MATERIALS INNOVATION AND RECYCLING AUTHORITY

A Component Unit of the State of Connecticut

ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Materials Innovation and Recycling Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Materials Innovation and Recycling Authority, as of June 30, 2019 and 2018, and the 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

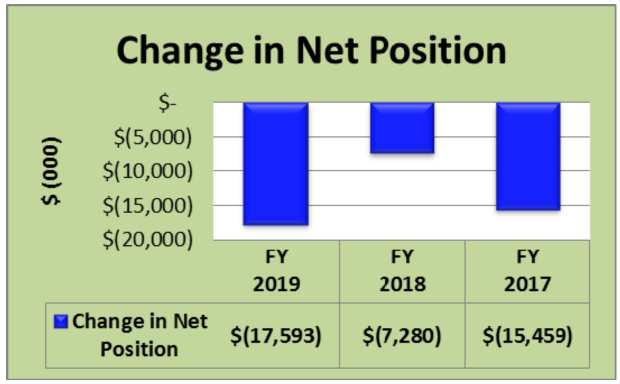
In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
September 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Materials Innovation and Recycling Authority's financial performance provides an overview of the Authority's financial activities for the years ended June 30, 2019 and 2018. Please read it in conjunction with the Authority's financial statements that follow this section. The MD&A is intended to provide meaningful information 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.



In fiscal year 2019, the Authority generated total operating revenue of $77.51 million and incurred $67.54 million in operating expenses before depreciation, resulting in operating income before depreciation of $9.97 million. Total operating revenues increased by $3.62 million (4.9%) reflecting increased member service charges for use of the Connecticut Solid Waste System ("CSWS"), and improved energy sales within the Authority's Property Division, offset by a reduction in the delivery of non-participating waste to the CSWS. Total operating expenses before depreciation increased by $10.42 million (18.2%) reflecting significant diversion of CSWS waste to alternate disposal sites, coupled with the need to process waste with energy purchased from the grid, and further impacted by the recently expired useful life of substantial components of the CSWS Waste to Energy Facility ("WTE Facility"), which ended the capitalization of certain major maintenance activities. Income before depreciation decreased by $6.80 million (40.6%) from fiscal year 2018 to fiscal year 2019. After $39.05 million in depreciation and amortization expenses, the Authority incurred a $29.09 million operating loss. The Authority also generated net non-operating revenue of $11.49 million resulting in a total reduction in the Authority's net position of $17.59 million.

The Authority's total assets decreased by $20.05 million (15.7%) reflecting a $23.56 million (29.4%) reduction in net capital assets offset by a $3.51 million (7.4%) increase in total current assets. The Authority's total liabilities declined by $2.46 million (30.2%) primarily reflecting a reduction in unearned revenue.

The most significant economic factors with the potential to adversely affect the Authority are its CSWS business model, the age and serviceability of CSWS WTE Facility, and the extensive negotiations necessary to implement the Department of Energy and Environmental Protection's (DEEP's) proposed redevelopment of the CSWS.

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 the CSWS to the extent it can with income and reserves from its Property Division, the adopted tip fees for fiscal years 2018, 2019 and 2020 exceeded these triggers, and the Authority's ability to continue this subsidy diminishes greatly in its fiscal year 2023.

During fiscal year 2019 the Authority experienced and rebounded from the failure of two turbine generators essential to operation of the CSWS WTE Facility. In response to these failures, the Authority declared force majeure events under all of its waste hauler and municipal contracts, substantially reduced the amount of waste accepted, diverted a significant portion of accepted waste to alternate disposal sites, repaired and put the turbines back into service. Financial impacts were significant, as highlighted throughout this MD&A, yet accommodated through a series of measures including reallocation of operating and capital resources, increased subsidy of the CSWS, and the drawdown of operating reserves while insurance claims were developed and processed. Additional charges were imposed to recoup losses not covered by insurance, and the Authority's business model was modified moving forward to provide greater flexibility and efficiency when necessary to reduce deliveries from non-participating municipalities. The timing and duration of the turbine failures left the WTE Facility with only five months of two-turbine operations, during which the facility's boiler availability averaged only 73% due to a wide range of challenges. Absent near term major refurbishment of the WTE Facility, alternative disposal capability, likely involving out-of-state landfilling in contravention to DEEP's Comprehensive Materials Management Strategy, will need to be planned and implemented.

On December 31, 2017, DEEP selected the Sacyr Rooney Recovery Team, LLC (SRRT) to refurbish the existing CSWS infrastructure while incorporating new Diversion Technology, as its preferred redevelopment of the CSWS. The Authority has engaged in extensive discussions with SRRT aimed at establishing a project structure that is feasible, in the best interests of the municipalities to be served, and consistent with both the Authority's enabling legislation and DEEP's RFP. These challenges were addressed in a Memorandum of Understanding ("MOU") signed at the close of fiscal year 2019. The MOU established a staged development framework prioritizing refurbishment of the WTE Facility, a capacity and revenue sharing model, performance guarantees, public governance, Authority financing of the WTE Facility refurbishment, SRRT financing of its proposed Diversion Technology, and strict deadlines to move the project forward. Next steps include signing a fully developed term sheet, securing formal support of the municipalities, and executing a Comprehensive Development Agreement with all documents needed for Authority financing.

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 dollar 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, 2019 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 2019, these projects and divisions include:

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

Required Additional Reports

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

Statement of Net Position

The net position of the Authority is summarized in Table 1. Net position is a measurement of the Authority's financial condition at one point in time. As indicated in Table 1, the Authority's net position as of June 30, 2019 (total assets less total liabilities) was $101,728 which represents a $17,593 (14.7%) reduction from the prior year. The $17,593 reduction in net position is the result of the decrease in total assets of $20,050 shown on Table 2, partially offset by the reduction in total liabilities of $2,457 shown on Table 3.

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

	2019	2018	2017
ASSETS			
Current unrestricted assets	$ 50,518	$ 47,013	$ 54,846
Current restricted assets	209	206	204
Total current assets	50,727	47,219	55,050
Non-current assets:			
Capital assets, net	56,672	80,230	86,102
Total non-current assets	56,672	80,230	86,102
TOTAL ASSETS	$ 107,399	$ 127,449	$ 141,152
LIABILITIES AND NET POSITION			
LIABILITIES			
Current unrestricted liabilities	$ 5,512	$ 7,971	$ 9,396
Current restricted liabilities	159	157	155
Total current liabilities	5,671	8,128	9,551
Long-term unrestricted liabilities	-	-	5,000
Total long-term liabilities	-	-	5,000
TOTAL LIABILITIES	5,671	8,128	14,551
NET POSITION			
Net investment in capital assets	56,672	80,230	86,102
Restricted	50	49	49
Unrestricted	45,006	39,042	40,450
TOTAL NET POSITION	101,728	119,321	126,601
TOTAL LIABILITIES AND NET POSITION	$ 107,399	$ 127,449	$ 141,152

Assets

The Authority's total assets are further summarized on Table 2. The $20,050 reduction in total assets reflects a $3,508 (7.4%) increase in current assets offset by $23,558 (29.4%) reduction non-current assets.

Current Assets

The Authority's Total Current Assets increased by $3,508 (7.4%) primarily reflecting a modest reduction in cash and cash equivalents offset by a large increase in receivables.

The $1,558 (4.8%) reduction in unrestricted cash and cash equivalents reflects a $480 (19.1%) decrease in Mid Connecticut Project funds coupled with a $1,078 (3.6%) decrease in funds associated with the Authority's active divisions.

Mid Connecticut Project funds declined by $480 (19.1%) due to payment of a contractually required reimbursement of prior settlement funds received in the matter known as CRRA v. Lay, et al., payment of deferred distributions of surplus funds to certain Mid Connecticut Project participating municipalities, and payment for legal services. As of June 30, 2019, the Mid Connecticut Project had total remaining funds of $2,032 which are held pending resolution of applicable matters reflected in Note 9 to the financial statements.

Unrestricted cash and cash equivalents associated with the Authority's active divisions decreased by a total of $1,078 (3.6%) during fiscal year 2019. Active divisions include the CSWS and Landfill Division, both of which experienced reductions in cash and cash equivalents, and the Property Division and Authority General Fund, both of which experienced increases in cash and cash equivalents. A $5,036 (54.3%) reduction in CSWS funds and a $142 (4.6%) reduction in the Landfill Division funds were substantially offset by a $1,179 (72.5%) increase in Authority General Funds and a $2,921 (18.0%) increase in Property Division funds. CSWS funds were reduced due to payment of substantial waste diversion expenses associated with turbine repair activities pending receipt of insurance proceeds. Landfill Division funds were reduced due to payment of legal services associated with DEEP's Resource Rediscovery initiative. The increase in Authority funds primarily reflects additional funding of its severance reserve. The increase in Property Division funds reflects a substantial increase in receipts associated with ISO New England Capacity payments, partially offset by increased subsidy of the CSWS also necessary to accommodate its turbine repair activities.

The $3 (1.5%) increase in restricted cash and cash equivalents is primarily related to increased CSWS customer security deposits.

