

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY**

A Component Unit of the State of Connecticut

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2020

Submitted by:

David W. Aldridge
Executive Director

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2020

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Introductory Section



Board of Directors
**Southeastern Connecticut Regional
Resources Recovery Authority**
7 Hurlbutt Road
Gales Ferry, Connecticut 06335

We are pleased to present the Southeastern Connecticut Regional Resources Recovery Authority's ("Authority") Comprehensive Annual Financial Report prepared for the fiscal year ended June 30, 2020.

The accuracy, completeness and fairness of this report are the responsibility of the Authority's management. We believe this report, as presented, is accurate in all material respects and that it presents fairly the financial position of the Authority and the results of its operations. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial affairs have been included.

The report is presented in three sections:

- The Introductory Section contains this transmittal letter, which provides a description of Authority operations, pertinent financial information and an outline of major initiatives accomplished in fiscal year 2020 and compared to fiscal year 2019. The Introductory Section also contains a list of Authority Board members and officials and an organizational chart.
- The Financial Section contains the independent auditors' report, management's discussion and analysis ("MD&A"), the financial statements and related notes, and required supplementary information.
- The Statistical Section contains unaudited data on selected financial and operating data on a multi-year basis.

THE REPORTING ENTITY

The Southeastern Connecticut Regional Resources Recovery Authority is made up of twelve member towns in southeastern Connecticut and was created in 1987 by an act of the Connecticut legislature. The Authority is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities, and services. Revenues generated by Authority operations, primarily disposal fees, provide for the support of the Authority and its operations on

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a self-sustaining basis. In 1987 the Authority entered into a Bridge and Management Agreement (“the Bridge Agreement”) with the Connecticut Resources Recovery Authority (“CRRA”) to construct and operate a waste to energy (“WTE”) facility in Preston, Connecticut. In carrying out this mission, the Authority utilizes private industry to construct, maintain and operate a solid waste disposal and resources recovery facility. The Authority has contracts with expiration dates through December 31, 2030 with its member municipalities, to provide waste management services and charge fees for these services. The member towns have agreed to deliver all solid waste to SCRRRA facilities. The Authority has the power to issue bonds for construction of its facilities but chose to have the bonds issued through CRRA. The Authority’s bonds were secured by service agreements with the participating entities. Authority bonds were also secured by revenues from the sale of energy generated by the facility and waste from municipal sources. In addition, Authority bonds were secured by a special capital reserve fund (backed by the State of Connecticut). The bonds used to finance construction of the WTE facility in Preston were paid in full on November 15, 2015. During fiscal 2017, the Bridge Agreement terminated and on July 12, 2017 an indemnification agreement was entered into between SCRRRA and MIRA, the successor entity of CRRA.

The Authority owned the Preston WTE facility through February 17, 2017 and continues to manage a landfill in Montville, Connecticut. SCRRRA provides single stream recycling with a private vendor for its member towns. The Authority provides additional waste management services to the towns of the southeastern portion of the state including household hazardous waste collections, recycling contracts for commodities processed through town transfer stations, and ongoing recycling education. The Authority owns and operates a large wood grinder providing wood reduction and removal services to both member and non-member towns also in the southeastern part of the state.

SOLID WASTE MANAGEMENT SYSTEM

The Authority provides solid waste disposal services to twelve Connecticut municipalities in the eastern portion of the state through service contract arrangements. The primary vendors for waste disposal services are mass burn resources recovery facilities located in Preston and Lisbon, Connecticut currently operated by private vendors. The Authority owns the land under the Preston facility and a closed landfill in Montville, Connecticut.

The Southeast facility began commercial operation in February 1992. Electric energy revenues and certain other service charges are accrued by a private vendor under the terms of the long-term service agreement between the Authority and the private vendor. Title to the facility was transferred to the private vendor on December 15, 2015. On February 17, 2017, SCRRRA entered into a new service agreement with the private vendor with an expiration date of December 31, 2020.

OTHER OPERATIONS

The Authority owns and operates a horizontal wood grinder. The wood grinder is used to chip brush at town transfer stations into more manageable and usable wood chips. The Authority provided more than 469 hours of grinding time during fiscal year 2020.

The Authority provides electronic recycling and household hazardous waste collections at various times and locations throughout the region. Last year the Authority collected and recycled 436 tons of electronics and provided household hazardous waste disposal to over 2,805 households. The Authority also provides support for the member towns' transfer stations.

ECONOMIC CONDITION AND OUTLOOK

The Authority posted a decrease in the change in net position of \$1,920,950 in fiscal year 2020 compared to a decrease in the change in net position of \$1,332,435 in fiscal year 2019.

In general, the Authority's tipping fees have been significantly reduced and stabilized since fiscal year 1995, enabling the Authority to deliver below market tipping fees to its members (see Exhibit 1 in the Statistical Section).

FINANCIAL INFORMATION

Service charges are established by the Board of Directors of the Southeastern Connecticut Regional Resources Recovery Authority.

The Authority uses the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred. Additional information regarding significant accounting policies can be found in the "Notes to the Financial Statements" in the Financial Section of this report.

Management of the Authority is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls are designed to provide reasonable, but not absolute, assurance that these goals are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Financial Results

The 2020 fiscal year financial operations showed an operating loss of \$5,527,370 compared to an operating loss of \$5,236,874 in 2019. The decrease in net position for fiscal year 2020 of \$1,920,950 represents an increase of 44% or \$588,515 from fiscal year 2019. Please refer to Summary of Operations and Change in Net Assets in the MD&A in the Financial Section of this report for additional discussion and analysis.

Total operating revenues for fiscal year 2020 were \$7,577,643, a decrease of 4% or \$345,033 as compared to fiscal year 2019. Please refer to Summary of Revenues in the MD&A in the Financial Section of this report for additional discussion and analysis on the Authority's revenues.

Total operating expenses for fiscal year 2020 were \$13,105,013, a decrease of less than 1% or \$54,537 as compared to fiscal year 2019. In prior years under the original Bridge Agreement, operating expenses were offset by proceeds earned from energy generation. Under the terms of the new service agreement with the operator of the WTE facility, energy generation revenue is retained by the facility operator. Please refer to Summary of Expenses in the MD&A in the Financial Section of this report for additional discussion and analysis on the Authority's expenses.

