012    | 2013   | 2014   | 2015   | 2016                 | 2017   |
|--|---------|---------|---------|---------|---------|--------|--------|--------|----------------------|--------|
| <b>General Fund</b>                                  |         |         |         |         |         |        |        |        |                      |        |
| Net: Investment in capital assets                    |         |         |         |         |         |        |        |        |                      |        |
| Restricted   | \$ 765  | \$ 640  | \$ 588  | \$ 438  | \$ 283  | \$ 138 | \$ 21  | \$ 33  | \$ 111               | \$ 90  |
| Unrestricted   | 22      | -       | -       | -       | -       | -      | -      | -      | -                    | -      |
| Total Net Position                                   | 148     | 364     | 479     | 586     | 667     | 667    | 1,539  | 1,720  | 1,720                | 1,644  |
|  | 935     | 1,004   | 1,067   | 1,024   | 950     | 805    | 1,560  | 1,753  | 1,831                | 1,734  |
| <b>Connecticut Solid Waste System <sup>(1)</sup></b> |         |         |         |         |         |        |        |        |                      |        |
| Net: Investment in capital assets                    |         |         |         |         |         |        |        |        |                      |        |
| Restricted   | -       | -       | -       | -       | -       | -      | -      | -      | -                    | -      |
| Unrestricted   | -       | -       | -       | -       | -       | 225    | -      | -      | -                    | -      |
| Total Net Position                                   | -       | -       | -       | -       | -       | 5,498  | 19,130 | 15,223 | 14,827               | 12,300 |
|  | -       | -       | -       | -       | -       | 5,723  | 19,130 | 15,223 | 14,827               | 12,300 |
| <b>Mid-Connecticut Project <sup>(2)</sup></b>        |         |         |         |         |         |        |        |        |                      |        |
| Net: Investment in capital assets                    |         |         |         |         |         |        |        |        |                      |        |
| Restricted   | 115,611 | 115,156 | 103,090 | 100,430 | 99,564  | -      | 3,507  | 2,894  | 2,755                | 2,618  |
| Unrestricted   | 25,879  | 18,340  | 19,533  | 22,779  | 6,434   | 143    | -      | -      | -                    | -      |
| Total Net Position                                   | 30,827  | 40,699  | 42,397  | 29,410  | 36,468  | 18,704 | 15,136 | 10,599 | 7,053                | 5,365  |
|  | 172,317 | 174,195 | 165,020 | 152,619 | 142,466 | 18,847 | 18,643 | 13,493 | 9,808                | 7,983  |
| <b>Southeast Project</b>                             |         |         |         |         |         |        |        |        |                      |        |
| Net: Investment in capital assets                    |         |         |         |         |         |        |        |        |                      |        |
| Restricted   | -       | -       | -       | -       | -       | -      | -      | -      | -                    | -      |
| Unrestricted   | 723     | 955     | 1,329   | 1,228   | 3,088   | 1,026  | -      | -      | -                    | -      |
| Total Net Position                                   | 6,390   | 4,784   | 5,550   | 9,327   | 6,312   | 9,049  | 8,273  | 7,569  | 1,085 <sup>(4)</sup> | 1,062  |
|  | 7,113   | 5,739   | 6,879   | 10,555  | 9,400   | 10,075 | 8,273  | 7,569  | 1,085                | 1,062  |
| <b>SouthWest Division <sup>(3)</sup></b>             |         |         |         |         |         |        |        |        |                      |        |
| Net: Investment in capital assets                    |         |         |         |         |         |        |        |        |                      |        |
| Restricted   | -       | -       | -       | -       | -       | -      | -      | -      | -                    | -      |
| Unrestricted   | -       | 151     | 154     | 127     | 95      | 245    | 155    | -      | -                    | -      |
| Total Net Position                                   | -       | 151     | 154     | 127     | 95      | 245    | 155    | -      | -                    | -      |

<sup>(1)</sup> Commenced on November 16, 2012.

<sup>(2)</sup> Ended on November 15, 2012.

<sup>(3)</sup> Created during fiscal year 2009. Ended on June 30, 2014.

<sup>(4)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**

**Exhibit 1 Continued - Net Position**

Last Ten Fiscal Years  
(Dollars in Thousands)

|   | 2008       | 2009       | 2010       | 2011       | 2012       | 2013                      | 2014       | 2015       | 2016       | 2017       |
|---|------------|------------|------------|------------|------------|---------------------------|------------|------------|------------|------------|
| <b>Property Division <sup>(3)</sup></b>   |            |            |            |            |            |                           |            |            |            |            |
| Net:Investment in capital assets          | -          | \$ 15,375  | \$ 15,072  | \$ 16,766  | \$ 5,663   | \$ 98,612 <sup>(3a)</sup> | \$ 90,839  | \$ 86,241  | \$ 79,521  | \$ 67,285  |
| Restricted                                | -          | 870        | 872        | 1,728      | 500        | 2,146                     | 548        | 48         | 49         | 49         |
| Unrestricted                              | -          | (1,572)    | 2,016      | 4,319      | 1,561      | 9,485                     | 14,194     | 15,059     | 15,383     | 16,983     |
| Total Net Position                        | -          | 14,673     | 17,960     | 22,813     | 7,724      | 110,243                   | 105,581    | 101,348    | 94,953     | 84,317     |
| <b>Landfill Division <sup>(6)</sup></b>   |            |            |            |            |            |                           |            |            |            |            |
| Net:Investment in capital assets          | -          | -          | -          | -          | 10,838     | 16,109                    | 16,109     | 16,109     | 16,109     | 16,109     |
| Restricted                                | -          | -          | -          | -          | 1,028      | 1,518                     | -          | -          | -          | -          |
| Unrestricted                              | -          | -          | -          | -          | 2,797      | 4,115                     | 1,753      | 3,859      | 3,447      | 3,096      |
| Total Net Position                        | -          | -          | -          | -          | 14,663     | 21,742                    | 17,862     | 19,968     | 19,556     | 19,205     |
| <b>Recycling Division <sup>(7)</sup></b>  |            |            |            |            |            |                           |            |            |            |            |
| Net:Investment in capital assets          | -          | -          | -          | -          | -          | -                         | -          | -          | -          | -          |
| Restricted                                | -          | -          | -          | -          | -          | -                         | -          | -          | -          | -          |
| Unrestricted                              | -          | -          | -          | -          | 1,203      | 568                       | 562        | -          | -          | -          |
| Total Net Position                        | -          | -          | -          | -          | 1,203      | 568                       | 562        | -          | -          | -          |
| <b>Bridgeport Project <sup>(8)</sup></b>  |            |            |            |            |            |                           |            |            |            |            |
| Net:Investment in capital assets          | 16,824     | 11         | -          | -          | -          | -                         | -          | -          | -          | -          |
| Restricted                                | 2,979      | 174        | 174        | -          | -          | -                         | -          | -          | -          | -          |
| Unrestricted                              | (1,149)    | 4,748      | 1,508      | 393        | -          | -                         | -          | -          | -          | -          |
| Total Net Position                        | 18,654     | 4,933      | 1,682      | 393        | -          | -                         | -          | -          | -          | -          |
| <b>Wallingford Project <sup>(9)</sup></b> |            |            |            |            |            |                           |            |            |            |            |
| Net:Investment in capital assets          | 2,375      | 2,178      | 2,145      | -          | -          | -                         | -          | -          | -          | -          |
| Restricted                                | 16,273     | 16,307     | 15,107     | -          | -          | -                         | -          | -          | -          | -          |
| Unrestricted                              | 31,805     | 7,481      | 7,829      | 968        | -          | -                         | -          | -          | -          | -          |
| Total Net Position                        | 50,453     | 25,966     | 25,081     | 968        | -          | -                         | -          | -          | -          | -          |
| <b>TOTAL AUTHORITY:</b>                   |            |            |            |            |            |                           |            |            |            |            |
| Net: Investments in capital assets        | 135,575    | 133,360    | 120,895    | 117,634    | 116,348    | 114,859                   | 110,476    | 105,277    | 98,496     | 86,102     |
| Restricted                                | 45,876     | 36,646     | 37,015     | 25,735     | 11,050     | 5,058                     | 548        | 48         | 49         | 49         |
| Unrestricted                              | 68,021     | 56,655     | 59,933     | 45,130     | 49,103     | 48,331                    | 60,742     | 54,029     | 43,515     | 40,450     |
| Net Position                              | \$ 249,472 | \$ 226,661 | \$ 217,843 | \$ 188,499 | \$ 176,501 | \$ 168,248                | \$ 171,766 | \$ 159,354 | \$ 142,060 | \$ 126,601 |

<sup>(3)</sup> Created during fiscal year 2009.

<sup>(3a)</sup> Increase due to the transfers of certain assets, liabilities, and net position from the former Mid-Connecticut Project.

<sup>(6)</sup> Created during fiscal year 2012.

<sup>(7)</sup> Created during fiscal year 2012. Ended on June 30, 2014.

<sup>(8)</sup> Ended on December 31, 2008.

<sup>(9)</sup> Ended on June 30, 2010.

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 2 - Changes in Net Position**

**Last Five Fiscal Years  
(Dollars in Thousands)**

|  | Fiscal Year Ended June 30, |                  |                   |                 |                   |
|--|----------------------------|------------------|-------------------|-----------------|-------------------|
|  | 2013                       | 2014             | 2015              | 2016            | 2017              |
| <b>Connecticut Solid Waste System <sup>(1)</sup></b> |                            |                  |                   |                 |                   |
| <b>Operating Revenues</b>                            |                            |                  |                   |                 |                   |
| Service charges:                                     |                            |                  |                   |                 |                   |
| Members  | \$ 14,127                  | \$ 23,612        | \$ 23,351         | \$ 23,371       | \$ 24,200         |
| Others   | 10,915                     | 16,579           | 16,483            | 15,770          | 15,478            |
| Energy sales   | 9,346                      | 26,806           | 17,984            | 15,857          | 12,674            |
| Other operating revenues                             | 2,207                      | 3,078            | 2,609             | 1,873           | 2,821             |
| Total operating revenues                             | <u>36,595</u>              | <u>70,075</u>    | <u>60,427</u>     | <u>56,871</u>   | <u>55,173</u>     |
| <b>Operating Expenses</b>                            |                            |                  |                   |                 |                   |
| Solid waste operations                               | 32,897                     | 52,261           | 49,489            | 47,890          | 50,157            |
| Maintenance and utilities                            | 342                        | 690              | 607               | 652             | 829               |
| Other costs <sup>(2)</sup>                           | 3,020                      | 4,156            | 4,885             | 4,139           | 4,008             |
| Total operating expenses                             | <u>36,259</u>              | <u>57,107</u>    | <u>54,981</u>     | <u>52,681</u>   | <u>54,994</u>     |
| <b>Operating Income</b>                              | 336                        | 12,968           | 5,446             | 4,190           | 179               |
| <b>Non-Operating Revenues</b>                        |                            |                  |                   |                 |                   |
| Investment income                                    | 6                          | 19               | 27                | 40              | 69                |
| Net Non-Operating Revenues                           | <u>6</u>                   | <u>19</u>        | <u>27</u>         | <u>40</u>       | <u>69</u>         |
| Income before Transfers                              | 342                        | 12,987           | 5,473             | 4,230           | 248               |
| Contribution of initial working capital              | -                          | 7,881            | -                 | -               | -                 |
| Transfers in (out)                                   | 5,381                      | (7,461)          | (9,380)           | (4,626)         | (2,775)           |
| <b>Changes in Net Position</b>                       | <u>\$ 5,723</u>            | <u>\$ 13,407</u> | <u>\$ (3,907)</u> | <u>\$ (396)</u> | <u>\$ (2,527)</u> |

<sup>(1)</sup> Commenced on November 16, 2012.

<sup>(2)</sup> Other Costs includes legal expenses as well as administrative and operational services.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 Continued - Changes in Net Position**  
**Last Ten Fiscal Years**  
(Dollars in Thousands)

|   | Fiscal Year Ended June 30, |                 |                   |                    |                    |                     |                 |                   |                   |                   |
|---|----------------------------|-----------------|-------------------|--------------------|--------------------|---------------------|-----------------|-------------------|-------------------|-------------------|
|   | 2008                       | 2009            | 2010              | 2011               | 2012               | 2013                | 2014            | 2015              | 2016              | 2017              |
| <b>Mid-Connecticut Project <sup>(1)</sup></b> |                            |                 |                   |                    |                    |                     |                 |                   |                   |                   |
| <b>Operating Revenues</b>                     |                            |                 |                   |                    |                    |                     |                 |                   |                   |                   |
| Service charges:                              |                            |                 |                   |                    |                    |                     |                 |                   |                   |                   |
| Members                                       | \$ 36,552                  | \$ 34,269       | \$ 31,979         | \$ 34,004          | \$ 33,781          | \$ 12,676           | \$ -            | \$ -              | \$ -              | \$ -              |
| Others  | 17,590                     | 19,094          | 17,517            | 19,843             | 21,025             | 7,669               | -               | -                 | -                 | -                 |
| Energy sales                                  | 28,773                     | 30,773          | 30,258            | 29,223             | 28,171             | 8,945               | -               | -                 | -                 | -                 |
| Other operating revenues                      | 6,496                      | 6,596           | 4,668             | 6,341              | 7,104              | 6,277               | 1,096           | -                 | -                 | -                 |
| Total operating revenues                      | 89,411                     | 90,732          | 84,422            | 89,411             | 90,081             | 35,567              | 1,096           | -                 | -                 | -                 |
| <b>Operating Expenses</b>                     |                            |                 |                   |                    |                    |                     |                 |                   |                   |                   |
| Solid waste operations <sup>(2)</sup>         | 59,361                     | 64,778          | 73,936            | 74,162             | 76,017             | 24,512              | 47              | 601               | 639               | 14                |
| Depreciation and amortization                 | 16,365                     | 15,806          | 16,296            | 17,101             | 15,418             | 5,467               | -               | 614               | 138               | 138               |
| Maintenance and utilities                     | 3,559                      | 926             | 1,272             | 1,103              | 845                | 610                 | 6               | (25)              | -                 | -                 |
| Closure and post-closure care of landfills    | 3,122                      | 7,065           | (683)             | 746                | 434                | 2,555               | (3,392)         | -                 | -                 | -                 |
| Other costs <sup>(3)</sup>                    | 7,419                      | 8,267           | 7,471             | 7,377              | 7,680              | 3,916               | 2,428           | 1,558             | 869               | 1,754             |
| Total operating expenses                      | 89,826                     | 96,842          | 98,292            | 100,489            | 100,394            | 37,060              | (911)           | 2,748             | 1,646             | 1,906             |
| <b>Operating Income (Loss)</b>                | (415)                      | (6,110)         | (13,870)          | (11,078)           | (10,313)           | (1,493)             | 2,007           | (2,748)           | (1,646)           | (1,906)           |
| <b>Non-Operating Revenues (Expenses)</b>      |                            |                 |                   |                    |                    |                     |                 |                   |                   |                   |
| Litigation-related settlements, net           | 4,745                      | 4,250           | -                 | -                  | -                  | -                   | -               | -                 | -                 | -                 |
| Investment income                             | 3,891                      | 1,533           | 338               | 214                | 157                | 80                  | 38              | 15                | 22                | 81                |
| Other income (expenses), net                  | (332)                      | 3,064           | 5,092             | (1,004)            | 320                | (550)               | (2,250)         | -                 | (693)             | -                 |
| Litigation-related judgment                   | -                          | -               | -                 | -                  | -                  | -                   | -               | -                 | -                 | -                 |
| Interest expense                              | (1,280)                    | (859)           | (735)             | (533)              | (317)              | (87)                | -               | -                 | -                 | -                 |
| Net Non-Operating Revenues and (Expenses)     | 7,024                      | 7,988           | 4,695             | (1,323)            | 160                | (557)               | (2,212)         | 15                | (671)             | 81                |
| Income (Loss) before Transfers                | 6,609                      | 1,878           | (9,175)           | (12,401)           | (10,153)           | (2,050)             | (205)           | (2,733)           | (2,317)           | (1,825)           |
| <b>Special Items:</b>                         |                            |                 |                   |                    |                    |                     |                 |                   |                   |                   |
| Transfers in (out)                            | -                          | -               | -                 | -                  | -                  | (118,653)           | 2               | (2,417)           | (1,368)           | -                 |
| <b>Changes in Net Position</b>                | <b>\$ 6,609</b>            | <b>\$ 1,878</b> | <b>\$ (9,175)</b> | <b>\$ (12,401)</b> | <b>\$ (10,153)</b> | <b>\$ (120,703)</b> | <b>\$ (203)</b> | <b>\$ (5,150)</b> | <b>\$ (3,685)</b> | <b>\$ (1,825)</b> |

<sup>(1)</sup> Ended on November 15, 2012.