The $5,496 (98.4%) increase in receivables, net of allowances, is primarily attributed to business interruption, extra expense and property damage insurance reimbursements due in connection with damage to the WTE Facility's two turbine generators during fiscal year 2019. As of June 30, 2019 the Authority recognized a total of $11,619 in undisputed insurance reimbursements associated with these events, $4,694 of which remained outstanding. Additional increases in receivables are associated with CSWS service payments due. Other changes in Current Assets 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 2018 to fiscal year 2019 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 $23,558 (29.4%) reduction in non-current assets reflects a $22,096 (46.0%) reduction in depreciable assets together with a $1,462 (4.5%) reduction in non-depreciable assets.

The $22,096 (46.0%) reduction in depreciable assets reflects fiscal year 2019 depreciation expense of $39,054 combined with net sales and disposals of assets (write offs) of $477 which were partially offset by additions and transfers to capital assets of $17,435. These depreciable asset write offs are primarily associated with component replacements of the WTE Facility in advance of the conclusion of their useful life. The $1,462 (4.5%) reduction in non-depreciable assets is exclusively a reduction in construction in progress also primarily associated with the WTE Facility. In fiscal year 2019, $15,973 in construction activity was added to construction in progress while $17,435 was transferred out and capitalized.

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

	2019	2018	2019 Increase/ (Decrease) from 2018	2019 Percent Increase/ (Decrease)	2017	2018 Increase/ (Decrease) from 2017	2018 Percent Increase/ (Decrease)
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	$ 31,169	$ 32,727	$ (1,558)	(4.8%)	$ 41,605	$ (8,878)	(21.3%)
Receivables, net of allowances	11,083	5,587	5,496	98.4%	4,982	605	12.1%
Inventory	5,779	6,203	(424)	(6.8%)	5,937	266	4.5%
Prepaid expenses	2,487	2,496	(9)	(0.4%)	2,322	174	7.5%
Total Unrestricted Assets	50,518	47,013	3,505	7.5%	54,846	(7,833)	(14.3%)
Restricted Assets:							
Cash and cash equivalents	209	206	3	1.5%	204	2	1.0%
TOTAL CURRENT ASSETS	50,727	47,219	3,508	7.4%	55,050	(7,831)	(14.2%)
NON-CURRENT ASSETS							
Capital Assets:							
Depreciable, net	25,889	47,985	(22,096)	(46.0%)	58,939	(10,954)	(18.6%)
Nondepreciable	30,783	32,245	(1,462)	(4.5%)	27,163	5,082	18.7%
TOTAL NON-CURRENT ASSETS	56,672	80,230	(23,558)	(29.4%)	86,102	(5,872)	(6.8%)
TOTAL ASSETS	$ 107,399	$ 127,449	$ (20,050)	(15.7%)	$ 141,152	$ (13,703)	(9.7%)

Liabilities

The Authority's total liabilities are further summarized on Table 3. The $2,457 (30.2%) reduction from fiscal year 2018 to fiscal year 2019 reflects a $2,820 (77.5%) reduction in unearned revenue, combined with a $539 (18.7%) reduction in accrued expenses, which were partially offset by increases in accounts payable.

The $2,820 (77.5%) reduction in unearned revenue includes a $2,397 reduction primarily associated with CSWS pre-paid tip fees and a $425 reduction associated with payment of a contractually required reimbursement of prior settlement funds received in the matter known as CRRA v. Lay, et al. These reductions were offset by a minor $2 increase in unearned revenue associated with the Property Division.

The $539 (18.7%) reduction in accrued expenses reflects diverse changes in each of the Authority's divisions. CSWS accrued expenses declined by $690 reflecting lower waste diversion and WTE Facility contractor accruals. Property Division accrued expenses declined a modest $18. These declines were partially offset by a $113 increase in Authority General Fund accruals driven by vacation and sick pay, and a $49 increase in Landfill Division accruals associated with the Hartford Landfill solar array. Mid Connecticut Project accruals increased by $7.

Changes in accounts payable are attributed to the normal business cycle.

As indicated on Table 3, the Authority has no long-term liabilities. During fiscal year 2016, the Authority's Resource Recovery Revenue Refunding Bonds (Covanta Southeastern Connecticut Company Project – 2010 Series A) supported by a Special Capital Reserve Fund (SCRF) with the State, matured and were fully paid. These were the Authority's only outstanding project bonds at that time and the Authority has not subsequently incurred any long-term liabilities.

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 2018 to fiscal year 2019 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)

	2019	2018	2019 Increase/ (Decrease) from 2018	2019 Percent Increase/ (Decrease)	2017	2018 Increase/ (Decrease) from 2017	2018 Percent Increase/ (Decrease)
CURRENT LIABILITIES							
Payable from unrestricted assets:							
Accounts payable	$ 2,344	$ 1,444	$ 900	62.3%	$ 1,854	$ (410)	(22.1%)
Acccrued expenses and other current liabilities	2,347	2,886	(539)	(18.7%)	4,425	(1,539)	(34.8%)
Unearned revenue	821	3,641	(2,820)	(77.5%)	3,117	524	16.8%
Total payable from unrestricted assets	5,512	7,971	(2,459)	(30.8%)	9,396	(1,425)	(15.2%)
Payable from restricted assets:							
Acccrued expenses and other current liabilities	159	157	2	1.3%	155	2	1.3%
Total payable from restricted assets	159	157	2	1.3%	155	2	1.3%
TOTAL CURRENT LIABILITIES	5,671	8,128	(2,457)	(30.2%)	9,551	(1,423)	(14.9%)
LONG-TERM LIABILITIES							
Payable from unrestricted assets:							
Other liabilities	-	-	-	n/a	5,000	(5,000)	(100.0%)
Total payable from unrestricted assets	-	-	-	n/a	5,000	(5,000)	(100.0%)
TOTAL LONG-TERM LIABILITIES	-	-	-	n/a	5,000	(5,000)	(100.0%)
TOTAL LIABILITIES	$ 5,671	$ 8,128	$ (2,457)	(30.2%)	$ 14,551	$ (6,423)	(44.1%)

Statements of Revenues, Expenses and Changes in Net Position

The reduction in the Authority's net position from June 30, 2018 to June 30, 2019 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, 2019. Changes in net position represent the results of operations of the Authority (i.e. its net income).

The $17,593 reduction in net position reflects total operating and non-operating revenues of $89,586 as shown on Table 5 being exceeded by total operating and non-operating expenses of $107,179 as shown on Table 6. The Authority generated $9,967 in income before depreciation and before certain net non-operating revenues. However, depreciation and amortization expenses totaled $39,054 and the Authority generated net non-operating revenue of $11,494.

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

	2019	2018	2017
Operating revenues	$ 77,508	$ 73,889	$ 63,426
Operating expenses	67,541	57,118	58,956
Income before depreciation and amortization and other non-operating revenues and (expenses), net	9,967	16,771	4,470
Depreciation and amortization	39,054	21,431	22,638
Loss before other non-operating revenues and (expenses), net	(29,087)	(4,660)	(18,168)
Non-operating revenues (expenses), net	11,494	(2,620)	2,709
Change in net position	(17,593)	(7,280)	(15,459)
Total net position, beginning of year	119,321	126,601	142,060
Total net position, end of year	$ 101,728	$ 119,321	$ 126,601

Revenues

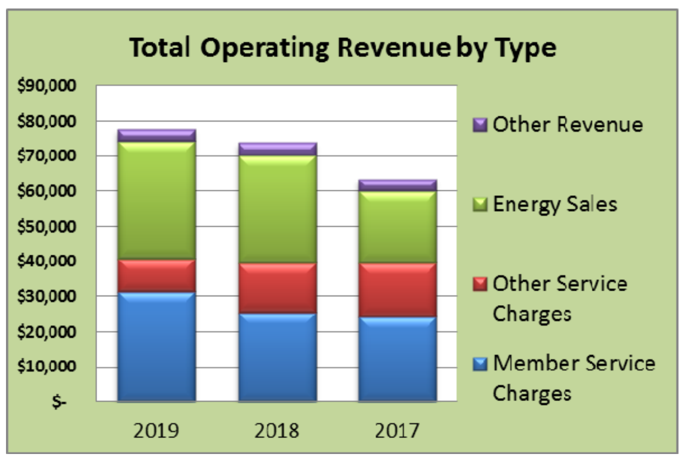


Table 5 summarizes total revenue (operating and non-operating) for the three prior fiscal years ended June 30, 2019. Total operating and non-operating revenue increased by $11,598 (14.9%) from fiscal year 2018 to fiscal year 2019.

As indicated in Table 5, operating revenue increased by $3,619 (4.9%) from fiscal year 2018 to fiscal year 2019. There are two primary factors contributing to this increase including improved member service charges and improved energy sales, which were partially offset by reduced other service charges and reduced other operating revenue.