Cash Management

During the year, cash was invested on a short-term basis. The Authority's primary short-term investment vehicles are Mutual Funds operated by Charles Schwab. The annualized average yield for the Schwab mutual funds was 3.57% for the fiscal year 2020 and 3.19% for the fiscal year 2019. The Authority also invested in the Short-Term Investment Fund (STIF) operated by the Office of the Treasurer. The annualized average yield for the STIF was .36% for fiscal year 2020 and .47% for fiscal year 2019.

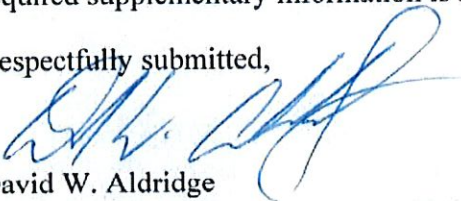
Risk Management

The Authority purchased commercial insurance for its direct ownership property and liability needs. The facility operator is obligated under service agreement to provide property and liability insurance for the plant and its operations. The Authority has secured insurance coverage for a variety of environmental exposures related to the operation and control of the landfill. The Authority engages in an on-going evaluation of its risk exposures to prevent losses where possible and minimize the financial impact of those risks that must be undertaken.

Independent Audit

The Authority contracts an annual audit by an independent certified public accountant. The accounting firm of Simone, Macca & Larrow LLP was selected in November 2019 to perform the audit for the year ended June 30, 2020. The auditors' report on the financial statements and required supplementary information is included in the Financial Section of this report.

Respectfully submitted,



David W. Aldridge
Executive Director

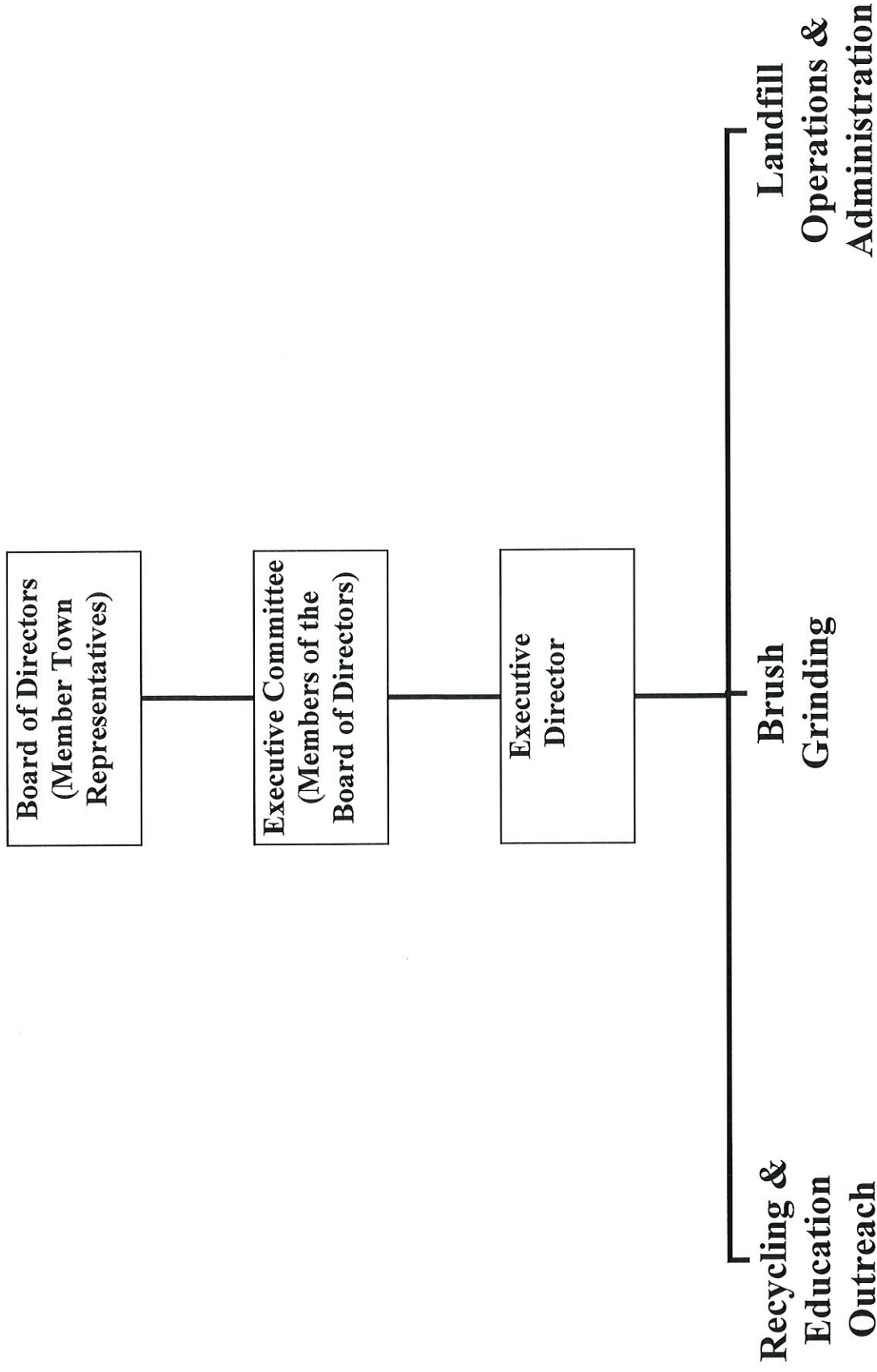
**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
REPRESENTATIVES AND ALTERNATES
AS OF JUNE 30, 2020**

<u>Town</u>	<u>Representative</u>	<u>Alternate</u>
East Lyme	Joseph Bragaw	VACANCY
Griswold	Todd Babbitt	VACANCY
Groton	Stacey Ohlmann Leitch	VACANCY
Ledyard	Joe Lozier	Steve Masalin
Montville	Mayor Ronald K. McDaniel	Donald Bourdeau
New London	Brian Sear	David DeNoia
North Stonington	Michael Urgo	Donald Hill
Norwich	Patrick McLaughlin	Brian Long
Preston	Sandra Allyn-Gauthier	VACANCY
Sprague	Cheryl Blanchard	Denise Dembinski
Stonington	John Phetteplace	VACANCY
Waterford	Gary Schneider	Daniel Matheson

