



COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended June 30, 2018 and 2017

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, 2018 and 2017

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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Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2018 and 2017

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Introductory Section

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

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200 CORPORATE PLACE Suite 202 • Rocky Hill • CONNECTICUT • 06067 • TELEPHONE (860) 757-7700
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December 17, 2018

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, 2018.

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, 2018 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, 2018 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.

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, 2018, 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. These project closeout activities 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 (sold during fiscal year 2017) 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.

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 on top of 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 51 municipalities and 41 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 2018, the CSWS processed 554,315 tons of municipal solid waste, generated 276,654 megawatt hours of energy for the region, and recovered 57,515 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 2018 and consequently did not provide a recycling rebate to its participating municipalities.

Project Closeout Activities – During fiscal year 2018 the Authority achieved major milestones in its transition to a central focus on the operation and redevelopment of the CSWS.

- **Southeast Project** - The Authority and the Southeast Connecticut Regional Resource Recovery Authority (SCRRA) entered an Assignment, Release and Indemnification Agreement effectively ending the Authority’s interests and obligations in the Southeast Project by assignment or termination of relevant project contracts. As part of this agreement, the Authority retained \$406 thousand of Southeast project funds for its use without restriction and paid \$656 thousand, representing all remaining Southeast project reserves, to SCRRA.
- **Mid Connecticut Project** - The Authority and the 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. The Mid Connecticut Project also received, by transfer from the Authority’s Property Division, \$2.36 million reflecting its remaining allocated portion of all net settlements in the matter known as CRRA v. Lay, et al. These major milestones allowed the Authority to authorize a \$3.5 million interim distribution of surplus funds to the Mid Connecticut Project participating towns.

During fiscal year 2018, the Southeast and Mid Connecticut projects remained active on the Authority's financial statements only for administrative and project closeout activities.

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. Most of the Authority's 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 in both the fiscal year 2018 and fiscal year 2019 budgets. 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, 2018 was \$2.15 million and a total of \$24.9 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. During fiscal year 2017, DEEP adopted new regulations permitting the Authority to operate the Peaking Units potentially through May 31, 2023, and in fiscal year 2018, DEEP provided the Authority with a new Trading Order spanning this period. The Capacity Supply Obligations the Authority has incurred to ISO New England now extend through May 31, 2022.

MAJOR INITIATIVES AND DEVELOPMENTS

During fiscal year 2018, 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, 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 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.

The Authority's financial performance improved from fiscal year 2017 to fiscal year 2018. Operating revenues increased by 16.5% primarily due to increased energy pricing and member services fees. Total operating and non-operating revenue, which includes settlement income, increased 17.1%. Operating expenses before depreciation decreased by 3.1% due to project close outs and reductions in all division expenses other than CSWS. Total operating and non-operating expenses, which include depreciation and settlement expenses, increased 3.9%. While the Authority experienced an \$8.9 million (21.3%) reduction in total unrestricted cash and cash equivalents, this was entirely related to declines in Mid Connecticut and Southeast project funds associated with settlement and project closeout activities. Unrestricted cash and cash equivalents associated with the Authority's active divisions (CSWS, Property and Landfill divisions, and the Authority General Fund) increased by \$2.1 million (7.4%).

During fiscal year 2018, the operational performance of the CSWS resource recovery facility remained poor. From fiscal year 2017 to fiscal year 2018, CSWS energy production declined by 11.6% and total waste deliveries declined by 8.1%. In addition to declines in waste deliveries, 23,918 tons of delivered waste had to be diverted to alternate disposal sites due to performance challenges. This is by far the greatest level of diversion required since inception of the CSWS. These trends were again examined in the context of the ten year plan as part of the Authority's fiscal year 2019 budget development process. While the Authority was 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 2019 and adopted its second consecutive \$4.00 increase in tip fees. While the adopted tip fee exceeded the opt-out tip fee for the second consecutive year, none of the Authority's customers have opted out of the contract. As part of the fiscal year 2019 budget development process the Authority also instituted new surcharges for use of the CSWS by non-participating towns and substantially increased its budget for waste diversions.

Since the close of fiscal year 2018 and publication of this CAFR, even the substantially increased budget for waste diversion has proven insufficient. In November 2018, the CSWS experienced a major failure of one of its two steam turbines. This occurred at a time when the other turbine was out of service for major maintenance and repair work leaving the CSWS with no waste processing capacity. Diversion costs quickly exceeded budget resulting in further recommendations presently being advanced as part of the fiscal year 2020 budget develop process.

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 required that DEEP, in consultation with MIRA, issue a request for proposals for the purpose of redeveloping the CSWS, and that DEEP 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. During fiscal year 2018, DEEP announced its selection of the Sacyr Rooney Recovery Team (SRRT) to undertake the redevelopment project. The Authority and SRRT have been engaged in negotiations since February 2018 which have not yet concluded, and remain challenged in several core project structuring aspects, as of the publication of this CAFR.

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 2018, this system served the residents of 50 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-2017 was estimated at 3,588,184 an increase of 42,000 or 0.2% from the 3,546,000 figure of 2008. However, the State's population growth has slowed during the past four decades. The 2017 population density was 741 persons per square mile, compared with 92 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 2016 was \$69,085 for Connecticut. Per capita income in 2008 was \$61,199 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 76.3% of the total Connecticut Gross State Product¹ compared to 78.6% in 2009 and 72% for the nation in 2016. 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

¹ 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.

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 2016, the State received \$14.1 billion of prime contract awards that accounted for 5.1% of national total awards and ranked 4th in total defense dollars awarded, and 2nd in per capita dollars awarded nationwide. The same fiscal year, the State had \$3,952 in per capita defense awards, compared to the national average of \$863.

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 4.8% in 2017 (on a preliminary basis) compared to the New England average of 4.5% (preliminary basis) and the national average of 4.5% for the same period.

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, 2017. This is the fourth 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

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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, 2017

Christopher P. Morill

Executive Director/CEO

Board of Directors and Executive Management As of June 30, 2018

Directors

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

Ad Hoc Directors

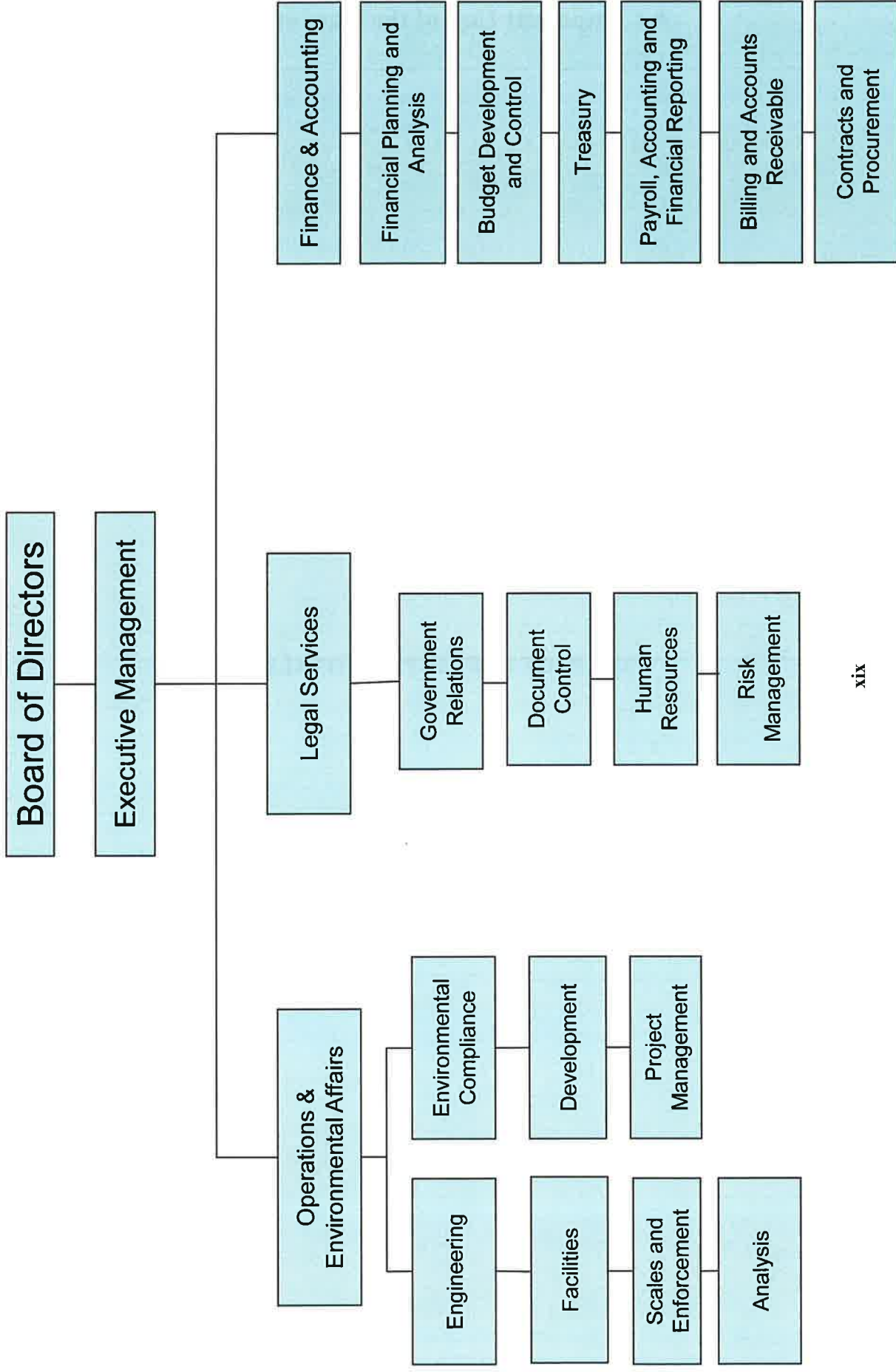
CSWS
Vacant

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, 2018



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

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Financial Section

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

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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018, 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.

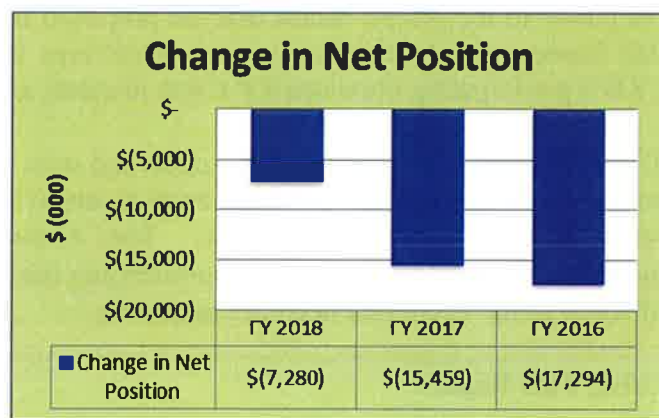


Certified Public Accountants
Glastonbury, Connecticut
September 27, 2018

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 years ended June 30, 2018 and 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 2018, the Authority generated total operating revenue of \$73.89 million and incurred \$57.12 million in operating expenses before depreciation, resulting in operating income before depreciation of \$16.77 million. Total operating revenues increased by 16.5%, total operating expenses before depreciation decreased by 3.1%, and income before depreciation increased by 275.2% from fiscal year 2017 to fiscal year 2018. The major factors contributing to these trends and performance include a \$10.46 million increase in operating revenue led by improved energy pricing and member service charges, combined with a \$1.84 million reduction in operating expenses before depreciation led by project closeouts and reduced spending in all Authority divisions other than the Connecticut Solid Waste System (CSWS). The CSWS experienced a \$3.14 million (5.7%) increase in operating revenue and a \$0.99 million (1.8%) increase in operating expenses. After \$21.43 million in depreciation and amortization expenses, the Authority incurred a \$4.66 million operating loss. The Authority also incurred net non-operating expenses of \$2.62 million led by settlement milestones and project closeout activities which resulted in a total reduction in the Authority’s net position of \$7.28 million.



The Authority’s total assets decreased by \$13.70 million (9.7%) reflecting reductions in cash and cash equivalents associated with settlement milestones and project closeouts, as well as reduced depreciable assets. The Authority’s total liabilities declined by \$6.42 million (44.1%) also related to settlement milestones.

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, the status and economic framework of the Department of Energy and Environmental Protection’s (DEEP’s) proposed redevelopment of the CSWS and a significant contraction of alternative waste disposal facilities readily accessible to New England states.

The CSWS business model is challenging due to its reliance on volatile non-disposal fee revenue to maintain disposal fees for CSWS participating municipalities below the levels that trigger their contract termination provisions. While the Authority has mitigated this challenge by subsidizing disposal fees for CSWS participating municipalities to the extent it can with income and reserves from its Property Division, the adopted tip fees for fiscal years 2018 and 2019 exceeded these triggers.

On December 31, 2017, DEEP selected its preferred redevelopment of the CSWS and the Authority has since been engaged in discussions aimed at bringing the project to fruition by addressing its key challenges. The economic framework of the proposed redevelopment is challenging in terms of its consistency with both the Authority's enabling legislation and the terms of its municipal service agreements, the nature of revenue sources being relied upon to support a proposed private financing of the project, as well as the transfer of governance from the public to the private sector that the proposed framework entails. The Authority is evaluating this framework, developing contract objectives and alternative frameworks supportive of the CSWS participating municipality's best interests and undertaking its discussions accordingly.

The Authority is also aware and concerned over several large scale landfill closures that may substantially increase the potential costs to divert waste from the CSWS in the event of planned or un-planned service disruptions. The Authority has modified its business interruption insurance accordingly and is also re-assessing the means by which it will divert large quantities of waste in the event that becomes necessary.

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 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, 2018 between the various operating divisions and 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 2018, these projects and divisions include:

- Authority General Fund
- Connecticut Solid Waste System
- Property and Landfill Divisions
- Mid Connecticut and Southeast Projects (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, 2018 (total assets less total liabilities) was \$119,321 which represents a \$7,280 (5.8%) reduction from the prior year. The \$7,280 reduction in net position is the result of a decrease in total assets of \$13,703 partially offset by a reduction in total liabilities of \$6,423.

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

	2018	2017	2016
ASSETS			
Current unrestricted assets	\$ 47,013	\$ 54,846	\$ 57,883
Current restricted assets	206	204	207
Total current assets	<u>47,219</u>	<u>55,050</u>	<u>58,090</u>
Non-current assets:			
Capital assets, net	80,230	86,102	98,496
Total non-current assets	<u>80,230</u>	<u>86,102</u>	<u>98,496</u>
TOTAL ASSETS	<u><u>\$ 127,449</u></u>	<u><u>\$ 141,152</u></u>	<u><u>\$ 156,586</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current unrestricted liabilities	\$ 7,971	\$ 9,396	\$ 9,368
Current restricted liabilities	157	155	158
Total current liabilities	<u>8,128</u>	<u>9,551</u>	<u>9,526</u>
Long-term unrestricted liabilities	-	5,000	5,000
Total long-term liabilities	<u>-</u>	<u>5,000</u>	<u>5,000</u>
TOTAL LIABILITIES	<u><u>8,128</u></u>	<u><u>14,551</u></u>	<u><u>14,526</u></u>
NET POSITION			
Net investment in capital assets	80,230	86,102	98,496
Restricted	49	49	49
Unrestricted	<u>39,042</u>	<u>40,450</u>	<u>43,515</u>
TOTAL NET POSITION	<u><u>119,321</u></u>	<u><u>126,601</u></u>	<u><u>142,060</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 127,449</u></u>	<u><u>\$ 141,152</u></u>	<u><u>\$ 156,586</u></u>

Assets

The Authority's total assets are further summarized on Table 2. The \$13,703 reduction in total assets is attributed to the reductions in cash and cash equivalents 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 cash equivalents are reported in unrestricted and restricted portions. As shown on Table 2, unrestricted cash declined by \$8,878 (21.3%) and restricted cash increased by \$2 (1.0%).

