



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

ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

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

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022**

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Materials Innovation and Recycling Authority

A Component Unit of the State of Connecticut

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
MIRA Dissolution Authority, successor to
Materials Innovation and Recycling Authority
Hartford, Connecticut

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Materials Innovation and Recycling Authority (the Authority) (a component unit of the State of Connecticut), and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Future Operations

Major components of the Waste to Energy Facility (WTE Facility) have reached the end of their useful life and its operational performance has declined steadily. A State mandated request for proposals process to redevelop the Connecticut Solid Waste System was not successful and the Authority determined it would continue the CSWS Recycling Facility as a transfer facility, discontinue WTE Facility operations and enter into service contracts for transportation and disposal of municipal solid waste. As a result, many Participating Municipalities elected to opt out of their existing Municipal Service Agreements, leaving only twenty-three municipalities remaining. After the close of fiscal year 2022, the WTE Facility and the Watertown Transfer Stations were shut down which put the Authority in a position to provide the CSWS operating services to the remaining municipalities through June 30, 2027. After the close of fiscal year 2023, the State adopted Public Act 23-170 creating the MIRA Dissolution Authority as a successor in interest to the Authority as more fully disclosed in Management's Discussion and Analysis and Note 1a to the Financial Statements. Public Act 23-170 established fiscal year 2023 as the Authority's last year of operation. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United State of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 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 solely 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 the effectiveness of the Authority's 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.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
September 28, 2023

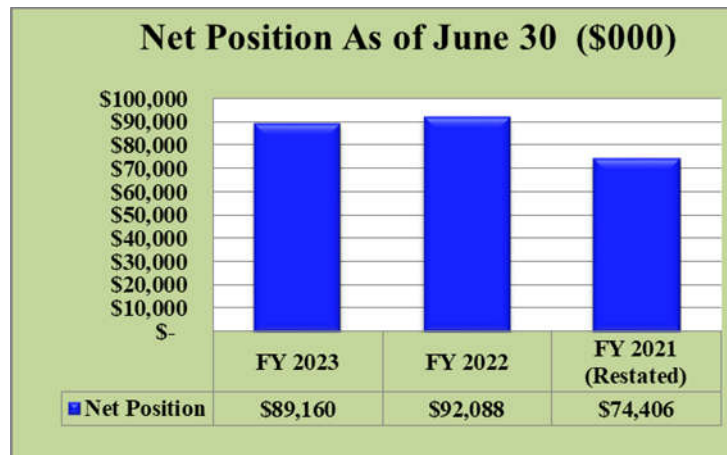
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MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2023, 2022 and 2021. 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 the prior years, thereby enhancing the reader’s understanding of the Authority’s financial position and the results of its operations.

In fiscal year 2023, the Authority concluded its Connecticut Solid Waste System (CSWS) waste combustion activities at the Hartford waste to energy (or resource recovery) facility, the “WTE Facility”. The Authority transitioned to waste transfer activities having realized the long anticipated adverse effects of its challenging business model.



The Authority’s municipal customers were informed and engaged well before and during the transition to waste transfer activities. Municipalities were presented with options to remain with the Authority under amended or existing municipal service agreements, or to terminate existing agreements pursuant to their terms. This process was undertaken concurrently with competitive solicitations for alternative waste transportation and disposal services, and transfer station operations, necessary to implement the transition. Ultimately by the close of fiscal year 2023, twenty-one municipalities decided to remain with the Authority under an amended municipal service agreement, 2 municipalities remained with the Authority under their existing agreement. Twenty-nine municipalities chose private sector service providers and terminated their agreements with the Authority. This allowed the Authority to close its Watertown transfer station, in addition to the WTE Facility, and consolidate all remaining operations to its Torrington and Essex transfer stations.

With these closures, and certain cost saving measures, the Authority’s successor in interest discussed further below is fully positioned to continue providing its waste management services to all remaining CSWS Participating Municipalities. Services may be provided under the terms of the amended municipal service agreements through their June 30, 2027 expiration, or until concluded earlier with establishment of alternative accommodations.

The transition to waste transfer activities involved operating the WTE Facility for one month in fiscal year 2023 prior to its shut down. Then as part of the shutdown, residual waste and ash was removed, the facility was broom cleaned, equipment oils, fuels, lubricants and radioactive measuring devices were removed, explosive blast cleaning of the boilers was undertaken and bag house filter bags removed. Contractor personnel engaged in the operation of the facility were

laid off. The Authority implemented a 50% reduction in its own work force and relocated its corporate office to the site of the closed WTE Facility. Waste management services were provided to the remaining CSWS Participating Municipalities using the Torrington and Essex transfer stations, and the newly established waste transfer contract operations, throughout the year. As fiscal year 2023 came to a close, the Authority also provided for the vacating of the CSWS Recycling Facility by its contract operator having established alternate accommodations, and permanently shut down its Jet Turbine Facility upon expiration of its operating permits. All of these activities are reflected in the Authority's financial statements that follow.

In fiscal year 2023, the Authority generated total operating revenue of \$20.21 million and incurred \$23.75 million in operating expenses before depreciation, resulting in an operating loss before depreciation of \$3.54 million. Total operating revenues decreased by \$60.50 million (75.0%) reflecting shutdown of the WTE Facility and the Authority's reduced base of municipal customers. Total operating expenses before depreciation decreased by \$37.54 million (61.3%) also reflecting shutdown of the WTE Facility and the Authority's reduced base of municipal customers. Income before depreciation decreased by \$22.97 million from fiscal year 2022 to fiscal year 2023. After \$1.78 million in depreciation and amortization expenses, the Authority generated an operating loss of \$5.32 million. The Authority also generated net non-operating revenue of \$2.39 million resulting in a total decrease in the Authority's net position of \$2.93 million.

The Authority's total assets decreased by \$10.35 million (9.5%) reflecting a \$9.07 million (11.5%) decrease in current assets (primarily receivables and prepaid expenses) combined with a \$1.28 million (4.2%) reduction in net capital assets. The Authority's total liabilities decreased by \$7.43 million (42.9%).

From fiscal year 2021 to fiscal year 2022, the Authority's net position increased by \$17.68 million. This primarily resulted from substantially reduced maintenance and depreciation expenses associated with the planned shutdown of the WTE Facility coupled with very strong energy pricing and other service charges in the WTE Facility's last year of operation.

The most significant economic factors adversely affecting the Authority are its transition to waste transfer activity, shutdown of the WTE Facility and reduced base of municipal customers. The transition was necessitated by the challenging CSWS business model, the age and serviceability of the WTE Facility, and the unsuccessful conclusion of the Department of Energy and Environmental Protection's ("DEEP's") initiative to redevelop the CSWS previously referred to as "Resource Rediscovery". The transition and underlying challenges are fully chronicled in the Authority's prior Annual Financial Reports. They culminated in the enactment of Public Act 23-170 (An Act Concerning the Management of Solid Waste and Establishing the MIRA Dissolution Authority) at the close of the Authority's fiscal year 2023.

Public Act 23-170 created the MIRA Dissolution Authority effective July 1, 2023 to replace the Authority largely in response to the closure of the WTE Facility. The MIRA Dissolution Authority effectively assumed all of the Authority's underlying statutory duties, authorities and capabilities, and it will continue the Authority's ongoing waste transfer operations until acceptable alternatives become available, but it has also been charged with additional activities

related to the Authority's dissolution. Specifically, the MIRA Dissolution Authority is to identify the immediate environmental needs and knowledge necessary for future redevelopment at the site of the now closed WTE Facility, which is to include engaging representatives of Hartford and other stakeholders with respect to the future of the site. The MIRA Dissolution Authority will further wind down the Authority's operations and activities in an orderly and responsible manner which may include the marketing and sale of surplus real and personal property. Upon conclusion of the dissolution process, anticipated as early as July 1, 2025, but not later than July 1, 2026, any remaining rights, real or personal property of the MIRA Dissolution Authority will pass to and vest in the State of Connecticut. This is accomplished at that time through designation of the State's Department of Administrative Services as the MIRA Dissolution Authority's successor agency.

The MIRA Dissolution Authority's designation as the Authority's successor is being implemented pursuant to section 4-38d of the Connecticut General Statutes which is designed to provide substantial continuity during this type of agency transition. Specifically, the MIRA Dissolution Authority's designation as the Authority's successor does not represent a grant of new authority by the State. The MIRA Dissolution Authority replaces the Authority which no longer exists doing business as the Authority as of July 1, 2023. However, any effective orders or regulations of the Authority remain effective under the governance of the MIRA Dissolution Authority. To the extent that the Authority was a party to any action or proceeding (civil or criminal), the MIRA Dissolution Authority is substituted for the Authority in that action or proceeding. Additionally, any contract, right of action or matter undertaken or commenced by the Authority will be undertaken and completed by the MIRA Dissolution Authority effective July 1, 2023. The officers and employees of the Authority are transferred to the MIRA Dissolution Authority and all property of the Authority becomes the property of the MIRA Dissolution Authority. In summary, all of the Authority's current waste transfer operations, reporting and business activities will continue uninterrupted under the governance of the MIRA Dissolution Authority in fulfillment of existing municipal service agreements, operating and other contracts.

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, 2023 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 2023, these projects and divisions include:

- Authority General Fund
- Connecticut Solid Waste System
- Property Division
- Landfill Division
- 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, 2023 (total assets less total liabilities) was \$89,160 which represents a \$2,928 (3.2%) decrease from the prior year. The \$2,928 decrease in net position is the result of the decrease in total assets of \$10,351 shown on Table 2, not fully offset by the decrease in total liabilities and deferred inflows of \$7,423 shown on Table 3.

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

	2023	2022	2021
ASSETS			
Current unrestricted assets	\$ 69,849	\$ 78,810	\$ 55,980
Current restricted assets	233	343	1,103
Total current assets	<u>70,082</u>	<u>79,153</u>	<u>57,083</u>
Non-current assets:			
Capital assets, net	28,939	30,219	32,283
Total non-current assets	<u>28,939</u>	<u>30,219</u>	<u>32,283</u>
TOTAL ASSETS	<u><u>\$ 99,021</u></u>	<u><u>\$ 109,372</u></u>	<u><u>\$ 89,366</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current unrestricted liabilities	\$ 6,084	\$ 13,159	\$ 10,601
Current restricted liabilities	223	333	1,052
Total current liabilities	<u>6,307</u>	<u>13,492</u>	<u>11,653</u>
Long-term unrestricted liabilities	58	71	85
Long-term restricted liabilities	-	-	-
Total long-term liabilities	<u>58</u>	<u>71</u>	<u>85</u>
TOTAL LIABILITIES	<u>6,365</u>	<u>13,563</u>	<u>11,738</u>
Deferred Inflows	<u>3,496</u>	<u>3,721</u>	<u>3,222</u>
TOTAL LIABILITIES & DEFERRED INFLOW	<u>9,861</u>	<u>17,284</u>	<u>14,960</u>
NET POSITION			
Net investment in capital assets	28,881	30,148	32,199
Restricted	10	10	51
Unrestricted	<u>60,269</u>	<u>61,930</u>	<u>42,156</u>
TOTAL NET POSITION	<u>89,160</u>	<u>92,088</u>	<u>74,406</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 99,021</u></u>	<u><u>\$ 109,372</u></u>	<u><u>\$ 89,366</u></u>

Assets

The Authority's total assets are further summarized on Table 2. The \$10,351 decrease in total assets from June 30, 2022 to June 30, 2023 reflects the \$9,071 (11.5%) decrease in current assets combined with the \$1,280 (4.2%) reduction in non-current assets discussed below.

Current Assets

The Authority's total current assets decreased by \$9,071 (11.5%) reflecting reductions in cash and cash equivalents, receivables net of allowances, and prepaid expenses partially offset by an increase in inventory.

Unrestricted cash and cash equivalents of the Authority decreased by a total of \$560 (1.0%) from June 30, 2022 to June 30, 2023. The Authority effectively preserved its large \$23,241 (70.0%) increase in cash and cash equivalents realized from June 30, 2021 to June 30, 2022 by increasing its disposal fees, reducing reserves used in support of the CSWS and lowering costs. Disposal fees for municipal customers amending their agreements and remaining as CSWS Participating Municipalities increased 5.7% to \$111.00 per ton of municipal solid waste. The average disposal fee of all customers increased 8.6%. Reserves used in support of the CSWS declined from \$7,171 permitted in the fiscal year 2022 adopted budget to \$3,811 in the fiscal year 2023 adopted budget (a 46.9% reduction). The Authority's total operating expenses excluding depreciation declined 61.3% and such expenses associated with the CSWS declined 64.8% during the transition to waste transfer activity. These measures, and enhanced interest earnings, resulted in the Authority's cash and cash equivalents declining by 1.0% from \$56,440 as of June 30, 2022 to \$55,880 as of June 30, 2023.

