

Housatonic Resources Recovery Authority

Financial Statements with Independent Auditor's Report

Year Ended June 30, 2023

Housatonic Resources Recovery Authority

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June 30, 2023

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Independent Auditor's Report

The Members of the Board
Housatonic Resources Recovery Authority
Brookfield, Connecticut

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Housatonic Resources Recovery Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority'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 the governmental activities and major fund of the Authority as of June 30, 2023, and the respective changes in financial position 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. 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 the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the Authority'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.

Auditor's 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Manavaty, Davenport, Studley & White, LLP

January 11, 2024

Management's Discussion and Analysis

Housatonic Resources Recovery Authority

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of the Housatonic Resources Recovery Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- As a result of the operations the Authority's net position increased by \$65,883 in 2023 compared to an increase of \$86,995 in 2022.
- The total cost of the Authority's programs and administration was \$748,925 and \$592,014 for 2023 and 2022, respectively.
- During fiscal year 2023, the Authority's revenues from program and administrative fees, and hauler permits increased from the prior year by \$3,341 to \$494,250 due to changes in MSW and recycling tonnage, and hauler permits issued.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Authority as a whole and represent a longer-term view of the Authority's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing line-item expense information about the Authority's general fund.

The Statement of Net Position and the Statement of Activities

Our analysis of the Authority as a whole begins on page 9. One of the most important questions asked about the Authority's finances is "Is the Authority better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the Authority's net position and changes in them. You can think of the Authority's net position as the difference between assets (what the Authority owns), and liabilities (what the Authority owes), as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the technology related to the disposal of municipal solid waste and recycled materials, changes in tonnage in the local towns, as well as the continued support of the regional towns, to assess the overall financial health of the Authority.

Housatonic Resources Recovery Authority

Management's Discussion and Analysis (Unaudited)

USING THIS ANNUAL REPORT (continued)

Reporting the Authority's Fund Financial Statements

The Authority uses governmental funds to report its operations. The fund financial statements begin on page 11. The Authority's only governmental fund is the general fund.

Governmental funds: The basic services that the Authority provide are reported in the governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the Authority's general governmental operations and the basic services that it provides. The information presented in the governmental fund helps readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. The governmental activities presented in the Statement of Net Position and the Statement of Activities is reconciled to the governmental funds in the Balance Sheet of the general fund.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 13-22 of this report.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund that can be found on pages 23-24 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

The following tables and exhibits present condensed information about the Authority's net position, revenues and expenses for fiscal year 2023 compared to 2022:

	As of June 30,	
	2023	2022
Current assets	\$ 1,160,810	\$ 1,095,311
Right-of-use assets	50,054	66,849
Capital assets, net	2,098	3,788
Total assets	<u>1,212,962</u>	<u>1,165,948</u>
Current liabilities and inflows	(8,195)	(10,269)
Lease liabilities	(50,054)	(66,849)
Total liabilities and deferred inflows	<u>(58,249)</u>	<u>(77,118)</u>
Net position:		
Invested in capital assets	2,098	3,788
Unrestricted	<u>1,152,615</u>	<u>1,085,042</u>
Total net position	<u>\$ 1,154,713</u>	<u>\$ 1,088,830</u>

Housatonic Resources Recovery Authority

Management’s Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

<u>Table 2</u>	For the Year Ended June 30,	
	2023	2022
Revenues		
Program revenues:		
Charges for services - user fees	\$ 494,250	\$ 490,909
Operating grants and reimbursements	315,295	228,054
	809,545	718,963
General revenues:		
Investment earnings and miscellaneous	5,263	(39,954)
Total revenues	814,808	679,009
Program expenses		
General government	748,925	592,014
Increase in net position	65,883	86,995
Net position - beginning	1,088,830	1,001,835
Net position - ending	\$ 1,154,713	\$ 1,088,830

Governmental Activities and General Fund

The Authority’s operations are accounted for as Governmental Activities. Net position of the governmental activities increased in 2023. MSW tonnage in the 2022-23 FY decreased to 142,494 tons from 146,011 tons. Revenues are based on a contracted MSW program fee of \$2.00 per ton.

Recycling tonnage for the HRRA member municipalities delivered to the Oak Ridge Transfer Stations, LLC (“Oak Ridge”) recycling center decreased by approximately 2.4% to 11,417 tons in 2022-23. Recycling revenue for 2022-23 was paid at \$5.00/ton.

