

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY**

A Component Unit of the State of Connecticut

Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2025

Submitted by:

David W. Aldridge
Executive Director

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY**

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended June 30, 2025

Table of Contents

PART I	INTRODUCTORY SECTION
Letter of Transmittal	i
Representatives and Alternates	ii
Organization Chart.....	iii
PART II	FINANCIAL SECTION
INDEPENDENT AUDITORS' REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Fund Net Position.....	11
Statement of Cash Flows	12
Notes to the Financial Statements.....	13
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 <i>Government Auditing Standards</i>	24
PART III	STATISTICAL SECTION (Unaudited)
Exhibit 1 - Service Fees	26
Exhibit 2 - Tonnage Data Report by Town.....	27
Exhibit 3 - Operational Benefit to Towns.....	28

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 ("the Authority") Annual Comprehensive Financial Report prepared for the fiscal year ended June 30, 2025.

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 2025 and compared to fiscal year 2024. 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 ("SCRRA") is comprised of twelve member municipalities in Southeastern Connecticut and was created in 1984 by joint resolution of those municipalities. The Authority is responsible for implementing solid waste recovery systems, recycling, and disposal services. Revenues generated by Authority operations, primarily disposal fees and investments, provide for the support of the Authority and its operations on a self-sustaining basis. In 1987 the Authority entered into a Bridge and Management Agreement with the Connecticut Resources Recovery Authority ("CRRRA");

7 Hurlbutt RD, Gales Ferry, CT 06335

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www.scrira.org

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(CRRA and SCRRA were here and after to be sometimes referred to as the Parties) to construct and operate a waste to energy (“WTE”) facility in Preston Connecticut. In carrying out this mission the Parties utilized private industry to construct, maintain and operate the WTE facility. The WTE facility construction was financed by bonds facilitated by CRRA and secured by service agreements with the member municipalities and supported by revenues from the sale of electricity generated by the facility. In addition, the 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 were paid in full on November 15, 2015. CRRA owned the facility until February 17, 2017, when the title was transferred to the operator, Reworld, formerly known as Covanta Holding Corporation. The forementioned Bridge and Management agreement between CRRA and SCRRA was terminated effective July 12, 2017. Title to the land remains with SCRRA who receives lease payments from Reworld. The Authority has contracts with the Member Municipalities that direct all solid waste generated within their boundaries to SCRRA authorized facilities. These contracts have expiration dates of December 31, 2030.

The Authority owned the Preston WTE facility through February 17, 2017 and continues to manage the closed ash landfill in Montville, Connecticut. SCRRA 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 southeastern portion of the state through service contract arrangements. The primary vendors for waste processing services are a mass burn WTE facility in Lisbon for disposal and a Materials Recovery Facility (MRF) in Willimantic CT which processes consumer recyclables.

On January 1, 2021, SCRRA entered into a ten-year waste disposal agreement with Wheelabrator Technologies (now known as WIN Waste Innovations), the operator of the Lisbon, Connecticut WTE facility with an expiration date of December 31, 2030.

On October 1, 2019, SCRRA entered into a 5 year recycled materials processing agreement with Willimantic Wastepaper Co. for processing consumer recyclable products from its 12 member municipalities which expired on September 30, 2024. On October 1, 2019, SCRRA entered into a 5 year recycled materials processing agreement with Willimantic Wastepaper Co. for processing consumer recyclable products from its 12 member municipalities which expired on September 30, 2024. On October 1, 2024, SCRRA entered into a 6 year recycled materials processing agreement with Willimantic Wastepaper Co. which expires on December 31, 2030.

OTHER OPERATIONS

The Authority provides recycling services to the 12 member municipality transfer stations for the following commodities that are collected there: used motor oil and antifreeze, freon, fluorescent

bulbs, batteries, and tires. The Authority also coordinates several state-mandated programs for the recycling of paint, mattresses, and consumer electronics. The Authority also owns and operates a horizontal wood grinder which is used to chip wood and brush collected at the transfer stations into a more manageable and useful mulch.

In addition to the transfer station support, the Authority provides 9 household hazardous waste collection events at no cost to residents. These events also offer free paper shredding.

The Authority is also responsible for the environmental monitoring of a closed ash landfill located in Montville, CT.

ECONOMIC CONDITION AND OUTLOOK

The Authority posted a decrease in the change in net position of \$735,376 in fiscal year 2025 compared to a decrease in the change in net position of \$898,615 in fiscal year 2024.

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

FINANCIAL INFORMATION

Service fees 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 2025 fiscal year financial operations showed an operating loss of \$4,220,739 compared to an operating loss of \$3,708,360 in 2024. The decrease in the change in net position for fiscal year 2025 of \$735,376 represents a decrease of 18% or \$163,239 from fiscal year 2024. 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 2025 were \$9,384,273, an increase of 11% or \$935,813 as compared to fiscal year 2024.