<sup>(2)</sup> Includes legal expenses through fiscal year 2005. Starting FY2006, legal expenses are reported under Other Costs.

<sup>(3)</sup> Please see note (2) above. Other Costs includes legal expenses as well as administrative and operational services.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 Continued - Changes in Net Position**

**Last Ten Fiscal Years**  
(Dollars in Thousands)

|  | Fiscal Year Ended June 30, |            |          |          |            |          |            |          |                       |         |
|--|----------------------------|------------|----------|----------|------------|----------|------------|----------|-----------------------|---------|
|  | 2008                       | 2009       | 2010     | 2011     | 2012       | 2013     | 2014       | 2015     | 2016                  | 2017    |
| <b>Southeast Project</b>                     |                            |            |          |          |            |          |            |          |                       |         |
| <b>Operating Revenues</b>                    |                            |            |          |          |            |          |            |          |                       |         |
| Service charges:                             |                            |            |          |          |            |          |            |          |                       |         |
| Members                                      | \$ 9,924                   | \$ 9,174   | \$ 9,214 | \$ 8,056 | \$ 8,272   | \$ 8,493 | \$ 8,402   | \$ 7,577 | \$ 2,732              | \$ -    |
| Others                                       | 1,031                      | 81         | 144      | 96       | 103        | 115      | 119        | 537      | 5,723                 | -       |
| Other operating revenues                     | -                          | 15,519     | 16,514   | 17,301   | 18,376     | 19,550   | 20,674     | 21,799   | 9,343                 | -       |
| Total operating revenues                     | 10,955                     | 24,774     | 25,872   | 25,453   | 26,751     | 28,158   | 29,195     | 29,913   | 17,798 <sup>(2)</sup> | -       |
| <b>Operating Expenses</b>                    |                            |            |          |          |            |          |            |          |                       |         |
| Solid waste operations                       | 9,649                      | 25,416     | 24,185   | 23,141   | 25,989     | 26,900   | 28,970     | 30,001   | 17,554                | -       |
| Depreciation and amortization                | 448                        | 448        | 448      | 418      | 392        | 392      | 392        | 392      | 392                   | -       |
| Maintenance and utilities                    | -                          | -          | -        | -        | -          | -        | -          | -        | -                     | -       |
| Other costs <sup>(1)</sup>                   | 160                        | 138        | 154      | 237      | 140        | 203      | 308        | 227      | 473                   | 29      |
| Distribution to SCRRA                        | -                          | -          | -        | -        | 1,401      | -        | 1,375      | -        | 5,875                 | -       |
| Total operating expenses                     | 10,257                     | 26,002     | 24,787   | 23,796   | 27,922     | 27,495   | 31,045     | 30,620   | 24,294 <sup>(2)</sup> | 29      |
| <b>Operating Income (Loss)</b>               | 698                        | (1,228)    | 1,085    | 1,657    | (1,171)    | 663      | (1,850)    | (707)    | (6,496)               | (29)    |
| <b>Non-Operating Revenues and (Expenses)</b> |                            |            |          |          |            |          |            |          |                       |         |
| Investment income                            | 136                        | 226        | 58       | 18       | 3          | 2        | 4          | 4        | 12                    | 5       |
| Other income (expenses), net                 | -                          | -          | 325      | (179)    | 13         | 10       | -          | -        | -                     | -       |
| Interest expense                             | (414)                      | (372)      | (328)    | (153)    | -          | -        | 44         | -        | -                     | -       |
| Net Non-Operating Revenues and (Expenses)    | (278)                      | (146)      | 55       | (314)    | 16         | 12       | 48         | 4        | 12                    | 5       |
| Income (Loss) before Transfers               | 420                        | (1,374)    | 1,140    | 1,343    | (1,155)    | 675      | (1,802)    | (703)    | (6,484)               | (23)    |
| Special Item:                                |                            |            |          |          |            |          |            |          |                       |         |
| Gain on early retirement of debt             | -                          | -          | -        | 2,333    | -          | -        | -          | -        | -                     | -       |
| Total special item                           | -                          | -          | -        | 2,333    | -          | -        | -          | -        | -                     | -       |
| Transfers in (out)                           | -                          | -          | -        | -        | -          | -        | -          | (1)      | -                     | -       |
| <b>Changes in Net Position</b>               | \$ 420                     | \$ (1,374) | \$ 1,140 | \$ 3,676 | \$ (1,155) | \$ 675   | \$ (1,802) | \$ (704) | \$ (6,484)            | \$ (23) |

<sup>(1)</sup> Other Costs includes legal expenses and administrative and operational services.

<sup>(2)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.



**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 Continued - Changes in Net Position**  
**Last Seven Fiscal Years**  
(Dollars in Thousands)

|  | Fiscal Year Ended June 30, |               |                |                |               |                |                 |
|--|----------------------------|---------------|----------------|----------------|---------------|----------------|-----------------|
|  | 2009                       | 2010          | 2011           | 2012           | 2013          | 2014           | 2015            |
| <b>SouthWest Division <sup>(1)</sup></b> |                            |               |                |                |               |                |                 |
| <b>Operating Revenues</b>                |                            |               |                |                |               |                |                 |
| Service charges:                         |                            |               |                |                |               |                |                 |
| Members                                  | \$ 6,632                   | \$ 14,664     | \$ 14,361      | \$ 13,618      | \$ 13,603     | \$ 13,389      | \$ 67           |
| Total operating revenues                 | <u>6,632</u>               | <u>14,664</u> | <u>14,361</u>  | <u>13,618</u>  | <u>13,603</u> | <u>13,389</u>  | <u>67</u>       |
| <b>Operating Expenses</b>                |                            |               |                |                |               |                |                 |
| Solid waste operations                   | 6,458                      | 14,179        | 13,850         | 13,218         | 12,894        | 12,907         | (43)            |
| Other costs <sup>(2)</sup>               | 25                         | 483           | 540            | 433            | 559           | 572            | -               |
| Total operating expenses                 | <u>6,483</u>               | <u>14,662</u> | <u>14,390</u>  | <u>13,651</u>  | <u>13,453</u> | <u>13,479</u>  | <u>(43)</u>     |
| <b>Operating Income (Loss)</b>           | 149                        | 2             | (29)           | (33)           | 150           | (90)           | 110             |
| <b>Non-Operating Revenues</b>            |                            |               |                |                |               |                |                 |
| Investment income                        | 2                          | 1             | 2              | 1              | -             | -              | -               |
| Non-Operating Revenues                   | <u>2</u>                   | <u>1</u>      | <u>2</u>       | <u>1</u>       | <u>-</u>      | <u>-</u>       | <u>-</u>        |
| Income (Loss) before transfers           | 151                        | 3             | (27)           | (32)           | 150           | (90)           | 110             |
| Transfers in (out)                       | -                          | -             | -              | -              | -             | -              | (265)           |
| <b>Changes in Net Position</b>           | <u>\$ 151</u>              | <u>\$ 3</u>   | <u>\$ (27)</u> | <u>\$ (32)</u> | <u>\$ 150</u> | <u>\$ (90)</u> | <u>\$ (155)</u> |

<sup>(1)</sup> Created during fiscal year 2009. Ended as of 6/30/15.

<sup>(2)</sup> Other Costs includes legal expenses and administrative and operational services.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 Continued - Changes in Net Position**

Last Nine Fiscal Years  
(Dollars in Thousands)

| Property Division <sup>(1)</sup>             | Fiscal Year Ended June 30, |                 |                 |                    |                  |                   |                   |                   |                    |
|--|----------------------------|-----------------|-----------------|--------------------|------------------|-------------------|-------------------|-------------------|--------------------|
|  | 2009                       | 2010            | 2011            | 2012               | 2013             | 2014              | 2015              | 2016              | 2017               |
| <b>Operating Revenues</b>                    |                            |                 |                 |                    |                  |                   |                   |                   |                    |
| Service charges:                             |                            |                 |                 |                    |                  |                   |                   |                   |                    |
| Members                                      | \$ -                       | \$ -            | \$ 468          | \$ 295             | \$ 246           | \$ 185            | \$ 10             | \$ -              | \$ -               |
| Energy sales                                 | -                          | -               | -               | -                  | 4,420            | 8,971             | 7,067             | 7,898             | 7,771              |
| Other operating revenues                     | 1,324                      | 2,298           | 2,874           | 443                | 434              | 521               | 559               | 496               | 497                |
| Total operating revenues                     | <u>1,324</u>               | <u>2,298</u>    | <u>3,342</u>    | <u>738</u>         | <u>5,100</u>     | <u>9,677</u>      | <u>7,636</u>      | <u>8,394</u>      | <u>8,268</u>       |
| <b>Operating Expenses</b>                    |                            |                 |                 |                    |                  |                   |                   |                   |                    |
| Solid waste operations                       | 1,018                      | 1,692           | 2,368           | 303                | 1,273            | 3,383             | 2,413             | 1,830             | 1,662              |
| Depreciation and amortization                | 153                        | 303             | 299             | 265                | 9,073            | 15,592            | 16,587            | 18,869            | 22,470             |
| Maintenance and utilities                    | 78                         | 86              | 134             | 16                 | -                | 630               | 387               | 443               | 568                |
| Closure and post-closure care of landfills   | 2,276                      | (1,153)         | (532)           | -                  | -                | -                 | -                 | -                 | -                  |
| Other costs <sup>(2)</sup>                   | 116                        | 416             | 429             | 397                | 1,281            | 1,024             | 883               | 750               | 680                |
| Total operating expenses                     | <u>3,641</u>               | <u>1,344</u>    | <u>2,698</u>    | <u>981</u>         | <u>11,627</u>    | <u>20,629</u>     | <u>20,270</u>     | <u>21,892</u>     | <u>25,380</u>      |
| <b>Operating Income (Loss)</b>               | <u>(2,317)</u>             | <u>954</u>      | <u>644</u>      | <u>(243)</u>       | <u>(6,527)</u>   | <u>(10,952)</u>   | <u>(12,634)</u>   | <u>(13,498)</u>   | <u>(17,112)</u>    |
| <b>Non-Operating Revenues and (Expenses)</b> |                            |                 |                 |                    |                  |                   |                   |                   |                    |
| Investment income                            | 60                         | 49              | 47              | 3                  | 6                | 14                | 12                | 26                | 52                 |
| Other income (expenses), net                 | -                          | 197             | (32)            | (9)                | (437)            | (309)             | (1,654)           | (1,297)           | 2,492              |
| Net Non-Operating Revenues (Expenses)        | <u>60</u>                  | <u>246</u>      | <u>15</u>       | <u>(6)</u>         | <u>(431)</u>     | <u>(295)</u>      | <u>(1,642)</u>    | <u>(1,271)</u>    | <u>2,544</u>       |
| Income (Loss) before Transfers               | <u>(2,257)</u>             | <u>1,200</u>    | <u>659</u>      | <u>(249)</u>       | <u>(6,958)</u>   | <u>(11,247)</u>   | <u>(14,276)</u>   | <u>(14,769)</u>   | <u>(14,568)</u>    |
| Transfers in (out)                           | <u>16,930</u>              | <u>2,087</u>    | <u>4,194</u>    | <u>(14,840)</u>    | <u>106,561</u>   | <u>6,585</u>      | <u>10,043</u>     | <u>8,374</u>      | <u>3,932</u>       |
| <b>Changes in Net Position</b>               | <u>\$ 14,673</u>           | <u>\$ 3,287</u> | <u>\$ 4,853</u> | <u>\$ (15,089)</u> | <u>\$ 99,603</u> | <u>\$ (4,662)</u> | <u>\$ (4,233)</u> | <u>\$ (6,395)</u> | <u>\$ (10,636)</u> |

<sup>(1)</sup> Created during fiscal year 2009.

<sup>(2)</sup> Other Costs includes legal expenses and administrative and operational services.

<sup>(3)</sup> Increase due to the transfers of certain assets, liabilities, and net position from the former Mid-Connecticut Project.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 Continued - Changes in Net Position**

**Last Six Fiscal Years**  
(Dollars in Thousands)

|  | Fiscal Year Ended June 30, |                 |                   |                 |                 |                 |
|--|----------------------------|-----------------|-------------------|-----------------|-----------------|-----------------|
|  | 2012                       | 2013            | 2014              | 2015            | 2016            | 2017            |
| <b>Landfill Division <sup>(1)</sup></b>      |                            |                 |                   |                 |                 |                 |
| <b>Operating Revenues</b>                    |                            |                 |                   |                 |                 |                 |
| Other operating revenues                     | \$ 6                       | \$ 322          | \$ 115            | \$ 222          | \$ 273          | \$ (15)         |
| Total operating revenues                     | <u>6</u>                   | <u>322</u>      | <u>115</u>        | <u>222</u>      | <u>273</u>      | <u>(15)</u>     |
| <b>Operating Expenses</b>                    |                            |                 |                   |                 |                 |                 |
| Solid waste operations                       | 86                         | 332             | 203               | 182             | 336             | 46              |
| Maintenance and utilities                    | (24)                       | -               | (24)              | 175             | 3               | 125             |
| Closure and post-closure care of landfills   | (19)                       | (693)           | -                 | -               | -               | -               |
| Other costs <sup>(2)</sup>                   | 34                         | 356             | 715               | 177             | 67              | 165             |
| Total operating expenses                     | <u>77</u>                  | <u>(5)</u>      | <u>894</u>        | <u>534</u>      | <u>406</u>      | <u>336</u>      |
| <b>Operating Income (Loss)</b>               | (71)                       | 327             | (779)             | (312)           | (133)           | (351)           |
| <b>Non-Operating Revenues and (Expenses)</b> |                            |                 |                   |                 |                 |                 |
| Investment income                            | 25                         | 45              | 34                | 2               | -               | -               |
| Gain on transfer of post closure liabilities | -                          | -               | 4,751             | -               | -               | -               |
| Other (expenses), net                        | (154)                      | (4)             | (4)               | -               | -               | -               |
| Net Non-Operating Revenues (Expenses)        | <u>(129)</u>               | <u>41</u>       | <u>4,781</u>      | <u>2</u>        | <u>-</u>        | <u>-</u>        |
| Income (Loss) before Transfers               | (200)                      | 368             | 4,002             | (310)           | (133)           | (351)           |
| Transfers in                                 | <u>14,863</u>              | <u>6,711</u>    | <u>(7,881)</u>    | <u>2,416</u>    | <u>(279)</u>    | <u>-</u>        |
| <b>Changes in Net Position</b>               | <u>\$ 14,663</u>           | <u>\$ 7,079</u> | <u>\$ (3,879)</u> | <u>\$ 2,106</u> | <u>\$ (412)</u> | <u>\$ (351)</u> |

<sup>(1)</sup> Created during fiscal year 2012.