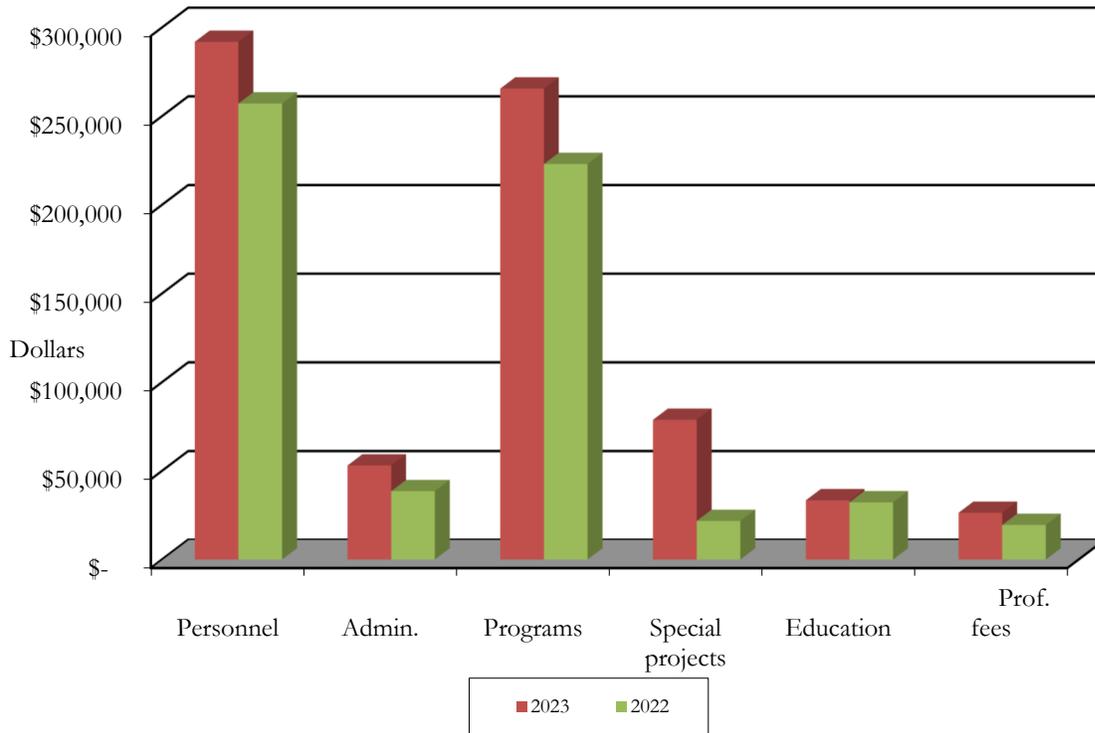
General revenues include net investment income totaling \$4,282. Total costs of governmental activities increased for the year ended June 30, 2023 from 2022 due to increases in staffing, administration, and special project grant expenses. Total expenditures in the General Fund were different from the total expenses in the Statement of Activities due to acquisition of capital assets and depreciation expense.

Housatonic Resources Recovery Authority

Management’s Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

Comparison of Expenses



General Fund Budgetary Highlights

Table 3 summarizes the changes in the budget and shows a comparison with the actual results.

	Original/Final		
	Budget	Actual	Variance
Revenues:			
Charges for services - user fees	\$ 450,500	\$ 494,250	\$ 43,750
Intergovernmental	240,000	201,381	(38,619)
Operating grants and reimbursements	152,000	113,914	(38,086)
Investment earnings and other	12,000	5,263	(6,737)
Total revenues	854,500	814,808	(39,692)
Expenditures:			
General government	844,001	747,235	96,766
Total expenditures	844,001	747,235	96,766
Excess of revenues over expenditures	\$ 10,499	\$ 67,573	\$ 57,074

Housatonic Resources Recovery Authority

Management's Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

Financial Ratios

The following financial ratios should be used to assess the financial stability of the Authority's Governmental Activities over an extended period. These ratios can indicate trends that the Authority administrators and its citizens may need to consider as they establish future budgets and set program and administrative fees.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Working Capital	\$ 1,153,000	\$ 1,085,000	\$997,800	\$898,400	\$774,800
Current Ratio	142	107	118	39.6	75.5

“Working Capital” is the amount by which current assets exceed current liabilities at a point in time. The “Current Ratio” which compares current assets to current liabilities, is an indicator of the ability to pay current obligations at a point in time. A ratio greater than 1 is a positive indicator.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Days in Operating Cash	439	451	427	479	405

“Days in Operating Cash” represents the number of days' normal operations could continue with no future revenue collection. The ratios of Working Capital and Days in Cash demonstrate a continuing ability to finance operations with cash.

CAPITAL ASSETS AND DEPRECIATION

At June 30, 2023, the Authority had \$12,556 invested in capital assets consisting of office equipment and furniture. These capital assets were purchased during the last three years. Depreciation for the current year is \$1,690.

Housatonic Resources Recovery Authority

Management's Discussion and Analysis (Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority established a fiscal year 2023-24 budget that included \$907,400 in revenues, and \$907,400 in proposed expenditures. Overall revenues are expected to be more than sufficient to finance the current year's operation.

Fiscal year 23-24 budgeted revenues increased over the final budget in 22-23 by \$52,900. Grants and donations increased \$81,993 to reflect a new Sustainable Material Management grant from the CT Department of Energy and Environmental Protection for the Town of Kent and for a Project Manager to oversee multiple SMM projects in the region. Hauler registration and permit fees slightly increased to reflect an increase in haulers in the region, the revenue increased from \$130,500 to \$135,000. Interest Income is expected to be the same. HHW revenue remained at \$240,000. HHW Revenue is a passthrough. The Oak Ridge MSW Program fee is expected to increase by \$7,000 due to an increase in tonnage from the addition of the new member towns. The recycling rebate increased from \$45,500 to \$47,500 to reflect the increase in tonnage from new membership.