The \$8,878 (21.3%) reduction in unrestricted cash and cash equivalents reflects a \$10,971 (81.4%) decline in Mid Connecticut and Southeast project funds associated with settlement and project closeout activities offset by a \$2,093 (7.4%) increase in funds associated with the Authority's active divisions (CSWS, Property and Landfill divisions, and the Authority General Fund).

Mid Connecticut Project funds declined by \$9,894 (79.8%) primarily due to settlement activity and payment of participating town distributions. During fiscal year 2018, the Authority and the 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 \$8,250 and the MDC released the Authority from all claims associated with the project. The Mid Connecticut Project also received, by transfer from the Authority's Property Division, \$2,361 reflecting its remaining allocated portion of all net settlements in the matter known as CRRA v. Lay, et al. These major milestones allowed the Authority to authorize a \$3,500 interim distribution of surplus funds to the Mid Connecticut Project participating towns. Additional reductions in cash are due to payment of legal expenses and other activities including filing of land use restrictions needed for environmental site certification purposes. As of June 30, 2018, the Mid Connecticut Project had total remaining funds of \$2,512. The Authority continues its efforts to address all remaining matters reflected in Note 10 to financial statements.

Southeast Project funds declined by \$1,077 (100.0%) reflecting the Authority's final closeout of this project. During fiscal year 2018 the Authority and the Southeast Connecticut Regional Resource Recovery Authority (SCRRA) entered an Assignment, Release and Indemnification Agreement effectively ending the Authority's interests and obligations in the Southeast Project by assignment or termination of relevant project contracts. As part of this agreement, the Authority retained \$0.41 million of Southeast project funds for its use without restriction and paid \$0.66 million, representing all remaining Southeast project reserves, to SCRRA.

Unrestricted cash and equivalents associated with the Authority's active divisions increased by \$2,093 (7.4%) during fiscal year 2018. Active divisions include the Property Division, CSWS, Landfill Division and General Fund. Property Division funds increased by \$4,562 (39.2%) primarily reflecting its financial performance and flow of funds activities, as well as its allocated portion of net settlements received in the matter known as CRRA v. Lay, et al. CSWS operating funds decreased by \$2,266 (19.6%) due to its financial performance and flow of funds activities. The Authority's General Fund and Landfill Division funds decreased by \$69 and \$134, respectively.

The \$2 (1.0%) increase in restricted cash and equivalents is exclusively related to a \$8 increase in CSWS customer security deposits offset by closure of the \$6 Mid Connecticut Project Recycling Education Fund. Modest increases in other Current Assets including accounts

receivable, inventory and prepaid expenses are associated with the Authority's normal business cycle.

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 2017 to fiscal year 2018 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 contingently due to the tip fee stabilization fund.

Non-Current Assets

The \$5,872 (6.8%) reduction in non-current assets reflects a \$10,954 (18.6%) reduction in depreciable assets partially offset by a \$5,082 (18.7%) increase 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 the Hartford resource recovery facility equipment. The increase in non-depreciable assets is exclusively an increase in construction in progress also primarily associated with the Hartford resource recovery facility.

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

	2018	2017	2018 Increase/ (Decrease) from 2017	2018 Percent Increase/ (Decrease)	2017	2017 Increase/ (Decrease) from 2016	2017 Percent Increase/ (Decrease)
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	\$ 32,727	\$ 41,605	\$ (8,878)	(21.3%)	\$ 43,682	\$ (2,077)	(4.8%)
Accounts receivable, net of allowances	5,587	4,982	605	12.1%	4,952	30	0.6%
Inventory	6,203	5,937	266	4.5%	5,954	(17)	(0.3%)
Prepaid expenses	2,496	2,322	174	7.5%	3,295	(973)	(29.5%)
Total Unrestricted Assets	47,013	54,846	(7,833)	(14.3%)	57,883	(3,037)	(5.2%)
Restricted Assets:							
Cash and cash equivalents	206	204	2	1.0%	207	(3)	(1.4%)
TOTAL CURRENT ASSETS	47,219	55,050	(7,831)	(14.2%)	58,090	(3,040)	(5.2%)
NON-CURRENT ASSETS							
Capital Assets:							
Depreciable, net	47,985	58,939	(10,954)	(18.6%)	69,458	(10,519)	(15.1%)
Nondepreciable	32,245	27,163	5,082	18.7%	29,038	(1,875)	(6.5%)
TOTAL NON-CURRENT ASSETS	80,230	86,102	(5,872)	(6.8%)	98,496	(12,394)	(12.6%)
TOTAL ASSETS	\$ 127,449	\$ 141,152	\$ (13,703)	(9.7%)	\$ 156,586	\$ (15,434)	(9.9%)

Liabilities

The Authority's total liabilities are further summarized on Table 3. The \$6,423 (44.1%) reduction from fiscal year 2017 to fiscal year 2018 reflects a \$1,423 (14.9%) reduction in current liabilities combined with a \$5,000 (100.0%) reduction in long-term liabilities both of which are substantially related to Mid Connecticut Project settlement activity.

The \$1,423 reduction in current liabilities includes a reduction in accounts payable, offset by an increase in unearned revenue, both of which occurred in the normal course of business through timely payment processing within all of the Authority's divisions and increased pre-paid tip fees held on CSWS customer accounts. It also includes a substantial \$1,539 (34.8%) reduction in accrued expenses and other current liabilities. The majority of this reduction (\$1,477) is within the Mid Connecticut Project and is associated with settlements achieved during fiscal year 2018. As of June 30, 2018, the Mid Connecticut Project's accrued expenses and other current liabilities have been reduced to \$2. The \$5,000 (100.0%) reduction in long-term liabilities is exclusively related to Mid Connecticut Project settlements achieved during fiscal year 2018. See Note 10 to the financial statements for additional information concerning contingencies associated with the Mid Connecticut Project. During fiscal year 2018, total liabilities associated with the Southeast Project were reduced by \$15 (100%) as part of the final closeout of this project.

The consolidated nature of the Authority's current liabilities summarized on Table 3 does not reflect amounts due to other funds. Amounts due to other funds increased significantly within the CSWS from fiscal year 2017 to fiscal year 2018 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 contingently due to the tip fee stabilization fund.

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

	2018	2017	2018 Increase/ (Decrease) from 2017	2018 Percent Increase/ (Decrease)	2016	2017 Increase/ (Decrease) from 2016	2017 Percent Increase/ (Decrease)
CURRENT LIABILITIES							
Payable from unrestricted assets:							
Accounts payable	\$ 1,444	\$ 1,854	\$ (410)	(22.1%)	\$ 2,615	\$ (761)	(29.1%)
Accrued expenses and other current liabilities	2,886	4,425	(1,539)	(34.8%)	3,874	551	14.2%
Unearned revenue	3,641	3,117	524	16.8%	2,879	238	8.3%
Total payable from unrestricted assets	7,971	9,396	(1,425)	(15.2%)	9,368	28	0.3%
Payable from restricted assets:							
Accrued expenses and other current liabilities	157	155	2	1.3%	158	(3)	(1.9%)
Total payable from restricted assets	157	155	2	1.3%	158	(3)	(1.9%)
TOTAL CURRENT LIABILITIES	8,128	9,551	(1,423)	(14.9%)	9,526	25	0.3%
LONG-TERM LIABILITIES							
Payable from unrestricted assets:							
Other liabilities	-	5,000	(5,000)	(100.0%)	5,000	-	0.0%
Total payable from unrestricted assets	-	5,000	(5,000)	(100.0%)	5,000	-	0.0%
TOTAL LONG-TERM LIABILITIES	-	5,000	(5,000)	(100.0%)	5,000	-	0.0%
TOTAL LIABILITIES	\$ 8,128	\$ 14,551	\$ (6,423)	(44.1%)	\$ 14,526	\$ 25	0.2%

Statements of Revenues, Expenses and Changes in Net Position

The reduction in the Authority's net position from June 30, 2017 to June 30, 2018 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, 2018. Changes in net position represent the results of operations of the Authority (i.e. its net income).

The \$7,280 (5.8%) reduction in net position reflects total operating and non-operating revenues of \$77,988 as shown on Table 5 being exceeded by total operating and non-operating expenses of \$85,268 as shown on Table 6. The Authority generated \$16,771 in income before depreciation and before certain net non-operating expenses. However, depreciation and amortization expenses totaled \$21,431 and the Authority incurred net non-operating expenses of \$2,620.

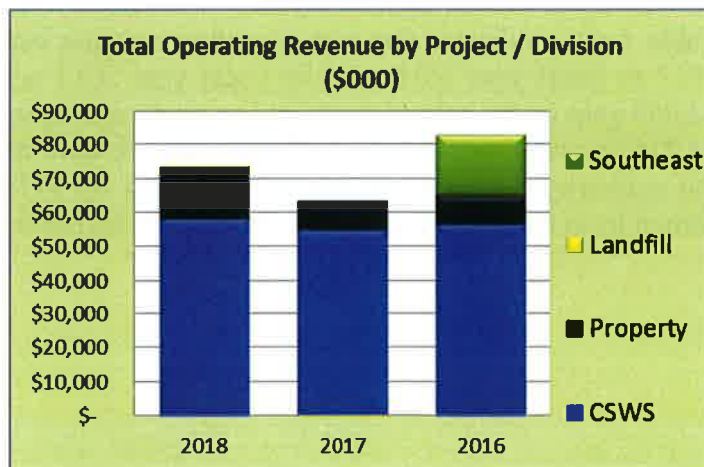
TABLE 4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2018	2017	2016
Operating revenues	\$ 73,889	\$ 63,426	\$ 83,336
Operating expenses	57,118	58,956	79,419
Income before depreciation and amortization and other non-operating revenues and (expenses), net	16,771	4,470	3,917
Depreciation and amortization	21,431	22,638	19,422
Loss before other non-operating revenues and (expenses), net	(4,660)	(18,168)	(15,505)
Non-operating revenues (expenses), net	(2,620)	2,709	(1,789)
Change in net position	(7,280)	(15,459)	(17,294)
Total net position, beginning of year	126,601	142,060	159,354
Total net position, end of year	\$ 119,321	\$ 126,601	\$ 142,060

Revenues

Table 5 summarizes total revenue (operating and non-operating) for the three prior fiscal years ended June 30, 2018.

As indicated in Table 5, operating revenue increased by \$10,463 (16.5%) from fiscal year 2017 to fiscal year 2018. There are two primary contributing factors to this increase including improved energy sales and member service charges, which were partially offset by reduced other service charges.



The Authority's energy sales increased by \$10,273 (50.4%) from fiscal year 2017 to fiscal year 2018. A substantial portion of this increase (\$7,172 or 69.8% of this increase) occurred within the Property Division, 28.5% of the increase (\$2,924) occurred within CSWS and the remainder (\$177) was associated with the Authority's Landfill Division. Virtually all of the increase within the Property Division and CSWS is directly attributable to ISO New England's "Capacity Payments". In fiscal year 2018, the effective payment rate received by the Authority for its participation in ISO New England's Forward Capacity Auctions increased by 143.7%. Other

energy market revenues reflected in the Property Division primarily include electricity sales, forward and real time reserve markets which increased a combined 6.1%. Other energy market revenues reflected within the CSWS primarily include electricity sales which increased a modest \$46 (0.4%). The modest increase in CSWS electricity sales revenue is the product of declining energy production offset by increased energy sales prices. While CSWS energy production declined by 11.6% its average sales price increased by 13.6% from fiscal year 2017 to fiscal year 2018.

The Authority's member service charges increased by \$1,319 (5.5%) from fiscal year 2017 to fiscal year 2018. This is exclusively attributed to CSWS tipping fees paid by CSWS participating municipalities under the Authority's municipal service agreements. The average municipal tipping fee increased by 5.1% while municipal waste deliveries increased by a modest 0.4%.

The increase in municipal service charges was offset by a \$1,430 (9.2%) reduction in other service charges exclusively attributable to solid waste deliveries to the CSWS by non-participating municipalities through waste hauler contracts, interruptible contracts or through the spot market. The Authority curtailed deliveries of interruptible and spot waste due to the performance of the Hartford resource recovery facility resulting in a 20.3% reduction in waste deliveries associated with other service charges.

In total, CSWS operating revenues increased by \$3,144 (5.7%) and Property Division operating revenues increased by \$7,173 (86.8%). The remaining increase in operating revenue (\$146) is associated with the Landfill Division.

Table 5 also indicates that non-operating revenue increased by \$936 (29.6%) from fiscal year 2017 to fiscal year 2018. While fiscal year 2017 non-operating revenue was dominated by a \$2,955 gain on the sale of Authority property and equipment, fiscal year 2018 was dominated by \$3,715 in settlement income from the matter known as *CRRRA v. Lay et. al.* In addition to this, the Authority's investment income increased by \$175 (84.1%) due to improved interest rates earned from the State Treasurer's Short Term Investment Fund.

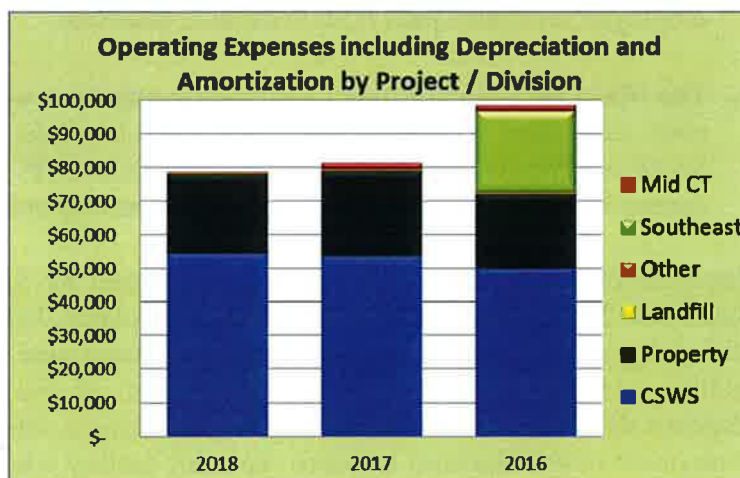
TABLE 5
SUMMARY OF OPERATING AND NON-OPERATING REVENUES
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2018	2017	2018 Increase/ (Decrease) from 2017	2018 Percent Increase/ (Decrease)	2016	2017 Increase/ (Decrease) from 2016	2017 Percent Increase/ (Decrease)
Operating Revenues:							
Member service charges	\$ 25,519	\$ 24,200	\$ 1,319	5.5%	\$ 26,103	\$ (1,903)	(7.3%)
Other service charges	14,048	15,478	(1,430)	(9.2%)	21,493	(6,015)	(28.0%)
Energy sales	30,648	20,375	10,273	50.4%	33,347	(12,972)	(38.9%)
Other operating revenues	3,674	3,373	301	8.9%	2,393	980	41.0%
Total Operating Revenues	73,889	63,426	10,463	16.5%	83,336	(19,910)	(23.9%)
Non-Operating Revenues:							
Investment income	383	208	175	84.1%	99	109	110.1%
Settlement income	3,715	-	3,715	n/a	638	(638)	n/a
Other income	1	2,955	(2,954)	(100.0%)	102	2,853	2797.1%
Total Non-Operating Revenues	4,099	3,163	936	29.6%	839	2,324	277.0%
Total Revenues	\$ 77,988	\$ 66,589	\$ 11,399	17.1%	\$ 84,175	\$ (17,586)	(20.9%)

Expenses

Table 6 summarizes total expenses (operating expenses, depreciation and non-operating expenses) for the three prior fiscal years ended June 30, 2018. As indicated, total expenses increased by \$3,220 (3.9%) from fiscal year 2017 to fiscal year 2018.