The Authority's member service charges increased by $5,745 (22.5%) from fiscal year 2018 to fiscal year 2019. All member service charges are associated with operation of the CSWS. There are three factors contributing to this increase. Total tons of Municipal Solid Waste ("MSW") delivered by participating municipalities increased by 12.0%. This was mostly due to the addition of Newington as a participating municipality and the upgrading of East Hartford to a participating municipality that directs all MSW within its corporate borders to the CSWS. The tip fee paid by all participating municipalities also increased by $4.00 per ton effective July 1, 2018. In addition, effective April 1, 2019 through June 30, 2019 the tip fee paid by all participating municipalities increased an additional $9.35 per ton as part of the Authority's financial recovery from the mechanical failure of the WTE Facility's two turbine generators.

The Authority's energy sales increased by $2,751 (9.0%) from fiscal year 2018 to fiscal year 2019. The majority of this increase is attributed to energy sales within the Property Division which increased by $3,390 (22.7%) due to steep increases in ISO New England's capacity payments for the Jet Peaking Units. Energy sales within the Landfill Division also increased by $16 (15.0%). CSWS energy sales declined by $655 (4.2%) due to a substantial (24.8%) decline in electricity generation largely offset by the sale of legislatively - enhanced Class II Renewable Energy Credits.

The Authority's other service charges declined by $4,502 (32.0%) from fiscal year 2018 to fiscal year 2019. All other service charges are associated with operation of the CSWS. Other service charges include MSW deliveries by non-participating municipalities. MSW deliveries by non-participating municipalities were substantially reduced as part of the Authority's financial recovery from the mechanical failure of the WTE Facility's two turbine generators. Total MSW deliveries by non-participating municipalities declined by 38.5%, mitigating the Authority's cost to divert MSW to alternate disposal sites. All deliveries of non-participating waste were also received pursuant to the Authority's full price waste hauler contracts and the Authority further imposed a $2.00 per ton surcharge for all deliveries on non-participating waste to transfer stations, thereby maximizing revenue from the non-participating deliveries that did occur.

The Authority's other operating revenue declined by $375 (10.2%) from fiscal year 2018 to fiscal year 2019. Other operating revenue includes CSWS metal sales and recycling facility sales as well as rents generated through Property and Landfill division assets. Other operating revenue attributed to the CSWS declined by $541 (17.2%). The volume of metals extracted from MSW declined by 22.7% consistent with the decline in MSW processed. CSWS recycling facility revenue declined consistent with the erosion of commodity prices, which was partially mitigated through imposition of a $16 per ton tip fee for non-participating recycling deliveries to transfer stations. Other operating revenue from the Landfill Division declined by $8. These declines were offset by a $174 (34.9%) increase in Property Division other operating revenue driven by construction easement revenue and sales of excess Discrete Emission Reduction Credits.

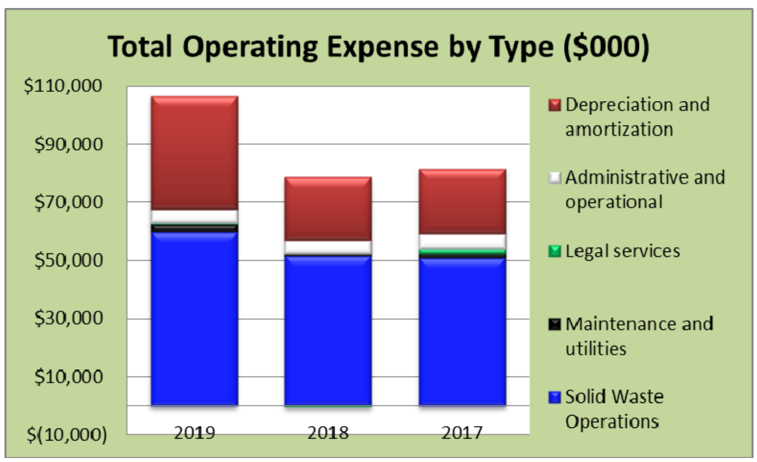
Table 5 also indicates that non-operating revenue increased by $7,979 (194.7%) from fiscal year 2018 to fiscal year 2019. While fiscal year 2018 non-operating revenue was dominated by $3,715 in settlement income from the matter known as CRRA v. Lay et. al., fiscal year 2019 was dominated by $11,619 in business interruption, extra expense and property damage insurance reimbursements associated with the mechanical failure of the WTE Facility's two turbine generators. In addition to this, the Authority's investment income increased by $76 (19.8%) 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)

	2019	2018	2019 Increase/ (Decrease) from 2018	2019 Percent Increase/ (Decrease)	2017	2018 Increase/ (Decrease) from 2017	2018 Percent Increase/ (Decrease)
Operating Revenues:							
Member service charges	$ 31,264	$ 25,519	$ 5,745	22.5%	$ 24,200	$ 1,319	5.5%
Other service charges	9,546	14,048	(4,502)	(32.0%)	15,478	(1,430)	(9.2%)
Energy sales	33,399	30,648	2,751	9.0%	20,375	10,273	50.4%
Other operating revenues	3,299	3,674	(375)	(10.2%)	3,373	301	8.9%
Total Operating Revenues	77,508	73,889	3,619	4.9%	63,426	10,463	16.5%
Non-Operating Revenues:							
Investment income	459	383	76	19.8%	208	175	84.1%
Settlement income	11,619	3,715	7,904	212.8%	-	3,715	n/a
Other income	-	1	(1)	(100.0%)	2,955	(2,954)	(100.0%)
Total Non-Operating Revenues	12,078	4,099	7,979	194.7%	3,163	936	29.6%
Total Revenues	$ 89,586	$ 77,988	$ 11,598	14.9%	$ 66,589	$ 11,399	17.1%

Expenses

Table 6 summarizes total expenses (operating expenses, depreciation and amortization, and non-operating expenses) for the three prior fiscal years ended June 30, 2019. As indicated, operating expenses increased by $10,423 (18.2%) from fiscal year 2018 to fiscal year 2019. Depreciation and amortization increased by $17,623 (82.2%) and non-operating expenses decreased by $6,135 (91.3%) during this same period. Total expenses increased by $21,911 (25.7%).



Operating expenses (before depreciation and amortization) increased by $10,423 (18.2%) from fiscal year 2018 to fiscal year 2019. This reflects a $8,467 (16.5%) increase in solid waste operations, a $1,875 (207.0%) increase in maintenance and utilities, a $113 increase in legal service and a $32 reduction in administrative and operational expenses as described below:

- The $8,467 (16.5%) increase in solid waste operations expense relates primarily to the cost to divert CSWS waste deliveries to alternate sites due to the mechanical failure of the WTE Facility's two turbine generators. In fiscal year 2019 the CSWS diverted 111,693 tons of MSW to alternate disposal sites at a cost of $12,141, a substantial increase from the 21,575 tons of MSW diverted in fiscal year 2018. Savings in other expenditures included within solid waste operations, primarily waste transportation and ash disposal costs, helped to mitigate the overall increase.

- The $1,875 (207.0%) increase in maintenance and utilities was mostly driven by two factors. Part of the Authority's efforts to manage MSW deliveries while its turbine generators were off-line for repair was to process a portion of deliveries so that it could be densified and stored more efficiently. This meant operating the WTE Facility with energy purchased from the grid. As a result, CSWS electricity expenses increased by $776 (286%). In addition to this, substantial components of the WTE Facility reached the end of their useful life on June 30, 2019. This brought an end to the process of capitalizing certain major maintenance activities in the fourth quarter of fiscal year 2019, effectively increasing maintenance expenses, funded by Property Division's CSWS improvement Fund, by $1,049.
- The $113 increase in legal services reflects an increase of $87 in spending associated with the CSWS, and an increase of $59 associated with the Landfill Division, offset by a reduction of $33 associated with the Property Division. See Note 9 for additional information.
- The $32 (0.7%) reduction in administrative and operational expenses reflects an increase of $219 (187.2%) in expenses associated with the Landfill Division offset by reductions in the CSWS and Property Division. The increase in Landfill Division spending is directly related to the Authority's efforts to negotiate a Comprehensive Development Agreement providing for the redevelopment of the CSWS consistent with DEEP's Resource Rediscovery initiative which are funded through this division. The CSWS and Property Division reductions reflect overall reduced spending associated with the Authority General Fund.

Depreciation and amortization expenses increased by $17,623 (82.2%) from fiscal year 2018 to fiscal year 2019. The majority of this increase ($15,267) is associated with major maintenance work within the WTE Facility's three steam boilers. As substantial components of the facility approached the June 30, 2019 end of their useful life, these major maintenance investments were depreciated over much shorter periods of time. In fiscal year 2018, this was substantially mitigated by the completed depreciation of other elements of the CSWS. In fiscal year 2019, the Authority also advanced the depreciation schedule for certain WTE Facility components and other equipment, primarily tip floor and roof repairs and a super-heater replacement, to coincide with the June 30, 2019 end of useful life. This represented $2,309 of the overall increase in depreciation and amortization expense.