In addition to preservation of total reserves, fiscal year 2023 saw a shift in reserves from those assigned to support the CSWS to reserves held in support of other Authority property and facilities including, but not limited to, the now closed facilities in the South Meadows section of Hartford. The Authority's cash flows in the first quarter of fiscal year 2023 resulted in the CSWS refunding \$5,850 to the CSWS Tip Fee Stabilization Fund. This permitted the Authority to establish a new South Meadows Transition Contingency Reserve in the amount of \$5,500 by transfer of CSWS funds. By the close of fiscal year 2023, cash and cash equivalents in support of the CSWS totaled \$25,142 and those in support of other property and facilities totaled \$25,920. Other reserves supporting the Authority's closed landfills and administration totaled \$4,818.

Restricted cash and cash equivalents decreased by \$110 (32.1%) from June 30, 2022 to June 30, 2023. This reduction is directly associated with the return of waste hauler customer cash guarantee of payments in accordance with Authority policy.

The \$6,604 (46.6%) reduction in receivables, net of allowances, is primarily attributed to significant reductions in the Authority's operations and revenues associated with the transition to waste transfer activities and facility closures. Within the CSWS, disposal fees receivable declined by \$4,409 (86.7%), receivables associated with contract operation of the WTE Facility declined by \$691 (100.0%), and energy revenues receivable declined by \$494 (97.1%) from

fiscal year 2022 to fiscal year 2023. Within the Property Division, energy revenues receivable from operation of the Jet Turbine Facility declined by \$780 (100.0%) from fiscal year 2022 to fiscal year 2023. Lease receivables declined by \$432 (6.0%) consistent with the term of the Authority's leases and its previous implementation of GASB 87. The Authority's other receivables including spot market waste deliveries increased a net \$202.

The \$2,331 (100.0%) reduction in prepaid expenses is due to termination of operating contracts for the WTE Facility and Jet Turbine Facility which had previously required advancement of operating funds. The Authority's property, casualty and executive liability insurance for fiscal year 2024 also was not paid until fiscal year 2024.

The \$534 (9.1%) increase in inventory is primarily due to the elevated price of jet fuel in fiscal year 2023.

From fiscal year 2021 to fiscal year 2022, the Authority's current assets increased by \$22,070 (38.7%) reflecting increases in cash and cash equivalents, and inventory, partially offset by a reduction in receivables net of allowances and prepaid expenses. The financial performance of the WTE Facility in its last year of operation drove most of this increase.

The consolidated nature of the Authority's current assets summarized on Table 2 does not reflect amounts due from other funds. Amounts borrowed and used to supplement the CSWS operating and major maintenance accounts 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 \$1,280 (4.2%) reduction in depreciable assets reflects fiscal year 2023 additional accumulated depreciation of \$1,776 partially offset by additions to capital assets of \$496. Additions to capital assets primarily included scale system replacements. As of June 30, 2023, land comprises the only non-depreciable assets of the Authority.

From fiscal year 2021 to fiscal year 2022, the Authority's noncurrent assets declined by \$2,064 (6.4%). This was primarily attributed to additional accumulated depreciation of \$2,036, offset by additions to capital assets of \$15, and a \$43 reduction in non-depreciable assets experienced due to the absence of construction in progress.

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

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

	2023	2022	2023 Increase/ (Decrease) from 2022	2023 Percent Increase/ (Decrease)	2021	2022 Increase/ (Decrease) from 2021	2022 Percent Increase/ (Decrease)
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	\$ 55,880	\$ 56,440	\$ (560)	(1.0%)	\$ 33,199	\$ 23,241	70.0%
Receivables, net of allowances	7,566	14,170	(6,604)	(46.6%)	14,481	(311)	(2.1%)
Inventory	6,403	5,869	534	9.1%	5,572	297	5.3%
Prepaid expenses	-	2,331	(2,331)	(100.0%)	2,728	(397)	(14.6%)
Total Unrestricted Assets	69,849	78,810	(8,961)	(11.4%)	55,980	22,830	40.8%
Restricted Assets:							
Cash and cash equivalents	233	343	(110)	(32.1%)	1,103	(760)	(68.9%)
TOTAL CURRENT ASSETS	70,082	79,153	(9,071)	(11.5%)	57,083	22,070	38.7%
NON-CURRENT ASSETS							
Capital Assets:							
Depreciable, net	2,700	3,980	(1,280)	(32.2%)	6,001	(2,021)	(33.7%)
Nondepreciable	26,239	26,239	-	0.0%	26,282	(43)	(0.2%)
TOTAL NON-CURRENT ASSETS	28,939	30,219	(1,280)	(4.2%)	32,283	(2,064)	(6.4%)
TOTAL ASSETS	\$ 99,021	\$ 109,372	\$ (10,351)	(9.5%)	\$ 89,366	\$ 20,006	22.4%

Liabilities

The Authority's total liabilities including current liabilities, long term liabilities, and deferred inflows are further summarized on Table 3.

The \$7,185 (53.3%) decrease in current liabilities from fiscal year 2022 to fiscal year 2023 reflects a \$1,249 (55.5%) decrease in accounts payable combined with a \$5,826 (53.4%) decrease in accrued expenses payable from unrestricted assets, and a \$110 (33.0%) decrease in accrued expenses payable from restricted assets.

The \$1,249 (55.5%) decrease in accounts payable reflects substantial decreases within the Authority General Fund, Property Division and CSWS associated with the transition to waste transfer activity and facility shutdowns.

- Accounts payable within the General Fund declined by \$211 (96.4%). This primarily reflected elimination of the \$171 lease payable on the Authority's corporate office which was relocated to the closed WTE Facility as part of the Authority's transition. Accounts payable for outside counsel and other vendors declined by \$40.
- Accounts payable within the Property Division declined by \$164 (102.8%). This primarily reflected elimination of \$119 in accounts payable for jet fuel to operate the Jet Turbine Facility. Accounts payable for other vendors including facility operating permits declined by \$45.

- Accounts payable within the CSWS declined by \$875 (46.7%). This primarily reflected a \$817 reduction in accounts payable for ash disposal services, \$192 reduction in solid waste assessments payable and \$189 reduction in Watertown transfer Station services payable. These were partially offset by changes in other vendor accounts that increased a net \$323. This net increase is primarily associated with new contractors facilitating the Authority's waste transfer activity.
- Accounts payable within the Landfill Division increased by \$1 (25.3%).

The \$5,826 (53.4%) decrease in accrued expenses payable from unrestricted assets reflects large decreases within the Authority's General Fund and CSWS primarily associated with the transition to waste transfer activities partially offset by smaller increases in the Property and Landfill divisions.

- Accrued expenses within the Authority General Fund decreased by \$1,422 due to payment of \$1,389 in accrued Authority severance and leave costs in accordance with its employment policies, contracts and workforce reductions implemented as part of the transition. Accrued expenses for other vendors within the Authority General Fund declined by \$33.
- Accrued expenses within the CSWS decreased by \$4,506 primarily reflecting a \$1,500 decrease in accrued expense for the Hartford PILOT, payment of \$1,912 in accrued contractor employee severance and a \$1,254 reduction in contractor incentive fees, both due to the transition to waste transfer, and a \$160 increase in other CSWS vendor accruals.
- Accrued expenses within the Property Division increased by \$76 which mostly represented \$354 in increased accrual of contractor incentive fees and home office expense associated with the transfer of contractor employees from work at the WTE Facility to work at the Jet Turbine Facility prior to its shutdown. These were partially offset by payment of \$325 in accrued contractor severance and \$41 in accrued expenses of other Property Division vendors.
- Landfill division accruals increased by \$26.

The \$110 (33.0%) reduction in accrued expenses payable from restricted assets reflects the return of waste hauler customer cash guarantee of payments in accordance with Authority policy.

From fiscal year 2021 to fiscal year 2022, the Authority's current liabilities increased by \$1,839 (15.8%). This included a \$2,106 (23.9%) increase in accrued expenses payable from unrestricted assets which was driven by accrued Authority and contractor severance costs and the Hartford PILOT. It also included a \$490 (27.8%) increase in accounts payable from unrestricted assets experienced most within the CSWS contractor accounts. These increases were offset by a \$719 (68.3%) reduction in accrued expenses payable from restricted assets rooted in the return of waste hauler customer cash guarantee of payments and a \$38 reduction in unearned revenue.

The long term liabilities and deferred inflows shown on Table 3 as of June 30, 2021, June 30, 2022 and June 30, 2023 are due to the Authority's capitalization of leases undertaken to implement GASB 87 as further described in Note 9 to the Financial Statements. The Authority has no other long-term liabilities. The Authority's Resource Recovery Revenue Refunding Bonds (Covanta Southeastern Connecticut Company Project – 2010 Series A) supported by a Special Capital Reserve Fund (SCRF), were fully paid in fiscal year 2016. These were the Authority's only outstanding 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 decreased by 2,803 (9.2%) within the CSWS from fiscal year 2022 to fiscal year 2023 due to refunds of the CSWS tip fee stabilization fund. Amounts borrowed and used to supplement the CSWS operating and major maintenance accounts 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.

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

	2023	2022	2023 Increase/ (Decrease) from 2022	2023 Percent Increase/ (Decrease)	2021	2022 Increase/ (Decrease) from 2021	2022 Percent Increase/ (Decrease)
CURRENT LIABILITIES							
Payable from unrestricted assets:							
Accounts payable	\$ 1,003	\$ 2,252	\$ (1,249)	(55.5%)	\$ 1,762	\$ 490	27.8%
Accrued expenses and other current liabilities	5,081	10,907	(5,826)	(53.4%)	8,801	2,106	23.9%
Unearned revenue	-	-	-	n/a	38	(38)	(100.0%)
Total payable from unrestricted assets	6,084	13,159	(7,075)	(53.8%)	10,601	2,558	24.1%
Payable from restricted assets:							
Accrued expenses and other current liabilities	223	333	(110)	(33.0%)	1,052	(719)	(68.3%)
Total payable from restricted assets	223	333	(110)	(33.0%)	1,052	(719)	(68.3%)
TOTAL CURRENT LIABILITIES	6,307	13,492	(7,185)	(53.3%)	11,653	1,839	15.8%
LONG-TERM LIABILITIES							
Payable from unrestricted assets:							
Closure and post-closure care of landfills	-	-	-	n/a	-	-	n/a
Lease payable	58	71	(13)	(18.3%)	85	(14)	(16.5%)
Total payable from unrestricted assets	58	71	(13)	(18.3%)	85	(14)	(16.5%)
Payable from restricted assets:							
Closure and post-closure care of landfills	-	-	-	n/a	-	-	n/a
Other liabilities	-	-	-	n/a	-	-	n/a
Total payable from restricted assets	-	-	-	n/a	-	-	n/a
TOTAL LONG-TERM LIABILITIES	58	71	(13)	(18.3%)	85	(14)	(16.5%)
TOTAL DEFERRED INFLOWS	3,496	3,721	(225)	(6.0%)	3,222	499	15.5%
TOTAL LIABILITIES & DEFERRED INFLOWS	\$ 9,861	\$ 17,284	\$ (7,423)	(42.9%)	\$ 14,960	\$ 2,324	15.5%

Statements of Revenues, Expenses and Changes in Net Position

The decrease in the Authority's net position from June 30, 2022 to June 30, 2023 shown on Table 1 was generated from the change in net position shown on Table 4, Statements of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2023. Changes in net position represent the results of operations of the Authority (i.e. its net income).

The \$2,928 decrease in net position reflects total operating and non-operating revenues of \$22,600 as shown on Table 5 being exceeded by total operating and non-operating expenses of \$25,528 as shown on Table 6. The Authority incurred a \$3,538 loss before depreciation and before certain net non-operating revenues. Depreciation and amortization expenses totaled \$1,777 and the Authority generated net non-operating revenue of \$2,387.

From fiscal year 2021 to fiscal year 2022, the Authority's net position increased by \$17,682. This primarily resulted from substantially reduced maintenance and depreciation expenses associated with the planned shutdown of the WTE Facility coupled with very strong energy pricing and other service charges in the WTE Facility's last year of operation.