Officers

President:	John Phetteplace
First Vice President:	Joseph Bragaw
Second Vice President:	Denise Dembinski
Treasurer:	Joe Lozier
Secretary:	Gary Schneider

Southeastern Connecticut Regional Resources Recovery Authority Organization Chart



Financial Section

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY**

Financial Statements

June 30, 2020

Simione Macca & Larrow^{LLP}



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**Southeastern Connecticut Regional
Resources Recovery Authority**
Gales Ferry, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Southeastern Connecticut Regional Resources Recovery Authority ("SCRRA"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SCRRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Southeastern Connecticut Regional Resources Recovery Authority as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SCRRRA's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

To the Board of Directors
**Southeastern Connecticut Regional
Resources Recovery Authority**
Page 3

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 fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of SCRRA'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 SCRRA'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 SCRRA's internal control over financial reporting and compliance.

Sunione Macca & Larrow LLP

Wethersfield, Connecticut
January 28, 2021

SOUTHEASTERN CONNECTICUT REGIONAL RESOURCES RECOVERY AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Southeastern Connecticut Regional Resources Recovery Authority ("SCRRA") is made up of twelve towns and was created in 1987 by an act of the Connecticut legislature. SCRRA is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities, and services. In 1987, SCRRA entered into a Bridge and Management Agreement with Connecticut Resources Recovery Authority ("CRA") to construct and operate a waste to energy ("WTE") facility in Preston, Connecticut. Revenues generated by SCRRA's operations, primarily solid waste disposal fees and energy revenues, historically provided for the support of SCRRA and its operations on a self-sustaining basis. On June 6, 2014, Governor Malloy signed Public Act 14-94, which established the Materials Innovation and Recycling Authority ("MIRA") as the successor authority to the CRA. In carrying out this mission SCRRA utilized private industry to construct and operate a solid waste disposal and resources recovery facility. SCRRA contracts with its member municipalities to provide waste management services and charges fees for their services. The member towns have agreed to deliver all their solid waste to SCRRA facilities.

SCRRA managed the Preston WTE facility through February of 2017. On December 15, 2015, title to the facility was transferred to the private vendor operating the WTE pursuant to the terms of the contract. Title to the land under the WTE facility was retained by SCRRA. In February of 2017, SCRRA entered into a new service agreement with the operator which now provides solid waste disposal services on a contract basis. SCRRA also owns an inactive landfill in Montville, Connecticut. During the year ended June 30, 2010, SCRRA entered into an agreement with a private vendor which provides single stream recycling for member towns. SCRRA provides additional waste management services to the towns of the Southeastern part of the state including household hazardous waste collections, electronics recycling, other miscellaneous recycling services, and ongoing recycling education. SCRRA owns and operates a large wood grinder providing wood reduction and removal services to both member and non-member towns in the southeastern part of the state.

The following Management's Discussion and Analysis ("MD&A") of SCRRA's activities and financial performance introduce the audited financial statements for the fiscal year ended June 30, 2020 as compared to June 30, 2019. Following the MD&A are the basic financial statements of SCRRA together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL POSITION SUMMARY

- Total fund net positions of SCRRRA were \$56,054,525 as of June 30, 2020, as compared to \$57,975,475 as of June 30, 2019 and are summarized as follows:

	(In Thousands)	
	2020	2019
ASSETS:		
Current unrestricted assets	\$ 57,413	\$ 58,101
Capital assets:		
Depreciable, net	1,198	1,351
Nondepreciable	1,688	1,688
Restricted non-current investments	2,117	2,285
Total Assets	\$ 62,416	\$ 63,425
LIABILITIES:		
Current liabilities	\$ 4,419	\$ 3,332
Long-term liabilities	1,943	2,118
Total Liabilities	6,362	5,450
NET POSITION:		
Invested in capital assets, net of related debt	2,886	3,039
Restricted for landfill post-closure reserve	2,117	2,285
Unrestricted	51,051	52,651
Total Net Position	56,054	57,975
Total Liabilities and Net Position	\$ 62,416	\$ 63,425

- SCRRRA uses all capital assets to provide services to its members; consequently, these assets are not available for future spending.
- SCRRRA was required by State and Federal laws and regulations to maintain a reserve fund to finance closure and post-closure care. SCRRRA had a reserve of \$2,117,238 that is restricted for landfill post-closure care at June 30, 2020.
- The remainder of SCRRRA's net position is considered unrestricted and may be used to meet SCRRRA's ongoing obligations to members and creditors.

FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Statement of Net Position during the past fiscal year:

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL HIGHLIGHTS (Continued)

Assets

Current unrestricted assets decreased by \$688,332 over 2019, mainly due to the decrease in cash and investments and the increase in accounts and other receivables.

Liabilities

Current liabilities increased by \$1,086,600, primarily due to an increase in payables of \$1,068,085 and compensated absences of \$11,388.

SUMMARY OF OPERATIONS AND CHANGES IN FUND NET POSITION

Net position may serve over time as a useful indicator of SCRRRA's financial position. Overall, fund net position decreased as a result of expenses in excess of revenues of \$1,920,950 in 2020 as compared to expenses in excess of revenues of \$1,332,435 in 2019.

Operating revenues decreased by \$345,033 or 4% as compared with fiscal year 2019. Operating expenses decreased by \$54,537 or less than 1% as compared to fiscal year 2019. The nonoperating revenues decreased by \$298,019 or 8%. This decrease resulted from a decrease in investment income in 2020.