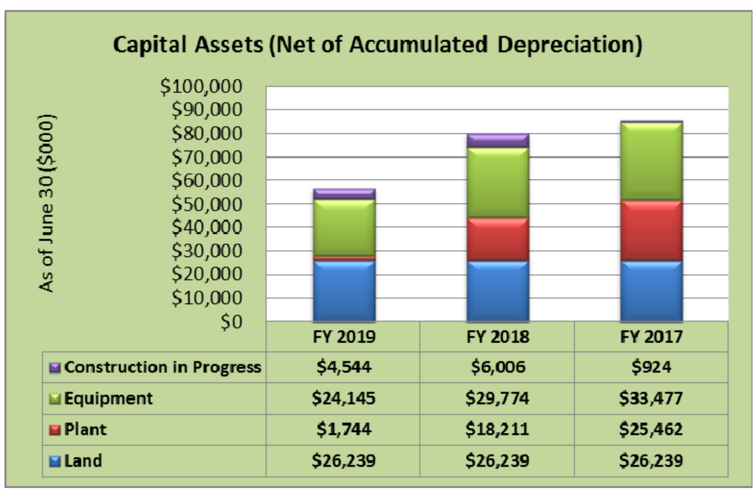
Non-operating expenses declined significantly from fiscal year 2018 to fiscal year 2019. In fiscal year 2018, non-operating expenses totaled $6,719 and primarily represented major milestones in the Authority's settlement and project closeout activities. This included MDC settlement expenses, distributions to SCRRRA and Mid Connecticut Project municipalities as well as legal costs and the write-off of capital assets. In fiscal year 2019, non-operating expenses totaled $584, a 91.3% reduction from fiscal year 2018, and included payment of deferred distributions of surplus funds to certain Mid Connecticut Project participating municipalities totaling $88, payment of Mid Connecticut Project legal fees of $19, and net sales and disposals of assets (write offs) totaling $477.

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

	2019	2018	2019 Increase/ (Decrease) from 2018	2019 Percent Increase/ (Decrease)	2017	2018 Increase/ (Decrease) from 2017	2018 Percent Increase/ (Decrease)
Operating Expenses:							
Solid waste operations	$ 59,887	$ 51,420	$ 8,467	16.5%	$ 50,722	$ 698	1.4%
Maintenance and utilities	2,781	906	1,875	207.0%	1,522	(616)	(40.5%)
Legal services - external	76	(37)	113	(305.4%)	1,713	(1,750)	(102.2%)
Administrative and operational services	4,797	4,829	(32)	(0.7%)	4,999	(170)	(3.4%)
Distribution to SCRRRA	-	-	-	n/a	-	-	n/a
Total Operating Expenses	67,541	57,118	10,423	18.2%	58,956	(1,838)	(3.1%)
Depreciation and amortization	39,054	21,431	17,623	82.2%	22,638	(1,207)	(5.3%)
Operating Exenses Including Depreciation and Amortization	106,595	78,549	28,046	35.7%	81,594	(3,045)	(3.7%)
Non-Operating Expenses:							
Settlement expenses	-	2,324	(2,324)	(100.0%)	-	2,324	n/a
Distribution to SCRRRA	-	656	(656)	(100.0%)	-	656	n/a
Distribution to Towns	88	3,412	(3,324)	(97.4%)	-	3,412	n/a
Other expenses	496	327	169	51.7%	454	(127)	(28.0%)
Total Non-Operating Expenses	584	6,719	(6,135)	(91.3%)	454	6,265	1380.0%
Total Expenses	$ 107,179	$ 85,268	$ 21,911	25.7%	$ 82,048	$ 3,220	3.9%

Capital Assets

The Authority's investment in capital assets (net of accumulated depreciation) as of June 30, 2019 totaled $56,672. This represents a $23,558 (29.4%) reduction from net capital assets as of June 30, 2018 which totaled $80,230. 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 WTE 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, 2019, this primarily consisted of ongoing major maintenance work in the power block component of the WTE Facility in Hartford.

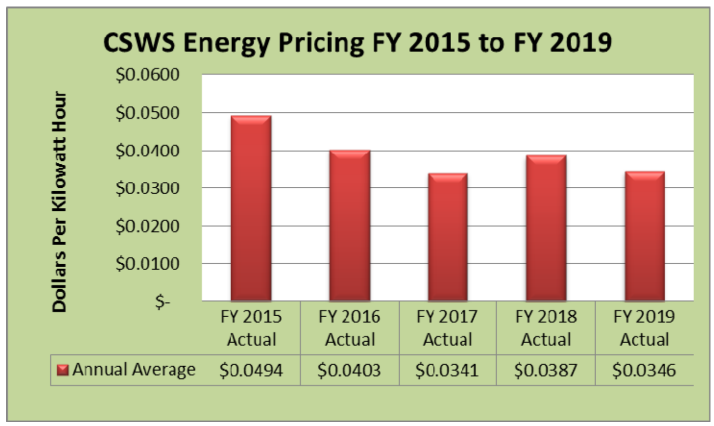
The reduction in net capital assets primarily reflects the cumulative effect of additions to construction in progress, less transfers out of construction in progress (to put assets into service), less net sales and disposals and depreciation expense as described more fully in Note 3.

Long-Term Debt Issuance, Administration and Credit Ratings

As of June 30, 2019, 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, the age and serviceability of the CSWS WTE Facility and the extensive negotiations necessary to implement 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 when non-disposal fee revenues are low, thereby avoiding the opt-out tip fee, 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 primarily with income from its Jet Peaking Units. The cash balance of the tip fee stabilization fund at June 30, 2019 was $1 and a total of $42,478 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 sustained erosion of non-disposal fee revenue driven by declining energy pricing and performance of the WTE Facility caused the adopted tip fee to exceed the opt-out tip fee for fiscal years 2018, 2019 and 2020. However, none of the CSWS participating towns have opted out of the contract.

The adopted budget for fiscal year 2020 included an $11.00 per ton increase in participating town tip fees as well as continued subsidy from the tip fee stabilization fund. Property Division income and reserves, substantially attributed to the Jet Peaking Units, will continue to flow to this fund in fiscal year 2020 subject to an authorized cap of $8,700.

Critical to preserving this source of funding was adoption by DEEP of its "Regulation Concerning NOx Emissions from Fuel-Burning Emission Units" (DEEP's Phased Compliance Program). This program provided the Authority with the compliance mechanism it needs to continue to operate the Jet Peaking Units. The Authority is permitted under the Phased Compliance Program to operate the Jet Peaking Units 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 Jet Peaking Units, also extends through May 31, 2023. Consistent with DEEP's Phased Compliance Program, the Authority has now delisted the Jet Peaking Units from ISO New England effective May 31, 2023 at which time the Authority's ability to subsidize the CSWS through the tip fee stabilization fund will substantially diminish. Jet Peaking Unit capacity payments peaked in fiscal year 2019 at $16,642 and will decline steadily to approximately $6,700 in fiscal year 2023, their last year of operation.

Age and Serviceability of the CSWS Waste to Energy Facility

Substantial components of the WTE Facility reached the scheduled end of their useful life on June 30, 2019 and are fully depreciated. The facility's age and serviceability is readily apparent in its fiscal year 2019 performance trends. In fiscal year 2019, the facility received 544,933 tons of MSW delivered under municipal and hauler contracts, a 33,909 ton (5.9%) reduction in deliveries from fiscal year 2018. However, in fiscal year 2019, the facility diverted 111,693 tons of MSW to alternate disposal sites at a cost of $12,141, a substantial increase from the 21,575 tons of MSW diverted in fiscal year 2018. Consequently, the net MSW deliveries actually processed through the WTE Facility declined by 22.3%. In fiscal year 2019, the facility generated 208.74 million kilowatt hours of energy, a 68.91 million kilowatt hour (24.8%) reduction from fiscal year 2018. While the facility experienced a wide range of mechanical breakdowns, most noteworthy were lengthy failures of the facility's two turbine generators.

On September 30, 2018 the Authority took Turbine #5 off line for major maintenance and repair work rooted in blade damage sustained in prior operation. The repair was originally completed in late November 2018. However, Turbine #5 was not successfully brought back on line after several weeks of effort and it had to be sent off site a second time for additional repairs. The second round of repair work was completed and Turbine #5 was successfully brought back on line on January 27, 2019. However, it only remained on line through June 3, 2019 when it had to be brought down and sent off site for a third round of repair work. Turbine #5 remained off line through late-August 2019. In addition to the Turbine #5 challenges, on November 5, 2018, while Turbine #5 was off line for repair, Turbine #6 suffered a catastrophic failure leaving the CSWS with no waste processing capacity. Turbine #6 remained off line for four months and resumed operation without further incident on March 5, 2019.

During fiscal year 2019 the WTE Facility operated with both turbines functioning for just 5 months. However, during these five months boiler availability averaged only 73% further impacting the facility's processing capacity. The boilers experienced a full range of service disruptions stemming from tube and water wall leaks, bag house, flue gas and other air flow challenges, grate failures, auger and other RDF fuel supply chain challenges.

Absent near term major refurbishment of the WTE Facility, alternative disposal capability will need to be planned and implemented. This alternative disposal capability would most likely rely on out of state landfilling of Connecticut's MSW in contravention to DEEP's Comprehensive Materials Management Strategy.