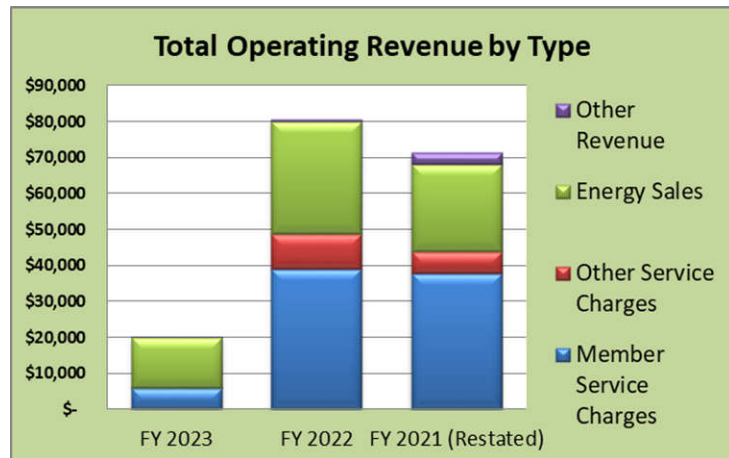
TABLE 4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2023	2022	2021
Operating revenues	\$ 20,208	\$ 80,709	\$ 71,428
Operating expenses	23,746	61,281	73,046
Income before depreciation and amortization and other non-operating revenues and (expenses), net	(3,538)	19,428	(1,618)
Depreciation and amortization	1,777	2,036	14,868
Loss before other non-operating revenues and (expenses), net	(5,315)	17,392	(16,486)
Non-operating revenues (expenses), net	2,387	290	(439)
Change in net position	(2,928)	17,682	(16,925)
Total net position, beginning of year	92,088	74,406	91,331
Total net position, end of year	\$ 89,160	\$ 92,088	\$ 74,406

Revenues

Table 5 summarizes total revenue (operating and non-operating) for the three prior fiscal years ended June 30, 2023. Total operating and non-operating revenue decreased by \$58,399 (72.1%) from fiscal year 2022 to fiscal year 2023 as discussed below.

As indicated in Table 5, operating revenue decreased by \$60,501 (75.0%) from fiscal year 2022 to fiscal year 2023. All categories of operating revenue decreased substantially with the transition to waste transfer activities.



The Authority's member service charges decreased by \$33,200 (85.0%) from fiscal year 2022 to fiscal year 2023. All member service charges are associated with operation of the CSWS. The tip fee paid by participating municipalities that amended their service agreement increased by six dollars (\$6.00) per ton, and by eleven dollars (\$11.00) per ton for other participating municipalities, effective July 1, 2022 (commencement of fiscal year 2023). However, total tons of municipal solid waste ("MSW") delivered by participating municipalities decreased by 85.9%.

The Authority's other service charges decreased by \$9,598 (97.8%) from fiscal year 2022 to fiscal year 2023. All other service charges are associated with operation of the CSWS and reflect MSW deliveries by non-participating municipalities. Overall the volume of these deliveries decreased by 96.7% from fiscal year 2022 to fiscal year 2023. The average per ton price paid for these deliveries decreased by \$9.19 per ton (10.9%). The nature of the Authority's need for deliveries by non-participating municipalities also changed considerably with the transition to waste transfer activity. These deliveries have historically been used to optimize the operating efficiency of the WTE Facility but are now used minimally to mitigate potential delivery shortfall penalties under the Authority's new waste transfer contracts.

The Authority's energy sales decreased by \$17,224 (55.4%) from fiscal year 2022 to fiscal year 2023. The majority of this decrease is attributed to energy sales within the CSWS which decreased by \$16,974 (82.5%) as the WTE Facility stopped combusting waste on July 19, 2022. While CSWS energy production ceased at that point, resulting in a 96.2% decline in electric production, the Authority continued to receive energy sales revenue in the form of net ISO New England capacity payments and Renewable Energy Credit sales. Energy sales within the Property Division decreased by \$248 (2.4%). While ISO New England capacity payments were received through the May 31, 2023 delist and shutdown of the Jet Turbine Facility, the payment rate declined by 17.9% resulting in a 30.3% reduction in Capacity payments. This was largely offset by a substantial increase in reserve credits also generated by the Jet Turbine Facility in fiscal year 2023. Energy sales within the Landfill Division, derived from operation of the Hartford Landfill solar array, decreased a modest \$2 (1.6%).

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The Authority's other operating revenue declined by \$479 (63.6%) from fiscal year 2022 to fiscal year 2023. This is nearly entirely attributed to other operating revenue associated with the CSWS which declined by \$477 (95.4%). The CSWS did not accept recycling deliveries from non-participating municipalities in fiscal year 2023 and its sales of post combustion and maintenance metals ceased in November 2022 after shutdown of the WTE Facility. Remaining other operating revenue includes rental and miscellaneous income. Other operating revenue associated with the Property and Landfill divisions combined for a decrease of \$2

Table 5 also indicates that non-operating revenue increased by \$2,102 (724.8%) from fiscal year 2022 to fiscal year 2023. Investment income increased by \$1,867 (686.4%) with improved interest rates. Settlement income increased by \$250 representing resolution of WTE Facility claims. There was no settlement income in fiscal year 2022. Other income declined by \$15 (83.3%).

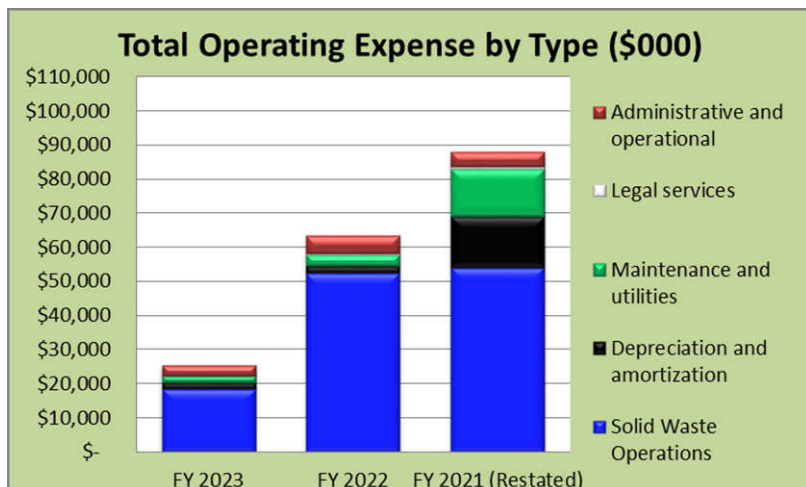
From fiscal year 2021 to fiscal year 2022, operating revenue increased by \$9,281 (13.0%). Energy sales increased by \$6,853 (28.3%) primarily due to a sharp increase in the price received for energy generated by the WTE Facility in its last year of operation. Other services charges increased by \$3,662 (59.5%) due to an increase in the volume and price received for waste deliveries to the CSWS by non-participating municipalities. Member service charges increased by \$1,307 (3.5%) due to an increase in the tip fee paid by participating municipalities. These increases were partially offset by a \$2,541 (77.1%) decrease in other operating revenue attributed to declining recycling and metal sales associated with new contract operating structures that became effective in fiscal year 2022. Non-operating revenue decreased by \$775 (72.8%) primarily due to the absence of settlement activity in fiscal year 2022.

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

	2023	2022	2023 Increase/ (Decrease) from 2022	2023 Percent Increase/ (Decrease)	2021	2022 Increase/ (Decrease) from 2021	2022 Percent Increase/ (Decrease)
Operating Revenues:							
Member service charges	\$ 5,860	\$ 39,060	\$ (33,200)	(85.0%)	\$ 37,753	\$ 1,307	3.5%
Other service charges	217	9,815	(9,598)	(97.8%)	6,153	3,662	59.5%
Energy sales	13,857	31,081	(17,224)	(55.4%)	24,228	6,853	28.3%
Other operating revenues	274	753	(479)	(63.6%)	3,294	(2,541)	(77.1%)
Total Operating Revenues	20,208	80,709	(60,501)	(75.0%)	71,428	9,281	13.0%
Non-Operating Revenues:							
Investment income	2,139	272	1,867	686.4%	168	104	61.9%
Settlement income	250	-	250	n/a	844	(844)	(100.0%)
Other income	3	18	(15)	(83.3%)	53	(35)	(66.0%)
Total Non-Operating Revenues	2,392	290	2,102	724.8%	1,065	(775)	(72.8%)
Total Revenues	\$ 22,600	\$ 80,999	\$ (58,399)	(72.1%)	\$ 72,493	\$ 8,506	11.7%

Expenses

Table 6 summarizes total expenses (operating expenses, depreciation and amortization, and non-operating expenses) for the three prior fiscal years ended June 30, 2023. As indicated, operating expenses decreased by \$37,535 (61.3%) from fiscal year 2022 to fiscal year 2023. Depreciation and amortization decreased by \$259 (12.7%) and non-operating expenses increased by \$5 during this same period. Total expenses decreased by \$37,789 (59.7%) as discussed below.



The \$37,535 (61.3%) decrease in Operating expenses (before depreciation and amortization) reflects a \$34,067 (64.8%) reduction in solid waste operations, a \$1,380 (41.4%) reduction in maintenance and utilities, a \$30 (17.0%) reduction in legal services and a \$2,058 (39.3%) decrease in administrative and operational services as described below:

- The \$34,067 (64.8%) reduction in solid waste operations expense occurred mostly within the CSWS where solid waste operations expense declined by \$32,237 (67.8%). The decline in CSWS solid waste operations expense is due to the wholesale change in the nature of its operations which occurred in fiscal year 2023. The CSWS consolidated to a base of 23 participating municipalities effective July 1, 2022. The WTE Facility stopped receiving and processing waste on July 11, 2022. Combustion of refuse derived fuel stopped on July 19, 2022 and shipments of ash out of the facility stopped on August 5, 2022. New waste transfer operating contracts commenced simultaneously with these changes and provided for waste transportation and disposal from the Torrington Transfer Station to a Pennsylvania landfill, and from the Essex Transfer Station to the privately operated resource recovery facility in Preston, CT. The Authority's Watertown transfer station was closed. Contractor employees engaged in operation of the WTE Facility were laid off, or transferred to the Jet Turbine Facility, from July through September as the proper shutdown process allowed. Substantial reductions in contract operating and labor charges, accrued severance costs, waste transportation and disposal fees were realized. Solid waste operations expense within the Property Division decreased by \$1,811 (37.3%). This reflects reductions in WTE Facility decommissioning costs charged to the Property Division in fiscal year 2022, and reduced contractor severance accruals, partially offset by increased contractor labor costs required to staff the Jet Turbine Facility control room after the WTE Facility was shut down. Landfill Division expenses decreased by \$8 (8.4%). Eliminations decreased by \$11.
- The \$1,380 (41.4%) decrease in maintenance and utilities occurred within the CSWS and Property Division. CSWS maintenance and utilities expenses decreased by \$838 (27.7%).

This is the result of a substantial net reduction in boiler, baghouse, ash and auxiliary system maintenance partially offset by increased electric utility expense realized after the WTE Facility was shut down and no longer producing its own energy. Additional offsetting factors included increases in other utilities, building operations and transition costs. Property Division maintenance and utilities decreased by \$542. This is largely the result of GAAP transfers to capital expense for transfer station improvements made in the lead up to waste transfer activities but this also reflects reduced jet spare parts expense partially offset by building repair expenses necessary for the Authority's corporate office relocation.

- The \$30 (17.0%) decrease in legal services reflects changes in resources needed to address such matters as outside counsel review of contractor and Authority workforce reductions, contractor settlements and general Authority administrative matters.
- The \$2,058 (39.3%) decrease in administrative and operational services expense is primarily associated with the Authority's workforce reductions implemented in response to the transition to waste transfer activity. Severance and related expenses of \$1,236 for these reductions were accrued in fiscal year 2022. Workforce reductions were implemented in stages from September 2022 through February 2023. The reduction in accrued severance, and savings associated with the reductions once implemented, primarily contributed to the reduction in the Authority's administrative and operational expense.

Depreciation and amortization expenses decreased by \$259 (12.7%) from fiscal year 2022 to fiscal year 2023. In fiscal year 2023, the Authority's depreciation and amortization expenses totaled \$1,777. More than half of this (\$1,065) is associated with the Authority's Jet Peaking Units which fully depreciated with the May 31, 2023 expiration of the permit to operate these assets. Additional depreciation expense of \$387 is associated with rolling stock and other equipment previously used at the WTE Facility including certain Property Division building improvements, solar panels at the Hartford Landfill (\$138) and the Authority's office equipment (\$18). In fiscal year 2023, the Authority also incurred \$169 in depreciation expense associated with right of use assets established in the Authority's implementation of GASB 87 as described further in Note 9 to the Financial Statements. Substantial components of the WTE Facility began reaching the end of their useful life on June 30, 2019 and have not been extended.

Non-operating expenses increased by \$5 from fiscal year 2022 to fiscal year 2023. There were no non-operating expenses in fiscal year 2022. In fiscal year 2023, non-operating expenses represented \$5 in other expenses (legal fees) associated with closure of the Mid CT Project.