<sup>(2)</sup> Other Costs includes legal expenses and administrative and operational services.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 - Changes in Net Position**

**Last Four Fiscal Years**  
(Dollars in Thousands)

|  | Fiscal Year Ended June 30, |                 |                 |
|--|----------------------------|-----------------|-----------------|
|  | 2012                       | 2013            | 2014            |
| Recycling Division <sup>(1)</sup>            |                            |                 |                 |
|  |                            |                 | 2015            |
| <b>Operating Revenues</b>                    |                            |                 |                 |
| Other operating revenues                     | \$ 1,117                   | \$ 708          | \$ -            |
| Total operating revenues                     | <u>1,117</u>               | <u>708</u>      | <u>-</u>        |
| <b>Operating Expenses</b>                    |                            |                 |                 |
| Solid waste operations                       | 846                        | 573             | (3)             |
| Maintenance and utilities                    | 63                         | 72              | 11              |
| Other costs <sup>(2)</sup>                   | 137                        | 209             | -               |
| Distribution to SWEROC                       | -                          | 489             | -               |
| Total operating expenses                     | <u>1,046</u>               | <u>1,343</u>    | <u>8</u>        |
| <b>Operating Income (Loss)</b>               | 71                         | (635)           | (8)             |
|  |                            |                 | (1)             |
| <b>Non-Operating Revenues and (Expenses)</b> |                            |                 |                 |
| Investment income                            | 2                          | -               | -               |
| Other income (expenses), net                 |                            |                 | (537)           |
| Net Non-Operating Revenues                   | <u>2</u>                   | <u>-</u>        | <u>(537)</u>    |
| Income (Loss) before Transfers               | 73                         | (635)           | (8)             |
| Transfers in (out)                           | <u>1,130</u>               | <u>-</u>        | <u>-</u>        |
|  |                            |                 | (538)           |
|  |                            |                 | (24)            |
| <b>Changes in Net Position</b>               | <u>\$ 1,203</u>            | <u>\$ (635)</u> | <u>\$ (8)</u>   |
|  |                            |                 | <u>\$ (562)</u> |

<sup>(1)</sup> Created during fiscal year 2012. Ended as of 6/30/15.

<sup>(2)</sup> Other Costs includes legal expenses and administrative and operational services.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 Continued - Changes in Net Position**  
**Last Six Fiscal Years**  
(Dollars in Thousands)

|  | Fiscal year ended June 30, |                 |                    |                   |                   |                 |
|--|----------------------------|-----------------|--------------------|-------------------|-------------------|-----------------|
|  | 2007                       | 2008            | 2009               | 2010              | 2011              | 2012            |
| <b>Bridgeport Project <sup>(1)</sup></b>     |                            |                 |                    |                   |                   |                 |
| <b>Operating Revenues</b>                    |                            |                 |                    |                   |                   |                 |
| Service charges:                             |                            |                 |                    |                   |                   |                 |
| Members                                      | \$ 32,267                  | \$ 31,330       | \$ 18,722          | \$ -              | \$ -              | \$ -            |
| Others                                       | 15,172                     | 15,856          | 7,558              | -                 | -                 | -               |
| Ash disposal reimbursement                   | 4,485                      | 4,704           | 2,511              | -                 | -                 | -               |
| Other operating revenues                     | 3,860                      | 4,526           | 2,621              | (39)              | -                 | -               |
| Total operating revenues                     | 55,784                     | 56,416          | 31,412             | (39)              | -                 | -               |
| <b>Operating Expenses</b>                    |                            |                 |                    |                   |                   |                 |
| Solid waste operations                       | 53,079                     | 53,503          | 24,513             | (553)             | 51                | 29              |
| Depreciation and amortization                | 854                        | 867             | 464                | 11                | -                 | -               |
| Maintenance and utilities                    | 560                        | 283             | 157                | -                 | -                 | -               |
| Closure and post-closure care of landfills   | 84                         | 1,235           | -                  | -                 | -                 | -               |
| Other costs                                  | 3,052                      | 1,701           | 796                | 37                | 30                | 1               |
| Distribution to member towns                 | -                          | -               | -                  | 1,639             | 1,236             | -               |
| Total operating expenses                     | 57,629                     | 57,589          | 25,930             | 1,134             | 1,317             | 30              |
| <b>Operating Income (Loss)</b>               | <b>(1,845)</b>             | <b>(1,173)</b>  | <b>5,482</b>       | <b>(1,173)</b>    | <b>(1,317)</b>    | <b>(30)</b>     |
| <b>Non-Operating Revenues and (Expenses)</b> |                            |                 |                    |                   |                   |                 |
| Investment income                            | 775                        | 605             | 212                | 9                 | 2                 | -               |
| Other income (expenses), net                 | 2,979                      | (59)            | (2,444)            | -                 | -                 | -               |
| Interest expense                             | (216)                      | (127)           | (41)               | -                 | -                 | -               |
| Net Non-Operating Revenues and (Expenses)    | 3,538                      | 419             | (2,273)            | 9                 | 2                 | -               |
| Income (Loss) before Transfers               | 1,693                      | (754)           | 3,209              | (1,164)           | (1,315)           | (30)            |
| Transfers in (out)                           | -                          | -               | (16,930)           | (2,087)           | 26                | (363)           |
| <b>Changes in Net Position</b>               | <b>\$ 1,693</b>            | <b>\$ (754)</b> | <b>\$ (13,721)</b> | <b>\$ (3,251)</b> | <b>\$ (1,289)</b> | <b>\$ (393)</b> |

<sup>(1)</sup> Ended on December 31, 2008.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 - Changes in Net Position**

**Last Six Fiscal Years**  
(Dollars in Thousands)

|   | Fiscal Year ended June 30, |          |             |          |             |          |
|---|----------------------------|----------|-------------|----------|-------------|----------|
|   | 2007                       | 2008     | 2009        | 2010     | 2011        | 2012     |
| <b>Wallingford Project <sup>(1)</sup></b>       |                            |          |             |          |             |          |
| <b>Operating Revenues</b>                       |                            |          |             |          |             |          |
| Service charges:                                |                            |          |             |          |             |          |
| Members   | \$ 8,856                   | \$ 8,649 | \$ 8,439    | \$ 8,536 | \$ -        | \$ -     |
| Others  | 59                         | 177      | 255         | 114      | -           | -        |
| Energy generation                               | 13,790                     | 11,189   | 8,276       | 2,431    | -           | -        |
| Other operating revenues                        | 44                         | 39       | 9           | 2        | -           | -        |
| Total operating revenues                        | 22,749                     | 20,054   | 16,979      | 11,083   | -           | -        |
| <b>Operating Expenses</b>                       |                            |          |             |          |             |          |
| Solid waste operations                          | 16,887                     | 15,732   | 12,911      | 12,146   | 147         | 41       |
| Depreciation and amortization                   | 303                        | 323      | 326         | 33       | -           | -        |
| Maintenance and utilities                       | 8                          | 20       | 7           | 7        | -           | -        |
| Closure and post-closure care of landfills      | 361                        | 757      | 1,166       | (659)    | -           | -        |
| Other costs                                     | 650                        | 811      | 917         | 534      | 182         | -        |
| Distribution to member towns                    | -                          | -        | 26,675      | -        | 19,420      | -        |
| Total operating expenses                        | 18,209                     | 17,643   | 42,002      | 12,061   | 19,749      | 41       |
| <b>Operating Income (Loss)</b>                  | 4,540                      | 2,411    | (25,023)    | (978)    | (19,749)    | (41)     |
| <b>Non-Operating Revenues and (Expenses)</b>    |                            |          |             |          |             |          |
| Investment income                               | 2,492                      | 2,048    | 778         | 98       | 22          | 1        |
| Other income (expenses), net                    | (25)                       | (133)    | (230)       | (5)      | (166)       | (138)    |
| Interest expense                                | (71)                       | (42)     | (12)        | -        | -           | -        |
| Net Non-Operating Revenues and (Expenses)       | 2,396                      | 1,873    | 536         | 93       | (144)       | (137)    |
| Income (Loss) before Special Item and Transfers | 6,936                      | 4,284    | (24,487)    | (885)    | (19,893)    | (178)    |
| <b>Special Item:</b>                            |                            |          |             |          |             |          |
| Early retirement of debt                        | -                          | -        | -           | -        | -           | -        |
| Total Special Item                              | -                          | -        | -           | -        | -           | -        |
| Transfers in (out)                              | -                          | -        | -           | -        | (4,220)     | (790)    |
| <b>Changes in Net Position</b>                  | \$ 6,936                   | \$ 4,284 | \$ (24,487) | \$ (885) | \$ (24,113) | \$ (968) |

<sup>(1)</sup> Ended on June 30, 2010.



**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 2 Continued - Changes in Net Position**  
**Last Ten Fiscal Years**  
(Dollars in Thousands)

| <b>General Fund</b>                          | <b>2008</b>      | <b>2009</b>        | <b>2010</b>       | <b>2011</b>        | <b>2012</b>        | <b>2013</b>       | <b>2014</b>     | <b>2015</b>        | <b>2016</b>        | <b>2017</b>        |
|--|------------------|--------------------|-------------------|--------------------|--------------------|-------------------|-----------------|--------------------|--------------------|--------------------|
| <b>Operating Revenues</b>                    | \$ -             | \$ -               | \$ -              | \$ -               | \$ -               | \$ -              | \$ -            | \$ -               | \$ -               | \$ -               |
| <b>Operating Expenses</b>                    |                  |                    |                   |                    |                    |                   |                 |                    |                    |                    |
| Solid waste operations                       | -                | -                  | -                 | -                  | -                  | -                 | -               | 240                | -                  | -                  |
| Other Costs                                  |                  |                    |                   |                    |                    |                   |                 |                    |                    | 76                 |
| Depreciation and amortization                | 181              | 201                | 201               | 191                | 167                | 153               | 117             | 21                 | 23                 | 30                 |
| Total operating expenses                     | <u>181</u>       | <u>201</u>         | <u>201</u>        | <u>191</u>         | <u>167</u>         | <u>153</u>        | <u>117</u>      | <u>261</u>         | <u>23</u>          | <u>106</u>         |
| <b>Operating Loss</b>                        | (181)            | (201)              | (201)             | (191)              | (167)              | (153)             | (117)           | (261)              | (23)               | (106)              |
| <b>Non-Operating Revenues and (Expenses)</b> |                  |                    |                   |                    |                    |                   |                 |                    |                    |                    |
| Investment income                            | 38               | 7                  | 3                 | 1                  | -                  | -                 | -               | -                  | -                  | -                  |
| Other income, net                            | 285              | 263                | 261               | 147                | 93                 | 8                 | (2)             | 34                 | 101                | 9                  |
| Net Non-Operating Revenues                   | <u>323</u>       | <u>270</u>         | <u>264</u>        | <u>148</u>         | <u>93</u>          | <u>8</u>          | <u>(2)</u>      | <u>34</u>          | <u>101</u>         | <u>9</u>           |
| Income (Loss) before Transfers               | 142              | 69                 | 63                | (43)               | (74)               | (145)             | (119)           | (227)              | 78                 | (97)               |
| Transfers in (out)                           | -                | -                  | -                 | -                  | -                  | -                 | 874             | 420                | -                  | -                  |
| <b>Changes in Net Position</b>               | <u>\$ 142</u>    | <u>\$ 69</u>       | <u>\$ 63</u>      | <u>\$ (43)</u>     | <u>\$ (74)</u>     | <u>\$ (145)</u>   | <u>\$ 755</u>   | <u>\$ 193</u>      | <u>\$ 78</u>       | <u>\$ (97)</u>     |
| <b>TOTAL AUTHORITY:</b>                      |                  |                    |                   |                    |                    |                   |                 |                    |                    |                    |
| Operating Revenues                           | \$ 176,836       | \$ 171,853         | \$ 138,300        | \$ 132,567         | \$ 132,311         | \$ 120,053        | \$ 123,547      | \$ 98,265          | \$ 83,336          | \$ 63,426          |
| Operating Expenses                           | <u>175,496</u>   | <u>201,101</u>     | <u>152,481</u>    | <u>162,630</u>     | <u>144,309</u>     | <u>127,385</u>    | <u>122,368</u>  | <u>106,624</u>     | <u>100,942</u>     | <u>82,751</u>      |
| Operating Income (Loss)                      | 1,340            | (29,248)           | (14,181)          | (30,063)           | (11,998)           | (7,332)           | 1,179           | (11,107)           | (17,606)           | (19,325)           |
| Non-Operating Revenues and (Expenses), Net   | 9,361            | 6,437              | 5,363             | (1,614)            | -                  | (921)             | 2,339           | (2,097)            | (1,789)            | 2,709              |
| Income (Loss) before Special Items           | <u>10,701</u>    | <u>(22,811)</u>    | <u>(8,818)</u>    | <u>(31,677)</u>    | <u>(11,998)</u>    | <u>(8,253)</u>    | <u>3,518</u>    | <u>(13,204)</u>    | <u>(19,395)</u>    | <u>(16,616)</u>    |
| Special Items                                | -                | -                  | -                 | 2,333              | -                  | -                 | -               | 792                | 2,101              | 1,157              |
| Changes in Net Position                      | <u>\$ 10,701</u> | <u>\$ (22,811)</u> | <u>\$ (8,818)</u> | <u>\$ (29,344)</u> | <u>\$ (11,998)</u> | <u>\$ (8,253)</u> | <u>\$ 3,518</u> | <u>\$ (12,412)</u> | <u>\$ (17,294)</u> | <u>\$ (15,459)</u> |

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 3 - Historical Waste Summary**  
**Last Ten Fiscal Years**