The failure of both turbines resulted in significant financial impacts to the Authority in fiscal year 2019, and changes to its business model going forward. Operating revenues were impacted by reduced MSW deliveries and energy generation, operating expenses were increased by the diversion of waste to alternate sites, and major maintenance costs were increased due to repair requirements. The Authority was able to absorb these impacts by reallocating operating and capital budgets, increasing the planned subsidy of the CSWS through the tip fee stabilization fund and drawing down operating accounts while business interruption, extra expense and property damage insurance claims were developed and processed. By the close of fiscal year 2019, the Authority was able to recognize $11,619 in non-operating revenue from insurance claims after its deductibles were paid. The Authority's financial recovery also included the declaration of a force majeure event under its Waste Hauler Contracts allowing the suspension of waste deliveries from non-participating municipalities, and under the Municipal Service Agreements allowing imposition of an additional fee of $9.35 per ton for the fourth quarter of fiscal year 2019. This additional fee generated $1,057 in member service charges to offset deductibles paid in fiscal year 2019. On a going forward basis, the Authority's insurance carriers have imposed steep increases to its business interruption, extra expense and property damage insurance deductibles, some of which may be mitigated by facility modifications the Authority presently has underway. The Authority has also modified its Waste Hauler and Interruptible Service Contracts to provide much greater flexibility in the suspension of deliveries from non-participating municipalities when processing capacity is impaired for any reason.

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 would bring about the redevelopment of the CSWS. Major milestones include completion 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 for the redevelopment of the CSWS with its selected respondent (the Sacyr Rooney Recovery Team, LLC or "SRRT"). The SRRT proposal represented a $222 million investment in the refurbishment of the WTE Facility together with the incorporation of new "Diversion Technology" which would include new mechanical and biological treatment facilities and an aerobic digester. 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 expire on June 30, 2027.

During fiscal years 2018 and 2019, the Authority actively engaged in negotiations with SRRT 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. Key topics addressed included financial feasibility, project structuring, governance and risk allocation, disposition and use of surplus revenue and municipal tip fees. The discussions culminated at the close of fiscal year 2019 with agreement on a Memorandum of Understanding outlining the roles and responsibilities of each party for each of these areas: The Memorandum of Understanding specifically provides:

- A staged development program – The CSWS redevelopment project will be undertaken in three stages. During the first stage, existing CSWS facilities are refurbished, the CSWS processing capacity is constrained and design and permitting of the Diversion Technology is commenced. During the second stage, the refurbished CSWS facilities are operated at a much higher degree of reliability, the CSWS processing capacity is restored to historic norms and the Diversion Technology construction is undertaken. In the third stage, the Diversion Technology is operated and additional CSWS processing capacity is achieved through enhanced diversion of municipal solid waste.
- A capacity and revenue sharing model – All revenue associated with the first 650,000 tons of MSW are dedicated to refurbishment, operation and maintenance of the existing CSWS facilities. Additional revenue associated with restored and enhanced processing capacity is shared. The Authority's revenue share will be fully used to offset tip fees and the SRRT share will be used to support development and operation of the Diversion Technology.
- Public governance – The existing CSWS facilities and the Diversion Technology will be owned by the Authority and the Authority will grant access to the CSWS through its contracts with municipalities and waste haulers.
- Authority financing the refurbishment of existing facilities – The Authority will issue tax exempt revenue bonds providing for the refurbishment of existing CSWS facilities. This is conditioned upon the Authority first establishing a firm construction cost for the refurbishment, a firm operating cost for the refurbished facilities, sufficient quantity and level of tip fees to support the project and sufficient security to enable approval of a Special Capital Reserve Fund for the Authority bonds.
- Performance guarantees for the refurbished facilities – SRRT will provide waste processing throughput and energy generation guarantees as part of its refurbishment and operation of the existing CSWS facilities.
- Private financing of the Diversion Technology – SRRT will finance development and operation of the Diversion Technology. CSWS project revenue available to support the Diversion Technology is limited to SRRT revenue shares for MSW deliveries over 650,000 tons annually plus sales revenue associated with its diverted commodities. There is no lender recourse against the Authority or its contracted customers for debt service associated with the Diversion Technology.

- A strict timeline moving forward – The MOU established a November 15, 2019 deadline for the execution of a fully developed term sheet, and an October 15, 2020 deadline for execution of a Comprehensive Development Agreement. If these deadlines are not met, the MOU terminates and no further negotiations will take place, with no recourse to either party.

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

EXHIBIT I
Page 1 of 2

A Component Unit of the State of Connecticut
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019 AND JUNE 30, 2018
(Dollars in Thousands)

	2019	2018
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	**$ 31,169**	$ 32,727
Receivables, net of allowances	**11,083**	5,587
Inventory	**5,779**	6,203
Prepaid expenses	**2,487**	2,496
Total Unrestricted Assets	**50,518**	47,013
Restricted Assets:		
Cash and cash equivalents	**209**	206
TOTAL CURRENT ASSETS	**50,727**	47,219
NON-CURRENT ASSETS		
Capital Assets:		
Depreciable, net	**25,889**	47,985
Nondepreciable	**30,783**	32,245
Total Capital Assets	**56,672**	80,230
TOTAL NON-CURRENT ASSETS	**56,672**	80,230
TOTAL ASSETS	**107,399**	127,449

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, 2019 AND JUNE 30, 2018
(Dollars in Thousands)

	2019	2018
LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	**$ 2,344**	$ 1,444
Acccrued expenses and other current liabilities	**2,347**	2,886
Unearned revenue	**821**	3,641
Total Payable from Unrestricted Assets	**5,512**	7,971
Payable from Restricted Assets:		
Acccrued expenses and other current liabilities	**159**	157
TOTAL CURRENT LIABILITIES	**5,671**	8,128
TOTAL LIABILITIES	**5,671**	8,128
NET POSITION		
Net investment in capital assets	**56,672**	80,230
Restricted	**50**	49
Unrestricted	**45,006**	39,042
TOTAL NET POSITION	**$ 101,728**	$ 119,321

The accompanying notes are an integral part of these financial statements

MATERIALS INNOVATION AND RECYCLING AUTHORITY

EXHIBIT II

A Component Unit of the State of Connecticut
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(Dollars in Thousands)

	2019	2018
Operating Revenues		
Service charges:		
Members	$ 31,264	$ 25,519
Others	9,546	14,048
Energy sales	33,399	30,648
Other	3,299	3,674
Total Operating Revenues	77,508	73,889
Operating Expenses		
Solid waste operations	59,887	51,420
Maintenance and utilities	2,781	906
Legal services - external	76	(37)
Administrative and Operational services	4,797	4,829
Total Operating Expenses	67,541	57,118
Operating Income before depreciation and amortization	9,967	16,771
Depreciation and amortization	39,054	21,431
Operating Loss	(29,087)	(4,660)
Non-Operating Revenues (Expenses)		
Investment income	459	383
Settlement income	11,619	3,715
Settlement expenses, net	-	(2,324)
Distribution to SCRRRA	-	(656)
Distributions to towns	(88)	(3,412)
Other revenues (expenses), net	(496)	(326)
Total Non-Operating Revenues (Expenses), Net	11,494	(2,620)
Change in Net Position	(17,593)	(7,280)
Total Net Position, beginning of year	119,321	126,601
Total Net Position, end of year	$ 101,728	$ 119,321

The accompanying notes are an integral part of these financial statements

MATERIALS INNOVATION AND RECYCLING AUTHORITY **EXHIBIT III**

A Component Unit of the State of Connecticut

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Dollars in Thousands)

	2019	2018
Cash Flows Provided by (Used in) Operating Activities		
Payments received from providing services	$ 69,192	$ 73,808
Payments to suppliers and employees	(66,765)	(66,548)
Distributions to towns	(88)	(3,412)
Distribution to SCRRRA	-	(656)
Settlement income	11,619	3,715
Settlement expenses	-	(281)
Net Cash Provided by Operating Activities	13,958	6,626
Cash Flows Provided by Investing Activities		
Interest on investments	459	383
Net Cash Provided by Investing Activities	459	383
Cash Flows Provided by (Used in) Capital and Related Financing Activities		
Proceeds from sales of equipment	1	5
Acquisition and construction of capital assets	(15,973)	(15,890)
Net Cash Used in Capital and Related Financing Activities	(15,972)	(15,885)
Net Decrease in Cash and Cash Equivalents	(1,555)	(8,876)
Cash and Cash Equivalents, beginning of year	32,933	41,809
Cash and Cash Equivalents, end of year	$ 31,378	$ 32,933
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (29,087)	$ (4,660)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation of capital assets	39,053	21,431
Other income (expenses), net	11,511	(2,677)
Changes in assets and liabilities, net of transfers:		
(Increase) decrease in:		
Receivables, net	(5,496)	(605)
Inventory	424	(266)
Prepaid expenses	121	(174)
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(2,568)	(6,423)
Net Cash Provided by Operating Activities	$ 13,958	$ 6,626

The accompanying notes are an integral part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 2019, the Authority's board included officials from six 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, 2019 AND 2018

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.