Operating expenses (before depreciation) declined by \$1,838 (3.1%) from fiscal year 2017 to fiscal year 2018. This reflects a \$989 (1.8%) increase in CSWS operating expenses before depreciation offset by reductions in all other projects and divisions as described below:



- The \$989 (1.8%) increase in CSWS operating expenses (before depreciation) was driven by a \$1,056 (2.2%) increase in CSWS solid waste operations expense partially offset by reductions in CSWS maintenance and utilities, and legal services. The increase in CSWS solid waste operations expense relates primarily to the cost to divert CSWS waste deliveries to alternate sites due to increased downtime in the Hartford resource recovery facility for major maintenance purposes. In fiscal year 2018 the CSWS diverted approximately twenty-four thousand tons of waste (4.1% of total deliveries) to alternate disposal sites. Diversion costs increased by \$1,691 (417.1%). Savings in other expenditures included within solid waste operations helped to mitigate the overall increase.

- Property Division operating expenses (before depreciation) declined by \$751 (25.8%) from fiscal year 2017 to fiscal year 2018. Solid waste operations expense declined by \$367 (22.1%) due to reduced costs for jet fuel, Discrete Emission Reduction Credits (DERCs) and contract operating charges. Maintenance and utilities declined by \$450 (79.2%) with reductions in building and grounds maintenance and utilities as well as jets major maintenance expenses which were elevated during fiscal year 2017 for overhaul and related purposes. Legal services declined by \$14 (37.8%) while administrative and operational services increased by \$80 (12.4%).
- Landfill Division operating expenses (before depreciation) declined by \$211 (62.8%) from fiscal year 2017 to fiscal year 2018. Solid waste operations expense increased by \$23 (50.0%) due to increased contract operating charges. Maintenance and utilities declined by \$132 (105.6%) due to reduced major maintenance which was elevated during fiscal year 2017 due to a lightning strike on the Authority's solar array. Legal services declined by \$107 (201.9%) primarily due to the reversal of accrued fiscal year 2017 expenses while administrative and operational services increased by \$5 (4.5%).
- The Authority's unallocated General Fund expenses declined by \$68 (89.5%) from fiscal year 2017 to fiscal year 2018. These expenses were elevated during fiscal year 2017 due to employee severance paid from severance reserves.
- The Mid Connecticut Project's operating expenses were reduced by \$1,768 (100.0%) as all costs associated with this project are now classified as non-operating expenses. Likewise, Southeast Project operating expenses were reduced by \$29 (100%) as this project fully closed during fiscal year 2018. Final project distributions are classified as non-operating expenses.

Depreciation and amortization expenses decreased by \$1,207 (5.3%) from fiscal year 2017 to fiscal year 2018. This decrease reflects the completed depreciation of major facilities at the close of fiscal year 2017, and in the first quarter of fiscal year 2018, including the Hartford recycling facility and the waste processing component of the Hartford resource recovery facility, respectively. This was offset by major maintenance activity occurring within the power block component of the Hartford resource recovery facility which is approaching the end of its useful life. Certain major maintenance activities within the resource recovery facility are depreciated over the remaining useful life of the underlying asset. For example, the useful life of boiler systems is thirty years ending June 30, 2019 and component replacements are not considered to extend the useful life of the system.

Non-operating expenses increased significantly from fiscal year 2017 to fiscal year 2018. During fiscal year 2017, non-operating expenses totaled only \$454 and primarily represented the write-off of capital assets. In fiscal year 2018, non-operating expenses totaled \$6,719 and primarily represented major milestones in the Authority's settlement and project closeout activities. This includes MDC settlement expenses, distributions to SCRRRA and Mid Connecticut Project municipalities as well as legal costs and the write-off of capital assets.

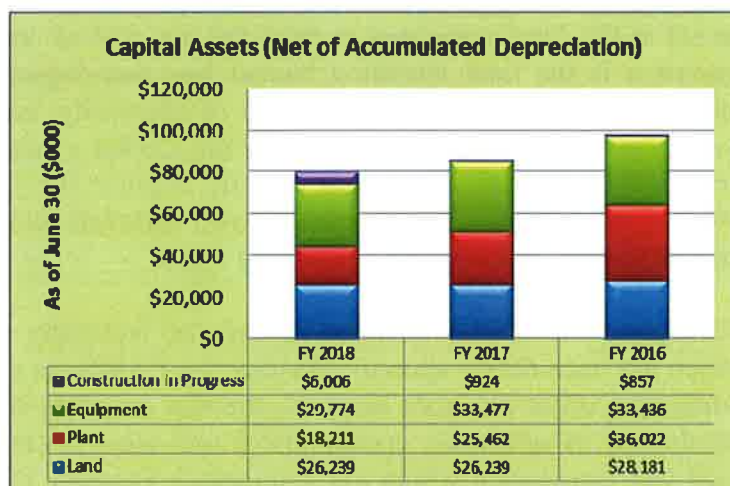
TABLE 6
SUMMARY OF OPERATING AND NON-OPERATING EXPENSES
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2018	2017	2018 Increase/ (Decrease) from 2017	2018 Percent Increase/ (Decrease)	2016	2017 Increase/ (Decrease) from 2016	2017 Percent Increase/ (Decrease)
Operating Expenses:							
Solid waste operations	\$ 51,420	\$ 50,722	\$ 698	1.4%	\$ 66,148	\$ (15,426)	(23.3%)
Maintenance and utilities	906	1,522	(616)	(40.5%)	1,098	424	38.6%
Legal services - external	(37)	1,713	(1,750)	(102.2%)	580	1,133	195.3%
Administrative and operational services	4,829	4,999	(170)	(3.4%)	5,718	(719)	(12.6%)
Distribution to SCRRA	-	-	-	100.0%	5,875	(5,875)	0.0%
Total Operating Expenses	57,118	58,956	(1,838)	(3.1%)	79,419	(20,463)	(25.8%)
Depreciation and amortization	21,431	22,638	(1,207)	(5.3%)	19,422	3,216	16.6%
Operating Expenses Including Depreciation and Amortization	78,549	81,594	(3,045)	(3.7%)	98,841	(17,247)	(17.4%)
Non-Operating Expenses:							
Settlement expenses	2,324	-	2,324	n/a	693	(693)	n/a
Distribution to SCRRA	656	-	656	100.0%	-	-	0.0%
Distribution to Towns	3,412	-	3,412	100.0%	-	-	0.0%
Other expenses	327	454	(127)	(28.0%)	1,935	(1,481)	(76.5%)
Total Non-Operating Expenses	6,719	454	6,265	1380.0%	2,628	(2,174)	(82.7%)
Total Expenses	\$ 85,268	\$ 82,048	\$ 3,220	3.9%	\$ 101,469	\$ (19,421)	(19.1%)

Capital Assets

The Authority's investment in capital assets (net of accumulated depreciation) as of June 30, 2018 totaled \$80,230. This represents a \$5,872 (6.8%) reduction from net capital assets as of June 30, 2017 which totaled \$86,102. 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 resource recovery 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, 2018, this primarily consisted of ongoing major maintenance work in the power block component of the Hartford 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.

Long-Term Debt Issuance, Administration and Credit Ratings

As of June 30, 2018, the Authority had no outstanding long-term debt carried on its books.

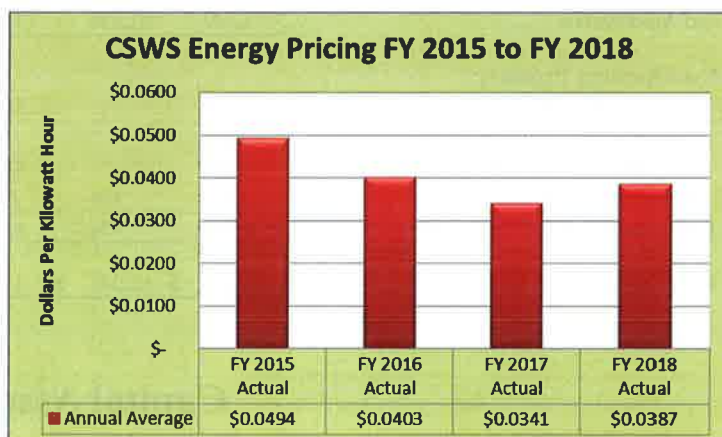
Economic Factors and Outlook

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 by State statute and municipal service agreements 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, recycling activities and disposal fees for waste not contractually committed to the CSWS ("non-participating towns"). Consequently, price volatility in these markets directly impacts the tip fees charged to participating towns. Most of the Authority's participating town contracts include tip fee caps above which the towns may terminate the contract ("opt-out tip fee").

To support the CSWS business model, the Authority established a tip fee stabilization fund which has been drawn upon to subsidize the CSWS net cost of operation when wholesale energy prices and other revenues are low, thereby avoiding the opt-out tip fee, 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, 2018 was \$2,151 and a total of \$24,856 was reimbursable from the CSWS contingent upon its future financial performance and availability of surplus funds.



The Authority was 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 resource recovery facility would cause the Authority to exceed the opt-out tip fee. While the adopted tip fee has now exceeded the opt-out tip fee for both the fiscal year 2018 and fiscal year 2019 adopted budgets, none of the towns opted out of the contract.

The adopted budget for fiscal year 2019 included a second consecutive \$4.00 per ton increase in participating town tip fees as well as continued subsidy from the tip fee stabilization fund. Property Division income and reserves will continue to flow to this fund in fiscal year 2019 subject to an authorized cap of \$7,700 pending further action by the Authority's Board of Directors as necessary to address 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 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 the compliance mechanism it needs to continue to operate the peaking units (acquisition and use of Discrete Emission Reduction Credits). The Authority's new Trading Order under the Phased Compliance Program (received during fiscal year 2018) extends through May 31, 2023. The Capacity Supply Obligations the Authority has incurred to ISO New England, for which it will receive established capacity payments for the peaking units, extend through May 31, 2022. These capacity payments have increased from \$5,754 in fiscal 2017 to \$12,898 in fiscal year 2018. They will peak in fiscal year 2019 at approximately \$16,651 and decline steadily to approximately \$8,000 in fiscal year 2022. The Authority forecasts that these payments will decline further to approximately \$5,500 in fiscal year 2023 in the event it incurs a final Capacity Supply Obligation for the last year of the Phased Compliance Program.

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 was 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 which have already been achieved include the conduct of a two-phase Request for Proposals (RFP) process, legislative reports and public hearings culminating in DEEP's selection of a preferred proposal and its December 31, 2017 direction to the Authority to enter into an agreement with the selected respondent (the Sacyr Rooney Recovery Team, LLC or "SRRT") for the redevelopment of the CSWS. The SRRT

proposal represents a \$222 million investment in the refurbishment of the resource recovery facility together with the incorporation of new “Diversion Technology” which would include new mechanical and biological treatment facilities and an aerobic digester. The proposal forecasts strong financial performance and returns to SRRT, achievement of the State’s goal of 60% diversion of the Solid Waste generated in the State after January 1, 2024, and lower tip fees for some of the Authority’s existing municipal customers. The Authority is both excited over the promises of the proposal, and cognizant that essential elements of the proposed Diversion Technology have experienced limited success when implemented in the US. DEEP’s initial objective was that a contract providing for the redevelopment be executed by July 1, 2018. The redeveloped CSWS is expected to commence operations by July 1, 2023. The Authority’s existing municipal service agreements would expire on June 30, 2027 (four years into the new project).

The second phase RFP included the contract principles DEEP expected final proposals to adhere to. The contract principles and other provisions of the RFP propose 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 municipalities. The key aspects of governance potentially to be transferred to the private sector include governing municipal 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 municipalities that use transfer stations. Final proposals were 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 private sector is to assume the risk of developing, operating and maintaining the CSWS and providing waste management services subject to the firm prices proposed. In selecting a final participant, 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.

During fiscal year 2018, the Authority actively engaged in discussions aimed at bringing the proposed redevelopment project to fruition in a manner consistent with its municipal service agreements, the contracting requirements of its enabling legislation, relevant provisions of the Act and DEEP’s RFP. These discussions will continue during fiscal year 2019 in an effort to fully address the key challenges posed by SRRT’s proposal. The key challenges the Authority intends to resolve through these discussions and project due diligence include:

- Compliance among the SRRT proposal, the Authority’s municipal service agreements and its enabling legislation;
- Establishing a feasible (firm) schedule of tip fees reflecting reasonable forecasts of project revenues and expenses;
- Ensuring the firm tip fee schedule remains available to municipalities after expiration of the existing municipal service agreements;
- Ensuring the project is economically viable recognizing the status of energy, single stream recycling and mixed waste recycling commodity markets and the project’s heavy reliance on those markets;
- Addressing these challenges in a timeframe responsive to the near term refurbishment needs of the resource recovery facility; and

- Establishing the appropriate critical path, milestones and terms associated with SRRT's assumption of operating responsibility for the resource recovery facility and Diversion Technology.

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.

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2018 AND JUNE 30, 2017
(Dollars in Thousands)

EXHIBIT 1
Page 1 of 2

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	\$ 32,727	\$ 41,605
Accounts receivable, net of allowances	5,587	4,982
Inventory	6,203	5,937
Prepaid expenses	2,496	2,322
Total Unrestricted Assets	<u>47,013</u>	<u>54,846</u>
Restricted Assets:		
Cash and cash equivalents	<u>206</u>	<u>204</u>
TOTAL CURRENT ASSETS	<u>47,219</u>	<u>55,050</u>
NON-CURRENT ASSETS		
Capital Assets:		
Depreciable, net	47,985	58,939
Nondepreciable	32,245	27,163
Total Capital Assets	<u>80,230</u>	<u>86,102</u>
TOTAL NON-CURRENT ASSETS	<u>80,230</u>	<u>86,102</u>
TOTAL ASSETS	<u>127,449</u>	<u>141,152</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, 2018 AND JUNE 30, 2017
(Dollars in Thousands)

EXHIBIT I
Page 2 of 2

	<u>2018</u>	<u>2017</u>
LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	\$ 1,444	\$ 1,854
Accrued expenses and other current liabilities	2,886	4,425
Unearned revenue	3,641	3,117
Total Payable from Unrestricted Assets	<u>7,971</u>	<u>9,396</u>
Payable from Restricted Assets:		
Accrued expenses and other current liabilities	<u>157</u>	<u>155</u>
TOTAL CURRENT LIABILITIES	<u>8,128</u>	<u>9,551</u>
LONG-TERM LIABILITIES		
Payable from Unrestricted Assets:		
Other liabilities	<u>-</u>	<u>5,000</u>
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>5,000</u>
TOTAL LIABILITIES	<u>8,128</u>	<u>14,551</u>
NET POSITION		
Net investment in capital assets	80,230	86,102
Restricted	49	49
Unrestricted	39,042	40,450
TOTAL NET POSITION	<u>\$ 119,321</u>	<u>\$ 126,601</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, 2018 AND 2017****(Dollars in Thousands)****EXHIBIT II**

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Service charges:		
Members	\$ 25,519	\$ 24,200
Others	14,048	15,478
Energy sales	30,648	20,375
Other	3,674	3,373
Total Operating Revenues	<u>73,889</u>	<u>63,426</u>
Operating Expenses		
Solid waste operations	51,420	50,722
Maintenance and utilities	906	1,522
Legal services - external	(37)	1,713
Administrative and Operational services	4,829	4,999
Total Operating Expenses	<u>57,118</u>	<u>58,956</u>
Operating Income before depreciation and amortization	16,771	4,470
Depreciation and amortization	<u>21,431</u>	<u>22,638</u>
Operating Loss	(4,660)	(18,168)
Non-Operating Revenues (Expenses)		
Investment income	383	208
Settlement income	3,715	-
Settlement expenses, net	(2,324)	-
Distribution to SCRRRA	(656)	-
Distributions to towns	(3,412)	-
Other revenues (expenses), net	(326)	2,501
Total Non-Operating Revenues (Expenses), Net	<u>(2,620)</u>	<u>2,709</u>
Change in Net Position	(7,280)	(15,459)
Total Net Position, beginning of year	<u>126,601</u>	<u>142,060</u>
Total Net Position, end of year	<u>\$ 119,321</u>	<u>\$ 126,601</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, 2018 AND 2017
(Dollars in Thousands)

EXHIBIT III

	<u>2018</u>	<u>2017</u>
Cash Flows Provided by (Used in) Operating Activities		
Payments received from providing services	\$ 73,808	\$ 63,659
Payments to suppliers and employees	(66,548)	(58,205)
Distributions to towns	(3,412)	-
Distribution to SCRRRA	(656)	-
Settlement income	3,715	-
Settlement expenses	(281)	-
Net Cash Provided by Operating Activities	<u>6,626</u>	<u>5,454</u>
Cash Flows Provided by Investing Activities		
Proceeds from investments	-	4,888
Interest on investments	383	208
Net Cash Provided by Investing Activities	<u>383</u>	<u>5,096</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities		
Proceeds from sales of equipment	5	9
Acquisition and construction of capital assets	(15,890)	(12,639)
Net Cash Used in Capital and Related Financing Activities	<u>(15,885)</u>	<u>(12,630)</u>
Net Decrease in Cash and Cash Equivalents	(8,876)	(2,080)
Cash and Cash Equivalents, beginning of year	<u>41,809</u>	<u>43,889</u>
Cash and Cash Equivalents, end of year	<u>\$ 32,933</u>	<u>\$ 41,809</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	\$ (4,660)	\$ (18,168)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation of capital assets	21,431	22,637
Other income (expenses), net	(2,677)	-
Changes in assets and liabilities, net of transfers:		
(Increase) decrease in:		
Accounts receivable, net	(605)	(30)
Inventory	(266)	17
Prepaid expenses	(174)	973
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(6,423)	25
Net Cash Provided by Operating Activities	<u>\$ 6,626</u>	<u>\$ 5,454</u>

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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. Five of the directors are required by statute to be municipal officials, two from municipalities with populations of more than fifty-thousand, and three from municipalities with populations of fifty-thousand or less. All appointments require the advice and consent of both houses of the General Assembly. During fiscal year 2018, the Authority’s board included officials from five municipalities that receive solid waste disposal services from the Authority.