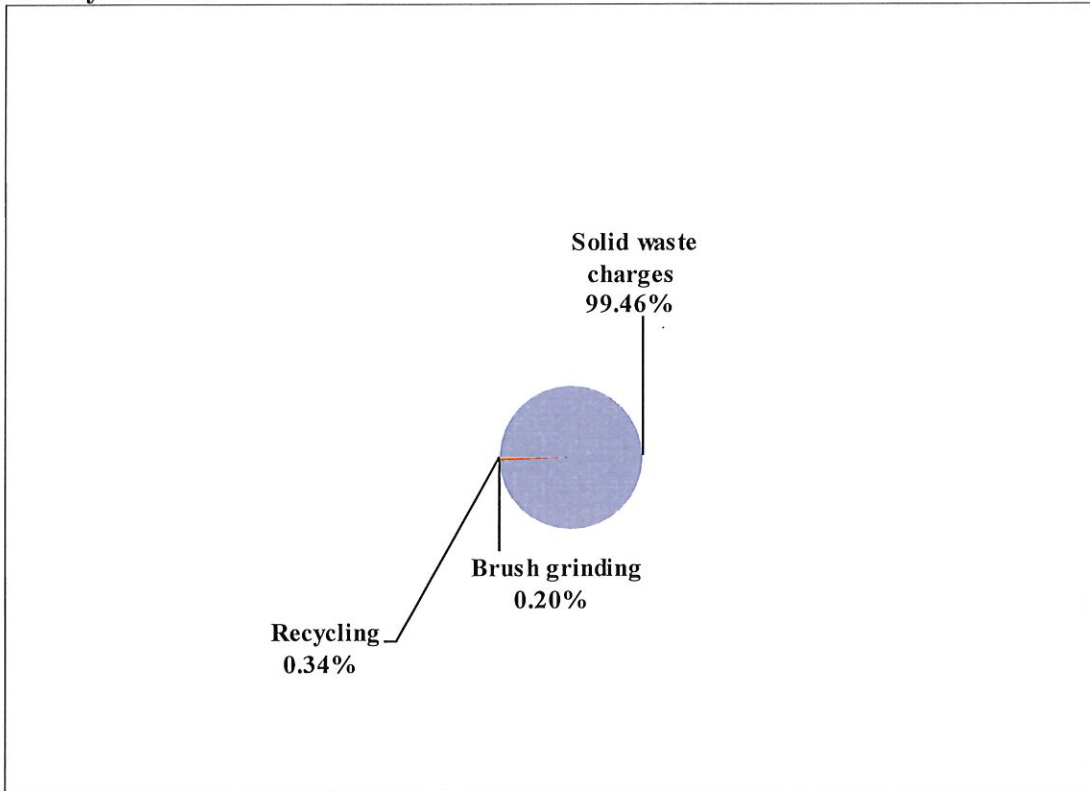
Changes in Fund Net Position

Changes in net position for the years ended June 30, 2020 and 2019 are as follows:

	(In Thousands)	
	2020	2019
Operating revenues	\$ 7,578	\$ 7,923
Operating expenses	12,934	13,014
Excess (deficiency) before depreciation and other non-operating expense	(5,356)	(5,091)
Depreciation	171	146
Income (loss) before other non-operating revenues	(5,527)	(5,237)
Other nonoperating revenues	3,606	3,904
Change in net position	(1,921)	(1,333)
Total net position, beginning of year	57,975	59,308
Total net position, end of year	\$ 56,054	\$ 57,975

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Revenues by Source:



CAPITAL ASSET ADMINISTRATION

Capital Assets

SCRRRA's investment in capital assets as of June 30, 2020 totaled \$2,886,195. This investment includes land, leasehold improvements, facilities, furniture and equipment. This amount represents a decrease of \$153,145 which resulted from current year acquisitions and dispositions less depreciation of capital assets.

	(In Thousands)	
	2020	2019
Depreciable assets:		
Leasehold improvements	\$ 181	\$ 181
Facilities and equipment	1,617	1,665
Vehicle	27	27
	<u>1,825</u>	<u>1,873</u>
Accumulated depreciation	627	522
Total depreciable assets, net	<u>1,198</u>	<u>1,351</u>
Nondepreciable assets:		
Land	<u>1,688</u>	<u>1,688</u>
Total capital assets	<u>\$ 2,886</u>	<u>\$ 3,039</u>

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Additional information on SCRARRA's capital assets can be found in Note 10 on page 20 of this report.

BUDGETING PROCESS

Annual appropriated operating budgets are adopted for the Authority by the Board of Directors. The Executive Director submits a detailed operating budget to the Executive Committee of the SCRARRA Board. Upon their recommendation, the Executive Director moves the draft budget to the full Board for approval and establishment of the tip fee for the fiscal year.

Once approved, the Executive Director prepares a review and proposed adjustments to the Reserve Fund Accounts and presents to the Executive Committee. Upon their recommendation the Executive Director then moves the Reserve Fund package to the full Board. Upon approval the Executive Committee is free to authorize transfers of reserve funds as is required by the approved budget

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of SCRARRA's finances for all those with an interest in SCRARRA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 7 Hurlbutt Road, Gales Ferry, Connecticut.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020**