**Exhibit 3A - Member Municipal Solid Waste Deliveries (tons)**

| Fiscal Year | Mid-Connecticut <sup>(1)</sup> | CSWS <sup>(2)</sup> | Southeast             | SouthWest <sup>(3)</sup> | Bridgeport <sup>(4)</sup> | Wallingford <sup>(5)</sup> | Total     |
|-------------|--------------------------------|---------------------|-----------------------|--------------------------|---------------------------|----------------------------|-----------|
| 2008        | 542,084                        | -                   | 165,405               | -                        | 381,997                   | 146,649                    | 1,236,135 |
| 2009        | 504,421                        | -                   | 152,894               | 103,593                  | 178,277                   | 140,673                    | 1,079,858 |
| 2010        | 507,985                        | -                   | 148,629               | 232,770                  | -                         | 142,295                    | 1,031,679 |
| 2011        | 493,185                        | -                   | 139,242               | 224,348                  | -                         | -                          | 856,775   |
| 2012        | 490,003                        | -                   | 138,635               | 207,444                  | -                         | -                          | 836,082   |
| 2013        | 183,733                        | 227,171             | 135,027               | 200,525                  | -                         | -                          | 746,456   |
| 2014        | -                              | 376,625             | 131,785               | 195,129                  | -                         | -                          | 703,539   |
| 2015        | -                              | 371,647             | 131,357               | -                        | -                         | -                          | 503,004   |
| 2016        | -                              | 372,929             | 46,998 <sup>(6)</sup> | -                        | -                         | -                          | 419,927   |
| 2017        | -                              | 374,830             | -                     | -                        | -                         | -                          | 374,830   |

**Exhibit 3B - Contract Solid Waste Deliveries (tons)**

| Fiscal Year | Mid-Connecticut <sup>(1)</sup> | CSWS <sup>(2)</sup> | Southeast            | Bridgeport <sup>(4)</sup> | Total   |
|-------------|--------------------------------|---------------------|----------------------|---------------------------|---------|
| 2008        | 228,783                        | -                   | 14,725               | 238,331                   | 481,839 |
| 2009        | 249,154                        | -                   | 1,455                | 111,094                   | 361,703 |
| 2010        | 261,912                        | -                   | 2,400                | -                         | 264,312 |
| 2011        | 274,551                        | -                   | 1,597                | -                         | 276,128 |
| 2012        | 277,904                        | -                   | 1,722                | -                         | 279,626 |
| 2013        | 91,639                         | 148,318             | 1,911                | -                         | 241,868 |
| 2014        | -                              | 256,376             | 2,065                | -                         | 258,441 |
| 2015        | -                              | 255,136             | 7,351                | -                         | 262,487 |
| 2016        | -                              | 252,509             | 3,411 <sup>(6)</sup> | -                         | 255,920 |
| 2017        | -                              | 246,909             | -                    | -                         | 246,909 |

**Exhibit 3C - Short-Term Waste Deliveries (tons)**

| Fiscal Year | Mid-Connecticut <sup>(1)</sup> | CSWS <sup>(2)</sup> | Southeast             | Bridgeport <sup>(4)</sup> | Wallingford <sup>(5)</sup> | Total   |
|-------------|--------------------------------|---------------------|-----------------------|---------------------------|----------------------------|---------|
| 2008        | 29,542                         | -                   | 83,044                | 133,172                   | 3,160                      | 248,918 |
| 2009        | 50,014                         | -                   | 116,055               | 77,759                    | 5,782                      | 249,610 |
| 2010        | 19,005                         | -                   | 123,758               | -                         | 5,565                      | 148,328 |
| 2011        | 20,606                         | -                   | 127,329               | -                         | -                          | 147,935 |
| 2012        | 62,191                         | -                   | 130,502               | -                         | -                          | 192,693 |
| 2013        | 21,665                         | 41,794              | 118,642               | -                         | -                          | 182,101 |
| 2014        | -                              | 59,423              | 138,532               | -                         | -                          | 197,955 |
| 2015        | -                              | 36,246              | 122,971               | -                         | -                          | 159,217 |
| 2016        | -                              | 26,070              | 43,832 <sup>(6)</sup> | -                         | -                          | 69,902  |
| 2017        | -                              | 27,702              | -                     | -                         | -                          | 27,702  |

<sup>(1)</sup> Ended on November 15, 2012.

<sup>(2)</sup> CSWS: Connecticut Solid Waste System commenced on November 16, 2012.

<sup>(3)</sup> Created during fiscal year 2009. Ended fiscal year 2014.

<sup>(4)</sup> Ended on December 31, 2008.

<sup>(5)</sup> Ended on June 30, 2010.

<sup>(6)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 3 Continued - Historical Waste Summary**  
**Last Ten Fiscal Years**

**Exhibit 3D - Total Municipal Solid Waste Deliveries (tons)**

| Fiscal Year | Mid-Connecticut <sup>(1)</sup> | CSWS <sup>(2)</sup> | Southeast <sup>(3)</sup> | SouthWest <sup>(4)</sup> | Bridgeport <sup>(5)</sup> | Wallingford <sup>(6)</sup> | Total     |
|-------------|--------------------------------|---------------------|--------------------------|--------------------------|---------------------------|----------------------------|-----------|
| 2008        | 800,409                        | -                   | 263,174                  | -                        | 753,500                   | 149,809                    | 1,966,892 |
| 2009        | 803,589                        | -                   | 270,404                  | 103,593                  | 367,130                   | 146,455                    | 1,691,171 |
| 2010        | 788,901                        | -                   | 274,787                  | 232,770                  | -                         | 147,860                    | 1,444,318 |
| 2011        | 788,322                        | -                   | 268,168                  | 224,348                  | -                         | -                          | 1,280,838 |
| 2012        | 830,098                        | -                   | 270,859                  | 207,444                  | -                         | -                          | 1,308,401 |
| 2013        | 297,037                        | 417,283             | 255,580                  | 200,525                  | -                         | -                          | 1,170,425 |
| 2014        | -                              | 692,424             | 272,382                  | 195,129                  | -                         | -                          | 1,159,935 |
| 2015        | -                              | 663,029             | 261,679                  | -                        | -                         | -                          | 924,708   |
| 2016        | -                              | 651,508             | 94,241 <sup>(8)</sup>    | -                        | -                         | -                          | 745,749   |
| 2017        | -                              | 649,441             | -                        | -                        | -                         | -                          | 649,441   |

**Exhibit 3E - Municipal Solid Waste Processed (tons)**

| Fiscal Year | Mid-Connecticut <sup>(1)</sup> | CSWS <sup>(2)</sup> | Southeast <sup>(3)</sup> | Bridgeport <sup>(5)</sup> | Wallingford <sup>(6)</sup> | Total     |
|-------------|--------------------------------|---------------------|--------------------------|---------------------------|----------------------------|-----------|
| 2008        | 734,656                        | -                   | 259,215                  | 742,073                   | 143,326                    | 1,879,270 |
| 2009        | 800,895                        | -                   | 262,259                  | 368,314                   | 146,855                    | 1,578,323 |
| 2010        | 789,334                        | -                   | 268,984                  | -                         | 148,618                    | 1,206,936 |
| 2011        | 786,139                        | -                   | 261,253                  | -                         | -                          | 1,047,392 |
| 2012        | 823,972                        | -                   | 264,246                  | -                         | -                          | 1,088,218 |
| 2013        | 304,983                        | 420,809             | 251,569                  | -                         | -                          | 977,361   |
| 2014        | -                              | 680,554             | 262,739                  | -                         | -                          | 943,293   |
| 2015        | -                              | 638,290             | 261,748                  | -                         | -                          | 900,038   |
| 2016        | -                              | 631,450             | 94,809 <sup>(8)</sup>    | -                         | -                          | 726,259   |
| 2017        | -                              | 622,673             | -                        | -                         | -                          | 622,673   |

**Exhibit 3F - Recyclables Processed (tons)**

| Fiscal Year | Mid-Connecticut <sup>(1)</sup> | CSWS <sup>(2)</sup>   | SouthWest <sup>(4)</sup> | Bridgeport <sup>(5)</sup> | Total   |
|-------------|--------------------------------|-----------------------|--------------------------|---------------------------|---------|
| 2008        | 88,183                         | -                     | -                        | 59,713                    | 147,896 |
| 2009        | 82,916                         | -                     | 19,260                   | 28,620                    | 130,796 |
| 2010        | 83,405                         | -                     | 36,335                   | -                         | 119,740 |
| 2011        | 91,214                         | -                     | 33,680                   | -                         | 124,894 |
| 2012        | 113,214                        | -                     | 24,708                   | -                         | 137,922 |
| 2013        | 42,325                         | 48,592                | 25,968                   | -                         | 116,886 |
| 2014        | -                              | 50,432                | -                        | -                         | 50,432  |
| 2015        | -                              | 64,264 <sup>(7)</sup> | -                        | -                         | 64,264  |
| 2016        | -                              | 72,223 <sup>(7)</sup> | -                        | -                         | 72,223  |
| 2017        | -                              | 71,144 <sup>(7)</sup> | -                        | -                         | 71,144  |

<sup>(1)</sup> Ended on November 15, 2012.

<sup>(2)</sup> CSWS: Connecticut Solid Waste System commenced on November 16, 2012.

<sup>(3)</sup> Includes Operator deliveries.

<sup>(4)</sup> Created during fiscal year 2009. Ended fiscal year 2014.

<sup>(5)</sup> Ended on December 31, 2008.

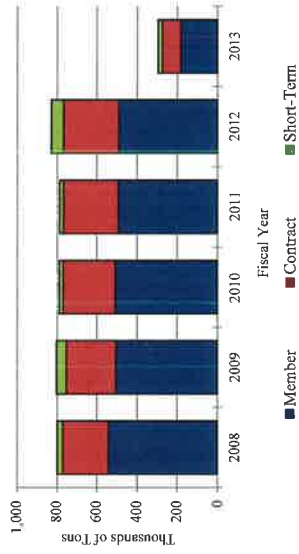
<sup>(6)</sup> Ended on June 30, 2010.

<sup>(7)</sup> Represents combined deliveries of single stream recyclables before processing

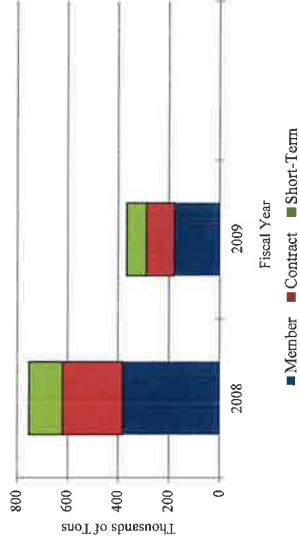
<sup>(8)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 4 - Waste Delivery Summary**  
**Last Ten Fiscal Years**

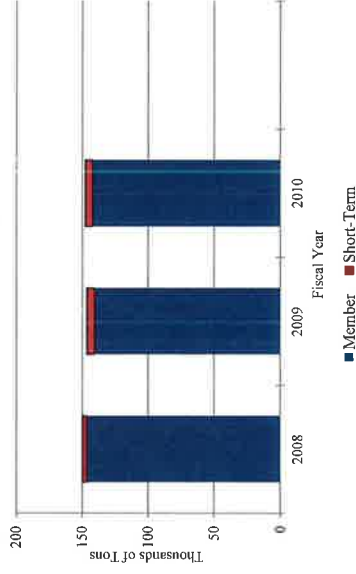
**Mid-Connecticut Project <sup>(1)</sup>**



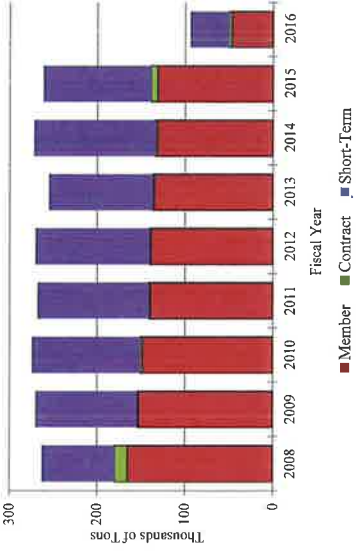
**Bridgeport Project <sup>(2)</sup>**



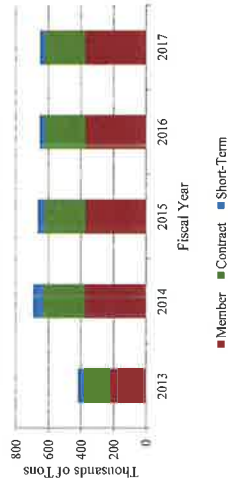
**Wallingford Project <sup>(3)</sup>**



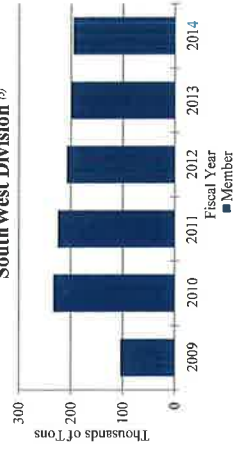
**Southeast Project <sup>(6)</sup>**



**Connecticut Solid Waste System <sup>(4)</sup>**



**South West Division <sup>(5)</sup>**



<sup>(1)</sup> Ended on November 15, 2012.

<sup>(2)</sup> Ended on December 31, 2008.

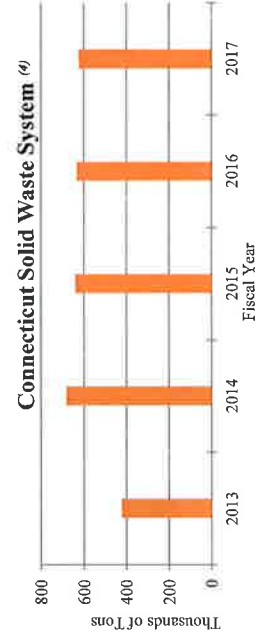
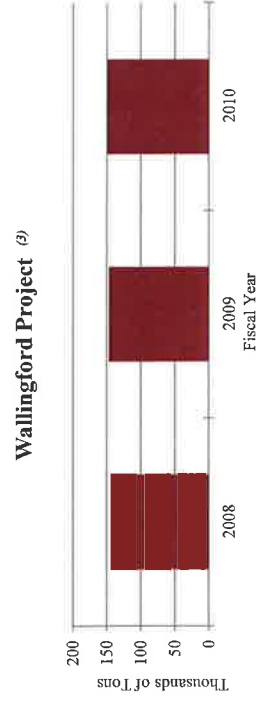
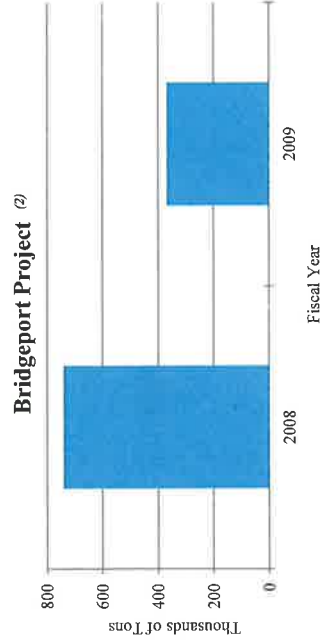
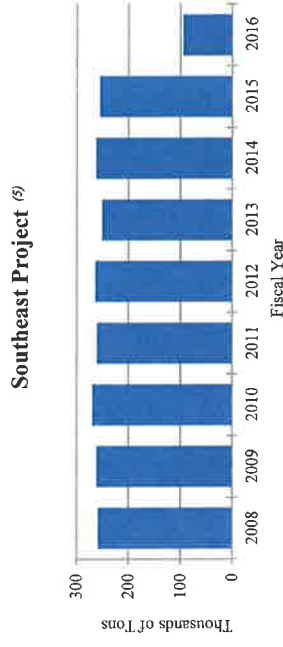
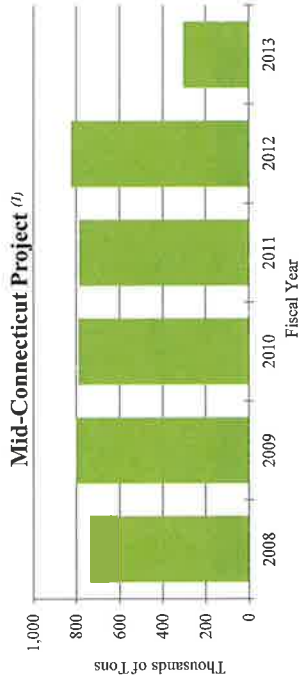
<sup>(3)</sup> Ended on June 30, 2010.