In addition, the statutory structure of the Authority, which is a component unit of the State of Connecticut, and of the Authority’s board, which includes representatives of municipalities and customers served by the Authority, results in transactions with related parties and related organizations that occur in the ordinary course of operations.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

A. Entity and Services (*Continued*)

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 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 private sector. CRRA assigned these assets to its Property Division and put them into service in the form of the **Connecticut Solid Waste System**. Assets in service to the CSWS include the resource recovery facility, four transfer stations and a major recycling facility. The CSWS presently provides solid waste disposal services to 51 Connecticut municipalities and 41 private waste haulers under contract with the Authority.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

A. Entity and Services (*Continued*)

The CSWS is the primary operating division of the Authority and is the only publicly owned, fully controlled waste disposal system in the State. 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 private sector 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. In March, 2015 the private operator was granted a permit to close the Wallingford resource recovery facility for economic reasons and convert it into a transfer station. The private operator is presently evaluating closure of the transfer station.

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 private sector, 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. The Authority subsequently sold the Stratford recycling facility during fiscal year 2017.

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 private operator ownership upon expiration of the underlying contracts.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

A. Entity and Services (*Continued*)

Likewise, 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.

Commencing in fiscal year 2016, the Authority's role in the Southeast Project began to wind down. The project's bonds have matured and were fully paid. Initial release and indemnification agreements with both SCRRRA and Covanta provided for the Authority's transfer of financial control of the Project to SCRRRA. Title to the resource recovery facility transferred to the private operator. These efforts concluded during fiscal year 2018 when 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 acknowledged 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.

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, 2018 AND 2017

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, 2018 AND 2017

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 \$30,000 at June 30, 2018 and \$35,000 at June 30, 2017.

F. Inventory

The Authority's spare parts inventory is stated at the lower of cost or net realizable value using the weighted-average costing method. The Authority's fuel inventory is stated at the lower of cost or net realizable value using a first-in first-out (FIFO) method. Inventories at June 30, 2018 and 2017 are summarized as follows:

Inventories	Fiscal Year	
	2018	2017
	(\$000)	(\$000)
Spare Parts	\$ 5,210	\$ 4,972
Fuel	993	965
Total	<u>\$ 6,203</u>	<u>\$ 5,937</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 consists of cash and cash equivalents restricted for use by enabling legislation or by externally imposed restrictions by creditors, grantors or laws and regulations. The Authority's restricted assets are mainly customer guarantees of payment 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, 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 a change in circumstances is outside the normal life cycle of the capital asset. During the years ended June 30, 2018 and 2017, 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, 2018 and 2017 and the related changes for the years ended June 30, 2018 and 2017 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, 2018 AND 2017

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

K. Compensated Absences *(Continued)*

	Balance at July 1, 2016 (\$000)	Increases (Decreases) (\$000)	Balance at June 30, 2017 (\$000)	Increases (Decreases) (\$000)	Balance at June 30, 2018 (\$000)
Compensated Absences					
Accrued vacation and personal time	\$ 453	\$ (85)	\$ 368	\$ 44	\$ 412
Total	\$ 453	\$ (85)	\$ 368	\$ 44	\$ 412

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 \$80.2 million and \$86.1 million as of June 30, 2018 and 2017.

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. Restricted net position totaled approximately \$49,000 as of June 30, 2018 and 2017. 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 approximately \$18.0 million and \$17.0 million as of June 30, 2018 and 2017, respectively.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

L. Net Position *(Continued)*

Unrestricted net position at June 30, 2018 and 2017 are summarized as follows:

Unrestricted Net Position	2018 (\$000)	2017 (\$000)
Undesignated	\$20,999	\$23,462
Designated:		
Authority:		
Severance reserve	725	723
Southeast:		
Post-project reserve	-	1,060
Property Division:		
General reserve	8,022	6,470
Improvement reserve- PD	27	27
Improvement reserve - CSWS	2,346	293
Tip fee stabilization	2,151	1,998
Jets major maintenance	703	-
MidConnecticut:		
Litigation reserve	163	176
Post-project reserve	1,920	5,184
CSWS:		
Debt Service reserve	4	4
Risk reserve	863	446
General reserve	1	1
Legal reserve	615	606
Landfill Division:		
Hartford solar reserve	322	-
Pollution insurance reserve	181	-
	<u>18,043</u>	<u>16,988</u>
Total Unrestricted Net Position	<u>\$ 39,042</u>	<u>\$ 40,450</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

M. New Accounting Pronouncements

Effective July 1, 2017, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of these statements did not have a material effect on the Authority's financial statements.

2. CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2018 and 2017:

Cash and Cash Equivalents	2018 (\$000)	2017 (\$000)
Unrestricted:		
Cash deposits	\$ 8,466	\$ 9,676
Cash equivalents:		
STIF *	24,261	31,929
	<u>32,727</u>	<u>41,605</u>
Restricted – current:		
Cash deposits	206	198
Cash equivalents:		
STIF *	-	6
	<u>206</u>	<u>204</u>
Total	<u>\$ 32,933</u>	<u>\$ 41,809</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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Cash Deposits – Custodial Credit Risk *(Continued)*

As of June 30, 2018 and 2017, approximately \$8.7 million and \$9.5 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2018 (\$000)	2017 (\$000)
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	1,184	1,375
Insurance coverage (FDIC)	250	250
Uninsured and Uncollateralized	\$ 7,494	\$8,216
Total	<u>\$ 8,928</u>	<u>\$9,841</u>

Total represents Bank of America account balance as of 6/30/18.
Uninsured but collateralized equals 13.26% of total per Bank of
America reporting.
Balance represents uninsured and uncollateralized.

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

Investments in the State of Connecticut Short-Term Investment Fund ("STIF") as of June 30, 2018 and 2017 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Interest Rate Risk

As of June 30, 2018, the Authority's investments consisted of the following debt securities:

Investment Type	Net Asset Value (\$000)	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
STIF	\$ 24,261	\$ 24,261	\$ -	\$ -	\$ -
Total	\$ 24,261	\$ 24,261	\$ -	\$ -	\$ -

As of June 30, 2017, the Authority's investments consisted of the following debt securities:

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

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, 2018 and 2017, STIF had a weighted average maturity of 35 days.

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

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.

As of June 30, 2018, the Authority's investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	\$ 24,261	AAAm	Not Rated	Not Rated

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

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

Custodial Credit Risk

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

Concentration of Credit Risk

The Authority's investment policy places no limit on the amount of investment in any one issuer, but does require diversity of the investment portfolio if investments are made in non-U.S. government or U.S. agency securities to eliminate the risk of loss of over-concentration of assets in a specific class of security, a specific maturity and/or a specific issuer. The asset allocation of the investment portfolio should, however, be flexible enough to assure adequate liquidity for Authority needs. As of June 30, 2018 and 2017, 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, 2018 AND 2017

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2018 and 2017:

	Balance at June 30, 2016 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2017 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2018 (\$000)
Depreciable assets:									
Plant	\$ 205,330	\$ -	\$ 8,579	\$ (9,733)	\$ 204,177	\$ -	\$ 9,690	\$ (5,438)	\$ 208,429
Equipment	241,927	17	3,975	(3,334)	242,586	9	1,109	(249)	243,455
Total at cost	<u>447,257</u>	<u>17</u>	<u>12,554</u>	<u>(13,066)</u>	<u>446,763</u>	<u>9</u>	<u>10,799</u>	<u>(5,687)</u>	<u>451,884</u>
Less accumulated depreciation for:									
Plant	(169,308)	(12,579)	-	3,173	(178,715)	(16,678)	-	5,175	(190,218)
Equipment	(208,491)	(10,058)	-	9,440	(209,109)	(4,754)	-	182	(213,681)
Total accumulated depreciation	<u>(377,799)</u>	<u>(22,637)</u>	<u>-</u>	<u>12,612</u>	<u>(387,824)</u>	<u>(21,432)</u>	<u>-</u>	<u>5,357</u>	<u>(403,899)</u>
Total depreciable assets, net	<u>\$ 69,458</u>	<u>\$ (22,620)</u>	<u>\$ 12,554</u>	<u>\$ (454)</u>	<u>\$ 58,939</u>	<u>\$ (21,423)</u>	<u>\$ 10,799</u>	<u>\$ (330)</u>	<u>\$ 47,985</u>
Nondepreciable assets:									
Land	\$ 28,181	\$ -	\$ -	\$ (1,942)	\$ 26,239	\$ -	\$ -	\$ -	\$ 26,239
Construction-in-progress	857	12,622	(12,554)	-	924	15,881	(10,799)	-	6,006
Total nondepreciable assets	<u>\$ 29,038</u>	<u>\$ 12,622</u>	<u>\$ (12,554)</u>	<u>\$ (1,942)</u>	<u>\$ 27,163</u>	<u>\$ 15,881</u>	<u>\$ (10,799)</u>	<u>\$ -</u>	<u>\$ 32,245</u>
Total depreciable and nondepreciable assets	<u>\$ 98,496</u>	<u>\$ (9,998)</u>	<u>\$ -</u>	<u>\$ (2,396)</u>	<u>\$ 86,102</u>	<u>\$ (5,542)</u>	<u>\$ -</u>	<u>\$ (330)</u>	<u>\$ 80,230</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.

During the year ended June 30, 2014, pursuant to the State of Connecticut's Public Act 13-247 and Section 99 of Public Act 13-184, the Authority transferred \$35.8 million in post closure care obligations for all of its landfills to the State's Department of Energy and Environmental Protection (DEEP) and concurrently transferred \$31.0 million of its landfill reserve accounts and trust funds to the State's General Fund. The Authority's closure obligation for the Hartford landfill was not transferred to DEEP. As of June 30, 2014, all five of the Authority's landfills had no capacity available since 100% of their capacity had been used, and all landfills other than Hartford had been closed in compliance with applicable Federal, State and local regulations.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

During the year ended June 30, 2015, the Authority completed closure of the Hartford landfill in compliance with applicable Federal, State and local regulations. Accordingly, the 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, 2018 and 2017.

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 represented 7.7 % and 9.8% of total operating revenues for the years ended June 30, 2018 and 2017, respectively.

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 represented 33.7% and 22.5% of total operating revenues for the years ended June 30, 2018 and 2017, respectively.

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 12.0% and 13.1% of the Authority's operating revenues for the years ended June 30, 2018 and 2017, respectively.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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, 2018 and 2017 amounted to approximately \$310,000 and \$321,000, respectively. Employees contributed approximately \$286,000 to the plan during the year ended June 30, 2018 and \$311,000 to the plan during the year ended June 30, 2017.

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, 2018 and 2017.

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. This includes insurance coverage for property, general liability, pollution, auto, umbrella, workers comp, public officials, crime and fiduciary. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years and there have been no significant reductions in insurance coverages from the prior year. 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 all locations. The CSWS waste-to-energy facility is the Authority's highest valued single facility.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

8. COMMITMENTS

The Authority has various operating leases for office space and office equipment, which totaled approximately \$197,000 and \$194,000 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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 \$1,626,000 and \$1,635,000, respectively. The City of Hartford PILOT agreement for the CSWS ended as of June 30, 2018 and a new agreement is currently in the process of being negotiated. The City of Hartford PILOT payment totaled \$1,500,000 for the year ended June 30, 2018. Future minimum payments under non-cancelable operating leases and future contracted PILOT payments as of June 30, 2018 are as follows:

Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2019	\$ 199	\$ 126
2020	203	126
2021	204	126
2022	208	126
2023	178	126
Thereafter	60	504
Total	<u>\$ 1,052</u>	<u>\$ 1,134</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 expiration date
Wheelabrator Technologies	6/30/2024
NAES Corporation	6/30/2019
USA Waste & Recycling	6/30/2023
CWPM, LLC	6/30/2023
FCR Inc	6/30/2019

With the exception of FCR Inc., operating charges paid by the Authority are derived from various factors such as tonnage processed, management fees and certain pass-through costs. FCR Inc. operates the CSWS recycling center at its expense, retains revenue generated for its services and commodity sales, and pays the Authority a tonnage fee and share of its gross revenue.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

8. COMMITMENTS *(Continued)*

The approximate amount of contract operating charges paid by the Authority, and included in solid waste operations, and maintenance and utilities expense for the years ended June 30, 2018 and 2017 were as follows:

Project	2018 (\$000)	2017 (\$000)
Connecticut Solid Waste System	\$ 46,699	\$ 46,031
Property Division	729	1,148
Landfill Division	(1)	(24)
Total	<u>\$ 47,427</u>	<u>\$ 47,155</u>

9. OTHER FINANCING

The Authority is authorized and has previously 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, 2018 or June 30, 2017, several recent retirements relate to the Authority's Southeast Project. The revenue bonds were issued by the Authority to lower the cost of borrowing for the private operator of the project. 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 private 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, 2018 AND 2017

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. Following the conclusion of all hearings on July 7, 2017, at the request of the parties, the arbitration panel’s deliberations were suspended while the parties engaged in confidential settlement discussions. The parties reached agreement and a Settlement Agreement and Absolute Release was executed on October 3, 2017, pursuant to which the Authority paid MDC \$8,250,000, to cover all costs arising from MDC’s services for the Mid-Connecticut Project pursuant to the Agreement. Payment from the Authority was made from Mid-Connecticut Project reserves. The arbitrators were informed and the arbitration and related court proceedings concluded.

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. The Authority also raised issues in the appeal. On June 6, 2018, the Connecticut Supreme Court transferred the matter to itself. The appeal has been briefed and is pending.