	<u>Operating Fund</u>	<u>Recycling Fund</u>	<u>Brush Grinding Fund</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,431,474	\$ -	\$ -	\$ 1,431,474
Investments	54,696,353	239	35	54,696,627
Accounts and other receivables	1,126,391	5,749	3,550	1,135,690
Prepaid expenses and other assets	<u>148,783</u>	<u>-</u>	<u>-</u>	<u>148,783</u>
Total Current Assets	<u>57,403,001</u>	<u>5,988</u>	<u>3,585</u>	<u>57,412,574</u>
NON-CURRENT ASSETS				
Capital assets:				
Depreciable, net	72,660	-	1,125,126	1,197,786
Nondepreciable	1,688,409	-	-	1,688,409
Landfill post-closure reserve	<u>2,117,238</u>	<u>-</u>	<u>-</u>	<u>2,117,238</u>
Total Non-Current Assets	<u>3,878,307</u>	<u>-</u>	<u>1,125,126</u>	<u>5,003,433</u>
TOTAL ASSETS	<u>\$ 61,281,308</u>	<u>\$ 5,988</u>	<u>\$ 1,128,711</u>	<u>\$ 62,416,007</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and other payables	\$ 4,152,072	\$ -	\$ -	\$ 4,152,072
Compensated absences	73,835	9,804	8,533	92,172
Current portion of closure and post-closure care costs	<u>174,573</u>	<u>-</u>	<u>-</u>	<u>174,573</u>
Total Current Liabilities	<u>4,400,480</u>	<u>9,804</u>	<u>8,533</u>	<u>4,418,817</u>
LONG-TERM LIABILITIES				
Closure and post-closure care costs	<u>1,942,665</u>	<u>-</u>	<u>-</u>	<u>1,942,665</u>
Total Long-Term Liabilities	<u>1,942,665</u>	<u>-</u>	<u>-</u>	<u>1,942,665</u>
Total Liabilities	<u>6,343,145</u>	<u>9,804</u>	<u>8,533</u>	<u>6,361,482</u>
NET POSITION				
Invested in capital assets	1,761,069	-	1,125,126	2,886,195
Restricted for landfill post-closure reserve	2,117,238	-	-	2,117,238
Unrestricted	<u>51,059,856</u>	<u>(3,816)</u>	<u>(4,948)</u>	<u>51,051,092</u>
Total Net Position	<u>54,938,163</u>	<u>(3,816)</u>	<u>1,120,178</u>	<u>56,054,525</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 61,281,308</u>	<u>\$ 5,988</u>	<u>\$ 1,128,711</u>	<u>\$ 62,416,007</u>

See notes to financial statements.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2020**

	Operating Fund	Recycling Fund	Brush Grinding Fund	Total
OPERATING REVENUES				
Solid waste charges	\$ 7,537,469	\$ -	\$ -	\$ 7,537,469
Fees	-	24,376	14,550	38,926
Household hazardous waste collection	-	1,248	-	1,248
Total Operating Revenues	<u>7,537,469</u>	<u>25,624</u>	<u>14,550</u>	<u>7,577,643</u>
OPERATING EXPENSES				
Tip fees and other related expenses	10,204,742	-	-	10,204,742
Household hazardous waste collection	-	1,148,043	-	1,148,043
Salaries	300,602	82,305	71,035	453,942
Professional fees and contract services	192,077	-	134,460	326,537
Transportation subsidy	240,861	-	-	240,861
Depreciation	17,305	-	153,858	171,163
Fringe benefits	103,873	28,503	27,690	160,066
Landfill expenditures	129,773	-	-	129,773
Insurance	47,529	-	9,969	57,498
Fuel	-	-	45,093	45,093
Trash disposal	-	40,527	-	40,527
Office supplies and expenses	33,948	642	3,866	38,456
Repairs and maintenance	-	-	34,257	34,257
Publicity	-	25,231	-	25,231
Rent	21,000	-	-	21,000
Travel	2,347	1,517	-	3,864
Telephone	420	2,435	-	2,855
Bank and payroll service fees	1,105	-	-	1,105
Total Operating Expenses	<u>11,295,582</u>	<u>1,329,203</u>	<u>480,228</u>	<u>13,105,013</u>
Operating loss	<u>(3,758,113)</u>	<u>(1,303,579)</u>	<u>(465,678)</u>	<u>(5,527,370)</u>
NONOPERATING REVENUES				
Unrealized gain on investments	1,366,196	-	-	1,366,196
Investment income	2,067,778	-	-	2,067,778
Change in closure and post-closure care costs	167,446	-	-	167,446
Gain on sale of capital assets	-	-	5,000	5,000
Total Nonoperating Revenues	<u>3,601,420</u>	<u>-</u>	<u>5,000</u>	<u>3,606,420</u>
Transfers In/(Out)	<u>(1,601,641)</u>	<u>1,299,550</u>	<u>302,091</u>	<u>-</u>
Change in net position	(1,758,334)	(4,029)	(158,587)	(1,920,950)
TOTAL NET POSITION, beginning	<u>56,696,497</u>	<u>213</u>	<u>1,278,765</u>	<u>57,975,475</u>
TOTAL NET POSITION, ending	<u>\$ 54,938,163</u>	<u>\$ (3,816)</u>	<u>\$ 1,120,178</u>	<u>\$ 56,054,525</u>

See notes to financial statements.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020**

	Operating Fund	Recycling Fund	Brush Grinding Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from fees from customers for services	\$ -	\$ 26,122	\$ 11,000	\$ 37,122
Cash received from solid waste charges	7,143,301	-	-	7,143,301
Cash paid to employees for services	(398,867)	(107,273)	(96,480)	(602,620)
Cash paid to suppliers for goods and services	<u>(9,016,383)</u>	<u>(1,218,399)</u>	<u>(220,645)</u>	<u>(10,455,427)</u>
Net Cash Used in Operating Activities	<u>(2,271,949)</u>	<u>(1,299,550)</u>	<u>(306,125)</u>	<u>(3,877,624)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of capital assets	-	-	(966)	(966)
Proceeds from sale of capital asset	-	-	5,000	5,000
Investment return	<u>3,433,974</u>	<u>-</u>	<u>-</u>	<u>3,433,974</u>
Net Cash Provided by Investing Activities	<u>3,433,974</u>	<u>-</u>	<u>4,034</u>	<u>3,438,008</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	<u>(17,052)</u>	<u>-</u>	<u>-</u>	<u>(17,052)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(17,052)</u>	<u>-</u>	<u>-</u>	<u>(17,052)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Cash inflow/(outflow)	<u>(1,601,641)</u>	<u>1,299,550</u>	<u>302,091</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>(1,601,641)</u>	<u>1,299,550</u>	<u>302,091</u>	<u>-</u>
Net decrease in cash and cash equivalents	(456,668)	-	-	(456,668)
Cash and cash equivalents, beginning of year	<u>1,888,142</u>	<u>-</u>	<u>-</u>	<u>1,888,142</u>
Cash and cash equivalents, end of year	<u>\$ 1,431,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,431,474</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (3,758,113)	\$ (1,303,579)	\$ (465,678)	\$ (5,527,370)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	17,305	-	153,858	171,163
Changes in operating assets and liabilities:				
Decrease (increase) in investments	588,623	(4)	7,000	595,619
Decrease (increase) in accounts and other receivables	(394,168)	498	(3,550)	(397,220)
Decrease in prepaid expenses	33,265	-	-	33,265
Decrease in landfill post-closure reserve	167,446	-	-	167,446
Increase in accounts payable and other payables	1,068,085	-	-	1,068,085
Increase in compensated absences	<u>5,608</u>	<u>3,535</u>	<u>2,245</u>	<u>11,388</u>
Net Cash Used in Operating Activities	<u>\$ (2,271,949)</u>	<u>\$ (1,299,550)</u>	<u>\$ (306,125)</u>	<u>\$ (3,877,624)</u>