Total operating expenses for fiscal year 2025 were \$13,605,012, an increase of 12% or \$1,448,192 as compared to fiscal year 2024. 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 the 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 investments are managed by Fiducient Advisors LLC and Income Research & Management. The primary short-term investment vehicles are mutual funds held by Schwab and Income Research & Management which had balances of \$41,647,673 as of June 30, 2025 and \$42,035,674 as of June 30, 2024. The annualized average yield for these investments was 3.33% for the fiscal year 2025 and 3.81% for the fiscal year 2024. The Authority also invested in the Short-Term Investment Fund (STIF) operated by the Office of the Treasurer which had balances of \$2,665 as of June 30, 2025 and \$2,530 as of June 30, 2024. The annualized average yield for the STIF was 3.85% for fiscal year 2025 and 4.97% for fiscal year 2024. SCRRRA's investment policy does not include provisions for custodial credit risk, as SCRRRA does not invest in securities that are held by counterparties.

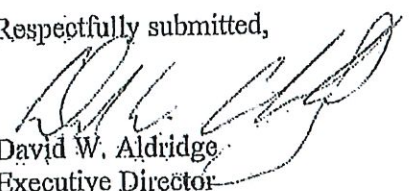
Risk Management

The Authority purchased commercial insurance for its direct ownership property and liability needs. The facility operator is obligated under the 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 Simione, Macca & Larrow LLP was selected in January 2025 to perform the audit for the year ended June 30, 2025. 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

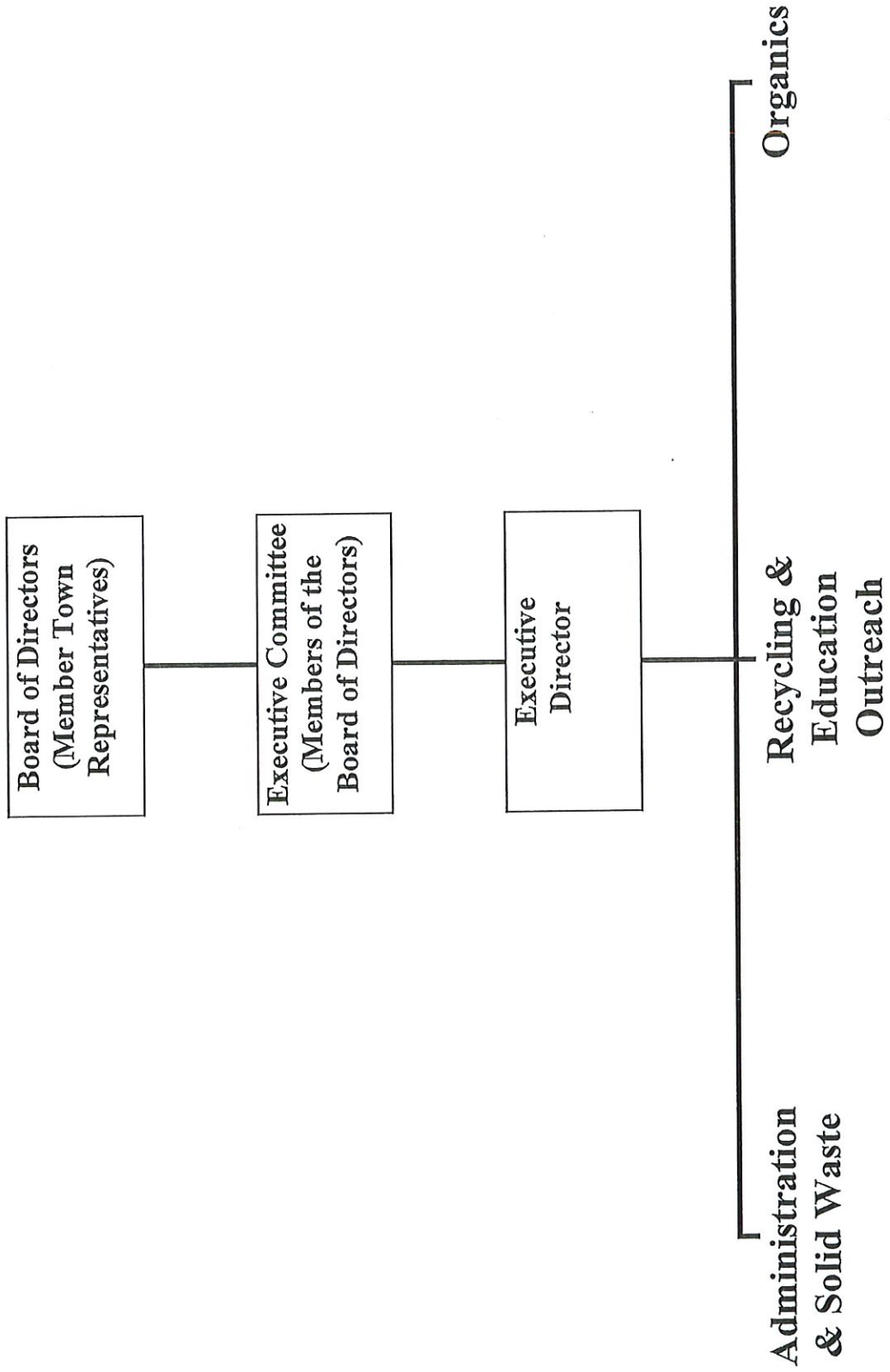
**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
REPRESENTATIVES AND ALTERNATES
AS OF JUNE 30, 2025**