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.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

10. CONTINGENCIES (*Continued*)

Other Issues; Unasserted Claims and Assessments (*Continued*)

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. On May 7, 2018, TRC submitted a Verification (i.e., final sign-off) for the site to DEEP, certifying that the site has been fully remediated in accordance with applicable environmental requirements. DEEP will review, and either issue a so-called No-Audit letter, or inform the Certifying Party that it will audit the Verification. If a No-Audit letter is issued, then the Verification can be considered final (although there are certain conditions, such as inclusion of materially misleading or inaccurate information, under which a Verification can be subsequently rejected). If DEEP conducts an audit of the Verification, DEEP may either confirm that the Verification was valid, or identify deficiencies that must be corrected. TRC would then be required to correct the deficiencies. 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 the Authority for the additional costs to finalize the Verification of the Site, because the source of funding expired prior to submittal. Additionally, if the Verification is audited and deficiencies are found that require correction, TRC may demand payment for those costs as well. We have not been informed about the amount of any such potential additional costs.

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, 2022. 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 2018, the Authority adopted a Tier 1 Long Term disposal fee of \$68.00 per ton in comparison to a Tier 1 Long Term opt out disposal fee of \$65.15 per ton. For fiscal year 2018, the Authority adopted a Tier 1 Short Term disposal fee of \$70.00 per ton; there was no Tier 1 Short Term opt out disposal fee effective for fiscal year 2018 due to the timing of renewal of these agreements. In fiscal year 2018, Tier 1 Long Term and Tier 1 Short Term agreements represented 58% and 1%, respectively, of total waste delivered to the Connecticut Solid Waste System. For fiscal year 2018, the authority adopted a Tier 1 Long Term disposal fee that exceeded 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 is subject to numerous federal, state and local environmental and other laws and regulations and management believes it is in substantial compliance with all such governmental laws and regulations.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

11. NEW ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

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 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 is currently evaluating the potential impact of adopting this Statement 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 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 is currently evaluating the potential impact of adopting this Statement on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for the Authority's reporting period beginning July 1, 2018. The Authority does not expect this statement to have a material effect on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and 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

A Component Unit of the State of Connecticut

Page 1 of 3

SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION

AS OF JUNE 30, 2018

(Dollars in Thousands)

ASSETS	Authority General Fund	Connecticut		Mid-Connecticut Project	Southeast Project	Property		Landfill Division	Eliminations	Total
		Solid Waste System	Waste System			Division	Division			
CURRENT ASSETS										
Unrestricted Assets:										
Cash and cash equivalents	\$ 1,627	\$ 9,275	\$ 2,512	\$ -	\$ -	\$ 16,207	\$ 3,106	\$ -	\$ -	\$ 32,727
Accounts receivable, net of allowances	-	4,067	-	-	-	1,511	9	-	-	5,587
Inventory	-	4,737	-	-	-	1,466	-	-	-	6,203
Prepaid expenses	-	2,331	-	-	-	64	101	-	-	2,496
Due from other funds	648	44	-	-	-	5,574	-	(6,266)	-	-
Total Unrestricted Assets	2,275	20,454	2,512	-	-	24,822	3,216	(6,266)	-	47,013
Restricted Assets:										
Cash and cash equivalents	-	157	-	-	-	49	-	-	-	206
TOTAL CURRENT ASSETS	2,275	20,611	2,512	-	-	24,871	3,216	(6,266)	-	47,219
NON-CURRENT ASSETS										
Capital Assets:										
Depreciable:										
Plant	84	-	-	-	-	182,992	25,353	-	-	208,429
Equipment	982	-	-	-	-	237,988	4,485	-	-	243,455
	1,066	-	-	-	-	420,980	29,838	-	-	451,884
Less: Accumulated depreciation	(1,004)	-	-	-	-	(375,537)	(27,358)	-	-	(403,899)
Total Depreciable, net	62	-	-	-	-	45,443	2,480	-	-	47,985
Nondepreciable:										
Land	-	-	-	-	-	10,130	16,109	-	-	26,239
Construction in progress	-	-	-	-	-	6,006	-	-	-	6,006
Total Nondepreciable	-	-	-	-	-	16,136	16,109	-	-	32,245
Total Capital Assets	62	-	-	-	-	61,579	18,589	-	-	80,230
TOTAL NON-CURRENT ASSETS	62	-	-	-	-	61,579	18,589	-	-	80,230
TOTAL ASSETS	2,337	20,611	2,512	-	-	86,450	21,805	(6,266)	-	127,449

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, 2018

(Dollars in Thousands)

EXHIBIT A
Page 2 of 3

LIABILITIES	Authority General Fund	Connecticut Solid Waste System		Mid-Connecticut Project		Southeast Project		Property Division		Landfill Division		Eliminations	Total
CURRENT LIABILITIES													
Payable from Unrestricted Assets:													
Accounts payable	\$ 17	\$ 1,406	\$ 2	\$ 2	\$ -	\$ -	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,444
Accrued expenses and other current liabilities	580	2,142	2	2	-	-	69	93	-	-	-	-	2,886
Due to other funds	41	6,103	-	-	-	-	104	18	-	-	(6,266)	-	-
Unearned revenue	-	3,180	425	425	-	-	36	-	-	-	-	-	3,641
Total Payable from Unrestricted Assets	638	12,831	429	429	-	-	228	111	-	-	(6,266)	-	7,971
Payable from Restricted Assets:													
Accrued expenses and other current liabilities	-	157	-	-	-	-	-	-	-	-	-	-	157
TOTAL CURRENT LIABILITIES	638	12,988	429	429	-	-	228	111	-	-	(6,266)	-	8,128
TOTAL LIABILITIES	638	12,988	429	429	-	-	228	111	-	-	(6,266)	-	8,128

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, 2018
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	Total
Net investment in capital assets	\$ 62	\$ -	\$ -	\$ -	\$ 61,579	\$ 18,589	\$ -	\$ 80,230
Restricted	-	-	-	-	49	-	-	49
Unrestricted	1,637	7,623	2,083	-	24,594	3,105	-	39,042
TOTAL NET POSITION	\$ 1,699	\$ 7,623	\$ 2,083	\$ -	\$ 86,222	\$ 21,694	\$ -	\$ 119,321

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY

EXHIBIT B

A Component Unit of the State of Connecticut

SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
AS OF JUNE 30, 2018
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	Total
Operating Revenues								
Service charges:								
Members	\$ -	\$ 25,519	\$ -	\$ -	\$ -	-	\$ -	\$ 25,519
Others	-	14,048	-	-	-	-	-	14,048
Energy sales	-	15,598	-	-	14,943	107	-	30,648
Other	-	3,152	-	-	498	24	-	3,674
Total Operating Revenues	-	58,317	-	-	15,441	131	-	73,889
Operating Expenses								
Solid waste operations	-	50,449	-	-	1,295	69	(393)	51,420
Maintenance and utilities	-	795	-	-	118	(7)	-	906
Legal services - external	-	(6)	-	-	23	(54)	-	(37)
Administrative and Operational services	8	3,981	-	-	723	117	-	4,829
Total Operating Expenses	8	55,219	-	-	2,159	125	(393)	57,118
Operating Income (Loss) before depreciation and amortization	(8)	3,098	-	-	13,282	6	393	16,771
Depreciation and amortization	28	-	-	-	21,265	138	-	21,431
Operating Income (Loss)	(36)	3,098	-	-	(7,983)	(132)	393	(4,660)
Non-Operating Revenues (Expenses)								
Investment income	-	137	70	-	173	3	-	383
Settlement income	-	-	2,205	-	1,510	-	-	3,715
Settlement expenses, net	-	-	(2,324)	-	-	-	-	(2,324)
Distribution to SCRRA	-	-	-	(656)	-	-	-	(656)
Distributions to towns	-	-	(3,412)	-	-	-	-	(3,412)
Other revenues (expenses), net	1	-	-	-	(327)	-	-	(326)
Total Non-Operating Revenues (Expenses), net	1	137	(3,461)	(656)	1,356	3	-	(2,620)
Income (Loss) before Transfers	(35)	3,235	(3,461)	(656)	(6,627)	(129)	393	(7,280)
Transfers	-	(7,912)	(2,439)	(406)	8,532	2,618	(393)	-
Change in Net Position	(35)	(4,677)	(5,900)	(1,062)	1,905	2,489	-	(7,280)
Total Net Position, beginning of year	1,734	12,300	7,983	1,062	84,317	19,205	-	126,601
Total Net Position, end of year	\$ 1,699	\$ 7,623	\$ 2,083	\$ -	\$ 86,222	\$ 21,694	\$ -	\$ 119,321

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, 2018
(Dollars in Thousands)

EXHIBIT C
Page 1 of 2

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	Total
Cash Flows Provided by (Used in) Operating Activities								
Payments received from providing services	\$ -	\$ 58,706	\$ -	\$ -	\$ 14,980	\$ 122	\$ -	\$ 73,808
Payments to suppliers and employees	20	(55,452)	(8,638)	(15)	(2,591)	(265)	393	(66,548)
Payments to other funds	(90)	2,263	(23)	-	(2,156)	6	-	-
Distributions to towns	-	-	(3,412)	-	-	-	-	(3,412)
Distribution to SCRRA	-	-	-	(656)	-	-	-	(656)
Settlement income	-	-	2,205	-	1,510	-	-	3,715
Settlement expenses	-	-	(281)	-	-	-	-	(281)
Net Cash Provided by (Used in) Operating Activities	(70)	5,517	(10,149)	(671)	11,743	(137)	393	6,626
Cash Flows Provided by Investing Activities								
Interest on investments	-	137	70	-	173	3	-	383
Net Cash Provided by Investing Activities	-	137	70	-	173	3	-	383
Cash Flows Provided by (Used in) Capital and Related Financing Activities								
Proceeds from sales of equipment	1	-	-	-	4	-	-	5
Acquisition and construction of capital assets	-	-	2,618	-	(15,890)	(2,618)	-	(15,890)
Net Cash Provided by (Used in) Capital and Related Financing Activities	1	-	2,618	-	(15,886)	(2,618)	-	(15,885)
Cash Flows Provided by (Used in) Non-Capital Financing Activities								
Transfers	-	(7,912)	(2,439)	(406)	8,532	2,618	(393)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	-	(7,912)	(2,439)	(406)	8,532	2,618	(393)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(69)	(2,258)	(9,900)	(1,077)	4,562	(134)	-	(8,876)
Cash and Cash Equivalents, beginning of year	1,696	11,690	12,412	1,077	11,694	3,240	-	41,809
Cash and Cash Equivalents, end of year	\$ 1,627	\$ 9,432	\$ 2,512	\$ -	\$ 16,256	\$ 3,106	\$ -	\$ 32,933

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, 2018

(Dollars in Thousands)

EXHIBIT C
Page 2 of 2

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Operating income (loss)	\$ (36)	\$ 3,098	\$ -	\$ -	\$ (7,983)	\$ (132)	\$ 393	\$ (4,660)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation of capital assets	28	-	-	-	21,265	138	-	21,431
Other income (expenses), net	-	-	(3,531)	(656)	1,510	-	-	(2,677)
Changes in assets and liabilities, net of transfers:								
(Increase) decrease in:								
Accounts receivable, net	-	(171)	-	-	(425)	(9)	-	(605)
Inventory	-	(208)	-	-	(58)	-	-	(266)
Prepaid expenses	-	(82)	5	-	(12)	(85)	-	(174)
Increase (decrease) in:								
Accounts payable, accrued expenses and other liabilities	28	617	(6,600)	(15)	(398)	(55)	-	(6,423)
Due to/from other funds	(90)	2,263	(23)	-	(2,156)	6	-	-
Net Cash Provided by (Used in) Operating Activities	\$ (70)	\$ 5,517	\$ (10,149)	\$ (671)	\$ 11,743	\$ (137)	\$ 393	\$ 6,626

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, 2018
(Dollars in Thousands)

EXHIBIT D
Page 1 of 2

NET POSITION	Authority General Fund	Connecticut		Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	Total
		Solid Waste System	Waste Management System						
Net Investment in Capital Assets	\$ 62	\$ -	\$ -	\$ -	\$ -	\$ 61,579	\$ 18,589	\$ -	\$ 80,230
Restricted Net Position:									
Current restricted cash and cash equivalents:									
Customer guarantee of payment	-	157	-	-	-	-	-	-	157
Town of Ellington trust - pooled funds	-	-	-	-	-	49	-	-	49
Total current restricted cash and cash equivalents	-	157	-	-	-	49	-	-	206
Less liabilities to be paid with current restricted assets:									
Other liabilities	-	157	-	-	-	-	-	-	157
Total Restricted Net Position	-	-	-	-	-	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, 2018
(Dollars in Thousands)

EXHIBIT D
Page 2 of 2

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	Property Division	Landfill Division	Eliminations	Total
NET POSITION								
Unrestricted Net Position:								
Board Designated Reserves:								
Debt service	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4
Future loss contingencies	-	863	-	-	-	-	-	863
General fund	-	1	-	-	8,022	-	-	8,023
Improvements	-	-	-	-	2,373	-	-	2,373
Legal	-	615	-	-	-	-	-	615
Tip fee stabilization	-	-	-	-	2,151	-	-	2,151
Jets major maintenance	-	-	-	-	703	-	-	703
Litigation	-	-	163	-	-	-	-	163
Project/Post-project closure	-	-	1,920	-	-	-	-	1,920
Severance	725	-	-	-	-	-	-	725
Hartford Solar	-	-	-	-	-	322	-	322
Pollution insurance	-	-	-	-	-	181	-	181
Total Board Designated Reserves	725	1,483	2,083	-	13,249	503	-	18,043
Undesignated	912	6,140	-	-	11,345	2,602	-	20,999
Total Unrestricted Net Position	1,637	7,623	2,083	-	24,594	3,105	-	39,042
Total Net Position	\$ 1,699	\$ 7,623	\$ 2,083	\$ -	\$ 86,222	\$ 21,694	\$ -	\$ 119,321

See Independent Auditor's Report

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Materials Innovation and Recycling Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2018, 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, 2018.

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.



Certified Public Accountants
Glastonbury, Connecticut
September 27, 2018

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

58-69

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

70-79

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

82-85

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

86-87

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

Operating Information

88-91

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Net:Investment in capital assets	\$ 640	\$ 588	\$ 438	\$ 283	\$ 138	\$ 21	\$ 33	\$ 111	\$ 90	\$ 62
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	364	479	586	667	667	1,539	1,720	1,720	1,644	1,637
Total Net Position	1,004	1,067	1,024	950	805	1,560	1,753	1,831	1,734	1,699
Connecticut Solid Waste System ⁽¹⁾										
Net:Investment in capital assets	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	225	-	-	-	-	-
Unrestricted	-	-	-	-	5,498	19,130	15,223	14,827	12,300	7,623
Total Net Position	-	-	-	-	5,723	19,130	15,223	14,827	12,300	7,623
Mid-Connecticut Project ⁽²⁾										
Net:Investment in capital assets	115,156	103,090	100,430	99,564	-	3,507	2,894	2,755	2,618	-
Restricted	18,340	19,533	22,779	6,434	143	-	-	-	-	-
Unrestricted	40,699	42,397	29,410	36,468	18,704	15,136	10,599	7,053	5,365	2,083
Total Net Position	174,195	165,020	152,619	142,466	18,847	18,643	13,493	9,808	7,983	2,083
Southeast Project										
Net:Investment in capital assets	-	-	-	-	-	-	-	-	-	-
Restricted	955	1,329	1,228	3,088	1,026	-	-	-	-	-
Unrestricted	4,784	5,550	9,327	6,312	9,049	8,273	7,569	1,085 ⁽⁴⁾	1,062 ⁽⁴⁾	-
Total Net Position	5,739	6,879	10,555	9,400	10,075	8,273	7,569	1,085	1,062	-
Southwest Division ⁽³⁾										
Net:Investment in capital assets	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	151	154	127	95	245	155	-	-	-	-
Total Net Position	151	154	127	95	245	155	-	-	-	-

⁽¹⁾ Commenced on November 16, 2012.