<sup>(4)</sup> Commenced on November 16, 2012.

<sup>(5)</sup> Created during fiscal year 2009. Ended fiscal year 2014.

<sup>(6)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRA, the Authority recognized Southeast Project electricity sales revenue through September 2013 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 4 Continued - Waste Processed Summary  
Last Ten Fiscal Years

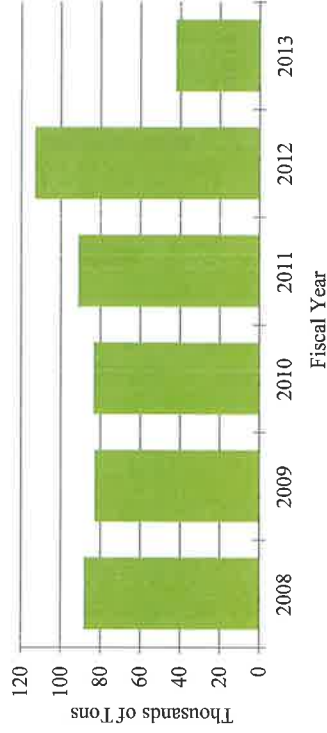


<sup>(1)</sup> Ended on November 15, 2012.  
<sup>(2)</sup> Ended on December 31, 2008.  
<sup>(3)</sup> Ended on June 30, 2010.  
<sup>(4)</sup> Commenced on November 16, 2012.

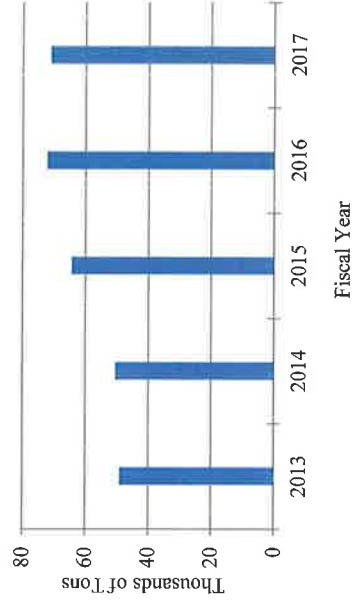
<sup>(5)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 4 Continued - Recyclables Processed Summary**  
**Last Ten Fiscal Years**

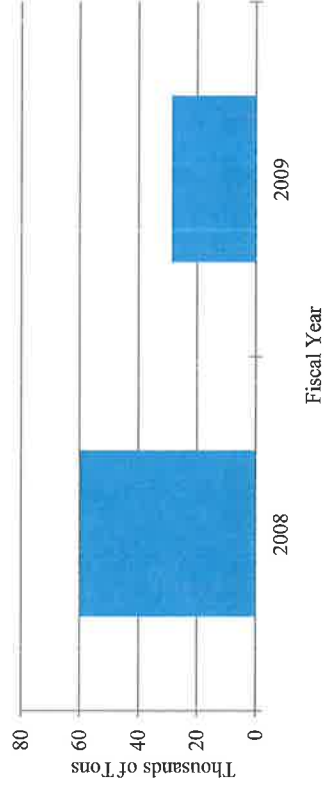
**Mid-Connecticut Project <sup>(1)</sup>**



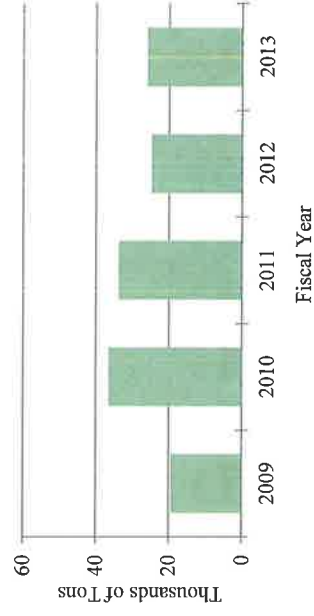
**Connecticut Solid Waste System <sup>(2)</sup>**



**Bridgeport Project <sup>(3)</sup>**



**SouthWest Division <sup>(4)</sup>**



<sup>(1)</sup> Ended on November 15, 2012.  
<sup>(2)</sup> Commenced on November 16, 2012.  
<sup>(3)</sup> Ended on December 31, 2008.  
<sup>(4)</sup> Created during fiscal year 2009. Ended fiscal year 2014.



**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 5 - Energy Generation, Net of In-plant Usage**  
**Last Ten Fiscal Years**  
(Total annual megawatts)

| <b>Fiscal Year</b> | <b>Connecticut Solid Waste System <sup>(1)</sup></b> | <b>Mid-Connecticut <sup>(2)</sup></b> | <b>Bridgeport <sup>(3)</sup></b> | <b>Wallingford <sup>(4)</sup></b> | <b>Southeast <sup>(5)</sup></b> | <b>Total</b> |
|--------------------|--|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------|--------------|
| 2008               | -  | 358,380                               | 495,581                          | 59,714                            | 133,765                         | 1,047,440    |
| 2009               | -  | 396,643                               | 246,436                          | 58,415                            | 129,266                         | 830,760      |
| 2010               | -  | 390,426                               | -                                | 57,979                            | 137,800                         | 586,205      |
| 2011               | -  | 388,457                               | -                                | -                                 | 132,680                         | 521,137      |
| 2012               | -  | 400,785                               | -                                | -                                 | 135,083                         | 535,868      |
| 2013               | 227,837  | 143,540                               | -                                | -                                 | 128,817                         | 500,194      |
| 2014               | 359,646  | -                                     | -                                | -                                 | 132,760                         | 492,406      |
| 2015               | 332,092  | -                                     | -                                | -                                 | 124,891                         | 456,983      |
| 2016               | 343,429  | -                                     | -                                | -                                 | 34,065                          | 377,494      |
| 2017               | 313,999  | -                                     | -                                | -                                 | -                               | 313,999      |

<sup>(1)</sup> Commenced on November 16, 2012.

<sup>(2)</sup> Ended on November 15, 2012.

<sup>(3)</sup> Ended on December 31, 2008.

<sup>(4)</sup> Ended on June 30, 2010.

<sup>(5)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 6 - Top Five Sources of Member Waste <sup>(1)</sup>  
Current Year and Nine Years Ago**

| Fiscal Year Ended June 30, 2017               |               |
|---|---------------|
| Connecticut Solid Waste System <sup>(3)</sup> |               |
| Hartford                                      | 22.50%        |
| Torrington                                    | 6.19%         |
| Glastonbury                                   | 5.13%         |
| Bloomfield                                    | 4.32%         |
| Farmington                                    | 3.95%         |
|   | <u>42.09%</u> |

| Fiscal Year Ended June 30, 2008 |               |            |               |             |                |
|---------------------------------|---------------|------------|---------------|-------------|----------------|
| Mid-Connecticut <sup>(2)</sup>  |               | Bridgeport |               | Wallingford |                |
| Hartford                        | 18.93%        | Bridgeport | 15.65%        | Wallingford | 28.10%         |
| West Hartford                   | 7.26%         | Greenwich  | 13.78%        | Hamden      | 24.11%         |
| East Hartford                   | 5.85%         | Fairfield  | 12.53%        | Meriden     | 21.17%         |
| Torrington                      | 5.38%         | Norwalk    | 11.65%        | Cheshire    | 14.07%         |
| Enfield                         | 4.96%         | Milford    | 9.80%         | North Haven | 12.55%         |
|                                 | <u>42.38%</u> |            | <u>63.41%</u> |             | <u>100.00%</u> |
|                                 |               |            |               | Groton      | 18.86%         |
|                                 |               |            |               | Norwich     | 17.97%         |
|                                 |               |            |               | New London  | 15.21%         |
|                                 |               |            |               | Montville   | 12.76%         |
|                                 |               |            |               | Waterford   | 9.37%          |
|                                 |               |            |               |             | <u>74.17%</u>  |

<sup>(1)</sup> Percentage represents ratio of Member Deliveries / Total Member Deliveries.

<sup>(2)</sup> Ended on November 15, 2012.

<sup>(3)</sup> Commenced on November 16, 2012.

<sup>(4)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 7 - Per Ton Service Charge for Member Waste**  
**Last Ten Fiscal Years**

| Fiscal Year | Mid-Connecticut<br>(1) | Connecticut Solid Waste System (2) | Southeast | SouthWest (3) | Bridgeport (4) | Wallingford (5) |
|-------------|------------------------|------------------------------------|-----------|---------------|----------------|-----------------|
| 2008        | \$ 69.00               | \$ -                               | \$ 60.00  | \$ -          | \$ 81.00       | \$ 59.00        |
| 2009        | \$ 72.00               | \$ -                               | \$ 60.00  | \$ 63.00      | \$ 98.50       | \$ 60.00        |
| 2010        | \$ 69.00               | \$ -                               | \$ 60.00  | \$ 63.00      | \$ -           | \$ 60.00        |
| 2011        | \$ 69.00               | \$ -                               | \$ 60.00  | \$ 64.16      | \$ -           | \$ -            |
| 2012        | \$ 69.00               | \$ -                               | \$ 60.00  | \$ 65.11      | \$ -           | \$ -            |
| 2013        | \$ 69.00               | \$ 62.50 (6)                       | \$ 60.00  | \$ 66.41      | \$ -           | \$ -            |
| 2014        | \$ -                   | \$ 63.50 (6)                       | \$ 58.00  | \$ 67.31      | \$ -           | \$ -            |
| 2015        | \$ -                   | \$ 64.50 (6)                       | \$ 58.00  | \$ -          | \$ -           | \$ -            |
| 2016        | \$ -                   | \$ 63.80 (6)                       | \$ 58.00  | \$ -          | \$ -           | \$ -            |
| 2017        | \$ -                   | \$ 65.20 (6)                       | \$ -      | \$ -          | \$ -           | \$ -            |

(1) Ended on November 15, 2012.

(2) Commenced on November 16, 2012.

(3) Created during fiscal year 2009 and ended fiscal year 2015.

(4) Ended on December 31, 2008.

(5) Ended on June 30, 2010.

(6) Average of Tier 1 Short-term + Tier 1 Long-term + Tier 2 + Tier 3 + Tier 4

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 8 - Average Per Ton Service Charge for Member Waste <sup>(1)</sup>**  
**Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2008               | \$67.25     |
| 2009               | \$70.70     |
| 2010               | \$63.00     |
| 2011               | \$64.39     |
| 2012               | \$64.70     |
| 2013               | \$64.48     |
| 2014               | \$62.94     |
| 2015               | \$61.25     |
| 2016               | \$60.90     |
| 2017               | \$65.20     |

<sup>(1)</sup> *Average of total Authority's per ton service charge for member waste. Please see Exhibit 7 for service charge.*

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 9 - Revenues by Source <sup>(1)</sup>**

**Last Ten Fiscal Years**

(Dollars in Thousands)

| Fiscal Year                            | Total Revenues | Member and Other Service Charges | % of Annual | Energy Sales | % of Annual | Landfill Revenue | % of Annual | Recycling Revenue | % of Annual | Investment Income & Other |             |
|--|----------------|----------------------------------|-------------|--------------|-------------|------------------|-------------|-------------------|-------------|---------------------------|-------------|
|  |                |                                  |             |              |             |                  |             |                   |             | Operating Revenues        | % of Annual |
| Mid-Connecticut Project <sup>(2)</sup> |                |                                  |             |              |             |                  |             |                   |             |                           |             |
| 2008                                   | \$ 93,302      | \$ 54,142                        | 58.03%      | \$ 28,773    | 30.84%      | \$ 569           | 0.61%       | \$ 3,621          | 3.88%       | \$ 6,197                  | 6.64%       |
| 2009                                   | \$ 92,265      | \$ 53,363                        | 57.85%      | \$ 30,773    | 33.35%      | \$ 2,532         | 2.74%       | \$ 2,105          | 2.28%       | \$ 3,492                  | 3.78%       |
| 2010                                   | \$ 84,760      | \$ 49,496                        | 58.40%      | \$ 30,258    | 35.70%      | \$ 519           | 0.61%       | \$ 1,926          | 2.27%       | \$ 2,561                  | 3.02%       |
| 2011                                   | \$ 89,625      | \$ 53,847                        | 60.08%      | \$ 29,223    | 32.61%      | \$ 676           | 0.75%       | \$ 2,906          | 3.24%       | \$ 2,973                  | 3.32%       |
| 2012                                   | \$ 90,238      | \$ 54,806                        | 60.73%      | \$ 28,171    | 31.22%      | \$ 824           | 0.91%       | \$ 3,480          | 3.86%       | \$ 2,957                  | 3.28%       |
| 2013                                   | \$ 35,647      | \$ 20,345                        | 57.08%      | \$ 8,945     | 25.09%      | \$ 4,564         | 12.80%      | \$ 870            | 2.44%       | \$ 923                    | 2.59%       |
| 2014                                   | \$ 1,134       | \$ -                             | 0.01%       | \$ -         | 0.00%       | \$ 1,096         | 96.65%      | \$ -              | 0.00%       | \$ 38                     | 3.35%       |
| 2015                                   | \$ 15          | \$ -                             | 0.00%       | \$ -         | 0.00%       | \$ -             | 0.00%       | \$ -              | 0.00%       | \$ 15                     | 100.00%     |
| 2016                                   | \$ 22          | \$ -                             | 0.00%       | \$ -         | 0.00%       | \$ -             | 0.00%       | \$ -              | 0.00%       | \$ 22                     | 100.00%     |
| 2017                                   | \$ 81          | \$ -                             | 0.00%       | \$ -         | 0.00%       | \$ -             | 0.00%       | \$ -              | 0.00%       | \$ 81                     | 100.00%     |
| Southeast Project <sup>(4)</sup>       |                |                                  |             |              |             |                  |             |                   |             |                           |             |
| 2008                                   | \$ 11,091      | \$ 10,955                        | 98.77%      | \$ -         | -           | \$ -             | -           | \$ -              | -           | \$ 136                    | 1.23%       |
| 2009                                   | \$ 25,000      | \$ 9,255                         | 37.02%      | \$ 15,519    | 62.08%      | \$ -             | -           | \$ -              | -           | \$ 226                    | 0.90%       |
| 2010                                   | \$ 25,930      | \$ 9,358                         | 36.09%      | \$ 16,514    | 63.69%      | \$ -             | -           | \$ -              | -           | \$ 58                     | 0.22%       |
| 2011                                   | \$ 25,471      | \$ 8,152                         | 32.01%      | \$ 17,301    | 67.92%      | \$ -             | -           | \$ -              | -           | \$ 18                     | 0.07%       |
| 2012                                   | \$ 26,754      | \$ 8,375                         | 31.30%      | \$ 18,376    | 68.69%      | \$ -             | -           | \$ -              | -           | \$ 3                      | 0.01%       |
| 2013                                   | \$ 28,160      | \$ 8,608                         | 30.57%      | \$ 19,550    | 69.42%      | \$ -             | -           | \$ -              | -           | \$ 2                      | 0.01%       |
| 2014                                   | \$ 29,199      | \$ 8,521                         | 29.18%      | \$ 20,674    | 70.80%      | \$ -             | -           | \$ -              | -           | \$ 4                      | 0.01%       |
| 2015                                   | \$ 29,917      | \$ 8,114                         | 27.12%      | \$ 21,799    | 72.87%      | \$ -             | -           | \$ -              | -           | \$ 4                      | 0.01%       |
| 2016                                   | \$ 17,810      | \$ 8,455                         | 47.47%      | \$ 9,343     | 52.46%      | \$ -             | -           | \$ -              | -           | \$ 12                     | 0.07%       |
| 2017                                   | \$ 6           | \$ -                             | 0.00%       | \$ -         | 0.00%       | \$ -             | -           | \$ -              | -           | \$ 6                      | 100.00%     |

<sup>(1)</sup> Excludes non-operating revenues except investment income.