<u>Town</u>	<u>Representative</u>	<u>Alternate</u>
East Lyme	Joseph Bragaw	Justin Porter
Griswold	Todd Babbitt	VACANCY
Groton	Stacey Leitch	David McBride
Ledyard	Steve Masalin	Joe Lozier
Montville	Ronald McDaniel	John Carlson
New London	Brian Sear	Steve Lee
North Stonington	Alan Ladd	Phillip Whitman
Norwich	Brian Long	Jeff Dewey
Preston	Jarred Harris	Adam Collins
Sprague	Cheryl Blanchard	Paul Copenhagen
Stonington	Jill Senior	VACANCY
Waterford	Gary Schneider	Daniel Matheson

Officers

President:	Joseph Bragaw
First Vice President:	Todd Babbitt
Second Vice President:	Stacy Leitch
Treasurer:	Cherl Blanchard
Secretary:	Gary Schneider

Southeastern Connecticut Regional Resources Recovery Authority Organization Chart



Financial Section

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY**

A Component Unit of the State of Connecticut

Financial Statements

June 30, 2025

Simione Macca & Larrow_{LLP}



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

"On Balance, We Offer You More."

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund of the Southeastern Connecticut Regional Resources Recovery Authority ("SCRARRA"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SCRARRA's basic 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 respective financial position of each major fund of the Southeastern Connecticut Regional Resources Recovery Authority as of June 30, 2025, 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.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCRARRA 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 opinions.

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 States 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 SCRRRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 auditor's report that includes our opinions. 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 SCRRRA'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 SCRRRA'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 on pages 5-9 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the Board of Directors
**Southeastern Connecticut Regional
Resources Recovery Authority**
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2026, on our consideration of SCRRRA'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 SCRRRA'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 SCRRRA's internal control over financial reporting and compliance.

Sirione Massad Larrao LLP

Wethersfield, Connecticut
February 25, 2026

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

The Southeastern Connecticut Regional Resources Recovery Authority ("SCRARRA") is made up of twelve towns and was created in 1984 by a joint resolution of those municipalities. SCRARRA is responsible for implementing solid waste disposal, recycling, and resources recovery systems, facilities, and services. In 1987, SCRARRA entered into a Bridge and Management Agreement with Connecticut Resources Recovery Authority ("CRRRA"); (CRRRA and SCRARRA here and after sometimes referred to as the "Parties") to construct and operate a waste to energy ("WTE") facility in Preston, Connecticut. Revenues generated by SCRARRA's operations, primarily solid waste disposal fees and energy revenues, historically provided for the support of SCRARRA and its operations on a self-sustaining basis. In carrying out this mission the Parties utilized private industry to construct and operate a solid waste disposal and resources recovery facility. SCRARRA 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 SCRARRA facilities.

CRRRA owned the Preston WTE facility through February 17, 2017, when the title to the facility was transferred to the private vendor operating the WTE facility pursuant to the terms of the contract. Title to the land under the WTE facility was retained by SCRARRA. SCRARRA's post-bond revenue is now dependent on a combination of service fees for solid waste disposal and income derived from investments from past energy sales revenues. In January of 2020 SCRARRA entered into a new ten-year contract for waste disposal with Wheelabrator Technologies (subsequently named WIN Innovations), a WTE operator with a location in Lisbon, Connecticut. SCRARRA also owns an inactive ash landfill in Montville, Connecticut. SCRARRA provides additional waste management services to its member municipalities including household hazardous waste collections, transfer station recycling services and ongoing recycling education, all at no cost to the municipalities. SCRARRA owns and operates a horizontal wood grinder providing wood reduction and removal services to both member and non-member towns in the southeastern part of the state.

During the year ended June 30, 2019, SCRARRA entered into a five-year agreement with Willimantic Waste that will provide curbside mixed recycling for member towns at no cost. This agreement expired on September 30, 2024 and was not renewed.

The following Management's Discussion and Analysis ("MD&A") of SCRARRA's activities and financial performance introduce the audited financial statements for the fiscal year ended June 30, 2025 as compared to June 30, 2024. Following the MD&A are the basic financial statements of SCRARRA 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**

STATEMENT OF NET POSITION SUMMARY

- Total fund net positions of SCRARRA were \$42,143,529 as of June 30, 2025, as compared to \$42,878,905 as of June 30, 2024 and are summarized as follows:

	(In Thousands)	
	2025	2024
ASSETS:		
Current unrestricted assets	\$ 43,078	\$ 42,779
Capital assets:		
Depreciable, net	389	580
Nondepreciable	1,688	1,688
Lease receivable	837	906
Restricted non-current investments	1,522	1,648
Total Assets	\$ 47,514	\$ 47,601
LIABILITIES:		
Current liabilities	\$ 3,109	\$ 2,257
Long-term liabilities	2,262	2,465
Total Liabilities	5,371	4,722
NET POSITION:		
Invested in capital assets, net of related debt	2,077	2,268
Restricted for landfill post-closure reserve	1,522	1,648
Unrestricted, board designated	38,544	38,963
Total Net Position	42,143	42,879
Total Liabilities and Net Position	\$ 47,514	\$ 47,601

- SCRARRA was required by State and Federal laws and regulations to maintain a reserve fund to finance closure and post-closure care. SCRARRA had a reserve of \$1,521,902 that is restricted for landfill post-closure care at June 30, 2025.
- The remainder of SCRARRA's net position is considered unrestricted and may be used to meet SCRARRA's ongoing obligations to members and creditors.