⁽²⁾ Ended on November 15, 2012.

⁽³⁾ Created during fiscal year 2009, Ended on June 30, 2014.

⁽⁴⁾ 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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Property Division ⁽⁵⁾										
Net:Investment in capital assets	\$ 15,375	\$ 15,072	\$ 16,766	\$ 5,663	\$ 98,612 ^(5a)	\$ 90,839	\$ 86,241	\$ 79,521	\$ 67,285	\$ 61,579
Restricted	870	872	1,728	500	2,146	548	48	49	49	49
Unrestricted	(1,572)	2,016	4,319	1,561	9,485	14,194	15,059	15,383	16,983	24,594
Total Net Position	14,673	17,960	22,813	7,724	110,243	105,581	101,348	94,953	84,317	86,222
Landfill Division ⁽⁶⁾										
Net:Investment in capital assets	-	-	-	10,838	16,109	16,109	16,109	16,109	16,109	18,589
Restricted	-	-	-	1,028	1,518	-	-	-	-	-
Unrestricted	-	-	-	2,797	4,115	1,753	3,859	3,447	3,096	3,105
Total Net Position ⁽⁷⁾	-	-	-	14,663	21,742	17,862	19,968	19,556	19,205	21,694
Recycling Division ⁽⁷⁾										
Net:Investment in capital assets	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	1,203	568	562	-	-	-	-
Total Net Position	-	-	-	1,203	568	562	-	-	-	-
Bridgeport Project ⁽⁸⁾										
Net:Investment in capital assets	11	-	-	-	-	-	-	-	-	-
Restricted	174	174	-	-	-	-	-	-	-	-
Unrestricted	4,748	1,508	393	-	-	-	-	-	-	-
Total Net Position ⁽⁹⁾	4,933	1,682	393	-	-	-	-	-	-	-
Wallingford Project ⁽⁹⁾										
Net:Investment in capital assets	2,178	2,145	-	-	-	-	-	-	-	-
Restricted	16,307	15,107	-	-	-	-	-	-	-	-
Unrestricted	7,481	7,829	968	-	-	-	-	-	-	-
Total Net Position	25,966	25,081	968	-	-	-	-	-	-	-
TOTAL AUTHORITY:										
Net: Investments in capital assets	133,360	120,895	117,634	116,348	114,859	110,476	105,277	98,496	86,102	80,230
Restricted	36,646	37,015	25,735	11,050	5,058	548	48	49	49	49
Unrestricted	56,655	59,933	45,130	49,103	48,331	60,742	54,029	43,515	40,450	39,042
Net Position	\$ 226,661	\$ 217,843	\$ 188,499	\$ 176,501	\$ 168,248	\$ 171,766	\$ 159,354	\$ 142,060	\$ 126,601	\$ 119,321

⁽⁵⁾ Created during fiscal year 2009.

^(5a) Increase due to the transfers of certain assets, liabilities, and net position from the former Mid-Connecticut Project.

⁽⁶⁾ Created during fiscal year 2012.

⁽⁷⁾ Created during fiscal year 2012. Ended on June 30, 2014.

⁽⁸⁾ Ended on December 31, 2008.

⁽⁹⁾ 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 Six Fiscal Years
(Dollars in Thousands)

	Fiscal Year Ended June 30,					
	2013	2014	2015	2016	2017	2018
Connecticut Solid Waste System ⁽¹⁾						
Operating Revenues						
Service charges:						
Members	\$ 14,127	\$ 23,612	\$ 23,351	\$ 23,371	\$ 24,200	\$ 25,519
Others	10,915	16,579	16,483	15,770	15,478	14,048
Energy sales	9,346	26,806	17,984	15,857	12,674	15,598
Other operating revenues	2,207	3,078	2,609	1,873	2,821	3,152
Total operating revenues	36,595	70,075	60,427	56,871	55,173	58,317
Operating Expenses						
Solid waste operations	32,897	52,261	49,489	47,890	50,157	50,449
Maintenance and utilities	342	690	607	652	829	795
Other costs ⁽²⁾	3,020	4,156	4,885	4,139	4,008	3,975
Total operating expenses	36,259	57,107	54,981	52,681	54,994	55,219
Operating Income	336	12,968	5,446	4,190	179	3,098
Non-Operating Revenues						
Investment income	6	19	27	40	69	137
Net Non-Operating Revenues	6	19	27	40	69	137
Income before Transfers	342	12,987	5,473	4,230	248	3,235
Contribution of initial working capital	-	7,881	-	-	-	-
Transfers in (out)	5,381	(7,461)	(9,380)	(4,626)	(2,775)	(7,912)
Changes in Net Position	\$ 5,723	\$ 13,407	\$ (3,907)	\$ (396)	\$ (2,527)	\$ (4,677)

⁽¹⁾ Commenced on November 16, 2012.

⁽²⁾ 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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mid-Connecticut Project ⁽¹⁾										
Operating Revenues										
Service charges:										
Members	\$ 34,269	\$ 31,979	\$ 34,004	\$ 33,781	\$ 12,676	\$ -	\$ -	\$ -	\$ -	\$ -
Others	19,094	17,517	19,843	21,025	7,669	-	-	-	-	-
Energy sales	30,773	30,258	29,223	28,171	8,945	-	-	-	-	-
Other operating revenues	6,596	4,668	6,341	7,104	6,277	1,096	-	-	-	-
Total operating revenues	90,732	84,422	89,411	90,081	35,567	1,096	-	-	-	-
Operating Expenses										
Solid waste operations	64,778	73,936	74,162	76,017	24,512	47	601	639	14	-
Depreciation and amortization	15,806	16,296	17,101	15,418	5,467	-	614	138	138	-
Maintenance and utilities	926	1,272	1,103	845	610	6	(25)	-	-	-
Closure and post-closure care of landfills	7,065	(683)	746	434	2,555	(3,392)	-	-	-	-
Other costs ⁽²⁾	8,267	7,471	7,377	7,680	3,916	2,428	1,558	869	1,754	-
Total operating expenses	96,842	98,292	100,489	100,394	37,060	(911)	2,748	1,646	1,906	-
Operating Income (Loss)	(6,110)	(13,870)	(11,078)	(10,313)	(1,493)	2,007	(2,748)	(1,646)	(1,906)	-
Non-Operating Revenues (Expenses)										
Litigation-related settlements, net	4,250	-	-	-	-	-	-	-	-	(119)
Investment income	1,533	338	214	157	80	38	15	22	81	70
Other income (expenses), net	3,064	5,092	(1,004)	320	(550)	(2,250)	-	(693)	-	(3,412)
Interest expense	(859)	(735)	(533)	(317)	(87)	-	-	-	-	-
Net Non-Operating Revenues and (Expenses)	7,988	4,695	(1,323)	160	(557)	(2,212)	15	(671)	81	(3,461)
Income (Loss) before Special Items and Transfers	1,878	(9,175)	(12,401)	(10,153)	(2,050)	(205)	(2,733)	(2,317)	(1,825)	(3,461)
Special Items:										
Defeasance of debt	-	-	-	-	-	-	-	-	-	-
Total Special Items	-	-	-	-	(118,653)	-	(2,417)	(1,368)	-	(2,439)
Transfers in (out)	-	-	-	-	\$ (120,703)	\$ (203)	\$ (5,150)	\$ (3,685)	\$ (1,825)	\$ (5,900)
Changes in Net Position	\$ 1,878	\$ (9,175)	\$ (12,401)	\$ (10,153)	\$ (120,703)	\$ (203)	\$ (5,150)	\$ (3,685)	\$ (1,825)	\$ (5,900)

⁽¹⁾ Ended on November 15, 2012.

⁽²⁾ 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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Southeast Project										
Operating Revenues										
Service charges:										
Members	\$ 9,174	\$ 9,214	\$ 8,056	\$ 8,272	\$ 8,493	\$ 8,402	\$ 7,577	\$ 2,732	\$ -	\$ -
Others	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	24,774	25,872	25,453	26,751	28,158	29,195	29,913	17,798 ⁽²⁾	- ⁽²⁾	-
Operating Expenses										
Solid waste operations	25,416	24,185	23,141	25,989	26,900	28,970	30,001	17,554	-	-
Depreciation and amortization	448	448	418	392	392	392	392	392	-	-
Maintenance and utilities	-	-	-	-	-	-	-	-	-	-
Other costs ⁽¹⁾	138	154	237	140	203	308	227	473	29	-
Distribution to SCRRA	-	-	-	1,401	-	1,375	-	5,875	-	-
Total operating expenses	26,002	24,787	23,796	27,922	27,495	31,045	30,620	24,294 ⁽²⁾	29 ⁽²⁾	-
Operating Income (Loss)	(1,228)	1,085	1,657	(1,171)	663	(1,850)	(707)	(6,496)	(29)	-
Non-Operating Revenues and (Expenses)										
Investment income	226	58	18	3	2	4	4	12	6	-
Other income (expenses), net	-	325	(179)	13	10	-	-	-	-	(656)
Interest expense	(372)	(328)	(153)	-	-	44	-	-	-	-
Net Non-Operating Revenues and (Expenses)	(146)	55	(314)	16	12	48	4	12	6	(656)
Income (Loss) before Transfers	(1,374)	1,140	1,343	(1,155)	675	(1,802)	(703)	(6,484)	(23)	(656)
Special Item:										
Gain on early retirement of debt	-	-	2,333	-	-	-	-	-	-	-
Total special item	-	-	2,333	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	(1)	-	-	(406)
Changes in Net Position	\$ (1,374)	\$ 1,140	\$ 3,676	\$ (1,155)	\$ 675	\$ (1,802)	\$ (704)	\$ (6,484)	\$ (23)	\$ (1,062)

⁽¹⁾ Other Costs includes legal expenses and administrative and operational services.

⁽²⁾ 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.

South West Division⁽¹⁾

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

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

Property Division ⁽¹⁾	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues										
Service charges:										
Members	\$ -	\$ -	\$ 468	\$ 295	\$ 246	\$ 185	\$ 10	\$ -	\$ -	\$ -
Energy sales	-	-	-	-	4,420	8,971	7,067	7,898	7,771	14,943
Other operating revenues	1,324	2,298	2,874	443	434	521	559	496	497	498
Total operating revenues	1,324	2,298	3,342	738	5,100	9,677	7,636	8,394	8,268	15,441
Operating Expenses										
Solid waste operations	1,018	1,692	2,368	303	1,273	3,383	2,413	1,830	1,662	1,295
Depreciation and amortization	153	303	299	265	9,073	15,592	16,587	18,869	22,470	21,265
Maintenance and utilities	78	86	134	16	-	630	387	443	568	118
Closure and post-closure care of landfills	2,276	(1,153)	(532)	-	-	-	-	-	-	-
Other costs ⁽²⁾	116	416	429	397	1,281	1,024	883	750	680	746
Total operating expenses	3,641	1,344	2,698	981	11,627	20,629	20,270	21,892	25,380	23,424
Operating Income (Loss)	(2,317)	954	644	(243)	(6,527)	(10,952)	(12,634)	(13,498)	(17,112)	(7,983)
Non-Operating Revenues and (Expenses)										
Investment income	60	49	47	3	6	14	12	26	52	173
Other income (expenses), net	-	197	(32)	(9)	(437)	(309)	(1,654)	(1,297)	2,492	1,183
Net Non-Operating Revenues (Expenses)	60	246	15	(6)	(431)	(295)	(1,642)	(1,271)	2,544	1,356
Income (Loss) before Transfers	(2,257)	1,200	639	(249)	(6,958)	(11,247)	(14,276)	(14,769)	(14,568)	(6,627)
Transfers in (out)	16,930	2,087	4,194	(14,840)	106,561	6,585	10,043	8,374	3,932	8,532
Changes in Net Position	\$ 14,673	\$ 3,287	\$ 4,853	\$ (15,089)	\$ 99,603	\$ (4,662)	\$ (4,233)	\$ (6,395)	\$ (10,636)	\$ 1,905

⁽¹⁾ Created during fiscal year 2009.

⁽²⁾ Other Costs includes legal expenses and administrative and operational services.

⁽³⁾ 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 Seven Fiscal Years

(Dollars in Thousands)

	Fiscal Year Ended June 30,						
	2012	2013	2014	2015	2016	2017	2018
Landfill Division ⁽¹⁾							
Operating Revenues							
Other operating revenues	\$ 6	\$ 322	\$ 115	\$ 222	\$ 273	\$ (15)	\$ 131
Total operating revenues	<u>6</u>	<u>322</u>	<u>115</u>	<u>222</u>	<u>273</u>	<u>(15)</u>	<u>131</u>
Operating Expenses							
Solid waste operations	86	332	203	182	336	46	69
Maintenance and utilities	(24)	-	(24)	175	3	125	(7)
Depreciation and amortization	-	-	-	-	-	-	138
Closure and post-closure care of landfills	(19)	(693)	-	-	-	-	-
Other costs ⁽²⁾	34	356	715	177	67	165	63
Total operating expenses	<u>77</u>	<u>(5)</u>	<u>894</u>	<u>534</u>	<u>406</u>	<u>336</u>	<u>263</u>
Operating Income (Loss)	(71)	327	(779)	(312)	(133)	(351)	(132)
Non-Operating Revenues and (Expenses)							
Investment income	25	45	34	2	-	-	3
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>	<u>3</u>
Income (Loss) before Transfers	(200)	368	4,002	(310)	(133)	(351)	(129)
Transfers in	14,863	6,711	(7,881)	2,416	(279)	-	2,618
Changes in Net Position	<u>\$ 14,663</u>	<u>\$ 7,079</u>	<u>\$ (3,879)</u>	<u>\$ 2,106</u>	<u>\$ (412)</u>	<u>\$ (351)</u>	<u>\$ 2,489</u>

⁽¹⁾ Created during fiscal year 2012.