From fiscal year 2021 to fiscal year 2022, operating expenses decreased by \$11,765 (16.1%). Solid waste operations declined by \$1,615 (3.0%) with a restructuring of insurance and reduced contractor labor and severance costs, which was partially offset by increased waste transportation expense. Maintenance and Utilities declined \$10,637 (76.2%) with reduced work and decommissioning accruals in the WTE Facility's last year of operation. Depreciation and amortization decreased by \$12,832 (86.3%) as substantial components of the WTE Facility reached the end of their useful life. Non-operating expenses decreased by \$1,504 (100.0%) primarily due to the absence of settlement activity. Total expenses decreased by \$26,101 (29.2%) from fiscal year 2021 to fiscal year 2022.

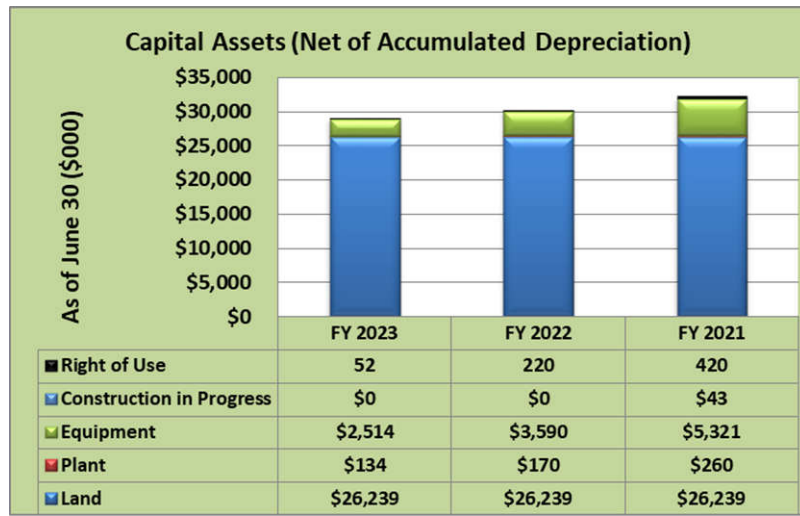
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TABLE 6
SUMMARY OF OPERATING AND NON-OPERATING EXPENSES
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2023	2022	2023 Increase/ (Decrease) from 2022	2023 Percent Increase/ (Decrease)	2021	2022 Increase/ (Decrease) from 2021	2022 Percent Increase/ (Decrease)
Operating Expenses:							
Solid waste operations	\$ 18,465	\$ 52,532	\$ (34,067)	(64.8%)	\$ 54,147	\$ (1,615)	(3.0%)
Maintenance and utilities	1,950	3,330	(1,380)	(41.4%)	13,967	(10,637)	(76.2%)
Legal services - external	146	176	(30)	(17.0%)	599	(423)	(70.6%)
Administrative and operational services	3,185	5,243	(2,058)	(39.3%)	4,333	910	21.0%
Total Operating Expenses	23,746	61,281	(37,535)	(61.3%)	73,046	(11,765)	(16.1%)
Depreciation and amortization	1,777	2,036	(259)	(12.7%)	14,868	(12,832)	(86.3%)
Operating Expenses Including Depreciation and Amortization	25,523	63,317	(37,794)	(59.7%)	87,914	(24,597)	(28.0%)
Non-Operating Expenses:							
Settlement expenses	-	-	-	n/a	1,307	(1,307)	(100.0%)
Distribution to SCRRRA	-	-	-	n/a	-	-	n/a
Distribution to Towns	-	-	-	n/a	-	-	n/a
Other expenses	5	-	5	n/a	197	(197)	(100.0%)
Total Non-Operating Expenses	5	-	5	n/a	1,504	(1,504)	(100.0%)
Total Expenses	\$ 25,528	\$ 63,317	\$ (37,789)	(59.7%)	\$ 89,418	\$ (26,101)	(29.2%)

Capital Assets

The Authority's investment in capital assets (net of accumulated depreciation) as of June 30, 2023 totaled \$28,939. This represents a \$1,280 (4.2%) reduction from net capital assets as of June 30, 2022 which totaled \$30,219. The Authority's investment in capital assets includes land, plant, equipment and right of use assets established in the Authority's implementation of GASB 87.



The Authority owns land used for waste management, energy and related purposes in Bridgeport, Ellington, Hartford, Shelton, Torrington, Wallingford, Waterbury and Watertown. The right of use assets include the leased transfer station in Essex and the leased corporate office in Rocky Hill (through its April 30, 2023 expiration) as described in Note 9 to the Financial Statements. 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. The majority of the Authority's plant and equipment is fully depreciated leaving its net capital assets dominated by land. The absence of construction in progress in fiscal year 2022 and 2023 reflects the process of no longer capitalizing certain major maintenance activities conducted within the WTE Facility, and absence of major maintenance activity in the lead up to the facility's closure.

The Authority's investment in net capital assets as of June 30, 2022 totaled \$30,219. This represented a \$2,064 (6.4%) reduction from June 30, 2021 primarily rooted in additional accumulated depreciation on Authority equipment.

The reduction in net capital assets is described more fully in Note 3.

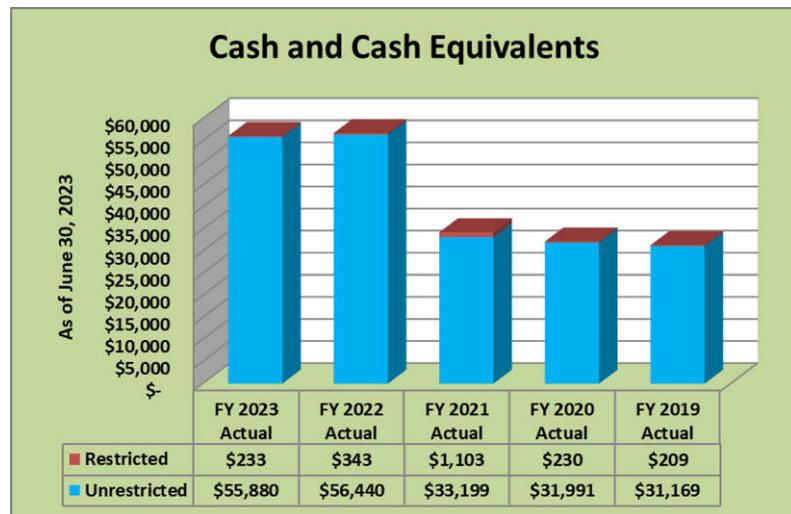
Long-Term Debt Issuance, Administration and Credit Ratings

As of June 30, 2023, the Authority had no outstanding long-term debt carried on its books.

Economic Factors and Outlook

The most significant economic factors adversely affecting the Authority have historically been reported as the challenging CSWS business model, the pending loss of surplus revenue from the Authority's Jet Peaking Units used to support the CSWS business model, the age and serviceability of the CSWS WTE Facility and the unsuccessful conclusion of DEEP's proposed redevelopment of the CSWS. These factors, chronicled in the Authority's prior Annual

Financial Reports, culminated at the close of fiscal year 2023 in the adoption of Public Act 23-170 establishing the MIRA Dissolution Authority as successor to the Authority. Going forward effective July 1, 2023, the MIRA Dissolution Authority is charged statutorily with continuing the Authority's ongoing operations, winding down the Authority's activities and operations in an orderly and reasonable manner including the sale of its real and personal property, and identifying the immediate environmental needs and knowledge necessary for future redevelopment of the South Meadows site where the now shut down WTE Facility and Jet Turbine Facility are located. Pursuant to Public Act 23-170, the MIRA Dissolution Authority terminates July 1, 2026 whereupon all of its remaining rights and properties pass to the State of Connecticut's Department of Administrative Services. The Authority's transition to waste transfer activity and the adoption of Public Act 23-170 fundamentally alter the challenging economic factors that will be encountered. Moving forward, the most significant economic factors with the potential to adversely affect the MIRA Dissolution Authority will be its finite resources, in terms of reserves and lifespan, and the competing interests for those resources embedded in its new mission moving forward.



Ongoing Waste Transfer Operations

The Authority's ongoing waste management operations have been consolidated to the Torrington and Essex transfer stations where municipal solid waste and recycling is accepted from 23 remaining CSWS Participating Municipalities pursuant to Municipal Service Agreements that extend through June 30, 2027 (one year beyond the MIRA Dissolution Authority's lifespan).

- Municipal Solid Waste received at the Torrington Transfer Station is consolidated onto transfer trailers and delivered to the privately operated Keystone sanitary landfill in Pennsylvania. Recycling is consolidated onto transfer trailers and delivered to a privately operated processing facility in Berlin. The Authority's contracts providing for the operation of the transfer station, waste transportation and disposal and recycling services also all extend through June 30, 2027.

- Municipal Solid Waste received at the Essex Transfer Station is consolidated onto transfer trailers and delivered to the privately operated resource recovery facility located in Preston CT. Recycling is consolidated onto transfer trailers and delivered to a privately operated processing facility in Berlin. The Authority's contracts providing for the operation of the Essex transfer station, waste transportation and disposal and recycling services extend through June 30, 2027 as well.

The MIRA Dissolution Authority's designation as the Authority's successor is being implemented pursuant to section 4-38d of the Connecticut General Statutes which is designed to provide substantial continuity during this type of agency transition. This includes, but is not limited to, provisions establishing that any contract, right of action or matter undertaken or commenced by the Authority, including those contracts noted above, will be undertaken and completed by the MIRA Dissolution Authority effective July 1, 2023. Certain contracts provide for payment of termination fees in the event they are terminated before their scheduled June 30, 2027 expiration.

The operating contracts noted above provide a fairly stable pricing structure for the Authority relative to the predecessor model. The transfer stations are operated under a fixed fee with fixed escalators. Waste disposal at both locations is also at a fixed fee per ton with fixed annual escalators. Waste transportation is provided for a fixed fee per ton with a diesel fuel price adjustment. Recycling is provided for a fixed annual fee plus a base operating charge per ton subject to commodity value adjustment.

The municipal service agreements, as amended for 21 of the remaining CSWS Participating Municipalities, also offer a fairly stable pricing structure for the Authority's customer towns. A cost based fixed tip fee per ton of municipal solid waste is established by formula in advance of each fiscal year. The agreement is subject to an annual opt out tip fee level (substantially increased by the amendment) above which the municipalities may terminate the agreement. The amended municipal service agreements provide for the Authority's use of reserves to establish annual tip fees at or below the following opt out tip fees for fiscal years 2024 through 2027:

- FY 2024 - \$124.00 Per Ton
- FY 2025 - \$131.00 Per Ton
- FY 2026 - \$136.00 Per Ton
- FY 2027 - \$141.00 Per Ton

Future Redevelopment in South Meadows

The Authority, through its predecessor agency, acquired the South Meadows site subject to Connecticut's "Transfer Act" in 2001 triggering the requirement to investigate and remediate prior environmental contamination. There were 44 areas of concern identified through thousands of soil samples taken, and the site went through 12 years of active remediation work including removal of 60,000 tons of impacted soil, pumping and treatment of ground water, installation of engineered controls, imposition of deed restrictions and environmental land use restrictions. During fiscal year 2023, both the WTE Facility and Jet Turbine Facility were properly shut

down. A final stage of remediation activity is scheduled for completion in the fall of 2023 at which time a Verification Report (that the required remediation is complete) will be submitted to the Connecticut Department of Energy and Environmental Protection (DEEP). In addition to these efforts, the Authority submitted its formal closure plan for the WTE Facility to DEEP in May 2022. Comments on the closure plan were received from DEEP on October 14, 2022, which the Authority responded to on January 5, 2023. Approval of a final closure plan is pending. Completion of remediation, shutdown and closure activities proposed by the Authority will ultimately enable a redevelopment of the South Meadows site for industrial / commercial uses within existing building footprints without significant additional soil or groundwater remediation. Redevelopment for residential uses would require additional potentially significant measures. Site preparation or closure activities beyond those already proposed, counter-proposed and accepted by the Authority may require resources beyond what have been made available by the Authority through its Decommissioning Reserve and South Meadows Transition Contingency Reserve which total \$8,917 as of June 30, 2023.

Winding Down Operations and Activities

Part of the new mission of the MIRA Dissolution Authority is to wind down the Authority's operations and activities in an orderly and responsible manner. This envisions future operation of the Authority's transfer stations by entities other than the Authority, the marketing and sale of the Authority's surplus real and personal property and the transfer of any remaining rights and properties to the Department of Administrative Services as of July 1, 2026.