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

FINANCIAL HIGHLIGHTS

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

Assets

Current unrestricted assets increased by \$299,841 over 2024, mainly due to the increase in cash and cash equivalents.

Liabilities

Current liabilities increased by \$851,927 primarily due to an increase in accounts payable and accrued benefits.

SUMMARY OF OPERATIONS AND CHANGES IN FUND NET POSITION

Net position may serve over time as a useful indicator of SCRRRA's financial position. In 2025, the change in net position was a loss of \$735,376 as a result of an operating loss of \$4,220,739, an unrealized gain on investments of \$1,918,145, investment income and dividends of \$1,441,017, and the change in post-closure care costs of \$126,201. In 2024, the change in net position was a loss of \$898,615 as a result of an operating loss of \$3,708,360, a net unrealized gain on investments of \$1,033,354, investment income and dividends of \$1,657,096 and the change in post-closure care costs of \$119,295.

Operating revenues in the amount of \$9,384,273 increased by \$935,813 or 11% as compared with fiscal year 2024. Operating expenses in the amount of \$13,605,012 increased by \$1,448,192 or 12% as compared to fiscal year 2024. Nonoperating income was \$3,485,363 in fiscal year 2025 compared to nonoperating income of \$2,809,745 in fiscal year 2024. This change in nonoperating income resulted from the increase in unrealized gain on investments compared with that sustained in fiscal 2024.

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

Changes in Fund Net Position

Changes in net position for the years ended June 30, 2025 and 2024 are as follows:

	(In Thousands)	
	2025	2024
Operating revenues	\$ 9,384	\$ 8,448
Operating expenses	13,380	11,963
Deficiency before depreciation and other nonoperating expense	(3,996)	(3,515)
Depreciation	225	194
Loss before other nonoperating revenues	(4,221)	(3,709)
Other nonoperating revenues	3,485	2,811
Change in net position	(736)	(898)
Total net position, beginning of year	42,879	43,777
Total net position, end of year	\$ 42,143	\$ 42,879

CAPITAL ASSET ADMINISTRATION

Capital Assets

SCRARRA's investment in capital assets as of June 30, 2025 totaled \$2,077,296. This investment includes land, leasehold improvements, facilities, furniture, and equipment. This amount represents a net decrease of \$190,964 which resulted from current year depreciation and acquisition of capital assets.

	(In Thousands)	
	2025	2024
Depreciable assets:		
Leasehold improvements	\$ 191	\$ 181
Facilities and equipment	1,627	1,627
Vehicles	175	175
	1,993	1,983
Accumulated depreciation	1,604	1,403
Total depreciable assets, net	389	580
Nondepreciable assets:		
Land	1,688	1,688
Total capital assets	\$ 2,077	\$ 2,268

Additional information on SCRARRA's capital assets can be found in Note 10 on page 22 of this report.

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

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 SCRRRA Board. Upon their recommendation, the Executive Director moves the draft budget to the full Board for approval and establishment of the service fee for the fiscal year.

Once approved, the Executive Director prepares a review and proposed adjustments to the Reserve Fund Accounts and presents them 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 SCRRRA's finances for all those with an interest in SCRRRA'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 06335.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
STATEMENT OF NET POSITION
June 30, 2025**

	Operating Fund	Solid Waste Fund	Recycling Fund	Organics Fund	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,012,646	\$ 561,059	\$ -	\$ -	\$ 1,573,705
Investments	8,061,699	21,531,280	8,093,112	2,442,345	40,128,436
Accounts and other receivables	-	1,152,550	-	-	1,152,550
Current portion of lease receivable	-	76,683	-	-	76,683
Prepaid expenses and other assets	127,855	19,312	-	-	147,167
Total Current Assets	<u>9,202,200</u>	<u>23,340,884</u>	<u>8,093,112</u>	<u>2,442,345</u>	<u>43,078,541</u>
NON-CURRENT ASSETS					
Capital assets:					
Depreciable, net	23,815	-	-	365,072	388,887
Nondepreciable	-	1,688,409	-	-	1,688,409
Lease receivable	-	836,754	-	-	836,754
Landfill post-closure reserve	-	1,521,902	-	-	1,521,902
Total Non-Current Assets	<u>23,815</u>	<u>4,047,065</u>	<u>-</u>	<u>365,072</u>	<u>4,435,952</u>
TOTAL ASSETS	<u>\$ 9,226,015</u>	<u>\$ 27,387,949</u>	<u>\$ 8,093,112</u>	<u>\$ 2,807,417</u>	<u>\$ 47,514,493</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and other payables	\$ 2,415,863	\$ -	\$ -	\$ -	\$ 2,415,863
Accrued benefits	158,902	-	5,668	14,930	179,500
Deferred revenue	-	-	-	385,535	385,535
Current portion of post-closure care costs	-	128,135	-	-	128,135
Total Current Liabilities	<u>2,574,765</u>	<u>128,135</u>	<u>5,668</u>	<u>400,465</u>	<u>3,109,033</u>
LONG-TERM LIABILITIES					
Post-closure care costs	-	1,393,767	-	-	1,393,767
Total Long-Term Liabilities	<u>-</u>	<u>1,393,767</u>	<u>-</u>	<u>-</u>	<u>1,393,767</u>
DEFERRED INFLOWS OF RESOURCES					
	-	868,164	-	-	868,164
Total Liabilities and Deferred Inflows of Resources	<u>2,574,765</u>	<u>2,390,066</u>	<u>5,668</u>	<u>400,465</u>	<u>5,370,964</u>
NET POSITION					
Invested in capital assets	23,815	1,688,409	-	365,072	2,077,296
Restricted for landfill post-closure reserve	-	1,521,902	-	-	1,521,902
Unrestricted, board designated	6,627,435	21,787,572	8,087,444	2,041,880	38,544,331
Total Net Position	<u>6,651,250</u>	<u>24,997,883</u>	<u>8,087,444</u>	<u>2,406,952</u>	<u>42,143,529</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,226,015</u>	<u>\$ 27,387,949</u>	<u>\$ 8,093,112</u>	<u>\$ 2,807,417</u>	<u>\$ 47,514,493</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, 2025