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

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

⁽²⁾ 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)

Bridgeport Project ⁽¹⁾	2007	2008	2009	2010	2011	2012
Operating Revenues						
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	<u>55,784</u>	<u>56,416</u>	<u>31,412</u>	<u>(39)</u>	<u>-</u>	<u>-</u>
Operating Expenses						
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	<u>57,629</u>	<u>57,589</u>	<u>25,930</u>	<u>1,134</u>	<u>1,317</u>	<u>30</u>
Operating Income (Loss)	<u>(1,845)</u>	<u>(1,173)</u>	<u>5,482</u>	<u>(1,173)</u>	<u>(1,317)</u>	<u>(30)</u>
Non-Operating Revenues and (Expenses)						
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)	<u>3,538</u>	<u>419</u>	<u>(2,273)</u>	<u>9</u>	<u>2</u>	<u>-</u>
Income (Loss) before Transfers	<u>1,693</u>	<u>(754)</u>	<u>3,209</u>	<u>(1,164)</u>	<u>(1,315)</u>	<u>(30)</u>
Transfers in (out)	-	-	(16,930)	(2,087)	26	(363)
Changes in Net Position	<u>\$ 1,693</u>	<u>\$ (754)</u>	<u>\$ (13,721)</u>	<u>\$ (3,251)</u>	<u>\$ (1,289)</u>	<u>\$ (393)</u>

⁽¹⁾ 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)

	2007	2008	2009	2010	2011	2012
Wallingford Project ⁽¹⁾						
Operating Revenues						
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	-	-
Operating Expenses						
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
Operating Income (Loss)	4,540	2,411	(25,023)	(978)	(19,749)	(41)
Non-Operating Revenues and (Expenses)						
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)
Special Item:						
Early retirement of debt	-	-	-	-	-	-
Total Special Item	-	-	-	-	-	-
Transfers in (out)	-	-	-	-	(4,220)	(790)
Changes in Net Position	\$ 6,936	\$ 4,284	\$ (24,487)	\$ (885)	\$ (24,113)	\$ (968)

⁽¹⁾ 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)

General Fund	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses										
Solid waste operations	-	-	-	-	-	-	240	-	-	-
Other Costs									76	8
Depreciation and amortization	201	201	191	167	153	117	21	23	30	28
Total operating expenses	<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>	<u>36</u>
Operating Loss	(201)	(201)	(191)	(167)	(153)	(117)	(261)	(23)	(106)	(36)
Non-Operating Revenues and (Expenses)										
Investment income	7	3	1	-	-	-	-	-	-	-
Other income, net	<u>263</u>	<u>261</u>	<u>147</u>	<u>93</u>	<u>8</u>	<u>(2)</u>	<u>34</u>	<u>101</u>	<u>9</u>	<u>1</u>
Net Non-Operating Revenues	<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>	<u>1</u>
Income (Loss) before Transfers	69	63	(43)	(74)	(145)	(119)	(227)	78	(97)	(35)
Transfers in (out)	-	-	-	-	-	874	420	-	-	-
Changes in Net Position	<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>	<u>\$ (35)</u>
TOTAL AUTHORITY:										
Operating Revenues	\$ 171,853	\$ 138,300	\$ 132,567	\$ 132,311	\$ 120,053	\$ 123,547	\$ 98,265	\$ 86,083	\$ 63,426	\$ 73,889
Operating Expenses	<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>101,748</u>	<u>82,751</u>	<u>78,906</u>
Operating Income (Loss)	<u>(29,248)</u>	<u>(14,181)</u>	<u>(30,063)</u>	<u>(11,998)</u>	<u>(7,332)</u>	<u>1,179</u>	<u>(11,107)</u>	<u>(15,665)</u>	<u>(19,325)</u>	<u>(5,053)</u>
Non-Operating Revenues and (Expenses), Net	<u>6,437</u>	<u>5,363</u>	<u>(1,614)</u>	<u>-</u>	<u>(921)</u>	<u>2,339</u>	<u>(2,097)</u>	<u>(2,171)</u>	<u>2,709</u>	<u>(2,620)</u>
Income (Loss) before Special Items	<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>(17,836)</u>	<u>(16,616)</u>	<u>(7,673)</u>
Special Items	-	-	2,333	-	-	-	792	1,711	1,157	393
Changes in Net Position	<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>\$ (16,125)</u>	<u>\$ (15,459)</u>	<u>\$ (7,280)</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 ⁽¹⁾	CSWS ⁽²⁾	Southeast	South West ⁽³⁾	Bridgeport ⁽⁴⁾	Wallingford ⁽⁵⁾	Total
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 ⁽⁶⁾	-	-	-	419,927
2017	-	374,830	-	-	-	-	374,830
2018	-	374,865	-	-	-	-	374,865

Exhibit 3B - Contract Solid Waste Deliveries (tons)

Fiscal Year	Mid-Connecticut ⁽¹⁾	CSWS ⁽²⁾	Southeast	Bridgeport ⁽⁴⁾	Total
2009	249,154	-	1,455	111,094	361,703
2010	261,912	-	2,400	-	264,312
2011	274,531	-	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 ⁽⁶⁾	-	255,920
2017	-	246,909	-	-	246,909
2018	-	201,005	-	-	201,005

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

Fiscal Year	Mid-Connecticut ⁽¹⁾	CSWS ⁽²⁾	Southeast	Bridgeport ⁽⁴⁾	Wallingford ⁽⁵⁾	Total
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 ⁽⁶⁾	-	-	69,902
2017	-	27,702	-	-	-	27,702
2018	-	19,525	-	-	-	19,525

⁽¹⁾ Ended on November 15, 2012.

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

⁽³⁾ Created during fiscal year 2009. Ended fiscal year 2014.

⁽⁴⁾ Ended on December 31, 2008.

⁽⁵⁾ Ended on June 30, 2010.

⁽⁶⁾ 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 3 Continued - Historical Waste Summary
Last Ten Fiscal Years

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

Fiscal Year	Mid-Connecticut ⁽¹⁾	CSWS ⁽²⁾	Southeast ⁽³⁾	South West ⁽⁴⁾	Bridgeport ⁽⁵⁾	Wallingford ⁽⁶⁾	Total
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 ⁽⁸⁾	-	-	-	745,749
2017	-	649,441	-	-	-	-	649,441
2018	-	595,395	-	-	-	-	595,395

Exhibit 3E - Municipal Solid Waste Processed (tons)

Fiscal Year	Mid-Connecticut ⁽¹⁾	CSWS ⁽²⁾	Southeast ⁽³⁾	Bridgeport ⁽⁵⁾	Wallingford ⁽⁶⁾	Total
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 ⁽⁸⁾	-	-	726,259
2017	-	622,673	-	-	-	622,673
2018	-	554,315	-	-	-	554,315

Exhibit 3F - Recyclables Processed (tons)

Fiscal Year	Mid-Connecticut ⁽¹⁾	CSWS ⁽²⁾	South West ⁽⁴⁾	Bridgeport ⁽⁵⁾	Total
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 ⁽⁷⁾	-	-	64,264
2016	-	72,223 ⁽⁷⁾	-	-	72,223
2017	-	71,144 ⁽⁷⁾	-	-	71,144
2018	-	66,761 ⁽⁷⁾	-	-	66,761

⁽¹⁾ Ended on November 15, 2012.

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

⁽³⁾ Includes Operator deliveries.

⁽⁴⁾ Created during fiscal year 2009. Ended fiscal year 2014.

⁽⁵⁾ Ended on December 31, 2008.

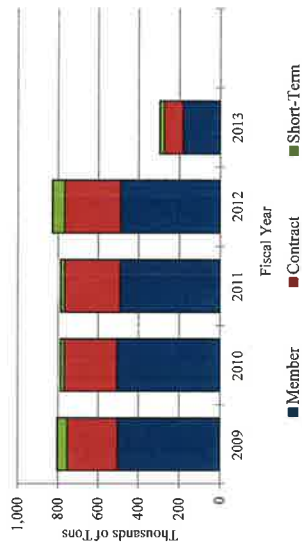
⁽⁶⁾ Ended on June 30, 2010.

⁽⁷⁾ Represents combined deliveries of single stream recyclables before processing

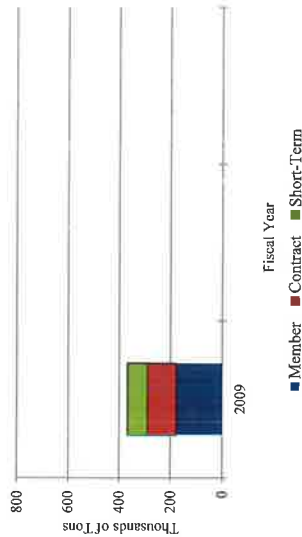
⁽⁸⁾ Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for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

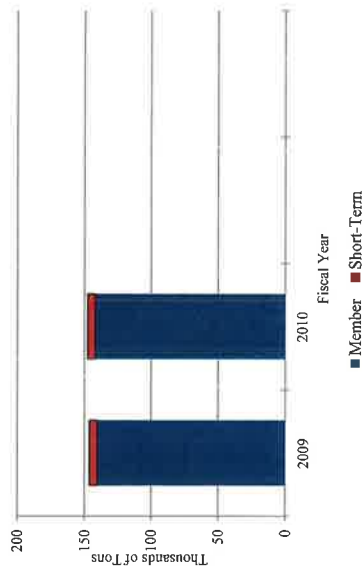
Mid-Connecticut Project ⁽¹⁾



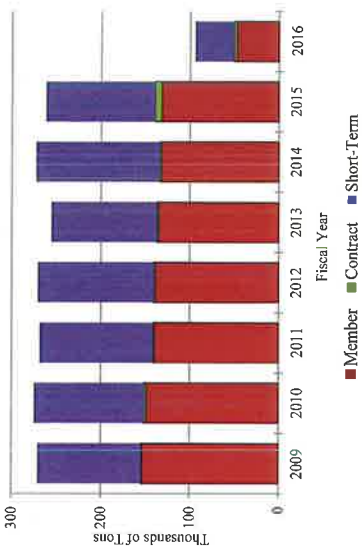
Bridgeport Project ⁽²⁾



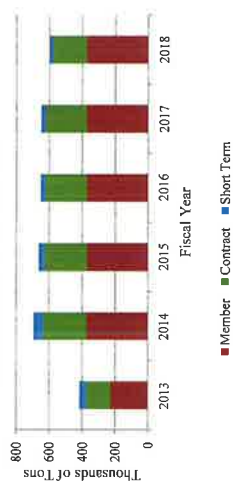
Wallingford Project ⁽³⁾



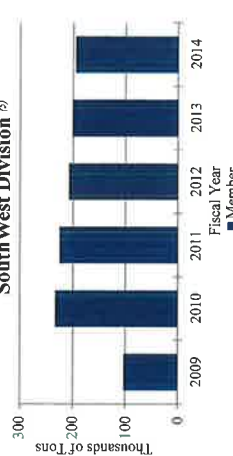
Southeast Project ⁽⁶⁾



Connecticut Solid Waste System ⁽⁴⁾



SouthWest Division ⁽⁵⁾



⁽¹⁾ Ended on November 15, 2012.

⁽²⁾ Ended on December 31, 2008.

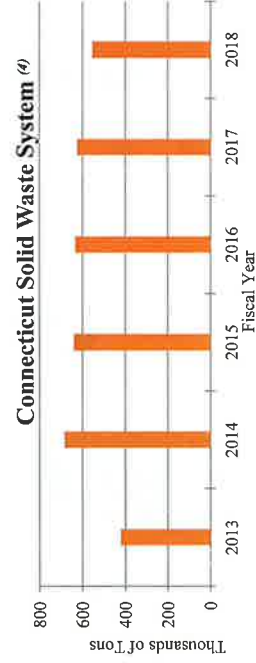
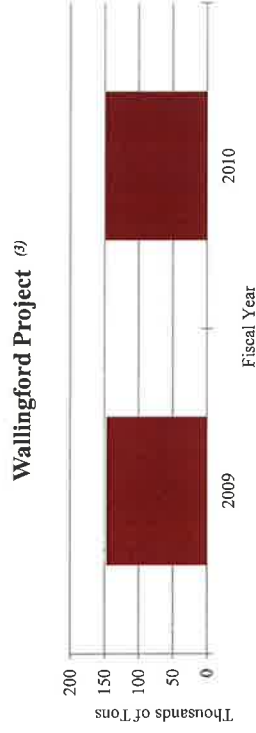
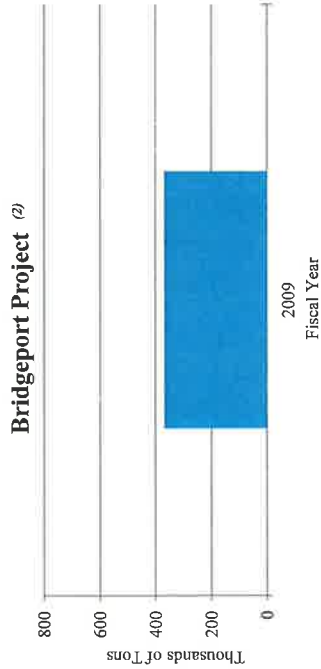
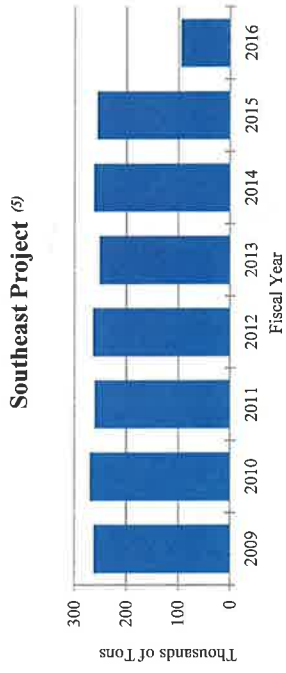
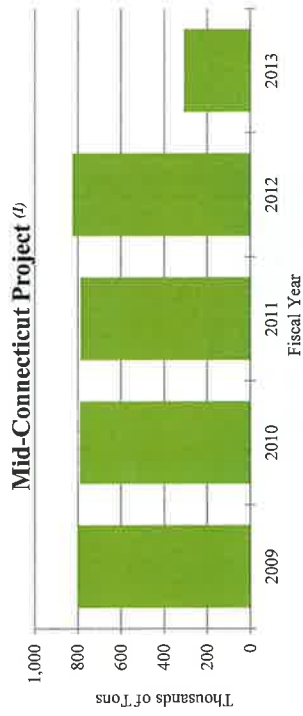
⁽³⁾ Ended on June 30, 2010.

⁽⁴⁾ Commenced on November 16, 2012.

⁽⁵⁾ Created during fiscal year 2009. Ended fiscal year 2014.

⁽⁶⁾ 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



⁽¹⁾ Ended on November 15, 2012.

⁽²⁾ Ended on December 31, 2008.

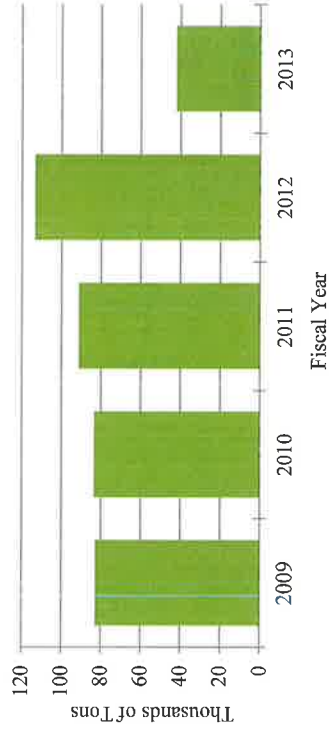
⁽³⁾ Ended on June 30, 2010.

⁽⁴⁾ Commenced on November 16, 2012.

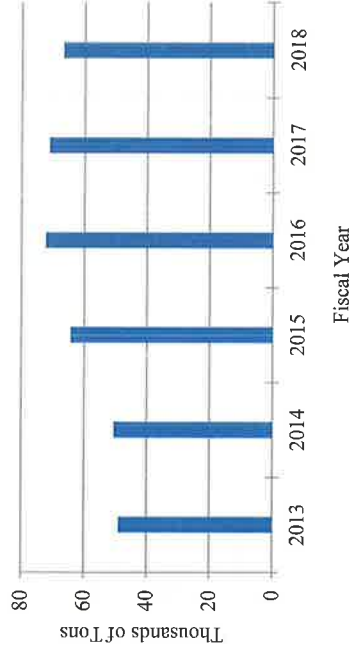
⁽⁵⁾ Pursuant to the transfer of financial control of MIRA's Southeast Project to SCRRRA, the Authority recognized Southeast Project electricity sales revenue through September 2015 and Southeast Project waste delivered tons and delivery revenue through October 2015. The Authority used these funds for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

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

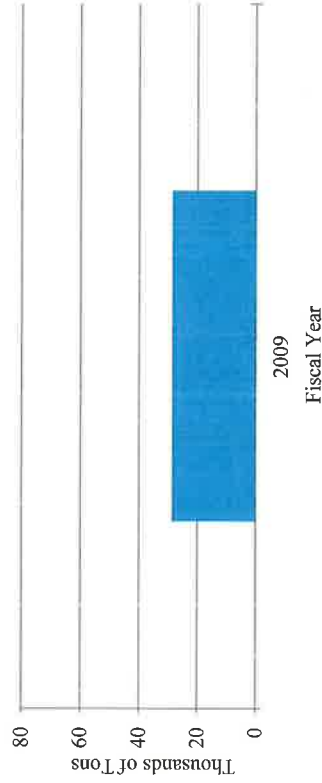
Mid-Connecticut Project ⁽¹⁾



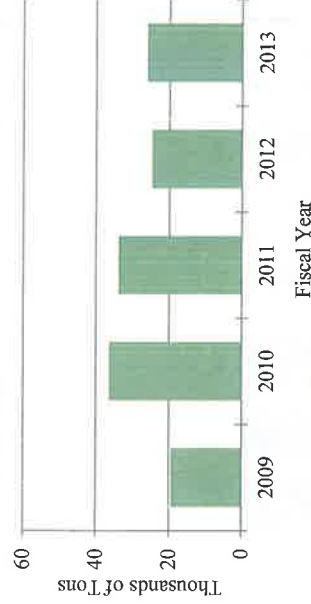
Connecticut Solid Waste System ⁽²⁾



Bridgeport Project ⁽³⁾



SouthWest Division ⁽⁴⁾



⁽¹⁾ Ended on November 15, 2012.