Providing for transfer station operations by entities other than the Authority may necessarily involve assigning municipal service agreements and relevant operating contracts to the new entity pursuant to their existing terms and conditions, which in turn may require some use of Authority reserves. Alternatively terminating these contracts would also require some use of Authority reserves and the seeking of alternative waste management services by the affected municipalities.

The Authority's surplus property to be marketed and sold, or transferred to the Department of Administrative Services on July 1, 2026, is summarized below.

- Approximately 80 acres of land and associated facilities, equipment and supplies comprising the now closed WTE Facility and Jet Turbine Facility;
- Two closed transfer stations in Watertown and Ellington;
- A fully equipped but closed recycling facility in Hartford and an adjacent warehouse facility;
- Four closed landfills in Ellington, Shelton, Waterbury and Wallingford including adjacent areas for plume control and associated facilities totaling approximately 304 acres;
- A one megawatt solar array installed at the closed Hartford landfill; and
- Land leased for development and operation of the Bridgeport Resource Recovery Facility.

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, 300 Maxim Road, Hartford CT 06114.

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND JUNE 30, 2022
(Dollars in Thousands)

EXHIBIT I
Page 1 of 2

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	\$ 55,880	\$ 56,440
Accounts receivable, net of allowances	7,566	14,170
Inventory	6,403	5,869
Prepaid expenses	-	2,331
Total Unrestricted Assets	<u>69,849</u>	<u>78,810</u>
Restricted Assets:		
Cash and cash equivalents	<u>233</u>	<u>343</u>
TOTAL CURRENT ASSETS	<u>70,082</u>	<u>79,153</u>
NON-CURRENT ASSETS		
Capital Assets:		
Depreciable, net	2,700	3,980
Nondepreciable	26,239	26,239
Total Capital Assets	<u>28,939</u>	<u>30,219</u>
TOTAL NON-CURRENT ASSETS	<u>28,939</u>	<u>30,219</u>
TOTAL ASSETS	<u>99,021</u>	<u>109,372</u>

The accompanying notes are an integral part of these financial statements

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
STATEMENTS OF NET POSITION (Continued)
AS OF JUNE 30, 2023 AND JUNE 30, 2022
(Dollars in Thousands)

EXHIBIT I
Page 2 of 2

	<u>2023</u>	<u>2022</u>
LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	\$ 1,003	\$ 2,252
Accrued expenses and other current liabilities	5,081	10,907
Unearned revenue	-	-
Total Payable from Unrestricted Assets	<u>6,084</u>	<u>13,159</u>
Payable from Restricted Assets:		
Accrued expenses and other current liabilities	<u>223</u>	<u>333</u>
TOTAL CURRENT LIABILITIES	<u>6,307</u>	<u>13,492</u>
LONG-TERM LIABILITIES		
Payable from Unrestricted Assets:		
Lease payable	58	71
Other liabilities	-	-
Total Payable from Unrestricted Assets	<u>58</u>	<u>71</u>
TOTAL LONG-TERM LIABILITIES	<u>58</u>	<u>71</u>
DEFERRED INFLOWS	<u>3,496</u>	<u>3,721</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>9,861</u>	<u>17,284</u>
NET POSITION		
Net investment in capital assets	28,881	30,148
Restricted		
Town of Ellington-Trust	10	10
Unrestricted	<u>60,269</u>	<u>61,930</u>
TOTAL NET POSITION	<u>\$ 89,160</u>	<u>\$ 92,088</u>

The accompanying notes are an integral part of these financial statements

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(Dollars in Thousands)

EXHIBIT II

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Service charges:		
Members	\$ 5,860	\$ 39,060
Others	217	9,815
Energy sales	13,857	31,081
Other	274	753
Total Operating Revenues	<u>20,208</u>	<u>80,709</u>
Operating Expenses		
Solid waste operations	18,465	52,532
Maintenance and utilities	1,950	3,330
Legal services - external	146	176
Administrative and Operational services	3,185	5,243
Total Operating Expenses	<u>23,746</u>	<u>61,281</u>
Operating Income before depreciation and amortization	(3,538)	19,428
Depreciation and amortization	<u>1,777</u>	<u>2,036</u>
Operating Profit	(5,315)	17,392
Non-Operating Revenues (Expenses)		
Investment income	2,139	272
Settlement income	250	-
Settlement expenses, net	-	-
Distributions to towns	-	-
Other revenues (expenses), net	(2)	18
Total Non-Operating Revenues (Expenses), Net	<u>2,387</u>	<u>290</u>
Change in Net Position	(2,928)	17,682
Total Net Position, beginning of year	<u>92,088</u>	<u>74,406</u>
Total Net Position, end of year	<u>\$ 89,160</u>	<u>\$ 92,088</u>

The accompanying notes are an integral part of these financial statements

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(Dollars in Thousands)

EXHIBIT III

	<u>2023</u>	<u>2022</u>
Cash Flows Provided by (Used in) Operating Activities		
Payments received from providing services	\$ 26,639	\$ 79,995
Payments to suppliers and employees	(29,205)	(57,831)
Distributions to towns	-	-
Settlement income (expenses)	250	-
Net Cash Provided by Operating Activities	<u>(2,316)</u>	<u>22,164</u>
Cash Flows Provided by Investing Activities		
Interest on investments	2,142	274
Net Cash Provided by Investing Activities	<u>2,142</u>	<u>274</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities		
Proceeds from sales of equipment	(496)	-
Payment of principal on lease liability	-	43
Net Cash Used in Capital and Related Financing Activities	<u>(496)</u>	<u>43</u>
Net Increase in Cash and Cash Equivalents	(670)	22,481
Cash and Cash Equivalents, beginning of year	<u>56,783</u>	<u>34,302</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 56,113</u></u>	<u><u>\$ 56,783</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	\$ (5,315)	\$ 17,392
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation of capital assets	1,777	2,036
Other income (expenses), net	245	-
Changes in assets and liabilities, net of transfers:		
(Increase) decrease in:		
Accounts receivable, net	4,369	(677)
Inventory	(534)	(297)
Prepaid expenses	2,331	397
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(5,189)	3,313
Net Cash Provided by Operating Activities	<u><u>\$ (2,316)</u></u>	<u><u>\$ 22,164</u></u>

The accompanying notes are an integral part of these financial statements

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 Annual Comprehensive 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. The Authority’s board included officials from two municipalities that receive solid waste disposal services from the Authority during fiscal year 2023.

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, 2023 AND 2022

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

A. Entity and Services (*Continued*)

The State Treasurer approves 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 is charged with 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 provides 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, which concluded unsuccessfully in fiscal year 2021, 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 Preston, Hartford, Bridgeport and Wallingford, Connecticut, which have historically been known as the Southeast, Mid Connecticut, Bridgeport and Wallingford projects, respectively. CRRA secured financing, facility developer, operator and customer contracts, and administered these projects throughout their various stages for over four decades. While the initial underlying contracts for the Southeast Project remained in effect at the time the Authority was created, the Authority fully concluded its role in the Southeast Project during fiscal year 2018. Underlying contracts for the Mid Connecticut, Bridgeport and Wallingford projects had previously expired and resulted in a distribution and/or reformation of project assets which formed the foundation for CRRA's core project / division and financial structure at the time of assumption by the Authority. The Authority continues to recognize CRRA's projects / divisions and financial structure outlined below.

Mid Connecticut Project and the Connecticut Solid Waste System - CRRA retained title to the resource recovery facility in Hartford (South Meadows), all support facilities and land when the initial underlying project contracts expired for the Mid Connecticut Project on November 15, 2012. No property transferred to the private sector. CRRA assigned these assets to its Property Division and put them into service in the form of the **Connecticut Solid Waste System**. Assets originally in service to the CSWS included the resource recovery facility, four transfer stations and a major recycling facility. However, following the unsuccessful conclusion of efforts to redevelop the CSWS, the Authority closed the

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

A. Entity and Services (*Continued*)

resource recovery facility and transitioned to providing waste transfer services to its remaining base of 23 municipal customers through the Torrington and Essex transfer stations.

The CSWS is the primary operating division of the Authority. All operating revenues and expenses of the CSWS, other than depreciation and amortization of assets, are assigned to the CSWS division. Prior Mid Connecticut Project assets not in service to the CSWS include the now closed Education and Trash Museum and certain jet turbine powered electric generating peaking units. All revenues and expenses associated with the assets not in service to CSWS are assigned to the Property Division. The Mid Connecticut Project remains active administratively only for project close out activities including application of approved project distributions to current CSWS customer accounts.

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.

MIRA Dissolution Authority - The closure of the resource recovery facility and transition to consolidated waste transfer services culminated in the enactment of Public Act 23-170 which established the MIRA Dissolution Authority as a successor to the Authority in the same manner as the Authority was established as CRRA's successor. The MIRA Dissolution Authority will continue the Authority's ongoing operations until acceptable alternatives become available. It will also wind down the Authority's operations in an orderly and reasonable manner including the sale of surplus property, and begin to lay the ground work for a future redevelopment of the site of the resource recovery facility. The MIRA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

A. Entity and Services (*Continued*)

Dissolution Authority terminates as of July 1, 2026 at which time the Connecticut Department of Administrative Services becomes its successor.

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

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

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

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

The Authority’s financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. The principal operating revenues of the Authority are charges to customers for user services and sales of electricity including energy generation and participation in forward capacity and reserve markets managed by ISO New England. Operating expenses include the cost of solid waste operations, maintenance and utilities, administrative expenses, rebates and distribution of funds associated with active Authority projects and divisions (CSWS, Property and Landfill divisions) and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses including distribution of funds associated with the closeout of inactive projects.

C. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheets and the reported amounts of revenues and expenses during the reporting period. Such estimates are subsequently revised as deemed necessary when additional information becomes available. Actual results could differ from those estimates.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

D. Cash and Cash Equivalents

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

E. 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 \$204,579 and \$120,858 at June 30, 2023 and 2022 respectively.

	Fiscal Year	
	2023	2022
Receivables, net of allowances	(\$000)	(\$000)
Leases	6,735	7,167
Contractor	139	719
Electricity	13	1,287
Disposal & Commodity Sales	679	4,997
Total	\$ 7,566	\$ 14,170

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, 2023 and 2022 are summarized as follows:

	Fiscal Year	
	2023	2022
Inventories	(\$000)	(\$000)
Spare Parts	\$ 5,325	\$ 5,325
Fuel	1,078	544
Total	\$ 6,403	\$ 5,869

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

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 unamortized development costs that have been capitalized as of June 30, 2023 and 2022.

J. Capital Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

J. Capital Assets *(Continued)*

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, 2023 and 2022, no impairment losses were recognized. Substantial components of the Connecticut Solid Waste System's waste to energy facility began reaching the end of their useful life on June 30, 2019. The facility has been fully depreciated. The facility operated in fiscal year 2022 and was shut down shortly after the close of fiscal year 2022 in favor of more reliable waste transfer operations. The Authority is contractually committed to process waste for twenty-three Connecticut municipalities through June 30, 2027. The Authority's Jet Turbine Facility has also been fully depreciated as of June 30, 2023.

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, 2023 and 2022 and the related changes for the years ended June 30, 2023 and 2022 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:

	Balance at July 1, 2021			Balance at June 30, 2022			Balance at June 30, 2023
Compensated Absences	Increases	(Decreases)		Increases	(Decreases)		
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Accrued vacation and personal time	\$ 614	\$ 96	\$ (134)	\$ 576	\$ 109	\$ (262)	\$ 423
Total	<u>\$ 614</u>	<u>\$ 96</u>	<u>\$ (134)</u>	<u>\$ 576</u>	<u>\$ 109</u>	<u>\$ (262)</u>	<u>\$ 423</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

K. Compensated Absences (*Continued*)

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 and lease liability that are attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets totaled approximately \$29.0 million and \$30.1 million as of June 30, 2023 and 2022.

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 \$10,000 as of June 30, 2023 and 2022. None of the Authority's net position has been restricted by enabling legislation. However, Public Act 23-170 establishing the MIRA Dissolution Authority effective July 1, 2023 states:

Sec. 11. (NEW) (*Effective from passage*) The funds possessed by the Materials Innovation and Recycling Authority, established pursuant to section 22a-260a of the general statutes, shall not constitute surplus revenues and shall be deemed necessary to provide support for the authority's properties systems and facilities, including any environmental remediation of such properties, systems and facilities. Such funds shall not be distributed or redistributed to the users of the authority's services. Users of the authority's services shall be liable for the environmental remediation costs of the authority's properties, systems and facilities if, and to the extent, any funds were distributed or redistributed by the authority to such users on or after January 1, 2023.