<u>Mid Connecticut Project and the Connecticut Solid Waste System</u> - 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 40 private waste haulers under contract with the Authority.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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.

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 ("SCRRRA") was established and SCRRRA entered into agreements with its twelve member municipalities requiring them to deliver waste to SCRRRA for disposal at the facility. Under a Bridge and Management Agreement between CRRA and SCRRRA, the Authority caused the facility to be operated and maintained and SCRRRA 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

A. Entity and Services *(Continued)*

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 during fiscal year 2018, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

B. Measurement Focus, Basis of Accounting, and Basis of Presentation *(Continued)*

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.

E. Receivables, Net

Receivables 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, 2019 and 2018.

	Fiscal Year	
	2019	2018
Receivables, net of allowances	($000)	($000)
Leases	$ 2	$ 8
Contractor	25	17
Insurance	4,694	-
Electricity	1,713	2,273
Disposal & Commodity Sales	4,648	3,286
Total	$ 11,082	$ 5,584

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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, 2019 and 2018 are summarized as follows:

Inventories	Fiscal Year 2019 ($000)	Fiscal Year 2018 ($000)
Spare Parts	$ 5,152	$ 5,210
Fuel	627	993
Total	$ 5,779	$ 6,203

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. MIRA's restricted assets consist of customer guarantees of payment and 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. Costs incurred during the preliminary project states, including certain legal fees, are expensed as incurred.

The Authority has no development costs as of June 30, 2019 and 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

J. Capital Assets *(Continued)*

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, 2019 and 2018, no impairment losses were recognized. Substantial components of the Connecticut Solid Waste System's waste to energy facility reached the end of their useful life on June 30, 2019 and have been fully depreciated. Although the facility remains in operation pending redevelopment, the Authority is contractually committed to process waste for the Connecticut municipalities through June 30, 2027.

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, 2019 and 2018 and the related changes for the years ended June 30, 2019 and 2018 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, 2019 AND 2018

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

K. Compensated Absences *(Continued)*

Compensated Absences	Balance at July 1, 2017 ($000)	Increases (Decreases) ($000)	Balance at June 30, 2018 ($000)	Increases (Decreases) ($000)	Balance at June 30, 2019 ($000)
Accrued vacation and personal time	$ 368	$ 44	$ 412	$ 104	$ 516
Total	$ 368	$ 44	$ 412	$ 104	$ 516

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 a result of position elimination, reorganization, restructuring and reduction in force.

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 $56.7 million and $80.2 million as of June 30, 2019 and 2018.

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 $50,000 and $49,000 as of June 30, 2019 and 2018, respectively. 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 $20.8 million and $18.0 million as of June 30, 2019 and 2018, respectively.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

L. Net Position *(Continued)*

Unrestricted net position at June 30, 2019 and 2018 are summarized as follows:

Unrestricted Net Position	2019 ($000)	2018 ($000)
Undesignated	$ 24,226	$ 20,999
Designated:		
Authority:		
Severance Fund	1,651	725
Property Division:		
General Fund	11,926	8,022
Improvement Fund- PD	179	27
Improvement Fund - CSWS	1,690	2,346
Tip fee stabilization	1	2,151
Jets major maintanence	1,278	703
MidConnecticut:		
Litigation reserve	166	163
Post project reserve	1,857	1,920
CSWS:		
Debt Service Fund	4	4
Risk Fund	883	863
General Fund	1	1
Legal Fund	629	615
Landfill Division:		
Hartford solar reserve	330	322
Pollution insurance reserve	185	181
	20,780	18,043
Total Unrestricted Net Position	$ 45,006	$ 39,042

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

M. New Accounting Pronouncements

Effective July 1, 2018, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No.88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.,* 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, 2019 and 2018:

Cash and Cash Equivalents	2019 ($000)	2018 ($000)
Unrestricted:		
Cash deposits	$ 7,672	$ 8,466
Cash equivalents:		
STIF *	23,497	24,261
	31,169	32,727
Restricted – current:		
Cash deposits	209	206
	209	206
Total	$ 31,378	$ 32,933

* 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, 2019 AND 2018

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Cash Deposits – Custodial Credit Risk *(Continued)*

As of June 30, 2019 and 2018, approximately $7.6 million and $8.7 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2019 ($000)	2018 ($000)
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	$ 1,072	$ 1,184
Insurance coverage (FDIC)	250	250
Uninsured and Uncollateralized	6,520	7,494
Total	$ 7,842	$ 8,928

Total represents Bank of America account balance as of 6/30/19.
Uninsured but collateralized equals 13.67% 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, 2019 and 2018 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, 2019 AND 2018

2. CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Interest Rate Risk

As of June 30, 2019, 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	$ 23,497	$ 23,497	$ -	$ -	$ -
Total	$ 23,497	$ 23,497	$ -	$ -	$ -

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	$ -	$ -	$ -

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, 2019 and 2018, STIF had a weighted average maturity of 43 and 35 days respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$ 23,497	AAAm	Not Rated	Not Rated

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

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, 2019 and 2018, 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, 2019 AND 2018

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2019 and 2018:

	Balance at June 30, 2017 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2018 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2019 ($000)
Depreciable assets:									
Plant	$ 204,177	$ -	$ 9,690	$ (5,438)	$ 208,429	$ -	$ 11,939	$ (6,763)	$ 213,605
Equipment	242,586	9	1,109	(249)	243,455	-	5,495	(2,420)	246,530
Total at cost	446,763	9	10,799	(5,687)	451,884	-	17,434	(9,184)	460,135
Less accumulated depreciation for:									
Plant	(178,715)	(16,678)	-	5,175	(190,218)	(34,432)	6,154	6,635	(211,861)
Equipment	(209,109)	(4,754)	-	182	(213,681)	(4,622)	(6,154)	2,072	(222,385)
Total accumulated depreciation	(387,824)	(21,432)	-	5,357	(403,899)	(39,054)	-	8,707	(434,246)
Total depreciable assets, net	**$ 58,939**	**$ (21,423)**	**$ 10,799**	**$ (330)**	**$ 47,985**	**$ (39,054)**	**$ 17,434**	**$ (477)**	**$ 25,889**
Nondepreciable assets:									
Land	$ 26,239	$ -	$ -	$ -	$ 26,239	$ -	$ -	$ -	$ 26,239
Construction-in-progress	924	15,881	(10,799)	-	6,006	15,973	(17,435)	-	4,544
Total nondepreciable assets	**$ 27,163**	**$ 15,881**	**$ (10,799)**	**$ -**	**$ 32,245**	**$ 15,973**	**$ (17,435)**	**$ -**	**$ 30,783**
Total depreciable and nondepreciable assets	**$ 86,102**	**$ (5,542)**	**$ -**	**$ (330)**	**$ 80,230**	**$ (23,080)**	**$ -**	**$ (477)**	**$ 56,672**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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, 2019 and 2018.

5. MAJOR CUSTOMERS

Nextera Energy Power Marketing is the Authority's customer for fixed price (hedged) energy sales and certain Class II renewable energy credits from the Connecticut Solid Waste System (CSWS) and represented 9.1 % and 7.7% of total operating revenues for the years ended June 30, 2019 and 2018, 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 33.9% and 33.7% of total operating revenues for the years ended June 30, 2019 and 2018, 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 8.0% and 12.0% of the Authority's operating revenues for the years ended June 30, 2019 and 2018, respectively.

6. RETIREMENT BENEFIT PLAN

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

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are five percent of payroll plus a dollar for dollar match of employees' contributions up to five percent of employee wages. Authority contributions for the years ended June 30, 2019 and 2018 amounted to approximately $301,000 and $310,000, respectively. Employees contributed approximately $278,000 to the plan during the year ended June 30, 2019 and $286,000 to the plan during the year ended June 30, 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. RETIREMENT BENEFIT PLAN *(Continued)*

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, 2019 and 2018.

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.

During fiscal year 2019 the Authority sustained property damage to its two steam turbines associated with operation of the CSWS Waste to Energy Facility and recognized insurance receivables of $11.6 million from related business interruption, extra expense and property damage insurance coverages. The amounts have been reported as settlement income for the year ended June 30, 2019. As a result of these claims, certain deductibles have increased effective January 1, 2019. The Authority's business interruption and extra expense deductible period on these turbines was extended from 45 days to 75 days by insurance carriers providing fifty percent (50%) of this coverage. An additional insurance carrier providing fifteen percent (15%) of the business interruption and extra expense coverage on these turbines extended the deductible period from 45 days to 60 days. Property damage deductibles on these turbines were increased from $250,000 to $3 million by insurance carriers providing fifty percent (50%) of this coverage. An additional insurance carrier providing fifteen percent (15%) of this coverage increased the deductible from $250,000 to $1.5 million.

Property damage deductibles on the Authority's Jet Peaking Units were also increased effective January 1, 2019. This deductible was increased from $250,000 to $1.0 million by insurance carriers providing fifty percent (50%) of this coverage, and from $250,000 to $1.5 million by insurance carriers providing fifteen percent (15%) of this coverage.