	Operating Fund	Solid Waste Fund	Recycling Fund	Organics Fund	Total
OPERATING REVENUES					
Solid waste fees	\$ -	\$ 9,069,932	\$ -	\$ -	\$ 9,069,932
Other income	-	180,500	-	-	180,500
Recycling and other revenue	-	-	119,376	-	119,376
Grant revenue	-	-	-	14,465	14,465
Total Operating Revenues	<u>-</u>	<u>9,250,432</u>	<u>119,376</u>	<u>14,465</u>	<u>9,384,273</u>
OPERATING EXPENSES					
Municipal solid waste and disposal costs	-	10,291,284	-	10,397	10,301,681
Recycling	-	-	773,803	-	773,803
Salaries	432,010	-	94,829	119,974	646,813
Household hazardous waste collection	-	-	349,974	-	349,974
Transportation subsidy	-	250,000	-	-	250,000
Fringe benefits	135,934	-	34,554	54,276	224,764
Depreciation	17,861	-	-	183,363	201,224
Professional fees and contract services	190,333	-	-	-	190,333
Repairs and maintenance	-	2,000	-	163,330	165,330
Landfill expenditures	127,979	-	-	-	127,979
Trash disposal	-	-	101,438	-	101,438
Insurance	65,146	-	-	16,998	82,144
Office supplies and expenses	53,775	-	782	2,855	57,412
Fuel	-	-	-	57,133	57,133
Publicity	-	-	29,646	-	29,646
Miscellaneous	22,604	-	1,734	-	24,338
Rent	21,000	-	-	-	21,000
Total Operating Expenses	<u>1,066,642</u>	<u>10,543,284</u>	<u>1,386,760</u>	<u>608,326</u>	<u>13,605,012</u>
Operating loss	<u>(1,066,642)</u>	<u>(1,292,852)</u>	<u>(1,267,384)</u>	<u>(593,861)</u>	<u>(4,220,739)</u>
NONOPERATING INCOME (EXPENSES)					
Unrealized gain on investments	1,918,145	-	-	-	1,918,145
Investment income and dividends	1,441,017	-	-	-	1,441,017
Change in post-closure care costs	-	126,201	-	-	126,201
Total Nonoperating Income (Expenses)	<u>3,359,162</u>	<u>126,201</u>	<u>-</u>	<u>-</u>	<u>3,485,363</u>
Transfers In/(Out)	<u>(2,070,326)</u>	<u>(3,970,067)</u>	<u>5,975,071</u>	<u>65,322</u>	<u>-</u>
Change in net position	222,194	(5,136,718)	4,707,687	(528,539)	(735,376)
TOTAL NET POSITION, beginning	<u>6,429,056</u>	<u>30,134,601</u>	<u>3,379,757</u>	<u>2,935,491</u>	<u>42,878,905</u>
TOTAL NET POSITION, ending	<u>\$ 6,651,250</u>	<u>\$ 24,997,883</u>	<u>\$ 8,087,444</u>	<u>\$ 2,406,952</u>	<u>\$ 42,143,529</u>

See notes to financial statements.