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 \$39.3 million and \$28.7 million as of June 30, 2023 and 2022, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

L. Net Position (*Continued*)

Unrestricted net position at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
	<u>(\$000)</u>	<u>(\$000)</u>
Undesignated	<u>\$ 20,834</u>	<u>\$ 33,156</u>
Designated:		
Authority:		
Severance Fund	1,372	2,549
Property Division:		
General Fund	12,918	9,075
PD Improvement Fund	145	260
Jets major maintenance	799	799
CSWS Improvement Fund	320	320
CSWS Tip fee stabilization	11,121	5,006
CSWS Decommissioning	3,417	3,306
South Meadows Transition Conting	5,500	
Mid-Connecticut:		
Post project closure	40	44
CSWS:		
Debt Service Fund	4	4
Future Loss Contingencies	935	900
General Fund	1	1
Legal Fund	445	554
CSWS Major Maintenance	1,929	5,549
Landfill Division:		
Hartford solar reserve	349	336
	<u>39,295</u>	<u>28,703</u>
Total Unrestricted Net Position	<u><u>\$ 60,129</u></u>	<u><u>\$ 61,859</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following as of June 30, 2023 and 2022:

	2023	2022
<u>Cash and Cash Equivalents</u>	<u>(\$000)</u>	<u>(\$000)</u>
Unrestricted:		
Cash deposits	\$ 1,428	\$ 10,371
Cash equivalents:		
STIF *	<u>54,452</u>	<u>46,069</u>
	<u>55,880</u>	<u>56,440</u>
Restricted – current:		
Cash deposits	<u>233</u>	<u>343</u>
	<u>233</u>	<u>343</u>
 Total	 <u><u>\$ 56,113</u></u>	 <u><u>\$ 56,783</u></u>

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

Cash Deposits – Custodial Credit Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. CASH DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits – Custodial Credit Risk (Continued)

As of June 30, 2023 and 2022, approximately \$1.4 million and \$10.4 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

	2023	2022
<u>Custodial Credit Risks</u>	<u>(\$000)</u>	<u>(\$000)</u>
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	\$ 236	\$ 1,495
Uninsured and Uncollateralized	1,165	8,928
	<hr/>	<hr/>
Total	<u>\$ 1,401</u>	<u>\$10,423</u>

Total represents uninsured Bank of America account balance as of June 30, 2023. Uninsured but collateralized equals 14.3% 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, 2023 and 2022 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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk

As of June, 2023, 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	\$ 54,452	\$ 54,452	\$ -	\$ -	\$ -
Total	\$ 54,452	\$ 54,452	\$ -	\$ -	\$ -

As of June 30, 2022, 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	\$ 46,069	\$ 46,069	\$ -	\$ -	\$ -
Total	\$ 46,069	\$ 46,069	\$ -	\$ -	\$ -

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, 2023 and 2022, STIF had a weighted average maturity of 41 and 29 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, 2023 AND 2022

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, 2023, the Authority's investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
			Not Rated	Not Rated
STIF	\$ 54,452	AAAm	Rated	Rated

As of June 30, 2022, the Authority's investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
			Not Rated	Not Rated
STIF	\$ 46,069	AAAm	Rated	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, 2023 and 2022, 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.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2023 and 2022:

	Balance at June 30, 2022 (Restated) (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2023 (\$000)
Depreciable assets:					
Plant	\$ 213,616	\$ -	\$ -	\$ (87)	\$ 213,529
Equipment	249,307	496	-	(1,063)	248,740
Right of Use Asset	1,501	-	-	-	1,501
Total at cost	464,424	496	-	(1,150)	463,770
Less accumulated depreciation for:					
Plant	(213,419)	(63)	-	87	(213,395)
Equipment	(245,744)	(1,545)	-	1,063	(246,226)
Right of Use Asset	(1,281)	(168)	-	-	(1,449)
Total accumulated depreciation	(460,444)	(1,776)	-	1,150	(461,070)
Total depreciable assets, net	3,980	(1,280)	-	-	2,700
Nondepreciable assets:					
Land	26,239	-	-	-	26,239
Construction-in-progress	-	-	-	-	-
Total nondepreciable assets	26,239	-	-	-	26,239
Total depreciable and nondepreciable assets	\$ 30,219	\$ (1,280)	\$ -	\$ -	\$ 28,939
	Balance at June 30, 2021 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2022 (Restated) (\$000)
Depreciable assets:					
Plant	\$ 213,616	\$ -	\$ -	\$ -	\$ 213,616
Equipment	249,292	15	-	-	249,307
Right of Use Asset	1,501	-	-	-	1,501
Total at cost	464,409	15	-	-	464,424
Less accumulated depreciation for:					
Plant	(213,329)	(90)	-	-	(213,419)
Equipment	(243,998)	(1,746)	-	-	(245,744)
Right of Use Asset	(1,081)	(200)	-	-	(1,281)
Total accumulated depreciation	(458,408)	(2,036)	-	-	(460,444)
Total depreciable assets, net	6,001	(2,021)	-	-	3,980
Nondepreciable assets:					
Land	26,239	-	-	-	26,239
Construction-in-progress	43	-	(43)	-	-
Total nondepreciable assets	26,282	-	(43)	-	26,239
Total depreciable and nondepreciable assets	\$ 32,283	\$ (2,021)	\$ (43)	\$ -	\$ 30,219

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

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, 2023 and 2022.

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 7.8% and 5.7% of total operating revenues for the years ended June 30, 2023 and 2022, respectively.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

5. MAJOR CUSTOMERS (*Continued*)

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 60.2% and 32.7% of total operating revenues for the years ended June 30, 2023 and 2022, 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 9.6% and 12.7% of the Authority's operating revenues for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 amounted to approximately \$227,000 and \$278,000, respectively. Employees contributed approximately \$194,000 to the plan during the year ended June 30, 2023 and \$316,000 to the plan during the year ended June 30, 2022.

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

The Authority has no other post-employment benefit plans as of June 30, 2023 and 2022.

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. The CSWS waste-to-energy facility has historically been the Authority's highest valued single facility. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years. However, there have been significant reductions in insurance coverage from the prior three years.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

7. RISK MANAGEMENT (*Continued*)

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 proceeds of \$11.6 million from related business interruption, extra expense and property damage insurance coverages. The amounts were reported as settlement income for the year ended June 30, 2019. As a result of these claims, certain deductibles 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.

During fiscal year 2020, due to the Authority's prior claims, and the insurance industry's increased reluctance to accept the risk profile of waste to energy facilities generally, the Authority was unable to renew its property damage coverage as initially modified in response to the steam turbine claims noted above. A prominent insurance carrier that historically held 50% of the Authority's property damage coverage declined to renew at all and had to be replaced by multiple carriers in a tiered coverage approach. The Authority was forced to eliminate business interruption and extra expense, and increase its deductibles to \$10 million, as part of its efforts to secure continued property damage coverage. These changes were effective January 1, 2020. As of January 1, 2020, the Authority possessed approximately 94% coverage for a total loss pursuant to this tiered approach subject to these deductibles and excluding business interruption and extra expense. The percentage of coverage varied based on the amount of claim from a low of approximately 80% to a high of 100%.

This structure for the Authority's property insurance was maintained in place through expiration in March 2021. However, during fiscal year 2021, the property insurance market for waste to energy facilities worsened, and DEEP's Resource Rediscovery initiative to redevelop the CSWS Waste to Energy Facility concluded unsuccessfully, prompting the Authority to commence planning and contracting activity to transition to waste transfer operations, and the CSWS Recycling Facility was converted into a recycling transfer operation. Accordingly, effective March 30, 2021 through July 1, 2022 the Authority renewed property insurance for the CSWS transfer stations, Hartford solar array, 171 Murphy Road and its home office. Excluded from the renewal due to lack of market participation and other noted factors was the CSWS Waste to Energy Facility, CSWS Recycling Facility and the Jet Peaking Units. This change resulted in a substantial reduction to the Authority's schedule of values, deductibles and premiums. The CSWS Recycling Facility was subsequently added to this policy following its conversion to a recycling transfer operation in July 2021. This program of property insurance including general liability, auto, umbrella, worker's comp, public officials, crime and fiduciary coverage was then bound for an additional year commencing July 1, 2022 and an additional year commencing July 1, 2023 with certain locations updated.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

7. RISK MANAGEMENT (*Continued*)

The Authority has renewed its Pollution Legal Liability generally consistent with historic coverage amounts effective July 1, 2023 through July 1, 2024.

8. COMMITMENTS

The Authority has various operating leases for its office equipment which totaled approximately \$1,600 and \$2,100 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the PILOT payments, which are included as a cost of solid waste totaled \$1,546,000 and \$1,609,000, respectively. The City of Hartford PILOT agreement for the CSWS ends as of June 30, 2024. The City of Hartford PILOT payment totals \$1,500,000 for each year ending June 30, 2023 and June 30, 2024.

Future minimum payments under non-cancelable operating leases and future contracted PILOT payments as of June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Lease Amount (\$000)</u>	<u>PILOT Amount (\$000)</u>
2024	1	1,546
2025	1	46
2026	-	46
2027	-	46
Thereafter	-	-
Total	<u>\$ 2</u>	<u>\$ 1,684</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

8. COMMITMENTS (*Continued*)

<u>Operator/Contractor</u>	<u>Contract expiration date</u>
Wheelabrator Technologies	6/30/2024
NAES Corporation - WTE Facility	8/31/2022 ¹
NAES Corporation - Jet Peaking Units	6/30/2023
USA Waste & Recycling	8/1/2022 ¹
CWPM, LLC	7/1/2022 ¹
Murphy Road Recycling	6/30/2027
Enviro Express	6/30/2027 ²
CWPM, LLC	6/30/2027 ²
Covanta	6/30/2027 ²

¹ As modified to provide termination consistent with closure of WTE facility and transition to waste transfer activity.

² New contracts entered into consistent with closure of WTE facility and transition to waste transfer activity.

Operating charges paid by the Authority are derived from various factors such as tonnage processed, management fees and certain pass-through costs.

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, 2023 and 2022 were as follows:

	2023	2022
<u>Project</u>	<u>(\$000)</u>	<u>(\$000)</u>
Connecticut Solid Waste System	\$ 12,687	\$ 47,411
Property Division	2,781	790
Landfill Division	<u>8</u>	<u>2</u>
Total	<u>\$ 15,476</u>	<u>\$ 48,203</u>

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

9. GASB 87

During fiscal year 2022, the Authority implemented the requirements of Government Accounting Standards Board Statement 87 (GASB 87) which requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. To quantify and recognize applicable assets and liabilities, the present value of monthly lease payments over the term of the lease is calculated and then assessed as of the reporting period in which GASB 87 is implemented. The Authority implemented GASB 87 during its fiscal year 2022 with an effective date of July 1, 2020 for purposes of comparatively restating its prior reporting period.

For purposes of the present value calculation, the Authority used the Incremental Borrowing Rate method calling for use of a discount rate based on the interest rate it would pay to borrow lease payments during the lease term. Since the Authority adopted GASB 87 effective July 1, 2020 for purposes of restating its fiscal year 2021, high grade municipal bond rates available at this time were assessed. For long term leases, the rate of 2.001% was used. For mid-term leases, the rate of 1.748% was used and for short term leases, 0.632%.

Under the criteria of GASB 87, the Authority is the lessee under its short term main office lease, and its long term Essex Transfer Station lease, and therefore recognized the associated lease liability and right of use asset for its fiscal year 2022 and for purposes of restating its fiscal year 2021.

Landlord	Discount Rate	Current Lease Payable at 6/30/2022	Long Term Lease Payable at 6/30/2022	Right of Use Asset at 6/30/2022
100-200 Corporate Place	0.632%	\$171,086	\$0	\$155,578
Town of Essex CT	2.001%	\$0	\$71,314	\$64,745
Total		\$171,086	\$71,314	\$220,323

The long term lease payable to the Town of Essex is the Authority's only long term liability reflected on its Statement of Net Position. The beginning of year balances, increases, decreases and end of year balances for this long term liability follow:

	Balance at July 1, 2021			Balance at June 30, 2022			Balance at June 30, 2023
Long Term Liabilities	Increases	(Decreases)		Increases	(Decreases)		
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Lease Liability	85	-	(14)	71	-	(13)	58
Total	\$ 85	\$ -	\$ (14)	\$ 71	\$ -	\$ (13)	\$ 58

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

9. GASB 87 (Continued)

The Right of Use Asset reflects the present value of these lease payments at lease inception amortized over the term of the lease on a straight-line basis. The Lease Payable reflects the declining principle balance of the same present value of these lease payments.

The Authority's office space lease provides for its use of 7,972 square feet of space for a seven year term ending April 30, 2023. The Authority pays a fixed rent plus a 7.3% share of operating cost increases over the base year of the lease. The Authority did not exercise available options to extend this lease. There is no current lease payable or right of use asset at June 30, 2023 for the Authority's office space.