See notes to financial statements.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of SCRARRA conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity - The Southeastern Connecticut Regional Resources Recovery Authority ("SCRARRA") was organized for the purpose of developing and implementing a long-term solution to problems in regional resources recovery and the disposal of municipal solid waste in Southeastern Connecticut. The by-laws of SCRARRA were adopted on January 16, 1985. SCRARRA is made up of member municipalities who have elected to participate in SCRARRA.

SCRARRA entered into a Bridge and Management Agreement with the Connecticut Resources Recovery Authority ("CRRA") as of December 1, 1987. SCRARRA has entered into municipal service contracts for the disposal of solid waste through December 31, 2030. There are currently twelve towns participating in the Agreement. Under the Bridge and Management Agreement, CRRA is required to cause a resource recovery facility (the "Facility") to be constructed and operated for a twenty-five year period, and SCRARRA is required to provide the waste from the municipalities executing municipal service agreements to the Facility and to pay service fees to cover the costs of constructing and operating the Facility. In turn, the municipalities under the municipal service agreements are obligated to supply SCRARRA with waste and to reimburse SCRARRA for all service fee payments. On June 6, 2014, Governor Malloy signed Public Act 14-94, which established the Materials Innovation and Recycling Authority ("MIRA") as the successor authority to the CRRA. On July 28, 2016, the MIRA board of directors passed a resolution to terminate the Bridge and Management agreement. On July 12, 2017, an indemnification agreement was entered into between SCRARRA and MIRA.

Measurement Focus and Basis of Accounting - SCRARRA maintains a proprietary fund which includes enterprise fund types. The funds of SCRARRA are enterprise fund types. SCRARRA's operations and balances 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.

SCRARRA's financial statements are reported using an economic resource measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SCRARRA 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 SCRARRA are user fees from the member towns. Operating expenses include the cost of disposal of solid waste, salaries and fringe benefits, insurance, rent, utilities and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 20, SCRRA applies all GASB pronouncements and all Financial Accounting Standards Board Statements, Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

SCRRA’s major funds consist of the Operating, Recycling, and Brush Grinding Funds as described below:

Operating Fund - The administrative functions of SCRRA are accounted for in the Operating Fund. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund.

Recycling Fund (an Enterprise Fund) - The Authority provides single stream recycling through a private vendor for its member towns. SCRRA also provides electronics recycling, town transfer station support, and household hazardous waste collections at various times and locations throughout the region.

Brush Grinding Fund (an Enterprise Fund) - SCRRA owns and operates a horizontal wood grinder. The wood grinder is used to chip brush at town transfer stations into more manageable and usable wood chips. SCRRA also hauls chips at the request of member towns.

Cash Equivalents - For purposes of the Statement of Cash Flows, SCRRA considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2020.

Accounts Receivable - SCRRA carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, SCRRA evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections, and current credit conditions. Management considered all accounts receivable to be collectible and, therefore, there was no allowance for doubtful accounts as of June 30, 2020.

Investments - In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Investments are stated at fair value. SCRRA invests in the State Treasurer's Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer's Office. The fair value of SCRRA's position in the pool is the same as the value of the pool shares. Beginning in fiscal 2016, the Authority also invested in mutual funds operated by Charles Schwab.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. Investment income includes all interest, dividends, and net realized gains and losses. The cost of securities sold is based on the specific identification method.

Capital Assets - Capital assets include property, plant, vehicles and equipment. Capital assets are defined by SCRRA as assets with an initial individual cost of more than \$1,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital Assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 years
Equipment	3-10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Compensated Absences - A maximum of thirty earned vacation days may be accumulated by employees until termination of their employment, at which time they are paid for accumulated unused vacation time. Compensated absences are accrued at current salary rates. Accumulated vacation and sick leave earned and not paid as of June 30, 2020 were valued at \$92,172, and classified as a component of current liabilities on the Statement of Net Position.

Interfund Transactions - Following is a description of the three basic types of interfund transactions and the related accounting policies:

Transactions to reimburse a fund for expenditures made by it for the benefit of another fund - these transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund.

Transactions to shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them - these transactions are recorded as operating transfers in and out.

Transactions to record equity contributions between funds - the receiving fund records such transactions as an addition to net position. The disbursing fund records the transaction as a reduction of net position.

Net Position - Net position represents the difference between assets and liabilities. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by the related note payable. Restricted net position is limited to outside third party

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

restrictions and represents the net position that has been legally identified for the specific purpose of the landfill post-closure obligations. Unrestricted net position can be divided into designated and undesignated portions. Designated net position would be for SCRARRA's self-imposed limitations on the use of otherwise unrestricted net position. As of June 30, 2020 all of the unrestricted net position was undesignated.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Budgetary Information - Annual appropriated operating budgets are adopted for the Authority by the Board of Directors. The Executive Director submits a detailed operating budget to the Executive Committee of the SCRARRA Board. Upon review and approval by the Executive Committee, the budget is published and presented to the SCRARRA Board for acceptance and approval.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Governmental Accounting Standards Board Statement No. 3 requires governmental organizations to categorize their cash deposits and investments into three levels of risk. Category 1 includes amounts issued or collateralized with securities held by SCRARRA or by its agent in SCRARRA's name. Category 2 includes amounts which are collateralized with securities held by the pledging financial institution's trust department or agent in the name of SCRARRA. Category 3 includes amounts which are uninsured and uncollateralized including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the name of SCRARRA.

Cash Deposits - Custodial credit risk is the risk that, in the event of a bank failure, SCRARRA will not be able to recover its deposits. SCRARRA's investment policy does not have a deposit policy for custodial credit risk.