<sup>(2)</sup> Ended on November 15, 2012.

<sup>(3)</sup> Prior to FY2009, energy sales were reported on the statements of revenues, expenses and changes in net position as net from Operating Expenses - Solid Waste Operations. Starting FY2009, energy sales are reported on the statements of revenues, expenses and changes in net position as operating revenues.

<sup>(4)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 9 Continued - Revenues by Source <sup>(1)</sup>**

**Fiscal Years 2009 - 2017**  
(Dollars in Thousands)

| Fiscal Year  | Total Revenues | Member and Other Service Charges | % of Annual | Energy Sales | % of Annual | Landfill Revenue | % of Annual | Recycling Revenue | % of Annual | Investment Income & Other Revenues | % of Annual |
|--|----------------|----------------------------------|-------------|--------------|-------------|------------------|-------------|-------------------|-------------|------------------------------------|-------------|
| <b>Connecticut Solid Waste System <sup>(2)</sup></b> |                |                                  |             |              |             |                  |             |                   |             |                                    |             |
| 2013   | \$ 36,601      | \$ 25,042                        | 68.43%      | \$ 9,346     | 25.53%      | -                | -           | \$ 912            | 2.49%       | \$ 1,301                           | 3.55%       |
| 2014   | \$ 70,094      | \$ 40,191                        | 57.35%      | \$ 26,806    | 38.24%      | -                | -           | \$ 1,291          | 1.84%       | \$ 1,806                           | 2.58%       |
| 2015   | \$ 60,454      | \$ 39,843                        | 65.90%      | \$ 17,984    | 29.75%      | -                | -           | \$ 1,264          | 2.09%       | \$ 1,371                           | 2.26%       |
| 2016   | \$ 56,910      | \$ 39,141                        | 68.78%      | \$ 15,857    | 27.86%      | -                | -           | \$ 1,063          | 1.87%       | \$ 849                             | 1.49%       |
| 2017   | \$ 55,242      | \$ 39,678                        | 71.83%      | \$ 12,674    | 22.94%      | -                | -           | \$ 1,727          | 3.13%       | \$ 1,162                           | 2.10%       |
| <b>South West Division <sup>(3)</sup></b>            |                |                                  |             |              |             |                  |             |                   |             |                                    |             |
| 2009   | \$ 6,634       | \$ 6,632                         | 99.97%      | -            | -           | -                | -           | -                 | -           | \$ -                               | 0.03%       |
| 2010   | \$ 14,665      | \$ 14,664                        | 99.99%      | -            | -           | -                | -           | -                 | -           | \$ -                               | 0.01%       |
| 2011   | \$ 14,363      | \$ 14,361                        | 99.99%      | -            | -           | -                | -           | -                 | -           | \$ -                               | 0.01%       |
| 2012   | \$ 13,619      | \$ 13,618                        | 99.99%      | -            | -           | -                | -           | -                 | -           | \$ -                               | 0.01%       |
| 2013   | \$ 13,603      | \$ 13,603                        | 100.00%     | -            | -           | -                | -           | -                 | -           | \$ -                               | -           |
| 2014   | \$ 13,389      | \$ 13,389                        | 100.00%     | -            | -           | -                | -           | -                 | -           | \$ -                               | -           |
| 2015   | \$ 67          | \$ 67                            | 100.00%     | -            | -           | -                | -           | -                 | -           | \$ -                               | -           |
| <b>Property Division</b>                             |                |                                  |             |              |             |                  |             |                   |             |                                    |             |
| 2009   | \$ 1,384       | -                                | -           | -            | -           | \$ -             | -           | \$ 665            | 48.05%      | \$ 719                             | 51.95%      |
| 2010   | \$ 2,347       | -                                | -           | -            | -           | \$ -             | -           | \$ 1,527          | 65.06%      | \$ 820                             | 34.94%      |
| 2011   | \$ 3,389       | 468                              | 13.81%      | -            | -           | \$ -             | -           | \$ 1,797          | 53.02%      | \$ 1,124                           | 33.17%      |
| 2012   | \$ 741         | 295                              | 39.81%      | -            | -           | \$ -             | -           | \$ -              | -           | \$ 446                             | 60.19%      |
| 2013   | \$ 5,106       | 246                              | 4.82%       | 4,420        | 86.56%      | \$ -             | -           | \$ -              | -           | \$ 440                             | 8.62%       |
| 2014   | \$ 9,691       | 185                              | 1.91%       | 8,971        | 92.57%      | \$ -             | -           | \$ -              | -           | \$ 535                             | 5.52%       |
| 2015   | \$ 7,648       | 10                               | 0.13%       | 7,067        | 92.40%      | \$ -             | -           | \$ -              | -           | \$ 571                             | 7.47%       |
| 2016   | \$ 8,420       | -                                | 0.00%       | 7,898        | 93.80%      | \$ -             | -           | \$ -              | -           | \$ 522                             | 6.20%       |
| 2017   | \$ 8,320       | -                                | 0.00%       | 7,771        | 93.40%      | \$ -             | -           | \$ -              | -           | \$ 549                             | 6.60%       |
| <b>Landfill Division</b>                             |                |                                  |             |              |             |                  |             |                   |             |                                    |             |
| 2012   | \$ 31          | -                                | -           | -            | -           | \$ -             | -           | \$ -              | -           | \$ 31                              | 100.00%     |
| 2013   | \$ 367         | -                                | -           | -            | -           | \$ 288           | 78.48%      | \$ -              | -           | \$ 45                              | 12.26%      |
| 2014   | \$ 183         | -                                | -           | -            | -           | \$ -             | 0.00%       | \$ 34             | 18.58%      | \$ 149                             | 81.42%      |
| 2015   | \$ 224         | -                                | -           | 71           | 31.70%      | \$ -             | -           | \$ -              | -           | \$ 153                             | 68.30%      |
| 2016   | \$ 273         | -                                | -           | 249          | 91.21%      | \$ -             | -           | \$ -              | -           | \$ 24                              | 8.79%       |
| 2017   | \$ (15)        | -                                | -           | (70)         | 466.67%     | \$ -             | -           | \$ -              | -           | \$ 55                              | -366.67%    |
| <b>Recycling Division <sup>(4)</sup></b>             |                |                                  |             |              |             |                  |             |                   |             |                                    |             |
| 2012   | \$ 1,119       | -                                | -           | -            | -           | \$ -             | -           | \$ 1,117          | 99.82%      | \$ 2                               | 0.18%       |
| 2013   | \$ 708         | -                                | -           | -            | -           | \$ -             | -           | \$ 708            | 100.00%     | \$ -                               | -           |
| 2014   | \$ -           | -                                | -           | -            | -           | \$ -             | -           | \$ -              | -           | \$ -                               | -           |
| 2015   | \$ -           | -                                | -           | -            | -           | \$ -             | -           | \$ -              | -           | \$ -                               | -           |

<sup>(1)</sup> Excludes non-operating revenues except investment income.  
<sup>(2)</sup> Commenced on November 16, 2012.  
<sup>(3)</sup> Created during fiscal year 2009. Ended fiscal year 2014.  
<sup>(4)</sup> Created during fiscal year 2012. Ended fiscal year 2014.



**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 9 Continued - Revenues by Source <sup>(1)</sup>**

**Fiscal Years 2008 - 2010**  
(Dollars in Thousands)

| Fiscal Year                               | Total Revenues | Member and Other Service Charges | % of Annual | Energy Sales | % of Annual | Ash Disposal Revenue | % of Annual | Recycling Revenue | % of Annual | Investment Income & Other Operating Revenues | % of Annual |
|---|----------------|----------------------------------|-------------|--------------|-------------|----------------------|-------------|-------------------|-------------|--|-------------|
| <b>Bridgeport Project <sup>(2)</sup></b>  |                |                                  |             |              |             |                      |             |                   |             |  |             |
| 2008                                      | \$ 57,021      | \$ 47,186                        | 82.75%      | \$ -         | -           | \$ 4,704             | 8.25%       | \$ 3,256          | 5.71%       | \$ 1,875                                     | 3.29%       |
| 2009                                      | \$ 31,624      | \$ 26,280                        | 83.10%      | \$ -         | -           | \$ 2,511             | 7.94%       | \$ 1,752          | 5.54%       | \$ 1,081                                     | 3.42%       |
| <b>Wallingford Project <sup>(3)</sup></b> |                |                                  |             |              |             |                      |             |                   |             |  |             |
| 2008                                      | \$ 22,102      | \$ 8,826                         | 39.93%      | \$ 11,189    | 50.62%      | \$ -                 | -           | \$ -              | -           | \$ 2,087                                     | 9.45%       |
| 2009                                      | \$ 17,757      | \$ 8,694                         | 48.96%      | \$ 8,276     | 46.61%      | \$ -                 | -           | \$ -              | -           | \$ 787                                       | 4.43%       |
| 2010                                      | \$ 11,181      | \$ 8,650                         | 77.36%      | \$ 2,431     | 21.74%      | \$ -                 | -           | \$ -              | -           | \$ 100                                       | 0.89%       |

<sup>(1)</sup> Excludes non-operating revenues except investment income.

<sup>(2)</sup> Ended on December 31, 2008.

<sup>(3)</sup> Ended on June 30, 2010.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 10 - Revenue Bond Coverage Ratios (Combined)**  
**Last Ten Fiscal Years**  
(Dollars in Thousands)

| Fiscal<br>Year | Gross<br>Revenues <sup>(1)</sup> | Less:<br>Operating<br>Expenses <sup>(2)</sup> | Net<br>Available<br>Revenue | Debt Service Requirements <sup>(3)</sup> |          |                     | Coverage <sup>(4)</sup> |
|----------------|----------------------------------|---|-----------------------------|--|----------|---------------------|-------------------------|
|                |                                  |   |                             | Principal                                | Interest | Total               |                         |
| 2008           | \$ 182,208                       | \$ 155,966                                    | \$ 26,242                   | \$ 4,941                                 | \$ 1,836 | \$ 6,777            | 3.87                    |
| 2009           | \$ 174,521                       | \$ 156,878                                    | \$ 17,643                   | \$ 3,003                                 | \$ 1,216 | \$ 4,219            | 4.18                    |
| 2010           | \$ 138,678 <sup>(5)</sup>        | \$ 133,372                                    | \$ 5,306                    | \$ 4,143                                 | \$ 987   | \$ 5,130            | 1.03                    |
| 2011           | \$ 132,373 <sup>(6)</sup>        | \$ 123,465                                    | \$ 8,908                    | \$ 5,324                                 | \$ 677   | \$ 6,001            | 1.48                    |
| 2012           | \$ 132,235                       | \$ 126,398                                    | \$ 5,837                    | \$ 3,915                                 | \$ 335   | \$ 4,250            | 1.37                    |
| 2013           | \$ 120,005                       | \$ 113,730                                    | \$ 6,275                    | \$ 4,135                                 | \$ 113   | \$ 4,248            | 1.48                    |
| 2014           | \$ 123,471                       | \$ 104,707                                    | \$ 18,764                   | \$ -                                     | \$ -     | \$ - <sup>(7)</sup> | n/a                     |
| 2015           | \$ 98,325                        | \$ 90,966                                     | \$ 7,359                    | \$ -                                     | \$ -     | \$ -                | n/a                     |
| 2016           | \$ 83,435                        | \$ 79,419                                     | \$ 4,016                    | \$ -                                     | \$ -     | \$ -                | n/a                     |
| 2017           | \$ 63,634                        | \$ 58,956                                     | \$ 4,678                    | \$ -                                     | \$ -     | \$ -                | n/a                     |

<sup>(1)</sup> Includes operating revenues and investment income, excludes non-operating revenues.

<sup>(2)</sup> Excludes depreciation and amortization, write-off of development costs, interest expense, as well as distributions to member towns and others.

<sup>(3)</sup> Excludes early retirement/defeasance of debt and State Loans pay-off.

<sup>(4)</sup> Does not include transfers from reserves and other sources to maintain coverage requirements.

<sup>(5)</sup> Decrease primarily due to the closure of the Bridgeport Project.

<sup>(6)</sup> Decrease primarily due to closure of Wallingford Project.

<sup>(7)</sup> Mid-CT project ended as of 11/15/12 and bonds are fully paid.

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 11 - Revenue Bond Ratings  
As of June 30, 2017**

As of June 30, 2017, the Authority had no outstanding long term debt carried on its books and there were no corporate credit revenue bonds outstanding in connection with the Southeast Project or any Authority project or division.

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 was no longer any contingent liability of the State via a SCRF associated with the Authority.

During fiscal year 2017 (in November 2016) Covanta retired its \$30,000 in outstanding debt known as the 1992 Series A Corporate Credit Revenue Bonds associated with the Southeast Project.