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2025**

	Operating Fund	Solid Waste Fund	Recycling Fund	Organics Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from fees from customers for services	\$ -	\$ -	\$ 195,142	\$ 17,765	\$ 212,907
Cash received from solid waste charges	-	9,215,914	-	-	9,215,914
Cash paid to employees for services	(553,805)	-	(138,057)	(173,662)	(865,524)
Cash paid to suppliers for goods and services	(673,568)	(4,684,788)	(6,032,156)	90,575	(11,299,937)
Net Cash Provided by (Used in) Operating Activities	<u>(1,227,373)</u>	<u>4,531,126</u>	<u>(5,975,071)</u>	<u>(65,322)</u>	<u>(2,736,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment return	3,359,162	-	-	-	3,359,162
Net Cash Provided by Investing Activities	<u>3,359,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,359,162</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(10,260)	-	-	-	(10,260)
Net Cash Used in Capital and Related Financing Activities	<u>(10,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,260)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Cash inflow/(outflow)	(2,070,326)	(3,970,067)	5,975,071	65,322	-
Net Cash Provided by (Used in) Financing Activities	<u>(2,070,326)</u>	<u>(3,970,067)</u>	<u>5,975,071</u>	<u>65,322</u>	<u>-</u>
Net increase in cash and cash equivalents	51,203	561,059	-	-	612,262
Cash and cash equivalents, beginning of year	961,443	-	-	-	961,443
Cash and cash equivalents, end of year	<u>\$ 1,012,646</u>	<u>\$ 561,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,573,705</u>
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$ (1,066,642)	\$ (1,292,852)	\$ (1,267,384)	\$ (593,861)	\$ (4,220,739)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	17,861	-	-	183,363	201,224
Changes in operating assets and liabilities:					
(Increase) decrease in investments	(650,938)	5,731,629	(4,774,779)	(44,247)	261,665
(Increase) decrease in accounts and other receivables	-	(34,518)	75,766	3,300	44,548
Decrease in lease receivable	-	67,765	-	-	67,765
(Increase) decrease in prepaid expenses	(198)	7,850	-	-	7,652
Decrease in landfill post-closure reserve	-	126,201	-	-	126,201
Increase in accounts payable and other payables	458,405	-	-	-	458,405
(Increase) decrease in accrued benefits	14,139	-	(8,674)	588	6,053
Increase in deferred revenue	-	-	-	385,535	385,535
Decrease in inflows	-	(74,949)	-	-	(74,949)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (1,227,373)</u>	<u>\$ 4,531,126</u>	<u>\$ (5,975,071)</u>	<u>\$ (65,322)</u>	<u>\$ (2,736,640)</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 is a public instrumentality and political subdivision of the State of Connecticut and is included in the State's Annual Comprehensive Financial Report.

SCRARRA entered into a Bridge and Management Agreement with the Connecticut Resources Recovery Authority ("CRRA") as of December 1, 1987. There are currently twelve towns participating in the Agreement. Under the Bridge and Management Agreement, CRRA was required to cause a resource recovery facility (the "Facility") to be constructed and operated for a twenty-five year period, and SCRARRA was 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 were 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. SCRARRA has entered into municipal service contracts for the disposal of solid waste through December 31, 2030.

Measurement Focus and Basis of Accounting - SCRARRA maintains a proprietary fund which contains 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 service fees.

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 nonoperating 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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonoperating revenues and expenses.

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, Solid Waste, Recycling, and Organics 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.

Solid Waste Fund (an Enterprise Fund) - The Authority provides services in connection with the disposal of solid waste for its participating towns. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. The principal operating revenues of SCRRA are user fees from the member towns.

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.

Organics 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.

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, 2025.

Investments - In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. SCRRRA 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 SCRRRA's position in the pool is the same as the value of the pool shares. Beginning in fiscal 2016, the Authority invested in mutual funds operated by Charles Schwab. Beginning in fiscal 2024, the Authority also invested in a private fund operated by Income Research & Management.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Net 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 SCRRRA 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.

Accrued benefits - 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. Accrued benefits are accrued at current salary rates. Accumulated vacation and sick leave earned and not paid as of June 30, 2025 were valued at \$179,500, and classified as a component of current liabilities on the Statement of Net Position.

Interfund Transactions - Following is a description of the two 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 unrestricted, board designated portions. Designated net position would be for SCRARRA's self-imposed limitations on the use of otherwise unrestricted net position. As of June 30, 2025 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.

Grants - Grant awards are recognized as increases in net position to the extent of grant expenditures incurred. Grant expenditures incurred in excess of grant funds received are reported as a receivable. Grant funds received in excess of grant expenditures incurred are reported as deferred revenue.

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.

Disclosure of Subsequent Events - Management has evaluated subsequent events through February 25, 2026, the date the financial statements were available to be issued. Except for the disclosure in Note 13, management is not aware of any events subsequent to the balance sheet date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Governmental Accounting Standards Board Statement No. 40 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

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

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

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, 2025, the carrying amount of SCRARRA's unrestricted cash deposits totaled \$1,573,705. As of June 30, 2025 the bank balance totaled \$1,187,985, of which \$250,000 was insured by the Federal Deposit Insurance Corporation (Category 1) as defined by Governmental Accounting Standards Board Statement No. 40. 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 \$937,985 was collateralized at June 30, 2025.

Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, SCRARRA will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. SCRARRA's investment policy does not include provisions for custodial credit risk, as SCRARRA does not invest in securities that are held by counterparties. In accordance with GASB No. 40, none of SCRARRA's investments require custodial credit risk disclosures. SCRARRA 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.

SCRARRA 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 SCRARRA 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 SCRARRA or its agent in SCRARRA's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in SCRARRA's name. Category 3 includes uninsured and unregistered investments for which

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

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

securities are held by the counterparty, or by its trust department or agent but not in SCRRRA's name. SCRRRA had no investments subject to categorization as of June 30, 2025.