8. COMMITMENTS

The Authority has various operating leases for its corporate office space, the Essex transfer station and office equipment, which totaled approximately $206,000 and $197,000 for the years ended June 30, 2019 and 2018, respectively.

The Authority also has agreements with various municipalities for payments in lieu of taxes ("PILOT") for personal and real property. For each of the years ended June 30, 2019 and 2018, the PILOT payments, which are included as a cost of solid waste totaled $1,626,000. The City of Hartford PILOT agreement for the CSWS ended as of June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

8. COMMITMENTS *(Continued)*

The City of Hartford PILOT payment totaled $1,500,000 for the year ended June 30, 2019. Future minimum payments under non-cancelable operating leases and future contracted PILOT payments as of June 30, 2019 are as follows:

Fiscal Year	Lease Amount ($000)	PILOT Amount ($000)
2020	$ 203	$ 126
2021	204	126
2022	208	126
2023	178	126
2024	15	126
Thereafter	45	379
Total	$ 853	$ 1,009

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	6/30/2020
USA Waste & Recycling	6/30/2023
CWPM, LLC	6/30/2023
FCR Inc.	6/30/2020

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.

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, 2019 and 2018 were as follows:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

8. COMMITMENTS *(Continued)*

Project	2019 ($000)	2018 ($000)
Connecticut Solid Waste System	$ 54,515	$ 46,699
Property Division	753	729
Landfill Division	16	(1)
Total	$ 55,284	$ 47,427

Fiscal year 2019 solid waste operations and maintenance and utilities expense includes the diversion of 111,693 tons of MSW to alternate disposal sites at a cost of $12,141,000. The authority utilized eleven vendors under short term agreements to divert waste to six transfer stations, six resource recovery facilities and five landfills located throughout Connecticut, Massachusetts, New York, Pennsylvania, and Virginia.

9. CONTINGENCIES

Mid-Connecticut Project

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. In the event that the Supreme Court rules in favor of Tremont, the matter will be sent back to the lower court for trial. The matter is too preliminary to estimate any potential exposure.

Connecticut Solid Waste System Project

In April 2019, FCR, LLC filed a complaint against the Authority in Connecticut Superior Court, claiming that the Authority has breached the agreement for operation, maintenance, and commodity marketing services between the Authority and FCR, pursuant to which FCR runs the Authority's Recycling Facility located in Hartford, Connecticut.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

9. CONTINGENCIES *(Continued)*

Connecticut Solid Waste System Project *(Continued)*

FCR alleged, among other things, that the Authority expanded the scope of services FCR is required to provide under the agreement without agreeing to additional compensation, and asserted that the Authority breached the duty of good faith and fair dealing by impeding FCR's right to receive the benefits it reasonably expected to receive under the agreement. As a result of these alleged issues, FCR claims that it is losing more than $3,000,000 per year, and seeks damages and a declaratory ruling that the Authority's actions entitle FCR to terminate the agreement without penalty. The Authority denies FCR's claims, and intends to vigorously defend the matter. The Authority has also asserted a counter-claim against FCR, alleging numerous breaches of the agreement by FCR, including failure to adequately staff the recycling facility, repeated and consistent violations of the facility's solid waste permit, and failure to operate, maintain and repair the facility as required by the agreement. At the request of the parties, the matter was designated a complex litigation case and transferred to the complex litigation docket on July 2, 2019. A status conference was held and a Scheduling Order issued on July 18, 2019. The parties are in the early stages of discovery, which will include document production, followed by fact and expert witness depositions; trial before a judge is scheduled to begin May 19, 2020. The matter is too preliminary to estimate any potential exposure.

In connection with the lawsuit captioned FCR, LLC v. MIRA, discussed above, the Authority tendered the lawsuit to its insurance company, Indian Harbor Insurance Company (the "Carrier") for defense and indemnity. Indian Harbor tendered a defense to the Authority under a reservation of rights, and on July 1, 2019, commenced a declaratory judgment action against the Authority seeking a declaration that it does not owe a defense or indemnity in the matter. The Authority's initial response is due on September 30, 2019; the Authority intends to answer the complaint and to file a counterclaim. If Indian Harbor succeeds in the action, it would be relieved of its duty to defend or indemnify the Authority; if it does not prevail, it will remain responsible for the payment of the Authority's defense costs above a $50,000 retention limit, as well as any indemnification obligation up to the policy's $5,000,000 limit of liability. There is no established discovery or trial schedule yet. The matter is too preliminary to estimate Indian Harbor's chance of success in the action.

Pursuant to the Operation and Maintenance of the Mid-Connecticut Resource Recovery Agreement, the Authority's contractor, NAES Corporation, subcontracted with Suburban Contract Cleaning, Inc. ("Suburban"), for the servicing of various machinery located at the Resource Recovery Facility (the "Facility"). In May 2019, Mr. Sam Cortes filed a complaint in Superior Court in Hartford against NAES and the Authority, alleging that he injured his finger while working for Suburban at the Facility in 2017, and seeking compensatory damages. NAES and the Authority both tendered the claim to Suburban's insurance carrier, which has accepted the tender and appointed counsel to represent both. The Authority does not believe it has any exposure in this matter.

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").

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

9. CONTINGENCIES *(Continued)*

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

Review of the Authority's permit renewal application by DEEP is ongoing, including whether the current location, design, construction and capacity of the cooling water intake structures at the Authority's South Meadows Facility represents best technology available ("BTA") for minimizing adverse environmental impact and, if not, what additional operational and/or technological measures reflecting BTA will need to be implemented at the Facility.

In connection with acquisition of the South Meadows real estate in December, 2000, the Authority assumed responsibility for the remediation of pre-existing pollution conditions at the site. At the same time, the Authority entered into an Exit Strategy Contract with TRC Companies, Inc. ("TRC"), whereunder TRC assumed the obligation for such remediation and agreed to be the Certifying Party pursuant to the Connecticut Transfer Act. 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 rejected the Verification on June 24, 2019, due to the discovery of PCBs on the site during work to relocate underground utilities by Eversource Energy. DEEP has required that TRC perform further characterization of the site. TRC is in the process of doing so.

Coverage under 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 for the period from March 31, 2016 to the date on which the Verification is resubmitted, because the source of funding has expired. Additionally, if the resubmitted Verification is audited and deficiencies are found that require correction, and/or the Verification is rejected again, TRC may demand payment for those costs as well. TRC and the Authority have submitted a claim under the AIG policy, which includes coverage for cleanup of previously unknown pre-existing conditions. The claim has been acknowledged by AIG, but no coverage determination has been issued. Additional costs continue to accrue. The Authority's deductible under the applicable coverage provision of the AIG policy is $100,000.

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 2019, the Authority adopted a Tier 1 Long Term disposal fee of $72.00 per ton in comparison to a Tier 1 Long Term opt out disposal fee of $66.05 per ton. For fiscal year 2019, the Authority adopted a Tier 1 Short Term disposal fee of $74.00 per ton in comparison to a Tier 1 Short Term opt out disposal fee of $68.12 per ton. In fiscal year 2019, Tier 1 Long Term and Tier 1 Short Term agreements represented 73% and 1%, respectively, of total waste delivered to the Connecticut Solid Waste System. For fiscal year 2020, the Authority adopted Tier 1 Long Term and Short Term disposal fees that exceed the opt out disposal fee; however, no municipality elected to terminate its Municipal Solid Waste Management Services Agreement as permitted thereunder based upon the adopted disposal fee.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. NEW ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

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.

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.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61,* The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. 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 May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the Authority's reporting period beginning July 1, 2021. The Authority does not expect this statement to have a material effect on its financial statements.

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION
AS OF JUNE 30, 2019
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	**Total**
ASSETS							
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	$ 2,806	$ 4,239	$ 2,032	$ 19,128	$ 2,964	$ -	**$ 31,169**
Receivables, net of allowances	-	9,245	-	1,834	4	-	**11,083**
Inventory	-	4,679	-	1,100	-	-	**5,779**
Prepaid expenses	-	2,387	-	50	50	-	**2,487**
Due from other funds	466	2	-	11,161	-	(11,629)	**-**
Total Unrestricted Assets	3,272	20,552	2,032	33,273	3,018	(11,629)	**50,518**
Restricted Assets:							
Cash and cash equivalents	-	159	-	50	-	-	**209**
TOTAL CURRENT ASSETS	3,272	20,711	2,032	33,323	3,018	(11,629)	**50,727**
NON-CURRENT ASSETS							
Capital Assets:							
Depreciable:							
Plant	84	-	-	188,168	25,353	-	**213,605**
Equipment	981	-	-	241,064	4,485	-	**246,530**
	1,065	-	-	429,232	29,838	-	**460,135**
Less: Accumulated depreciation	(1,020)	-	-	(405,730)	(27,496)	-	**(434,246)**
Total Depreciable, net	45	-	-	23,502	2,342	-	**25,889**
Nondepreciable:							
Land	-	-	-	10,130	16,109	-	**26,239**
Construction in progress	-	-	-	4,544	-	-	**4,544**
Total Nondepreciable	-	-	-	14,674	16,109	-	**30,783**
Total Capital Assets	45	-	-	38,176	18,451	-	**56,672**
TOTAL NON-CURRENT ASSETS	45	-	-	38,176	18,451	-	**56,672**
TOTAL ASSETS	3,317	20,711	2,032	71,499	21,469	(11,629)	**107,399**