# Materials Innovation and Recycling Authority A Component Unit of the State of Connecticut

## Exhibit 12 - Outstanding Debt by Type

### Last Ten Fiscal Years

(Dollars in Thousands)

| Fiscal<br>Year | Mid-Connecticut                |                                     |   | Southeast            |   |                      | Bridgeport                                    |                      |   | Wallingford          |           |   | Total<br>Outstanding<br>Debt | Per<br>Capita <sup>(5)</sup> |
|----------------|--------------------------------|-------------------------------------|---|----------------------|---|----------------------|---|----------------------|---|----------------------|-----------|---|------------------------------|------------------------------|
|                | Special<br>Obligation<br>Bonds | Subordinate<br>Bonds <sup>(1)</sup> | Special<br>Obligation<br>Bonds <sup>(2)</sup> | Subordinate<br>Bonds | Special<br>Obligation<br>Bonds <sup>(3)</sup> | Subordinate<br>Bonds | Special<br>Obligation<br>Bonds <sup>(4)</sup> | Subordinate<br>Bonds | Special<br>Obligation<br>Bonds <sup>(4)</sup> | Subordinate<br>Bonds |           |   |                              |                              |
|                |                                |                                     |   |                      |   |                      |   |                      |   |                      |           |   |                              |                              |
| 2008           | \$ 15,290                      | \$ -                                | \$ 5,639                                      | \$ -                 | \$ 535  | \$ 1,170             | \$ 712  | \$ -                 | \$ -  | \$ -                 | \$ 23,346 | 9 |                              |                              |
| 2009           | \$ 15,290                      | \$ -                                | \$ 5,053                                      | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ 20,343 | 8 |                              |                              |
| 2010           | \$ 11,765                      | \$ -                                | \$ 4,435                                      | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ 16,200 | 6 |                              |                              |
| 2011           | \$ 8,050                       | \$ -                                | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ 8,050  | 4 |                              |                              |
| 2012           | \$ 4,135                       | \$ -                                | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ 4,135  | 2 |                              |                              |
| 2013           | \$ -                           | \$ -                                | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -      | - |                              |                              |
| 2014           | \$ -                           | \$ -                                | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -      | - |                              |                              |
| 2015           | \$ -                           | \$ -                                | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -      | - |                              |                              |
| 2016           | \$ -                           | \$ -                                | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -      | - |                              |                              |
| 2017           | \$ -                           | \$ -                                | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -  | \$ -                 | \$ -      | - |                              |                              |

<sup>(1)</sup> Commencing in Fiscal Year 2003, Mid-Connecticut Project Subordinated Bonds also includes the principal balances due on State Loans received.

<sup>(2)</sup> In December 2010, the Authority issued \$27.8 million of 2010 Series A Project Refunding Bonds as a conduit for the Southeast Project. This issuance refunded the Southeast Project's outstanding 1998 Series A Bonds. Of which, 11.129% of these bonds were on Authority's book and 88.871% were on the books of Covanta Southeastern Connecticut Company. Due to contractual arrangements, the 2010 Series A Bonds are not carried on the Authority's books. As of 11/15/15, these bonds are fully paid.

<sup>(3)</sup> Represents Authority's on-book portion of approximately 3.7%. Approximately 96.3% of these bonds are on the books of Wheelabrator Bridgeport.

<sup>(4)</sup> Represents Authority's on-book portion of 15.313%. 84.687% of these bonds are on the books of Covanta Projects of Wallingford.

<sup>(5)</sup> Please see Exhibit 14 Demographic Information for population data.

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 13 - Special Capital Reserve Fund Debt Limit Information**

**Last Ten Fiscal Years**

(Dollars in Thousands)

|  | <u>2008</u>       | <u>2009</u>       | <u>2010</u>       | <u>2011</u>       | <u>2012</u>       | <u>2013</u>       | <u>2014</u>       | <u>2015</u>       | <u>2016</u>       | <u>2017</u>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Special Capital Reserve Funds (SCRF) limit <sup>(1)</sup></b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> | <b>\$ 725,000</b> |
| <u>Project:</u>  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Mid-Connecticut Project  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 1996 Series A  | \$ 15,290         | \$ 15,290         | \$ 11,765         | \$ 8,050          | \$ 4,134          | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| 1997 Series A  | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Southeast Project  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 2010 Series A - Project Refunding <sup>(2)</sup>                 | -                 | -                 | -                 | 27,750            | 22,760            | 17,100            | 11,295            | 5,270             | -                 | -                 |
| 1998 Series A  | 50,675            | 45,405            | 39,855            | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| 1989 Series A  | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>TOTAL SCRF-BACKED DEBT</b>                                    | <b>65,965</b>     | <b>60,695</b>     | <b>51,620</b>     | <b>35,800</b>     | <b>26,894</b>     | <b>17,100</b>     | <b>11,295</b>     | <b>5,270</b>      | <b>-</b>          | <b>-</b>          |
| Legal debt margin  | \$ 659,035        | \$ 664,305        | \$ 673,380        | \$ 689,200        | \$ 698,106        | \$ 707,900        | \$ 713,705        | \$ 719,730        | \$ 725,000        | \$ 725,000        |
| Total outstanding as a percentage of SCRF limit                  | 9.10%             | 8.37%             | 7.12%             | 4.94%             | 3.71%             | 2.36%             | 1.56%             | 0.73%             | 0.00%             | 0.00%             |

<sup>(1)</sup> Per Connecticut General Statutes Section 22a-272(b), the aggregate amount of bonds outstanding at any time secured by Special Capital Reserve Funds shall not exceed \$725 million.

<sup>(2)</sup> This issue refunded the 1998 Series A bonds. The 2010 Series A bonds are not carried on the Authority's books. As of 11/15/15, these bonds are fully paid.

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 14 - Demographic Information  
Last Ten Fiscal Years**

| Fiscal Year         | Mid-Connecticut <sup>(1)</sup> |                   |            | Connecticut Solid Waste System <sup>(2)</sup> |                   |            | Southeast         |                   |            | SouthWest <sup>(3)</sup> |                   |            | Bridgeport <sup>(4)</sup> |                   |            | Wallingford <sup>(5)</sup> |                   |            |
|---------------------|--------------------------------|-------------------|------------|---|-------------------|------------|-------------------|-------------------|------------|--------------------------|-------------------|------------|---------------------------|-------------------|------------|----------------------------|-------------------|------------|
|                     | Population Served              | Unemployment Rate | # of Towns | Population Served                             | Unemployment Rate | # of Towns | Population Served | Unemployment Rate | # of Towns | Population Served        | Unemployment Rate | # of Towns | Population Served         | Unemployment Rate | # of Towns | Population Served          | Unemployment Rate | # of Towns |
| 2008                | 1,219,637                      | 5.1               | 70         | -   | -                 | -          | 248,799           | 5.9               | 14         | -                        | -                 | -          | 815,807                   | 5.2               | 20         | 214,437                    | 5.8               | 5          |
| 2009                | 1,204,329                      | 7.1               | 70         | -   | -                 | -          | 245,597           | 7.4               | 14         | 455,029                  | 6.8               | 12         | 816,014                   | 7.0               | 20         | 214,934                    | 7.6               | 5          |
| 2010                | 1,208,813                      | 7.5               | 70         | -   | -                 | -          | 248,233           | 8.2               | 14         | 457,634                  | 7.8               | 12         | -                         | -                 | -          | 215,244                    | 8.4               | 5          |
| 2011                | 1,227,363                      | 6.9               | 70         | -   | -                 | -          | 225,284           | 8.0               | 12         | 465,484                  | 7.2               | 12         | -                         | -                 | -          | -                          | -                 | -          |
| 2012                | 1,225,351                      | 6.9               | 70         | -   | -                 | -          | 224,580           | 8.5               | 12         | 468,863                  | 7.2               | 12         | -                         | -                 | -          | -                          | -                 | -          |
| 2013                | 1,225,780                      | 6.8               | 70         | 719,080                                       | 6.6               | 51         | 220,126           | 8.2               | 12         | 471,623                  | 7.1               | 12         | -                         | -                 | -          | -                          | -                 | -          |
| 2014                | -                              | -                 | -          | 719,224                                       | 4.8               | 51         | 220,087           | 5.9               | 12         | 474,096                  | 5.3               | 12         | -                         | -                 | -          | -                          | -                 | -          |
| 2015                | -                              | -                 | -          | 717,595                                       | 3.9               | 51         | 219,738           | 5.3               | 12         | -                        | -                 | -          | -                         | -                 | -          | -                          | -                 | -          |
| 2016 <sup>(6)</sup> | -                              | -                 | -          | 715,442                                       | 4                 | 51         | 218,222           | 5                 | 12         | -                        | -                 | -          | -                         | -                 | -          | -                          | -                 | -          |
| 2017 <sup>(6)</sup> | -                              | -                 | -          | 737,235                                       | 3.3               | 51         | 216,488           | 3.9               | 12         | -                        | -                 | -          | -                         | -                 | -          | -                          | -                 | -          |

<sup>(1)</sup> Ended on November 15, 2012.

<sup>(2)</sup> Commenced on November 16, 2012.

<sup>(3)</sup> Created during fiscal year 2009. Ended fiscal year 2014.

<sup>(4)</sup> Ended on December 31, 2008.

<sup>(5)</sup> Ended on June 30, 2010.

<sup>(6)</sup> Source: Population provided by the State Department of Public Health and based on estimates as of July 1, 2016.  
Unemployment data provided by the State Department of Labor for September 2017.



**Materials Innovationa and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 15 - Top Ten Non-Governmental Employers**  
**Current Year and Nine Years Ago**

|                                     | 2017  |      |   | 2008  |      |   |
|-------------------------------------|---|------|---|---|------|---|
|                                     | Employees<br>in<br>Connecticut <sup>(1)</sup> | Rank | Percentage<br>of Total<br>Authority<br>Employment | Employees<br>in<br>Connecticut <sup>(2)</sup> | Rank | Percentage<br>of Total<br>Authority<br>Employment |
| <u>Employer</u>                     |   |      |   |   |      |   |
| Yale New Haven Health System        | 19,920  | 1    | 0.17%   | -   | -    | -   |
| Hartford Healthcare                 | 18,135  | 2    | 0.18%   | -   | -    | -   |
| Yale University                     | 15,018  | 3    | 0.22%   | 12,163  | 4    | 0.44%   |
| United Technologies Corp.           | 15,000  | 4    | 0.22%   | 26,490  | 1    | 0.20%   |
| General Dynamics Electric Boat      | 10,230  | 5    | 0.32%   | 7,400   | 8    | 0.72%   |
| Wal-Mart Stores Inc.                | 8,800   | 6    | 0.38%   | 9,204   | 7    | 0.58%   |
| Sikorsky, A Lockheed Martin Company | 8,000   | 7    | 0.41%   | -   | -    | -   |
| The Travelers Cos. Inc              | 7,400   | 8    | 0.45%   | -   | -    | -   |
| Hartford Financial Services         | 7,000   | 9    | 0.47%   | 13,000  | 3    | 0.41%   |
| Mohegan Sun                         | 6,735   | 10   | 0.49%   | 10,000  | 6    | 0.53%   |
| Foxwoods Resort Casino              | -   |      | -   | 12,000  | 5    | 0.44%   |
| Aetna Inc                           | -   |      | -   | 7,300   | 9    | 0.73%   |
| General Electric Co                 | -   |      | -   | -   | -    | -   |
| Stop & Shop Cos. Inc                | -   |      | -   | 13,574  | 2    | 0.39%   |
| AT&T Connecticut                    | -   |      | -   | 7,000   | 10   | 0.76%   |
| Total                               | 63,165  |      | 2.74%   | 105,968                                       |      | 4.75%   |

<sup>(1)</sup> Hartford Business Journal (HBJ) - December 2016

<sup>(2)</sup> Hartford Business Journal (HBJ) - June 2008

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 16 - Expenses by Function <sup>(1)</sup>**

**Last Ten Fiscal Years  
(Dollars in Thousands)**

| Fiscal Year                            | Total Expenses | Solid Waste Operations <sup>(2)</sup> | % of Annual | Maintenance & Utilities | % of Annual | Other Costs <sup>(3)</sup> | % of Annual | Landfill               |             | Debt Service | % of Annual | Distribution to Member Towns and Others |             | % of Annual |
|--|----------------|---------------------------------------|-------------|-------------------------|-------------|----------------------------|-------------|------------------------|-------------|--------------|-------------|---|-------------|-------------|
|  |                |                                       |             |                         |             |                            |             | Closure & Post-closure | % of Annual |              |             | Others                                  | % of Annual |             |
| Mid-Connecticut Project <sup>(4)</sup> |                |                                       |             |                         |             |                            |             |                        |             |              |             |   |             |             |
| 2008                                   | \$ 88,061      | \$ 59,361                             | 67.41%      | \$ 3,559                | 4.04%       | \$ 7,419                   | 8.42%       | \$ 3,122               | 3.55%       | \$ 14,600    | 16.58%      | \$ -                                    | -           | -           |
| 2009                                   | \$ 81,895      | \$ 64,778                             | 79.10%      | \$ 926                  | 1.13%       | \$ 8,267                   | 10.09%      | \$ 7,065               | 8.63%       | \$ 859       | 1.05%       | \$ -                                    | -           | -           |
| 2010                                   | \$ 86,256      | \$ 73,936                             | 85.72%      | \$ 1,272                | 1.47%       | \$ 7,471                   | 8.66%       | \$ (683)               | -0.79%      | \$ 4,260     | 4.94%       | \$ -                                    | -           | -           |
| 2011                                   | \$ 87,636      | \$ 74,162                             | 84.62%      | \$ 1,103                | 1.26%       | \$ 7,377                   | 8.42%       | \$ 746                 | 0.85%       | \$ 4,248     | 4.85%       | \$ -                                    | -           | -           |
| 2012                                   | \$ 89,208      | \$ 76,017                             | 85.21%      | \$ 845                  | 0.95%       | \$ 7,680                   | 8.61%       | \$ 434                 | 0.49%       | \$ 4,232     | 4.74%       | \$ -                                    | -           | -           |
| 2013                                   | \$ 38,731      | \$ 27,428                             | 70.82%      | \$ 610                  | 1.57%       | \$ 3,916                   | 10.11%      | \$ 2,555               | 6.60%       | \$ 4,222     | 10.90%      | \$ -                                    | -           | -           |
| 2014                                   | \$ (911)       | \$ 47                                 | -5.16%      | \$ 6                    | -0.66%      | \$ 2,428                   | -266.52%    | \$ (3,392)             | 372.34%     | \$ -         | -           | \$ -                                    | -           | -           |
| 2015                                   | \$ 2,134       | \$ 601                                | 28.16%      | \$ (25)                 | -1.17%      | \$ 1,558                   | 73.01%      | \$ -                   | -           | \$ -         | -           | \$ -                                    | -           | -           |
| 2016                                   | \$ 1,508       | \$ 639                                | 42.37%      | \$ -                    | -           | \$ 869                     | 57.63%      | \$ -                   | -           | \$ -         | -           | \$ -                                    | -           | -           |
| 2017                                   | \$ 1,768       | \$ 14                                 | 0.79%       | \$ -                    | -           | \$ 1,754                   | 99.21%      | \$ -                   | -           | \$ -         | -           | \$ -                                    | -           | -           |
| Southeast Project <sup>(7)</sup>       |                |                                       |             |                         |             |                            |             |                        |             |              |             |   |             |             |
| 2008                                   | \$ 10,779      | \$ 9,649                              | 89.52%      | \$ -                    | -           | \$ 160                     | 1.48%       | \$ -                   | -           | \$ 970       | 9.00%       | \$ -                                    | -           | -           |
| 2009                                   | \$ 26,512      | \$ 25,416 <sup>(6)</sup>              | 95.87%      | \$ -                    | -           | \$ 138                     | 0.52%       | \$ -                   | -           | \$ 958       | 3.61%       | \$ -                                    | -           | -           |
| 2010                                   | \$ 25,285      | \$ 24,185                             | 95.65%      | \$ -                    | -           | \$ 154                     | 0.61%       | \$ -                   | -           | \$ 946       | 3.74%       | \$ -                                    | -           | -           |
| 2011                                   | \$ 25,140      | \$ 23,141                             | 92.05%      | \$ -                    | -           | \$ 237                     | 0.94%       | \$ -                   | -           | \$ 1,762     | 7.01%       | \$ -                                    | -           | -           |
| 2012                                   | \$ 27,530      | \$ 25,989                             | 94.40%      | \$ -                    | -           | \$ 140                     | 0.51%       | \$ -                   | -           | \$ -         | -           | \$ 1,401                                | 5.09%       | -           |
| 2013                                   | \$ 27,103      | \$ 26,900                             | 99.25%      | \$ -                    | -           | \$ 203                     | 0.75%       | \$ -                   | -           | \$ -         | -           | \$ -                                    | -           | -           |
| 2014                                   | \$ 30,653      | \$ 28,970                             | 94.51%      | \$ -                    | -           | \$ 308                     | 1.00%       | \$ -                   | -           | \$ -         | -           | \$ 1,375                                | 4.49%       | -           |
| 2015                                   | \$ 30,228      | \$ 30,001                             | 99.25%      | \$ -                    | -           | \$ 227                     | 0.75%       | \$ -                   | -           | \$ -         | -           | \$ -                                    | -           | -           |
| 2016                                   | \$ 23,902      | \$ 17,554                             | 73.44%      | \$ -                    | -           | \$ 473                     | 1.98%       | \$ -                   | -           | \$ -         | -           | \$ 5,875                                | 24.58%      | -           |
| 2017                                   | \$ 29          | \$ -                                  | 0.00%       | \$ -                    | -           | \$ 29                      | 100.00%     | \$ -                   | -           | \$ -         | -           | \$ -                                    | 0.00%       | -           |

<sup>(1)</sup> Excludes depreciation and amortization and non-operating expenses. Debt service includes principal repayments.