The Authority's Essex Transfer Station lease provides for the consolidation and transfer of up to 90,000 tons of municipal solid waste and 10,000 tons of recycling annually. The lease dates to May 1987 but was amended and restated November 2012 to be effective through June 30, 2027. The Authority pays a fixed rent without escalation plus utility expenses. The associated lease payable and right of use asset were depreciated on the schedule established for FY23.

Right of Use Assets are further addressed in Note 3 to the Financial Statements concerning changes in capital assets.

The Authority is the lessor under multiple leases providing for the development and / or use of waste, energy or compatible ancillary facilities and has therefore initially recognized the associated lease receivable and deferred inflow for its fiscal year 2022, and for purposes of restating its fiscal year 2021, and the associated lease receivables and deferred inflows were amortized on the established schedule for FY23.

- Wheelabrator Technologies, Inc. – A long term site lease providing for the development, operation and removal upon expiration of the waste to energy facility in Bridgeport, CT. This lease dates to December 1985 and its initial term expired December 31, 2008. The lease includes an additional six consecutive renewal terms totaling 30 years. Renewal terms are subject to CPI adjustment. Renewal terms and CPI adjustments have been exercised through June 30, 2024 which amounts recognized through June 30, 2034 as Lease Receivable and Deferred Inflow.
- Ultimate Family Golf Centers, LLC – A long term lease providing surface rights at 784 River Road in Shelton for the development, operation and removal of a golf course and driving range facility adjacent to the Shelton Landfill. This ten year lease commenced May 1, 1998 and included a fifteen year option commencing May 1, 2008 which was exercised. The option period expires April 30, 2023. Base rent was fixed for the base term and subjected to CPI adjustment in the first, sixth and eleventh year of the option term which amounts are recognized as Lease Receivable and Deferred Inflow. The facility is operated by a permitted subtenant.
- City of Shelton, CT – A mid-term lease providing for the use of a transfer station for residential drop off activities located within the boundaries of the Shelton Landfill and including a wheel wash building, maintenance garage and scale house trailer. This five-year lease commenced January 1, 2009 and included three options of five years each commencing January 1, 2014, January 1, 2019 and January 1, 2024. The first two options have been exercised and the Authority anticipates the third to be executed. The lease pays the greater of a fixed rental amount which is recognized as

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JUNE 30, 2023 AND 2022

9. GASB 87 (Continued)

- Lease Receivable and Deferred Inflow, or the Authority's annual insurance cost for the transfer station.
- Wallingford Renewable Energy (project acquired by NextEra) – a long term lease providing for the development, operation and removal upon expiration of a solar energy facility at the Wallingford Landfill. This 22 year lease commenced March 2020 and includes three additional options extending the total term to 34 years and 11 months. Rent includes a fixed portion plus a per acre portion reflecting acreage developed. Rent escalates at a fixed 2.5% annually. Fixed and per acre rents as escalated for the full term of the lease are recognized as Lease Receivable and Deferred Inflow.
- Outfront Media LLC – a long term lease providing for the installation, operation and removal upon expiration of outdoor advertising at the Hartford waste to energy facility site. This 20-year lease agreement commenced August 1, 2021 and pays a minimum annual rent recognized as Lease Receivable and Deferred Inflow, or 25% of annual net advertising revenue.

Tenant	Discount Rate	Lease Receivable at 6/30/2023	Deferred Inflow at 6/30/2023
Wheelabrator	2.00%	\$ 4,477,782.00	\$ 1,394,534.00
City of Shelton	1.75%	\$ 47,162.00	\$ 34,184.00
NextEra	2.00%	\$ 1,530,748.00	\$ 1,399,782.00
Outfront Media	2.00%	\$ 679,648.00	\$ 667,088.00
Total		\$ 6,735,340.00	\$ 3,495,588.00

The Deferred Inflow reflects the present value of these lease payments at lease inception amortized over the term of the lease on a straight-line basis. The Lease Receivable reflects the declining principle balance of the same present value these lease payments.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

10. CONTINGENCIES

Mid-Connecticut Project

In June 2020, Tremont Public Advisors filed an action against the Authority in Connecticut Superior Court alleging that the Authority violated the Connecticut Unfair Trade Practices Act. On September 9, 2020, the Authority filed a Motion to Strike the complaint on several grounds, including that it is exempt from actions under CUTPA under what is called the governmental exemption. On April 12, 2021, the court found that MIRA is exempt from CUTPA, and granted the Motion to Strike. On April 26, 2021, Tremont appealed that decision to the Appellate Court and on August 23, 2021, moved for final judgment to be entered in favor of MIRA in accordance with its decision so that the appeal could proceed. The parties attended a court-run mediation session on February 16, 2022, but failed to reach settlement. During fiscal year 2023, Tremont Public Advisors exhausted all avenues to appeal appellate court rulings in the Authority's favor and failed to persuade any court to reverse the decision in MIRA's favor or to accept any further appeal. This matter is concluded and closed.

Connecticut Solid Waste System Project

Zurich American Insurance Company, et. al. and MIRA v. NAES Corporation

In 2010, MIRA's predecessor CRRA entered into an agreement with NAES Corporation to operate and maintain the Mid-Connecticut Resource Recovery Facility. Under the Agreement, NAES was solely responsible for operating and maintaining the Facility, and for any and all conditions created as a result of the services it performed.

On November 5, 2018, while Turbine No. 5 was in a scheduled outage, NAES was preparing Turbine No. 6 for planned condenser maintenance. NAES failed to perform this maintenance work properly, and such failure caused Turbine No. 6 to fail. The operator failure caused extensive damage and the entire Facility was shut down until Turbine No. 5 was returned to service on January 27, 2019. Both turbines were simultaneously off-line for 84 days and MIRA was left with no operations. The Facility was unable to process any waste because both turbines were inoperable. All the waste normally received at the Facility from 52 municipalities had to be diverted to other disposal sites at considerable cost to MIRA.

MIRA made a claim under its own insurance policies, and paid for the applicable deductibles before receiving any insurance payments. MIRA's deductibles include \$250,000 for property damage and a time element deductible of 45 days following the occurrence for business interruption. MIRA incurred deductible expenses of \$2,789,397 during this 45-day waiting period deductible. MIRA's total deductible expense is \$3,039,397. MIRA's insurers paid out an additional \$8,016,250. The total damage from NAES's negligence is \$11,055,647.

MIRA filed suit against NAES in state court on November 2, 2020. MIRA's suit included claims for negligence, gross negligence and breach of contract. NAES subsequently moved the case to federal court. MIRA's insurers were co-plaintiffs in the case, seeking subrogation of the insurance proceeds they paid out under the count for gross negligence.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

10. CONTINGENCIES (*Continued*)

NAES asserted three counterclaims against MIRA: Breach of Contract, Common Law Indemnification and Contractual Indemnification, and sought to recover its legal costs for defending against the subrogation claim. All three claims were based on MIRA not preventing its insurance companies from filing a subrogation claim in light of the waiver of subrogation provision. MIRA denied the counterclaim.

On or about October 27, 2022, in order to resolve this matter prior to the inevitable closure and shutdown of the Facility and to insure that NAES would continue to perform some post-closure care and maintenance, MIRA settled this case with NAES in the amount of its property damage deductible of \$250,000.00. A settlement agreement was entered into between the parties, which included the exchange of full releases by each party, an agreement for closing the Facility and an agreement to continue the operations by NAES of the jet turbine facility owned by MIRA until it ceased operation during 2023. NAES tendered payment, these agreements were executed (which included mutual releases for any further claims relating to these incidents), and a Stipulation of Dismissal was filed on December 9, 2022, effectively withdrawing all claims by NAES and MIRA's counterclaims. The Federal District court approved the Stipulation of Dismissal on December 13, 2022. This matter has now been concluded.

Alleged Violations of the Freedom of Information Act (FOIA)

On August 17, 2020, October 5, 2020, November 3, 2020, January 14, 2021, January 20, 2021, May 13, 2021 and July 15, 2021 a series of allegations were docketed by the CT Freedom of Information Commission to initiate an administrative proceeding to address several complaints alleging MIRA violated the Freedom of Information Act. The allegations primarily involve claims that MIRA failed to properly provide notice in certain of its monthly agendas of certain Executive Sessions or that insufficient notice was provided at the time the Executive Session was initiated or that certain matters discussed in Executive Session were not appropriate for Executive Session, and the complainant sought penalties for such violations. Administrative hearings have been conducted in six of eight complaints. A Final Decision has been issued in four cases in which a violation of the FOIA was found for insufficient notice of the purpose of the Executive Session in the meeting at issue, but no civil penalties were assessed. A Final Decision was issued in a fifth case in which no violation of FOIA was found. A sixth administrative hearing has been held with a similar fact pattern as was present in the matter in which no violation was found. A hearing has begun in the last remaining case, but has not yet concluded. We are waiting for decisions in the remaining two matters.

Pursuant to the Connecticut General Statutes § 1-206(b)(2) civil fines / penalties could range from \$20.00-\$1000.00 per violation.

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"). Since the Authority has suspended operation of the Facility indefinitely, it is unlikely that any further action on this permit renewal matter will be required or undertaken. This matter will have to be re-evaluated in the future if there are any proposed future uses of the Facility that include re-activating the existing cooling water intake structures, including whether the

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

10. CONTINGENCIES (*Continued*)

current location, design, construction and capacity of the cooling water intake structures represent best technology available (“BTA”) for minimizing adverse environmental impacts. Given that the NPDES Permit was timely filed, pursuant to Conn. Gen. Stat. § 4-182(b) and 22a-430(i)(2), it remains in effect until the actions specified in the Facility’s “Closure Plan” are approved for implementation by DEEP, and then subsequently completed.

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 investigation and remediation work at the site. TRC is in the process of doing so – TRC has completed the remedial investigation of the area of concern, developed a remedial action plan and obtained approval from both DEEP and the US Environmental Protection Agency to implement the remedial action plan. Construction activities associated with the remedial action plan are scheduled for completion by November 1, 2023, which will be followed by development by TRC of a revised Verification for submission to DEEP.

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 the Authority has not received a formal coverage determination. TRC has performed investigatory, engineering and remediation work over the past three years, but has not informed the Authority regarding costs to date; however, it is the Authority’s understanding that AIG has been paying claims that TRC has submitted for the costs of the remedial investigation and remedial action plan development. Additional costs may accrue. The Authority’s deductible under the applicable coverage provision of the AIG policy is \$100,000.

The Exit Strategy Contract excluded TRC from liability for pollution conditions retained by CL&P, including but not limited to liability regarding river sediment, which are not yet known to exist. In the event any investigation of river sediments is pursued by any governmental authority or third party against the Authority as the owner of the South Meadows real estate, MIRA shall pursue any claims it may have against CL&P as the party responsible for such conditions. No such claims have been asserted.

The Authority has entered into certain Tier 1 Long Term and Short Term Amended Municipal Solid Waste Management Services Agreements with Connecticut municipalities which expire June 30, 2027. These Tier 1 long term and short term amended agreements provide that the municipality may terminate the agreement within thirty days after receiving notice that the Authority has adopted a disposal

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

10. CONTINGENCIES (*Continued*)

fee that exceeds the opt out disposal fee established in the agreement. For fiscal year 2023, the Authority adopted a Tier 1 Long Term disposal fee of \$116.00 per ton which exceeded the Tier 1 Long Term opt out disposal fee. For fiscal year 2023, the Authority also adopted a Tier 1 Short Term disposal fee of \$111.00 per ton which did not exceed the Tier 1 Short Term opt out disposal fee. In fiscal year 2023, Tier 1 Long Term and Tier 1 Short Term agreements represented 11% and 80%, respectively, of total waste delivered to the Connecticut Solid Waste System. For fiscal year 2024, the Authority further increased its adopted Tier 1 Long Term disposal fee to \$118.00 per ton which again is well in excess of the opt out disposal fee. For fiscal year 2024, the Authority further increased its adopted Tier 1 Short Term disposal fee to \$118.00 per ton which does not exceed the opt-out disposal fee.

The Agreement between the Authority and NAES Corporation for the operation and maintenance of the Authority's Jet Turbine Facility (the "JTF") provides that, in the event of termination of the agreement between the parties for NAES's operation and maintenance of the Authority's Resource Recovery Facility (the "RRF"), the parties shall negotiate additional compensation for the JTF services and amend the JTF Agreement accordingly. The RRF Agreement was terminated upon suspension of operations at the RRF, but NAES refused to execute an amendment to the JTF agreement due to matters associated with the outstanding litigation between the parties discussed above. The Parties settled this matter as noted above, amended the Jet Turbine Facility agreement as appropriate, which expired under its terms as of June 30, 2023. The JTF ceased operation as of May 31, 2023 and the JTF Agreement expired June 30, 2023.