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, 2019

(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	**Total**
LIABILITIES							
CURRENT LIABILITIES							
Payable from Unrestricted Assets:							
Accounts payable	$ 40	$ 2,294	$ -	$ 10	$ -	$ -	**$ 2,344**
Acccrued expenses and other current liabilities	693	1,452	9	51	142	-	**2,347**
Due to other funds	2	11,527	-	70	31	(11,630)	**-**
Unearned revenue	-	783	-	38	-	-	**821**
Total Payable from Unrestricted Assets	735	16,056	9	169	173	(11,630)	**5,512**
Payable from Restricted Assets:							
Acccrued expenses and other current liabilities	-	159	-	-	-	-	**159**
TOTAL CURRENT LIABILITIES	735	16,215	9	169	173	(11,630)	**5,671**
TOTAL LIABILITIES	735	16,215	9	169	173	(11,630)	**5,671**

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, 2019
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	**Total**
NET POSITION							
Net investment in capital assets	$ 45	$ -	$ -	$ 38,176	$ 18,451	$ -	**$ 56,672**
Restricted	-	-	-	50	-	-	**50**
Unrestricted	2,537	4,496	2,024	33,104	2,845	-	**45,006**
TOTAL NET POSITION	$ 2,582	$ 4,496	$ 2,024	$ 71,330	$ 21,296	$ -	**$ 101,728**

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, 2019

(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	**Total**
Operating Revenues							
Service charges:							
Members	$ -	$ 31,264	$ -	$ -	$ -	$ -	**$ 31,264**
Others	-	9,546	-	-	-	-	**9,546**
Energy sales	-	14,943	-	18,333	123	-	**33,399**
Other	-	2,611	-	672	16	-	**3,299**
Total Operating Revenues	-	58,364	-	19,005	139	-	**77,508**
Operating Expenses							
Solid waste operations	-	58,554	-	1,362	70	(99)	**59,887**
Maintenance and utilities	-	1,605	-	1,176	-	-	**2,781**
Legal services - external	-	81	-	(10)	5	-	**76**
Administrative and Operational services	-	3,795	-	666	336	-	**4,797**
Total Operating Expenses	-	64,035	-	3,194	411	(99)	**67,541**
Operating Income (Loss) before depreciation and amortization	-	(5,671)	-	15,811	(272)	99	**9,967**
Depreciation and amortization	17	-	-	38,899	138	-	**39,054**
Operating Income (Loss)	(17)	(5,671)	-	(23,088)	(410)	99	**(29,087)**
Non-Operating Revenues (Expenses)							
Investment income	-	169	48	230	12	-	**459**
Settlement income	-	3,965	-	7,654	-	-	**11,619**
Distributions to towns	-	-	(88)	-	-	-	**(88)**
Other revenues (expenses), net	-	-	(19)	(477)	-	-	**(496)**
Total Non-Operating Revenues (Expenses), net	-	4,134	(59)	7,407	12	-	**11,494**
Income (Loss) before Transfers	(17)	(1,537)	(59)	(15,681)	(398)	99	**(17,593)**
Transfers	900	(1,590)	-	789	-	(99)	**-**
Change in Net Position	883	(3,127)	(59)	(14,892)	(398)	-	**(17,593)**
Total Net Position, beginning of year	1,699	7,623	2,083	86,222	21,694	-	**119,321**
Total Net Position, end of year	$ 2,582	$ 4,496	$ 2,024	$ 71,330	$ 21,296	$ -	**$ 101,728**

MATERIALS INNOVATION AND RECYCLING AUTHORITY

A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2019
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	**Total**
Cash Flows Provided by (Used in) Operating Activities							
Payments received from providing services	$ -	$ 50,789	$ (426)	$ 18,685	$ 144	$ -	**$ 69,192**
Payments to suppliers and employees	136	(63,833)	(14)	(2,842)	(311)	99	**(66,765)**
Payments to other funds	143	5,466	-	(5,622)	13	-	**-**
Distributions to towns	-	-	(88)	-	-	-	**(88)**
Distribution to SCRRRA	-	-	-	-	-	-	**-**
Settlement income	-	3,965	-	7,654	-	-	**11,619**
Settlement expenses	-	-	-	-	-	-	**-**
Net Cash Provided by (Used in) Operating Activities	279	(3,613)	(528)	17,875	(154)	99	**13,958**
Cash Flows Provided by Investing Activities							
Interest on investments	-	169	48	230	12	-	**459**
Net Cash Provided by Investing Activities	-	169	48	230	12	-	**459**
Cash Flows Provided by (Used in) Capital and Related Financing Activities							
Proceeds from sales of equipment	-	-	-	1	-	-	**1**
Acquisition and construction of capital assets	-	-	-	(15,973)	-	-	**(15,973)**
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	-	-	(15,972)	-	-	**(15,972)**
Cash Flows Provided by (Used in) Non-Capital Financing Activities							
Transfers	900	(1,590)	-	789	-	(99)	**-**
Net Cash Provided by (Used in) Non-Capital Financing Activities	900	(1,590)	-	789	-	(99)	**-**
Net Increase (Decrease) in Cash and Cash Equivalents	1,179	(5,034)	(480)	2,922	(142)	-	**(1,555)**
Cash and Cash Equivalents, beginning of year	1,627	9,432	2,512	16,256	3,106	-	**32,933**
Cash and Cash Equivalents, end of year	$ 2,806	$ 4,398	$ 2,032	$ 19,178	$ 2,964	$ -	**$ 31,378**

MATERIALS INNOVATION AND RECYCLING AUTHORITY

EXHIBIT C

A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS (Continued)
AS OF JUNE 30, 2019
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	**Total**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	$ (17)	$ (5,671)	$ -	$ (23,088)	$ (410)	$ 99	**$ (29,087)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation of capital assets	17	-	-	38,898	138	-	**39,053**
Other income (expenses), net	-	3,965	(108)	7,654	-	-	**11,511**
Changes in assets and liabilities, net of transfers:							
(Increase) decrease in:							
Receivables, net	-	(5,178)	-	(323)	5	-	**(5,496)**
Inventory	-	58	-	366	-	-	**424**
Prepaid expenses	-	56	-	14	51	-	**121**
Increase (decrease) in:							
Accounts payable, accrued expenses and other liabilities	136	(2,309)	(420)	(24)	49	-	**(2,568)**
Due to/from other funds	143	5,466	-	(5,622)	13	-	**-**
Net Cash Provided by (Used in) Operating Activities	$ 279	$ (3,613)	$ (528)	$ 17,875	$ (154)	$ 99	**$ 13,958**

MATERIALS INNOVATION AND RECYCLING AUTHORITY

A Component Unit of the State of Connecticut

SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION

AS OF JUNE 30, 2019

(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	**Total**
NET POSITION							
Net Investment in Capital Assets	$ 45	$ -	$ -	$ 38,176	$ 18,451	$ -	**$ 56,672**
Restricted Net Position:							
Current restricted cash and cash equivalents:							
Customer guarantee of payment	-	159	-	-	-	-	**159**
Town of Ellington trust - pooled funds	-	-	-	50	-	-	**50**
Total current restricted cash and cash equivalents	-	159	-	50	-	-	**209**
Less liabilities to be paid with current restricted assets:							
Other liabilities	-	159	-	-	-	-	**159**
Total Restricted Net Position	-	-	-	50	-	-	**50**

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, 2019
(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	**Total**
NET POSITION							
Unrestricted Net Position:							
Board Designated Reserves:							
Debt service	$ -	$ 4	$ -	$ -	$ -	$ -	**$ 4**
Future loss contingencies	-	883	-	-	-	-	**883**
General fund	-	1	-	11,926	-	-	**11,927**
Improvements	-	-	-	1,869	-	-	**1,869**
Legal	-	629	-	-	-	-	**629**
Tip fee stabilization	-	-	-	1	-	-	**1**
Jets major maintanence	-	-	-	1,278	-	-	**1,278**
Litigation	-	-	166	-	-	-	**166**
Project/Post-project closure	-	-	1,857	-	-	-	**1,857**
Severance	1,651	-	-	-	-	-	**1,651**
Hartford Solar	-	-	-	-	330	-	**330**
Pollution insurance	-	-	-	-	185	-	**185**
Total Board Designated Reserves	1,651	1,517	2,023	15,074	515	-	**20,780**
Undesignated	886	2,979	1	18,030	2,330	-	**24,226**
Total Unrestricted Net Position	2,537	4,496	2,024	33,104	2,845	-	**45,006**
Total Net Position	$ 2,582	$ 4,496	$ 2,024	$ 71,330	$ 21,296	$ -	**$ 101,728**

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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, 2019, 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, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
September 27, 2019