At June 30, 2025, SCRRRA, 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, 2025, SCRRRA's investments consisted of the following:

Type of Investment	Fund Type	Fair Value	Risk Category
Charles Schwab Mutual Funds	Operating	\$30,984,168	3
Income Research & Management	Operating	\$10,663,505	3
Short-Term Investment Fund	Operating	\$2,349	*
Short-Term Investment Fund	Enterprise	\$316	*

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

The Authority 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 Authority 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, 2025.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - bonds	\$33,139,298	\$ -	\$ -	\$ 33,139,298
Mutual funds - equities	8,506,575	-	-	8,506,575
Mutual funds - cash & cash equivalents	1,800	-	-	1,800
STIF	2,665	-	-	2,665
Total Investments at Fair Value	<u>\$ 41,650,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,650,338</u>

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

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2025 consists of the following:

	Operating Fund	Solid Waste Fund	Recycling Fund	Organics Fund	Total
Accounts receivable other	\$ -	\$ 226,051	\$ -	\$ -	\$ 226,051
Household hazardous waste	-	926,499	-	-	926,499
Total Accounts Receivable	\$ -	\$ 1,152,550	\$ -	\$ -	\$ 1,152,550

NOTE 4 - LANDFILL POST-CLOSURE COSTS

During the year ended June 30, 2025, the following changes occurred in long-term liabilities:

Description	Balance at July 01, 2024	Redeemed/ Matured/ Paid	Balance at June 30, 2025	Current Portion	Long-term Portion
Closure and post-closure care costs	\$ 1,648,103	\$ (126,201)	\$ 1,521,902	\$ 128,135	\$ 1,393,767
Total	\$ 1,648,103	\$ (126,201)	\$ 1,521,902	\$ 128,135	\$ 1,393,767

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, 2025. 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, 2025 totaled \$78,197. SCRRA's total covered payroll for the year ended June 30, 2025 was \$638,674.

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.

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

NOTE 6 - LEASE COMMITMENTS (Continued)

SCRARRA closed and capped the landfill and performed all other activities required under the landfill permits and other legal obligations. The Mohegan Tribe reimbursed SCRARRA 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, SCRARRA 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.

During 2022, SCRARRA implemented the requirements of GASB Number 87 pertaining to leases. The pronouncement requires recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognition of inflows and outflows of resources in accordance with the terms of the contract. These related assets and liabilities are accounted for at the present value of future monthly lease payments over the term of the lease discounted at the incremental rate at the time the contract is entered into. SCRARRA adopted this pronouncement effective July 1, 2021 with no material differences attributable to beginning fund balance, and therefore, no restatement was made of the beginning fund balance.

Under GASB 87, SCRARRA's month-to-month office lease in Gales Ferry is considered to be a short-term lease and is not subject to the requirements of GASB 87.

In February 2022, SCRARRA entered into a lease as the lessor with Reworld, formerly known as Covanta Southeastern Connecticut Company for use of the land on which Reworld's facility is built. The lease requires monthly payments of \$7,292 through February 2027. The lease includes the option for 4 additional renewals, each with 5-year terms. As of June 30, 2025, SCRARRA is reasonably certain Reworld will extend the lease for at least 2 more terms, through 2037. The future payments have been discounted to present value using a blend of the 10- and 20-year treasury rates to approximate a 15 year rate of 2.11%. The amount of the lease receivable and the deferred inflow of resources related to the future payments expected to be received are \$913,437 and \$868,164, respectively, as of June 30, 2025.

The deferred inflow of resources reflects the present value of these lease payments at lease inception amortized over the 15-year term of the lease on a straight-line basis. The lease receivable reflects the declining principal balance of the present value of the lease receivable.

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, Reworld, with SCRARRA retaining ownership of the land.

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

NOTE 7 - WASTE TO ENERGY FACILITY (Continued)

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 Reworld, the operator, on December 15, 2015. On February 17, 2017, SCRARRA entered into a new service agreement with the operator with an expiration date of December 31, 2020.

On January 1, 2021, SCRARRA entered into a 10-year waste disposal agreement with Wheelabrator Technologies, the operator of the Lisbon, Connecticut waste-to-energy facility with an expiration date of December 31, 2030.

NOTE 8 - LANDFILL CLOSURE OBLIGATION

State and Federal laws and regulations required SCRARRA 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. SCRARRA 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. SCRARRA was required by State and Federal laws and regulations to maintain a reserve fund to finance closure and post-closure care. In February 2005, SCRARRA 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, SCRARRA is currently using the "local government financial test" as the instrument for post-closure care financial assurance. SCRARRA was in compliance with these requirements at June 30, 2025, and in addition to satisfying such requirements, SCRARRA had investments in the amount of \$1,521,902 that were held as an additional reserve at June 30, 2025.