For purpose of this disclosure, cash deposits include bank deposits. As of June 30, 2020, the carrying amount of SCRARRA's unrestricted cash deposits totaled \$1,431,474. As of June 30, 2020 the bank balance totaled \$1,276,661, of which \$250,000 was insured by the Federal Deposit Insurance Corporation (Category 1) as defined by Governmental Accounting Standards Board Statement No. 3. 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. This percentage was 100%, and as a result, the remaining \$1,026,661 was collateralized at June 30, 2020.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, SCRRA will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. SCRRA's investment policy does not include provisions for custodial credit risk, as SCRRA does not invest in securities that are held by counterparties. In accordance with GASB No. 40, none of SCRRA's investments require custodial credit risk disclosures. SCRRA has no formal investment policy that would limit its investment choices due to credit risk other than State statutes governing investments in obligations of any state or political subdivision or in obligations of the State of Connecticut or political subdivision.

SCRRA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

In general, State of Connecticut Statutes allow SCRRA to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service.

Investments are required to be categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered and held by SCRRA or its agent in SCRRA's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in SCRRA's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent but not in SCRRA's name. SCRRA had no investments subject to categorization as of June 30, 2020.

At June 30, 2020, SCRRA, through its investment in Short-Term Investment Fund (STIF), held investments in adjustable rate, asset backed corporate, Federal agency and other government bonds whose interest rate varies directly with short-term money market indices and are reset daily, weekly, monthly, quarterly and semi-annually. STIF accounts are operated by the State of Connecticut's Treasurer's Office.

The adjustable rate, asset backed corporate and Federal agency securities are rated AAA by at least two nationally recognized credit rating agencies. The adjustable rate securities' exposure to credit and legal risks are the same as the fixed rate securities of the same issuer.

At June 30, 2020, SCRRA's investments consisted of the following:

Type of Investment	Fund Type	Fair Value	Risk Category
Charles Schwab Mutual Funds	Operating	\$56,811,554	3
Short-Term Investment Fund	Operating	\$2,037	*
Short-Term Investment Fund	Enterprise	\$274	*

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

*Not applicable, since SCRRRA does not own identifiable securities, but invests as a shareholder of the investment pool.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 2 and 3 inputs.

The following table sets forth by level, within the fair value hierarchy, the Authority's investments at fair value as of June 30, 2020.

	Level 1	Level 2	Level 3	Total
Mutual funds - bonds	\$ 44,687,830	\$ -	\$ -	\$ 44,687,830
Mutual funds - equities	12,123,694	-	-	12,123,694
Mutual funds - money market	30	-	-	30
STIF	2,311	-	-	2,311
Total Investments at Fair Value	<u>\$ 56,813,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,813,865</u>

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consists of the following:

	Operating Fund	Recycling Fund	Brush Grinding Fund	Total
Due from Member Towns	\$ 1,126,391	\$ -	\$ -	\$ 1,126,391
Household hazardous waste	-	5,749	-	5,749
Brush grinder	-	-	3,550	3,550
	<u>1,126,391</u>	<u>5,749</u>	<u>3,550</u>	<u>1,135,690</u>
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Accounts Receivable	<u>\$ 1,126,391</u>	<u>\$ 5,749</u>	<u>\$ 3,550</u>	<u>\$ 1,135,690</u>

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4 - LANDFILL POST-CLOSURE COSTS

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

Description	Balance at July 01, 2019	Issued/ Additions	Redeemed/ Matured/ Paid	Balance at June 30, 2020	Current Portion	Long-term Portion
Closure and post-closure care costs	\$ 2,284,684	\$ -	\$ (167,446)	\$ 2,117,238	\$ 174,573	\$ 1,942,665
Total	<u>\$ 2,284,684</u>	<u>\$ -</u>	<u>\$ (167,446)</u>	<u>\$ 2,117,238</u>	<u>\$ 174,573</u>	<u>\$ 1,942,665</u>

NOTE 5 - EMPLOYEE RETIREMENT PLANS

SCRRA contributes to a SEP/IRA plan for its employees. The Board of Directors determines the contribution rate, which was 8.5% of the gross wages of eligible employees for the year ended June 30, 2020. All employees are eligible to participate after six months of employment with SCRRA and are 100% vested upon eligibility. Employer contributions made during the year ended June 30, 2020 totaled \$35,836. SCRRA's total covered payroll for the year ended June 30, 2020 was \$435,882.

NOTE 6 - LEASE COMMITMENTS

SCRRA has an agreement with the Mohegan Tribe of Indians of Connecticut for the lease of the Montville Ash Landfill and surrounding area for a period of 99 years that provides the Mohegan's with the option to buy the land for \$1 at any time during the life of the lease. At the inception of the lease the Mohegan Tribe paid SCRRA, for the benefit of SCRRA, basic rent of \$2,000,000 which is non-refundable, plus \$2,000,000 to fund a Landfill Closure Reserve Fund, which is non-refundable and was used for the maintenance and monitoring of the landfill.

SCRRA closed and capped the landfill and performed all other activities required under the landfill permits and other legal obligations. The Mohegan Tribe reimbursed SCRRA for certain capping and closing costs related to the landfill. The landfill closure has been completed and approved by the Department of Environmental Protection.

During August 2013, SCRRA relocated its administrative office to Gales Ferry, subject to a non-cancelable operating lease expiring on February 28, 2017. In January 2017, this lease was modified to a month-to-month basis. Operating expenses for this lease are the responsibility of the lessor and lessee, as defined in the rental agreements.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7 - WASTE TO ENERGY FACILITY

The waste-to-energy facility, which was completed during the fiscal year ended June 30, 1992, was funded with bonds issued by CRRA, a political subdivision of the State of Connecticut. Once the bonds were paid, ownership of the facility was transferred to the operator, Covanta, with SCRRRA retaining ownership of the land.

The bonds used to finance the construction of the waste-to-energy facility were paid in full on November 15, 2015. Title to the facility was transferred to Covanta, the operator, on December 15, 2015. On February 17, 2017, SCRRRA entered into a new service agreement with the operator with an expiration date of December 31, 2020. The original site lease was amended as part of that agreement (Schedule 2 to the Service Agreement) which affixes an annual payment subject to an annual CPI multiplier, requires a commitment to deliver waste, and allows for multiple extensions.