<sup>(2)</sup> Includes legal expenses through fiscal year 2005. Starting FY2006, legal expenses are reported under Other Costs.

<sup>(3)</sup> Please see note (2) above. Other Costs includes legal expenses and administrative and operational services.

<sup>(4)</sup> Ended on November 15, 2012.

<sup>(5)</sup> Increased due to higher landfill closure and post-closure costs as a result of Authority assuming responsibility for all closure and post-closure care costs at the Hartford Landfill (approximately \$31.0 million) and increased administration costs at all five landfills.

<sup>(6)</sup> Prior to FY2009, energy sales were reported on the statements of revenues, expenses and changes in net position as net from Operating Expenses - Solid Waste Operations. Starting FY2009, energy sales are reported on the statements of revenues, expenses and changes in net position as operating revenues.

<sup>(7)</sup> Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for payment of project expenses through November 30, 2015.

**Materials Innovation and Recycling Authority**  
**A Component Unit of the State of Connecticut**  
**Exhibit 16 Continued - Expenses by Function <sup>(1)</sup>**  
**Fiscal Years 2009 - 2017**  
(Dollars in Thousands)

| Fiscal Year  | Total Expenses | Solid Waste Operations | % of Annual | Maintenance & Utilities | % of Annual | Other Costs <sup>(2)</sup> | % of Annual | Landfill Closure & Post-closure | % of Annual | Distribution to Member Towns and Others | % of Annual |
|--|----------------|------------------------|-------------|-------------------------|-------------|----------------------------|-------------|---------------------------------|-------------|---|-------------|
| <b>Connecticut Solid Waste System <sup>(3)</sup></b> |                |                        |             |                         |             |                            |             |                                 |             |   |             |
| 2013   | \$ 36,259      | \$ 32,897              | 90.73%      | \$ 342                  | 0.94%       | \$ 3,020                   | 8.33%       | \$ -                            | -           | \$ -                                    | -           |
| 2014   | \$ 57,107      | \$ 52,261              | 91.51%      | \$ 690                  | 1.21%       | \$ 4,156                   | 7.28%       | \$ -                            | -           | \$ -                                    | -           |
| 2015   | \$ 54,981      | \$ 49,489              | 90.01%      | \$ 607                  | 1.10%       | \$ 4,885                   | 8.88%       | \$ -                            | -           | \$ -                                    | -           |
| 2016   | \$ 52,681      | \$ 47,890              | 90.91%      | \$ 652                  | 1.23%       | \$ 4,139                   | 7.86%       | \$ -                            | -           | \$ -                                    | -           |
| 2017   | \$ 54,994      | \$ 50,157              | 91.20%      | \$ 829                  | 1.50%       | \$ 4,008                   | 7.29%       | \$ -                            | -           | \$ -                                    | -           |
| <b>SouthWest Division <sup>(4)</sup></b>             |                |                        |             |                         |             |                            |             |                                 |             |   |             |
| 2009   | \$ 6,483       | \$ 6,458               | 99.61%      | \$ -                    | -           | \$ 25                      | 0.39%       | \$ -                            | -           | \$ -                                    | -           |
| 2010   | \$ 14,662      | \$ 14,179              | 96.71%      | \$ -                    | -           | \$ 483                     | 3.29%       | \$ -                            | -           | \$ -                                    | -           |
| 2011   | \$ 14,390      | \$ 13,850              | 96.25%      | \$ -                    | -           | \$ 540                     | 3.75%       | \$ -                            | -           | \$ -                                    | -           |
| 2012   | \$ 13,651      | \$ 13,218              | 96.83%      | \$ -                    | -           | \$ 433                     | 3.17%       | \$ -                            | -           | \$ -                                    | -           |
| 2013   | \$ 13,453      | \$ 12,894              | 95.84%      | \$ -                    | -           | \$ 559                     | 4.16%       | \$ -                            | -           | \$ -                                    | -           |
| 2014   | \$ 13,479      | \$ 12,907              | 95.76%      | \$ -                    | -           | \$ 572                     | 4.24%       | \$ -                            | -           | \$ -                                    | -           |
| 2015   | \$ (43)        | \$ (43)                | 100.00%     | \$ -                    | -           | \$ -                       | -           | \$ -                            | -           | \$ -                                    | -           |
| <b>Property Division <sup>(4)</sup></b>              |                |                        |             |                         |             |                            |             |                                 |             |   |             |
| 2009   | \$ 3,488       | \$ 1,018               | 29.18%      | \$ 78                   | 2.24%       | \$ 116                     | 3.33%       | \$ 2,276                        | 65.25%      | \$ -                                    | -           |
| 2010   | \$ 1,041       | \$ 1,692               | 162.54%     | \$ 86                   | 8.26%       | \$ 416                     | 39.96%      | \$ (1,153)                      | -110.76%    | \$ -                                    | -           |
| 2011   | \$ 2,399       | \$ 2,368               | 98.71%      | \$ 134                  | 5.59%       | \$ 429                     | 17.88%      | \$ (532)                        | -22.18%     | \$ -                                    | -           |
| 2012   | \$ 716         | \$ 303                 | 42.32%      | \$ 16                   | 2.23%       | \$ 397                     | 55.45%      | \$ -                            | -           | \$ -                                    | -           |
| 2013   | \$ 2,554       | \$ 1,273               | 49.84%      | \$ -                    | -           | \$ 471                     | 18.44%      | \$ -                            | -           | \$ 810                                  | 31.71%      |
| 2014   | \$ 5,037       | \$ 3,383               | 67.16%      | \$ 630                  | 12.51%      | \$ 1,024                   | 20.33%      | \$ -                            | -           | \$ -                                    | -           |
| 2015   | \$ 3,683       | \$ 2,413               | 65.52%      | \$ 387                  | 10.51%      | \$ 883                     | 23.98%      | \$ -                            | -           | \$ -                                    | -           |
| 2016   | \$ 3,023       | \$ 1,830               | 60.54%      | \$ 443                  | 14.65%      | \$ 750                     | 24.81%      | \$ -                            | -           | \$ -                                    | -           |
| 2017   | \$ 2,910       | \$ 1,662               | 57.11%      | \$ 568                  | 19.52%      | \$ 680                     | 23.37%      | \$ -                            | -           | \$ -                                    | -           |
| <b>Landfill Division <sup>(6)</sup></b>              |                |                        |             |                         |             |                            |             |                                 |             |   |             |
| 2012   | \$ 77          | \$ 86                  | 111.69%     | \$ (24)                 | -31.17%     | \$ 34                      | 44.16%      | \$ (19)                         | -24.68%     | \$ -                                    | -           |
| 2013   | \$ (5)         | \$ 332                 | -           | \$ -                    | -           | \$ 356                     | -           | \$ (693)                        | -           | \$ -                                    | -           |
| 2014   | \$ 894         | \$ 203                 | 22.71%      | \$ (24)                 | -2.68%      | \$ 715                     | 79.98%      | \$ -                            | -           | \$ -                                    | -           |
| 2015   | \$ 534         | \$ 182                 | 34.08%      | \$ 175                  | 32.77%      | \$ 177                     | 33.15%      | \$ -                            | -           | \$ -                                    | -           |
| 2016   | \$ 406         | \$ 336                 | 82.76%      | \$ 3                    | 0.74%       | \$ 67                      | 16.50%      | \$ -                            | -           | \$ -                                    | -           |
| 2017   | \$ 336         | \$ 46                  | 13.69%      | \$ 125                  | 37.20%      | \$ 165                     | 49.11%      | \$ -                            | -           | \$ -                                    | -           |
| <b>Recycling Division <sup>(5)</sup></b>             |                |                        |             |                         |             |                            |             |                                 |             |   |             |
| 2012   | \$ 1,046       | \$ 846                 | 80.88%      | \$ 63                   | 6.02%       | \$ 137                     | 13.10%      | \$ -                            | -           | \$ -                                    | -           |
| 2013   | \$ 1,343       | \$ 573                 | 42.67%      | \$ 72                   | 5.36%       | \$ 209                     | 15.56%      | \$ -                            | -           | \$ 489                                  | 36.41%      |
| 2014   | \$ 8           | \$ (3)                 | -37.50%     | \$ 11                   | 137.50%     | \$ -                       | -           | \$ -                            | -           | \$ -                                    | -           |
| 2015   | \$ 1           | \$ 1                   | 100.00%     | \$ -                    | -           | \$ -                       | -           | \$ -                            | -           | \$ -                                    | -           |

<sup>(1)</sup> Excludes depreciation and amortization and non-operating expenses. Debt service includes principal repayments.

<sup>(2)</sup> Other Costs includes legal expenses and administrative and operational services.

<sup>(3)</sup> Commenced on November 16, 2012.

<sup>(4)</sup> Created during fiscal year 2009. Ended fiscal year 2014.

<sup>(5)</sup> Created during fiscal year 2012. Ended fiscal year 2014.

<sup>(6)</sup> Created during fiscal year 2012.

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 16 Continued - Expenses by Function <sup>(1)</sup>**

**Fiscal Years 2008 - 2010**

(Dollars in Thousands)

| Fiscal<br>Year                     | Total<br>Expenses        | Solid Waste<br>Operations <sup>(2)</sup> | % of<br>Annual | Maintenance<br>& Utilities | % of<br>Annual | Other<br>Costs <sup>(3)</sup> | % of<br>Annual | Landfill                  |        | % of<br>Annual | Debt<br>Service | % of<br>Annual | Distribution<br>to Member<br>Towns |        | % of<br>Annual |
|------------------------------------|--------------------------|--|----------------|----------------------------|----------------|-------------------------------|----------------|---------------------------|--------|----------------|-----------------|----------------|------------------------------------|--------|----------------|
|                                    |                          |  |                |                            |                |                               |                | Closure &<br>Post-closure | Annual |                |                 |                | Annual                             | Annual |                |
| Bridgeport Project <sup>(4)</sup>  |                          |  |                |                            |                |                               |                |                           |        |                |                 |                |                                    |        |                |
| 2008                               | \$ 58,804                | \$ 53,503                                | 90.99%         | \$ 283                     | 0.48%          | \$ 1,701                      | 2.89%          | \$ 1,235                  |        | 2.10%          | \$ 2,082        | 3.54%          | \$ -                               |        | -              |
| 2009                               | \$ 27,212                | \$ 24,513                                | 90.07%         | \$ 157                     | 0.58%          | \$ 796                        | 2.93%          | \$ -                      |        | -              | \$ 1,746        | 6.42%          | \$ -                               |        | -              |
| Wallingford Project <sup>(5)</sup> |                          |  |                |                            |                |                               |                |                           |        |                |                 |                |                                    |        |                |
| 2008                               | \$ 18,046                | \$ 15,732                                | 87.19%         | \$ 20                      | 0.11%          | \$ 811                        | 4.49%          | \$ 757                    |        | 4.19%          | \$ 726          | 4.02%          | \$ -                               |        | -              |
| 2009                               | \$ 42,400 <sup>(6)</sup> | \$ 12,911                                | 30.45%         | \$ 7                       | 0.02%          | \$ 917                        | 2.16%          | \$ 1,166                  |        | 2.75%          | \$ 724          | 1.71%          | \$ 26,675                          |        | 62.91%         |
| 2010                               | \$ 12,028                | \$ 12,146                                | 100.98%        | \$ 7                       | 0.06%          | \$ 534                        | 4.44%          | \$ (659)                  |        | -5.48%         | \$ -            | -              | \$ -                               |        | -              |

<sup>(1)</sup> Excludes depreciation and amortization and non-operating expenses. Debt service includes principal repayments.

<sup>(2)</sup> Includes legal expenses through fiscal year 2005. Starting FY2006, legal expenses are reported under Other Costs.

<sup>(3)</sup> Please see note (2) above. Other Costs includes legal expenses and administrative and operational services.

<sup>(4)</sup> Ended on December 31, 2008. During fiscal years 2010 and 2011, \$1.639 million and \$1.263 million of Bridgeport Project surplus funds were distributed to the former Bridgeport Project member towns; respectively.

<sup>(5)</sup> Ended on June 30, 2010. During fiscal year 2011, \$19.42 million of Wallingford Project surplus funds were distributed to the former Wallingford Project member towns.

<sup>(6)</sup> Increased due to distribution to the former Wallingford member towns of \$26.675 million during fiscal year 2009.

**Materials Innovation and Recycling Authority  
A Component Unit of the State of Connecticut  
Exhibit 17 - Full-Time Employees by Function  
Last Ten Fiscal Years**

|                                 | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Administration                  | 3           | 4           | 4           | 3           | 5           | 4           | 4           | 4           | 4           | 4           |
| Communications External Affairs | 3           | 3           | 3           | 3           | 2           | 2           | 1           | 1           | 1           | 0           |
| Environmental Affairs           | 6           | 7           | 7           | 7           | 7           | 7           | 6           | 2           | 2           | 2           |
| Finance and Accounting          | 16          | 13          | 14          | 13          | 10          | 8           | 8           | 11          | 11          | 9           |
| Legal                           | 4           | 3           | 3           | 3           | 3           | 3           | 3           | 4           | 4           | 4           |
| Operations                      | 21          | 23          | 20          | 18          | 19          | 18          | 17          | 16          | 15          | 14          |
|                                 | <u>53</u>   | <u>53</u>   | <u>51</u>   | <u>47</u>   | <u>46</u>   | <u>42</u>   | <u>39</u>   | <u>38</u>   | <u>37</u>   | <u>33</u>   |
| Total                           |             |             |             |             |             |             |             |             |             |             |