⁽²⁾ Commenced on November 16, 2012.

⁽³⁾ Ended on December 31, 2008.

⁽⁴⁾ 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)

Fiscal Year	Connecticut Solid Waste System ⁽¹⁾	Mid-Connecticut ⁽²⁾	Bridgeport ⁽³⁾	Wallingford ⁽⁴⁾	Southeast ⁽⁵⁾	Total
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
2018	276,654	-	-	-	-	276,654

⁽¹⁾ Commenced on November 16, 2012.

⁽²⁾ Ended on November 15, 2012.

⁽³⁾ Ended on December 31, 2008.

⁽⁴⁾ Ended on June 30, 2010.

⁽⁵⁾ 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 ⁽¹⁾
Current Year and Nine Years Ago**

Fiscal Year Ended June 30, 2018
Connecticut Solid Waste System ⁽³⁾

Hartford	22.48%
Torrington	6.10%
Glastonbury	5.18%
Bloomfield	4.33%
Farmington	4.02%
	<hr/> 42.11%

Fiscal Year Ended June 30, 2009				
Mid-Connecticut ⁽²⁾	Bridgeport	Wallingford	Southeast ⁽⁴⁾	Southwest ⁽³⁾
Hartford	19.22%	Wallingford	Groton	Bridgeport
Waterbury	14.40%	Hamden	Norwich	Milford
West Hartford	7.53%	Meriden	New London	Fairfield
Manchester	6.88%	Cheshire	Montville	Stratford
East Hartford	5.82%	North Haven	Waterford	Westport
	53.85%	100.00%	72.81%	75.30%

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

⁽²⁾ Ended on November 15, 2012.

(3) Commenced on November 16, 2012.

(4) 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.

(5) *The Southwest Division was formed on January 1, 2009 through a new five and a half year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities. This division ended on June 30, 2014.*

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 ⁽¹⁾	Connecticut Solid Waste System ⁽²⁾	Southeast	South West ⁽³⁾	Bridgeport ⁽⁴⁾	Wallingford ⁽⁵⁾
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⁾	\$ -	\$ -	-	\$ -
2018	\$ -	\$ 69.80 ⁽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 ⁽¹⁾
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Rate</u>
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
2018	\$69.80

⁽¹⁾ 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 ⁽¹⁾

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 ⁽²⁾											
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%
2018	\$ 70	-	0.00%	-	0.00%	-	0.00%	-	0.00%	\$ 70	100.00%
Southeast Project ⁽⁴⁾											
2009	\$ 25,000	\$ 9,255	37.02%	15,519 ⁽³⁾	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%
2018	\$ -	\$ -	n/a	-	n/a	-	-	-	-	\$ -	n/a

⁽¹⁾ Excludes non-operating revenues except investment income.

⁽²⁾ Ended on November 15, 2012.

⁽³⁾ 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.

⁽⁴⁾ 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 9 Continued - Revenues by Source ⁽¹⁾
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Total Revenues	Member and Other Service Charges ⁽²⁾	% of Annual	Energy Sales	% of Annual	Landfill Revenue	% of Annual	Recycling Revenue	% of Annual	Investment Income & Other Operating Revenues	% of Annual
Connecticut Solid Waste System ⁽²⁾											
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%
2018	\$ 58,454	\$ 39,567	67.69%	\$ 15,598	26.68%	\$ -	-	\$ 1,602	2.74%	\$ 1,687	2.89%
SouthWest Division ⁽²⁾											
2009	\$ 6,634	\$ 6,632	99.97%	\$ -	-	\$ -	-	\$ -	-	\$ 2	0.03%
2010	\$ 14,665	\$ 14,664	99.99%	\$ -	-	\$ -	-	\$ -	-	\$ 1	0.01%
2011	\$ 14,363	\$ 14,361	99.99%	\$ -	-	\$ -	-	\$ -	-	\$ 2	0.01%
2012	\$ 13,619	\$ 13,618	99.99%	\$ -	-	\$ -	-	\$ -	-	\$ 1	0.01%
2013	\$ 13,603	\$ 13,603	100.00%	\$ -	-	\$ -	-	\$ -	-	\$ -	-
2014	\$ 13,389	\$ 13,389	100.00%	\$ -	-	\$ -	-	\$ -	-	\$ -	-
2015	\$ 67	\$ 67	100.00%	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Property Division ⁽³⁾											
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%
2018	\$ 15,614	\$ -	0.00%	\$ 14,943	95.70%	\$ -	-	\$ -	-	\$ 671	4.30%
Landfill Division ⁽⁴⁾											
2012	\$ 31	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 31	100.00%
2013	\$ 367	\$ -	-	\$ -	-	\$ 288	78.48%	\$ 34	9.26%	\$ 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%
2018	\$ 134	\$ -	-	\$ 107	79.85%	\$ -	-	\$ -	-	\$ 27	20.15%
Recycling Division ⁽⁴⁾											
2012	\$ 1,119	\$ -	-	\$ -	-	\$ -	-	\$ 1,117	99.82%	\$ 2	0.18%
2013	\$ 708	\$ -	-	\$ -	-	\$ -	-	\$ 708	100.00%	\$ -	-
2014	\$ -	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
2015	\$ -	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-

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

Fiscal Years 2009 - 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
Bridgeport Project ⁽²⁾											
2009	\$ 31,624	\$ 26,280	83.10%	\$ -	-	\$ 2,511	7.94%	\$ 1,752	5.54%	\$ 1,081	3.42%
Wallingford Project ⁽³⁾											
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%

⁽¹⁾ Excludes non-operating revenues except investment income.

⁽²⁾ Ended on December 31, 2008.

⁽³⁾ 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 Year	Gross Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service Requirements ⁽³⁾		Total	Coverage ⁽⁴⁾
				Principal	Interest		
2009	\$ 174,521	\$ 156,878	\$ 17,643	\$ 3,003	\$ 1,216	\$ 4,219	4.18
2010	\$ 138,678 ⁽⁵⁾	\$ 133,372	\$ 5,306	\$ 4,143	\$ 987	\$ 5,130	1.03
2011	\$ 132,373 ⁽⁶⁾	\$ 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	-	-	- ⁽⁷⁾	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
2018	\$ 74,272	\$ 57,118	\$ 17,154	-	-	-	n/a

⁽¹⁾ Includes operating revenues and investment income, excludes non-operating revenues.

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

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

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

⁽⁵⁾ Decrease primarily due to the closure of the Bridgeport Project.

⁽⁶⁾ Decrease primarily due to closure of Wallingford Project.

⁽⁷⁾ 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, 2018**

As of June 30, 2018, the Authority had no outstanding long-term debt carried on its books.

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 Year	Mid-Connecticut			Southeast			Bridgeport			Wallingford			Total Outstanding Debt	Per Capita ⁽⁵⁾
	Special Obligation Bonds	Subordinate Bonds ⁽¹⁾		Special		Subordinate		Special		Subordinate				
				Obligation Bonds ⁽²⁾	Bonds	Obligation Bonds ⁽³⁾	Bonds	Obligation Bonds ⁽⁴⁾	Bonds					
2009	\$ 15,290	\$ -		\$ 5,053	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,343	8	
2010	\$ 11,765	\$ -		\$ 4,435	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,200	7	
2011	\$ 8,050	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,050	3	
2012	\$ 4,135	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,135	2	
2013	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2014	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2015	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2016	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2017	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2018	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	

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

⁽²⁾ 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.

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

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

⁽⁵⁾ 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>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>	<u>2018</u>
Special Capital Reserve Funds (SCRF) limit ⁽¹⁾	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000
<u>Project:</u>										
Mid-Connecticut Project										
1996 Series A	\$ 15,290	\$ 11,765	\$ 8,050	\$ 4,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1997 Series A	-	-	-	-	-	-	-	-	-	-
Southeast Project										
2010 Series A - Project Refunding ⁽²⁾	-	-	27,750	22,760	17,100	11,295	5,270	-	-	-
1998 Series A	45,405	39,855	-	-	-	-	-	-	-	-
1989 Series A	-	-	-	-	-	-	-	-	-	-
TOTAL SCRF-BACKED DEBT	60,695	51,620	35,800	26,894	17,100	11,295	5,270	-	-	-
Legal debt margin	\$ 664,305	\$ 673,380	\$ 689,200	\$ 698,106	\$ 707,900	\$ 713,705	\$ 719,730	\$ 725,000	\$ 725,000	\$ 725,000
Total outstanding as a percentage of SCRF limit	8.37%	7.12%	4.94%	3.71%	2.36%	1.56%	0.73%	0.00%	0.00%	0.00%

⁽¹⁾ 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.

⁽²⁾ 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 ⁽¹⁾			Connecticut Solid Waste System ⁽²⁾			Southeast			SouthWest ⁽³⁾			Bridgeport ⁽⁴⁾			Wallingford ⁽⁵⁾		
	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
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 ⁽⁶⁾	-	-	-	715,442	4	51	218,222	5	12	-	-	-	-	-	-	-	-	-
2017 ⁽⁶⁾	-	-	-	737,235	3.3	51	216,488	3.9	12	-	-	-	-	-	-	-	-	-
2018	-	-	-	726,909	3.2	50	-	-	-	-	-	-	-	-	-	-	-	-

⁽¹⁾ Ended on November 15, 2012.

⁽²⁾ Commenced on November 16, 2012.

⁽³⁾ Created during fiscal year 2009. Ended fiscal year 2014.

⁽⁴⁾ Ended on December 31, 2008.

⁽⁵⁾ Ended on June 30, 2010.

⁽⁶⁾ Source: Population provided by the State Department of Public Health and based on estimates as of July 1, 2017.
Unemployment data provided by the State Department of Labor for September 2018.

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

	2018			2009		
	Employees in Connecticut ⁽¹⁾	Rank	Percentage of Total Authority Employment	Employees in Connecticut ⁽²⁾	Rank	Percentage of Total Authority Employment
Yale New Haven Health System	21,867	1	0.15%	-	-	-
Hartford Healthcare	18,425	2	0.18%	12,500	-	-
Yale University	16,184	3	0.20%	12,795	3	0.41%
United Technologies Corp.	16,000	4	0.21%	27,050	1	0.20%
General Dynamics Electric Boat	11,430	5	0.29%	8,200	8	0.65%
Wal-Mart Stores Inc.	8,974	6	0.37%	9,204	7	0.58%
Sikorsky, A Lockheed Martin Company	7,730	7	0.43%	-	-	-
The Travelers Cos. Inc	7,400	8	0.45%	-	-	-
Hartford Financial Services	6,800	9	0.49%	13,000	4	0.41%
Mohegan Sun	6,800	10	0.49%	9,800	5	0.54%
Foxwoods Resort Casino	-	-	-	9,276	6	0.57%
Aetna Inc	-	-	-	7,206	9	0.74%
General Electric Co	-	-	-	-	-	-
Stop & Shop Cos. Inc	-	-	-	13,574	2	0.39%
AT&T Connecticut	-	-	-	7,000	10	0.76%
Total	65,134		2.71%	104,310		4.82%

⁽¹⁾ Hartford Business Journal (HBJ) - August 2017

⁽²⁾ Hartford Business Journal (HBJ) - June 2009

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

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Total Expenses	Solid Waste Operations ⁽²⁾	% of Annual	Maintenance & Utilities	% of Annual	Other Costs ⁽³⁾	% of Annual	Landfill Closure & Post-closure	% of Annual	Debt Service	% of Annual	Distribution to Member Towns and Others		% of Annual
Mid-Connecticut Project ⁽⁴⁾														
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%	\$ -	-	\$ -	-			-
2018	\$ -	\$ -	n/a	\$ -	-	\$ -	n/a	\$ -	-	\$ -	-		3,412	-
Southeast Project ⁽⁷⁾														
2009	\$ 26,512	\$ 25,416 ⁽⁶⁾	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%	\$ -	-	\$ -	-			-
2018	\$ -	\$ -	n/a	\$ -	-	\$ 29	n/a	\$ -	-	\$ -	-		656	-

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

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

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

⁽⁴⁾ Ended on November 15, 2012.

⁽⁵⁾ 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.

⁽⁶⁾ 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.

Materials Innovation and Recycling Authority
A Component Unit of the State of Connecticut
Exhibit 16 Continued - Expenses by Function ⁽¹⁾
Fiscal Years 2009 - 2018
(Dollars in Thousands)

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Other Costs ⁽²⁾	% of Annual	Landfill Closure & Post-closure	% of Annual	Distribution to Member Towns and Others	% of Annual
Connecticut Solid Waste System ⁽³⁾											
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%	\$ -	-	\$ -	-
2018	\$ 55,219	\$ 50,449	91.36%	\$ 795	1.44%	\$ 3,975	7.20%	\$ -	-	\$ -	-
South West Division ⁽⁴⁾											
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%	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Property Division ⁽⁴⁾											
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%	\$ -	-	\$ 810	31.71%
2013	\$ 2,554	\$ 1,273	49.84%	\$ -	-	\$ 471	18.44%	\$ -	-	\$ -	-
2014	\$ 5,037	\$ 3,385	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%	\$ -	-	\$ -	-
2018	\$ 2,159	\$ 1,295	59.98%	\$ 118	5.47%	\$ 746	34.55%	\$ -	-	\$ -	-
Landfill Division ⁽⁶⁾											
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%	\$ -	-	\$ -	-
2018	\$ 125	\$ 69	55.20%	\$ (7)	-5.60%	\$ 63	50.40%	\$ -	-	\$ -	-
Recycling Division ⁽⁵⁾											
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%	\$ -	-	\$ -	-	\$ -	-	\$ -	-

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

⁽²⁾ Other Costs includes legal expenses and administrative and operational services

⁽³⁾ Commenced on November 16, 2012.

⁽⁴⁾ Created during fiscal year 2009. Ended fiscal year 2014.

⁽⁵⁾ Created during fiscal year 2012. Ended fiscal year 2014.

⁽⁶⁾ Created during fiscal year 2012

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

Fiscal Years 2009 - 2010

(Dollars in Thousands)

Fiscal Year	Total Expenses	Solid Waste Operations ⁽²⁾	% of Annual	Maintenance & Utilities	% of Annual	Other Costs ⁽³⁾	% of Annual	Landfill Closure & Post-closure	% of Annual	Debt Service	% of Annual	Distribution to Member Towns	% of Annual
Bridgeport Project ⁽⁴⁾													
2009	\$ 27,212	\$ 24,513	90.07%	\$ 157	0.58%	\$ 796	2.93%	\$ -	-	\$ 1,746	6.42%	\$ -	-
Wallingford Project ⁽⁵⁾													
2009	\$ 42,400 ⁽⁶⁾	\$ 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%	\$ -	-	\$ -	-

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

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

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

⁽⁴⁾ 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.

⁽⁵⁾ 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.

⁽⁶⁾ 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>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>	<u>2018</u>
Administration	4	4	3	5	4	4	4	4	4	4
Communications External Affairs	3	3	3	2	2	1	1	1	0	0
Environmental Affairs	7	7	7	7	7	6	2	2	2	2
Finance and Accounting	13	14	13	10	8	8	11	11	9	9
Legal	3	3	3	3	3	3	4	4	4	3
Operations	23	20	18	19	18	17	16	15	14	14
Total	<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>	<u>32</u>