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

11. NEW ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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, 2023
(Dollars in Thousands)

EXHIBIT A
Page 1 of 3

	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	\$ 1,987	\$ 13,702	\$ 40	\$ 37,360	\$ 2,791	\$ -	\$ 55,880
Accounts receivable, net of allowances	-	832	-	5,156	1,578	-	7,566
Inventory	-	4,867	-	1,536	-	-	6,403
Prepaid expenses	-	-	-	-	-	-	-
Due from other funds	95	2	-	27,695	-	(27,792)	-
Total Unrestricted Assets	2,082	19,403	40	71,747	4,369	(27,792)	69,849
Restricted Assets:							
Cash and cash equivalents	-	223	-	10	-	-	233
TOTAL CURRENT ASSETS	2,082	19,626	40	71,757	4,369	(27,792)	70,082
NON-CURRENT ASSETS							
Capital Assets:							
Depreciable:							
Plant	83	-	-	188,093	25,353	-	213,529
Equipment	621	-	-	243,634	4,485	-	248,740
Right of Use Asset	1,307	194					1,501
	2,011	194	-	431,727	29,838	-	463,770
Less: Accumulated depreciation	(1,998)	(142)	-	(430,883)	(28,047)	-	(461,070)
Total Depreciable, net	13	52	-	844	1,791	-	2,700
Nondepreciable:							
Land	-	-	-	10,130	16,109	-	26,239
Construction in progress	-	-	-	-	-	-	0
Total Nondepreciable	-	-	-	10,130	16,109	-	26,239
Total Capital Assets	13	52	-	10,974	17,900	-	28,939
TOTAL NON-CURRENT ASSETS	13	52	-	10,974	17,900	-	28,939
TOTAL ASSETS	2,095	19,678	40	82,731	22,269	(27,792)	99,021

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION (Continued)
AS OF JUNE 30, 2023
(Dollars in Thousands)

EXHIBIT A
Page 2 of 3

	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	\$ 8	\$ 998	\$ -	\$ (5)	\$ 2	\$ -	\$ 1,003
Accrued expenses and other current liabilities	493	618	-	3,764	206	-	5,081
Due to other funds	2	27,777	-	12	1	(27,792)	-
Unearned revenue	-	-	-	-	-	-	-
Total Payable from Unrestricted Assets	503	29,393	-	3,771	209	(27,792)	6,084
Payable from Restricted Assets:							
Accrued expenses and other current liabilities	-	223	-	-	-	-	223
TOTAL CURRENT LIABILITIES	503	29,616	-	3,771	209	(27,792)	6,307
LONG-TERM LIABILITIES							
Payable from Unrestricted Assets:							
Lease payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Lease Payable	-	58	-	-	-	-	58
Total Payable from Unrestricted Assets	-	58	-	-	-	-	58
TOTAL LONG-TERM LIABILITIES	-	58	-	-	-	-	58
DEFERRED INFLOWS	-	-	-	2,062	1,434	-	3,496
TOTAL LIABILITIES	503	29,674	-	5,833	1,643	(27,792)	9,861

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF STATEMENT OF NET POSITION (Continued)
AS OF JUNE 30, 2023
(Dollars in Thousands)

EXHIBIT A
Page 3 of 3

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	Total
NET POSITION							
Net investment in capital assets	\$ 13	\$ (6)	\$ -	\$ 10,974	\$ 17,900	\$ -	\$ 28,881
Restricted	-	-	-	10	-	-	10
Unrestricted	1,579	(9,990)	40	65,914	2,726	-	60,269
TOTAL NET POSITION	<u>\$ 1,592</u>	<u>\$ (9,996)</u>	<u>\$ 40</u>	<u>\$ 76,898</u>	<u>\$ 20,626</u>	<u>\$ -</u>	<u>\$ 89,160</u>

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY

EXHIBIT B

A Component Unit of the State of Connecticut

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

FOR THE YEAR ENDED JUNE 30, 2023

(Dollars in Thousands)

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	Total
Operating Revenues							
Service charges:							
Members	\$ -	\$ 5,860	\$ -	\$ -	\$ -	\$ -	\$ 5,860
Others	-	217	-	-	-	-	217
Energy sales	-	3,610	-	10,127	120	-	13,857
Other	-	23	-	200	51	-	274
Total Operating Revenues	<u>-</u>	<u>9,710</u>	<u>-</u>	<u>10,327</u>	<u>171</u>	<u>-</u>	<u>20,208</u>
Operating Expenses							
Solid waste operations	-	15,340	-	3,038	87	-	18,465
Maintenance and utilities	-	2,190	-	(240)	-	-	1,950
Legal services - external	-	145	-	1	-	-	146
Administrative and Operational services	1,250	1,661	-	260	14	-	3,185
Total Operating Expenses	<u>1,250</u>	<u>19,336</u>	<u>-</u>	<u>3,059</u>	<u>101</u>	<u>-</u>	<u>23,746</u>
Operating Income (Loss) before depreciation and amortization	(1,250)	(9,626)	-	7,268	70	-	(3,538)
Depreciation and amortization	174	13	-	1,452	138	-	1,777
Operating Income (Loss)	(1,424)	(9,639)	-	5,816	(68)	-	(5,315)
Non-Operating Revenues (Expenses)							
Investment income	-	783	1	1,257	98	-	2,139
Settlement income	-	250	-	-	-	-	250
Settlement expenses, net	-	-	-	-	-	-	-
Distributions to towns	-	-	-	-	-	-	-
Other revenues (expenses), net	3	-	(5)	-	-	-	(2)
Total Non-Operating Revenues (Expenses), net	<u>3</u>	<u>1,033</u>	<u>(4)</u>	<u>1,257</u>	<u>98</u>	<u>-</u>	<u>2,387</u>
Income (Loss) before Transfers	(1,421)	(8,606)	(4)	7,073	30	-	(2,928)
Transfers	<u>-</u>	<u>(5,500)</u>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(1,421)	(14,106)	(4)	12,573	30	-	(2,928)
Total Net Position, beginning of year	3,013	4,110	44	64,325	20,596	-	92,088
Total Net Position, end of year	<u>\$ 1,592</u>	<u>\$ (9,996)</u>	<u>\$ 40</u>	<u>\$ 76,898</u>	<u>\$ 20,626</u>	<u>\$ -</u>	<u>\$ 89,160</u>

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(Dollars in Thousands)

EXHIBIT C
Page 1 of 2

	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	\$ -	\$ 15,075	\$ -	\$ 11,370	\$ 194	\$ -	\$ 26,639
Payments to suppliers and employees	(2,883)	(22,643)	(5)	(3,650)	(24)	-	(29,205)
Payments to other funds	1,154	(2,655)	-	1,528	(27)	-	-
Distributions to towns	-	-	-	-	-	-	-
Distribution to SCRRRA	-	-	-	-	-	-	-
Settlement income	-	250	-	-	-	-	250
Settlement expenses	-	-	-	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	<u>(1,729)</u>	<u>(9,973)</u>	<u>(5)</u>	<u>9,248</u>	<u>143</u>	<u>-</u>	<u>(2,316)</u>
Cash Flows Provided by Investing Activities							
Interest on investments	3	783	1	1,257	98	-	2,142
Net Cash Provided by Investing Activities	<u>3</u>	<u>783</u>	<u>1</u>	<u>1,257</u>	<u>98</u>	<u>-</u>	<u>2,142</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities							
Proceeds from sales of equipment	(3)	-	-	(493)	-	-	(496)
Payment of principal on lease liability	-	-	-	-	-	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>(493)</u>	<u>-</u>	<u>-</u>	<u>(496)</u>
Cash Flows Provided by (Used in) Non-Capital Financing Activities							
Transfers	-	(5,500)	-	5,500	-	-	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>-</u>	<u>(5,500)</u>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,729)	(14,690)	(4)	15,512	241	-	(670)
Cash and Cash Equivalents, beginning of year	<u>3,716</u>	<u>28,615</u>	<u>44</u>	<u>21,858</u>	<u>2,550</u>	<u>-</u>	<u>56,783</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,987</u>	<u>\$ 13,925</u>	<u>\$ 40</u>	<u>\$ 37,370</u>	<u>\$ 2,791</u>	<u>\$ -</u>	<u>\$ 56,113</u>

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023
(Dollars in Thousands)

EXHIBIT C
Page 2 of 2

	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)	\$ (1,424)	\$ (9,639)	\$ -	\$ 5,816	\$ (68)	\$ -	\$ (5,315)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							\$ -
Depreciation of capital assets	174	13	-	1,452	138	-	1,777
Other income (expenses), net	-	250	(5)	-	-	-	245
Changes in assets and liabilities, net of transfers:							
(Increase) decrease in:							
Accounts receivable, net	-	5,365	-	(1,019)	23	-	4,369
Inventory	-	-	-	(534)	-	-	(534)
Prepaid expenses	-	2,197	-	31	103	-	2,331
Increase (decrease) in:							
Accounts payable, accrued expenses and other liabilities	(1,633)	(5,504)	-	1,974	(26)	-	(5,189)
Due to/from other funds	1,154	(2,655)	-	1,528	(27)	-	-
Net Cash Provided by (Used in) Operating Activities	\$ (1,729)	\$ (9,973)	\$ (5)	\$ 9,248	\$ 143	\$ -	\$ (2,316)

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2023
(Dollars in Thousands)

EXHIBIT D
Page 1 of 2

	Authority General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Property Division	Landfill Division	Eliminations	Total
NET POSITION							
Net Investment in Capital Assets	<u>\$ 13</u>	<u>\$ (6)</u>	<u>\$ -</u>	<u>\$ 10,974</u>	<u>\$ 17,900</u>	<u>\$ -</u>	<u>\$ 28,881</u>
Restricted Net Position:							
Current restricted cash and cash equivalents:							
Customer guarantee of payment	-	223	-	-	-	-	223
Town of Ellington trust - pooled funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total current restricted cash and cash equivalents	<u>-</u>	<u>223</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>233</u>
Less liabilities to be paid with current restricted assets:							
Other liabilities	<u>-</u>	<u>223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223</u>
Total Restricted Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>

See Independent Auditor's Report

MATERIALS INNOVATION AND RECYCLING AUTHORITY
A Component Unit of the State of Connecticut
SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION (Continued)
AS OF JUNE 30, 2023
(Dollars in Thousands)

EXHIBIT D
Page 2 of 2

NET POSITION	<u>Authority General Fund</u>	<u>Connecticut Solid Waste System</u>	<u>Mid-Connecticut Project</u>	<u>Property Division</u>	<u>Landfill Division</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted Net Position:							
Board Designated Reserves:							
Debt service	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 4
Future loss contingencies	-	935	-	-	-	-	935
General fund	-	1	-	12,918	-	-	12,919
Improvements	-	-	-	465	-	-	465
Legal	-	445	-	-	-	-	445
CSWS Tip fee stabilization	-	-	-	11,121	-	-	11,121
Jets major maintenance	-	-	-	799	-	-	799
CSWS major maintenance	-	1,929	-	-	-	-	1,929
Litigation	-	-	-	-	-	-	0
Project/Post-project closure	-	-	40	-	-	-	40
Severance	1,372	-	-	-	-	-	1,372
Hartford Solar	-	-	-	-	349	-	349
Pollution insurance	-	-	-	-	-	-	0
CSWS Decommissioning	-	-	-	3,417	-	-	3,417
South Meadows Contingency Reserve	-	-	-	5,500	-	-	5,500
Total Board Designated Reserves	<u>1,372</u>	<u>3,314</u>	<u>40</u>	<u>34,220</u>	<u>349</u>	<u>-</u>	<u>39,295</u>
Undesignated	<u>207</u>	<u>(13,304)</u>	<u>-</u>	<u>31,694</u>	<u>2,377</u>	<u>-</u>	<u>20,974</u>
Total Unrestricted Net Position	<u>1,579</u>	<u>(9,990)</u>	<u>40</u>	<u>65,914</u>	<u>2,726</u>	<u>-</u>	<u>60,269</u>
Total Net Position	<u>\$ 1,592</u>	<u>\$ (9,996)</u>	<u>\$ 40</u>	<u>\$ 76,898</u>	<u>\$ 20,626</u>	<u>\$ -</u>	<u>\$ 89,160</u>

See Independent Auditor's Report

INDEPENDENT AUDITORS' 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
MIRA Dissolution Authority, successor to
Materials Innovation and Recycling Authority

We have audited, in accordance with the 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), which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2023.

Report on 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) as a basis for designing 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
September 28, 2023