NOTE 8 - LANDFILL CLOSURE OBLIGATION

State and Federal laws and regulations required SCRRRA to place a final cover on its Montville landfill site when the cell reached final grade and to perform certain maintenance and monitoring functions at the site for thirty years after final closure. SCRRRA closed the landfill in 2001 and received certification from the State of Connecticut, Department of Environmental Protection.

Therefore, there is no remaining capacity or useful life. SCRRRA was required by State and Federal laws and regulations to maintain a reserve fund to finance closure and post-closure care. In February 2005, SCRRRA was granted approval by the State of Connecticut, Department of Environmental Protection to use the “local government financial test” by municipalities and state quasi-public authorities as the financial assurance mechanism for post-closure care at its solid waste landfill. As a result of this ruling, SCRRRA is currently using the “local government financial test” as the instrument for post-closure care financial assurance. SCRRRA was in compliance with these requirements at June 30, 2020, and in addition to satisfying such requirements, SCRRRA had investments in the amount of \$2,117,238 that were held as an additional reserve at June 30, 2020.

NOTE 9 - RISK MANAGEMENT

SCRRRA is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SCRRRA purchases commercial insurance for all of its risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 consisted of the following:

Description	Balance at July 01, 2019	Additions	Disposals	Balance at June 30, 2020
Depreciable assets:				
Leasehold improvements	\$ 180,694	\$ -	\$ -	\$ 180,694
Facilities and equipment	1,665,610	18,018	-	1,683,628
Vehicle	26,763	-	-	26,763
	<u>1,873,067</u>	<u>18,018</u>	<u>-</u>	<u>1,891,085</u>
Less: Accumulated depreciation	<u>522,136</u>	<u>171,163</u>	<u>-</u>	<u>693,299</u>
Total Depreciable Assets, net	<u>\$ 1,350,931</u>	<u>\$ (153,145)</u>	<u>\$ -</u>	<u>\$ 1,197,786</u>

The capital assets as of June 30, 2020 listed by fund are as follows:

Description	Operating Fund	Recycling Fund	Brush Grinding Fund	Total
Depreciable assets:				
Leasehold improvements	\$ 180,694	\$ -	\$ -	\$ 180,694
Facilities and equipment	78,304	-	1,538,899	1,617,203
Vehicle	-	-	26,763	26,763
	<u>258,998</u>	<u>-</u>	<u>1,565,662</u>	<u>1,824,660</u>
Less: Accumulated depreciation	<u>186,338</u>	<u>-</u>	<u>440,536</u>	<u>626,874</u>
Total Depreciable Assets, net	<u>\$ 72,660</u>	<u>\$ -</u>	<u>\$ 1,125,126</u>	<u>\$ 1,197,786</u>

Description	Operating Fund	Recycling Fund	Brush Grinding Fund	Total
Nondepreciable assets:				
Land	<u>\$ 1,688,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,688,409</u>

The carrying cost of fixed assets related to the Montville Ash Landfill leased to the Mohegan Tribe of Indians has been reduced to reflect the option purchase price of \$1.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 - SINGLE STREAM RECYCLING AGREEMENT

During the year ended June 30, 2010, SCRRRA entered into an agreement with a private vendor, Willimantic Waste Paper Co., Inc. ("WWP") in order to establish a program for single stream recycling for its member towns. In 2015, the agreement automatically renewed for an additional five-year period through October 31, 2019. On October 1, 2019 SCRRRA renewed for an additional five-year period through September 30, 2024. The vendor has agreed to provide single stream recycling services to each of the Member towns. Each town that chooses to participate in the single stream recycling program is offered a separate agreement with WWP.

SCRRRA has agreed to accept trash residue at its Preston incinerator at no cost to the vendor, up to a maximum amount of 1,500 tons of trash residue per year. In the event the trash residue exceeds said cap, the vendor shall be responsible for tipping fees and costs then charged member towns by SCRRRA.

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

To the Board of Directors
**Southeastern Connecticut Regional
Resources Recovery Authority**
Gales Ferry, Connecticut

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 each major fund of the Southeastern Connecticut Regional Resources Recovery Authority ("SCRRRA") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SCRRRA's basic financial statements, and have issued our report thereon dated January 28, 2021.

Internal Control over Financial Reporting

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Wethersfield, Connecticut
January 28, 2021

Simione Macca & Larrow^{LLP}



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

"On Balance, We Offer You More."

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

To the Board of Directors
**Southeastern Connecticut Regional
Resources Recovery Authority**
Gales Ferry, Connecticut

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 each major fund of the Southeastern Connecticut Regional Resources Recovery Authority ("SCRRRA") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SCRRRA's basic financial statements, and have issued our report thereon dated January 28, 2021.

Internal Control over Financial Reporting

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

To the Board of Directors
**Southeastern Connecticut Regional
Resources Recovery Authority**
Page 2

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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Suzanne Macca & Larrow LLP

Wethersfield, Connecticut
January 28, 2021

Statistical Section

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
EXHIBIT 1 - TIPPING FEES
(Unaudited)**

FISCAL YEAR		PRICE PER TON
1992		\$ 62.00
1993		\$ 79.00
1994		\$ 98.00
1995		\$ 87.00
1996		\$ 86.00
1997		\$ 84.00
1998		\$ 79.00
1999	1/2	\$ 75.50
1999	1/2	\$ 62.00
2000		\$ 59.00
2001		\$ 58.00
2002		\$ 57.00
2003		\$ 57.00
2004		\$ 60.00
2005		\$ 60.00
2006		\$ 60.00
2007		\$ 60.00
2008		\$ 60.00
2009		\$ 60.00
2010		\$ 60.00
2011		\$ 60.00
2012		\$ 60.00
2013		\$ 60.00
2014		\$ 58.00
2015		\$ 58.00
2016		\$ 58.00
2017		\$ 58.00
2018		\$ 58.00
2019		\$ 58.00
2020		\$ 58.00