NOTE 9 - RISK MANAGEMENT

SCRARRA 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. SCRARRA 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, 2025 consisted of the following:

Description	Balance at July 01, 2024	Additions	Balance at June 30, 2025
Depreciable assets:			
Leasehold improvements	\$ 180,694	\$ 10,260	\$ 190,954
Facilities and equipment	1,627,926	-	1,627,926
Vehicles	<u>173,971</u>	<u>-</u>	<u>173,971</u>
	1,982,591	10,260	1,992,851
Less: Accumulated depreciation	<u>1,402,740</u>	<u>201,224</u>	<u>1,603,964</u>
Total Depreciable Assets, net	<u>\$ 579,851</u>	<u>\$ (190,964)</u>	<u>\$ 388,887</u>

The capital assets as of June 30, 2025 listed by fund are as follows:

Description	Operating Fund	Solid Waste Fund	Organics Fund	Total
Depreciable assets:				
Leasehold improvements	\$ 190,954	\$ -	\$ -	\$ 190,954
Facilities and equipment	89,027	-	1,538,899	1,627,926
Vehicles	<u>-</u>	<u>-</u>	<u>173,971</u>	<u>173,971</u>
	279,981	-	1,712,870	1,992,851
Less: Accumulated depreciation	<u>256,166</u>	<u>-</u>	<u>1,347,798</u>	<u>1,603,964</u>
Total Depreciable Assets, net	<u>\$ 23,815</u>	<u>\$ -</u>	<u>\$ 365,072</u>	<u>\$ 388,887</u>

Description	Operating Fund	Solid Waste Fund	Organics Fund	Total
Nondepreciable assets:				
Land	<u>\$ -</u>	<u>\$ 1,688,409</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 – UNRESTRICTED, BOARD DESIGNATED NET POSITION

Unrestricted net position consisted of the following as of June 30, 2025:

Unrestricted, Board Designated Net Position:

Board Designated Reserves:

Service fee stabilization	\$ 20,537,572
Capital projects	5,827,435
Organics operations	2,041,880
Household hazardous waste	1,460,113
Transportation subsidy	1,250,000
Recycling	6,627,331
Operating reserve	<u>800,000</u>
Total Unrestricted, Board Designated, Net Position	<u>\$ 38,544,331</u>

NOTE 12 - SINGLE STREAM RECYCLING AGREEMENT

During the year ended June 30, 2010, SCRRA 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 SCRRA renewed for an additional five-year period through September 30, 2024. On October 1, 2024, SCRRA entered into a 6 year recycled materials processing agreement with Willimantic Wastepaper Co. which expires on December 31, 2030. 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.

NOTE 13 - GRANT REVENUE

Grant revenue consists of the following at June 30, 2025:

Grant Revenue:

USDA grant	<u>\$ 14,465</u>
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During 2025, SCRRA received a \$400,000 grant from the United States Department of Agriculture ("USDA") for the construction of a composting facility. SCRRA incurred grant expenditures in the amount of \$14,465 with the remainder of \$385,535 reported as deferred revenue at June 30, 2025.

On April 8, 2025, SCRRA was awarded a \$4,500,000 grant from the Connecticut Department of Energy & Environmental Protection ("DEEP") for the composting facility. SCRRA was in the process of entering into a contract with DEEP at June 30, 2025.

Simione Macca & Larrow_{LLP}



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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
**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, 2025, and the related notes to the financial statements, which collectively comprise SCRRRA's basic financial statements, and have issued our report thereon dated February 25, 2026.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 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.

Sirione Messeri & Larroo LLP

Wethersfield, Connecticut
February 25, 2026

Statistical Section

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
EXHIBIT 1 - SERVICE 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
2021		\$	58.00
2022		\$	58.00
2023		\$	59.25
2024		\$	61.25
2025		\$	67.21

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
EXHIBIT 2 - TONNAGE DATA REPORT BY TOWN
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)**

	Municipal Solid Waste	Single Stream <u>Recycling</u>
Town of East Lyme	10,278	1,731
Town of Griswold	7,801	816
Town of Groton	24,232	2,273
Town of Ledyard	5,862	1,318
Town of Montville	8,161	1,609
City of New London	17,908	967
Town of North Stonington	4,958	366
City of Norwich	24,413	2,834
Town of Preston	1,861	323
Town of Sprague	1,395	191
Town of Stonington	11,596	3,435
Town of Waterford	9,885	1,780
	<u>128,350</u>	<u>17,643</u>
Total tonnage	<u><u>128,350</u></u>	<u><u>17,643</u></u>

**SOUTHEASTERN CONNECTICUT REGIONAL
RESOURCES RECOVERY AUTHORITY
EXHIBIT 3 - OPERATIONAL BENEFIT TO TOWNS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)**

<u>Disposal Services Provided</u>	<u>Number of Units/Weight</u>	<u>Savings Benefit / Subsidy to Towns</u>
Alkaline Batteries (Pounds)	17,921	\$ 19,665
Tires (Units)	11,525	37,422
Light Bulbs (Pounds)	19,253	8,279
Electronic Waste (Tons)	354	220,992
Freon (Units)	10,030	60,180
Oil & Antifreeze (Gallons)	27,942	34,611
Oil Filters, Oil Debris (55 Gal Drums)	2,957	3,663
Wood Grinder Service (Hours)	695	1,507,200
Mattresses (Units)	20,170	**
Household Hazardous Collections	5,312	264,362
Disposal Fees - Recycling (Tons)	17,643	773,803
Municipal Solid Waste (Tons)	128,350	971,973
Transportation Subsidy		250,000
Total		\$ 4,152,150

** SCRRRA and its member municipalities participate in the Connecticut Mattress Stewardship Program, which provides municipalities and other public and private entities using large volumes of mattresses the benefit of recycling, free of charge to the entity.