Fiscal year 23-24 budgeted expenses increased over 22-23 by \$63,399. The most significant change in the 2023-2024 budget to expenditures is the pass-through grant expense for the SMM Project in Kent and Project Manager. There was a \$5,978 increase in salaries. The HRRRA hired a part-time public education coordinator and for both the Executive Director and the Administrative Assistant/Regional Recycling Coordinator received a 3% raise from 2022-23 to 2023-24.

Revenues for 2023-2024 are based on a contracted MSW program fee of \$2.00 per ton. MSW tonnage of 146,011 tons in fiscal year 2021-22 decreased to 142,494 tons in fiscal year 2022-23. The 2023-24 budget was based on a three-year average of 141,000 tons.

Recycling tonnage for the HRRRA member municipalities delivered to the Oak Ridge Recycling Center decreased from 11,697 tons in 2021-22 to 11,417 tons in 2022-23. The difference in revenue from 2021-22 FY to 2022-23 FY was a decrease of \$1,402.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Housatonic Resource Recovery Authority, its member towns and cities and the citizens of those municipalities, with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact Jennifer Heaton-Jones, Executive Director for the Authority, Old Town Hall, 162 Whisconier Road, Brookfield, CT 06804. 203-775-4539 jennifer@hrra.org

Basic Financial Statements

Housatonic Resources Recovery Authority

Statement of Net Position---Governmental Activities

As of June 30, 2023

Assets:

Cash and cash equivalents	\$ 606,725
Investments	484,384
Accounts receivable	69,701
Right-of-use assets	50,054
Capital assets, net of depreciation	2,098
Total assets	<u>\$ 1,212,962</u>

Liabilities:

Accounts payable and accrued expenses	\$ 8,195
Lease liabilities	50,054
Total liabilities	<u>58,249</u>

Net Position:

Invested in capital assets	2,098
Unrestricted	1,152,615
Total net position	<u>1,154,713</u>
Total liabilities and net position	<u>\$ 1,212,962</u>

See accompanying notes to the basic financial statements.

Housatonic Resources Recovery Authority

Statement of Activities---Governmental Activities

For the Year Ended June 30, 2023

Program Activities	Expenses	Program Revenues		Governmental Activities
		Charges for Services - User Fees	Operating Grants and Reimbursements	
General Government	\$ -	\$ 494,250	\$ 113,914	\$ 608,164
Staffing	291,902	-	-	(291,902)
Household Hazardous Waste Expense	265,537	-	201,381	(64,156)
Professional services	26,336	-	-	(26,336)
Education	33,354	-	-	(33,354)
Grants special projects expense	78,776	-	-	(78,776)
Office expenses	26,375	-	-	(26,375)
Insurance	5,887	-	-	(5,887)
Miscellaneous	6,416	-	-	(6,416)
Contingency	9,900	-	-	(9,900)
Travel/mileage reimbursement	2,752	-	-	(2,752)
Depreciation	1,690	-	-	(1,690)
Total governmental activities	<u>\$ 748,925</u>	<u>\$ 494,250</u>	<u>\$ 315,295</u>	<u>60,620</u>
		General revenues:		
			Investment earnings, net	4,282
			Miscellaneous	981
			Total general revenues	<u>5,263</u>
			Change in net position	65,883
			Net Position---beginning of year	1,088,830
			Net Position---end of year	<u>\$ 1,154,713</u>

See accompanying notes to the basic financial statements.

Housatonic Resources Recovery Authority

Balance Sheet---Governmental Fund

As of June 30, 2023

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 606,725
Investments	484,384
Accounts receivable	69,701
Total assets	<u>\$ 1,160,810</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 8,195</u>
Total liabilities	<u>8,195</u>
Fund Balance:	
Unassigned	<u>1,152,615</u>
Total fund balance	<u>1,152,615</u>
Total liabilities and fund balance	<u>\$ 1,160,810</u>

Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position:

Total fund balance of governmental fund	\$ 1,152,615
Add: Capital assets, net of depreciation	<u>2,098</u>
Total net position of governmental activities	<u>\$ 1,154,713</u>

See accompanying notes to the basic financial statements.

Housatonic Resources Recovery Authority

**Statement of Revenues, Expenditures, and
Changes in Fund Balance---Governmental Fund**

For the Year Ended June 30, 2023

	General Fund
Revenues	
Charges for services - User fees	\$ 494,250
Intergovernmental	201,381
Investment earnings, net	4,282
Operating grants and contributions	113,914
Miscellaneous	981
Total revenues	<u>814,808</u>
Expenditures	
Current:	
General Government	
Staffing	291,902
Household Hazardous Waste Expense	265,537
Professional services	26,336
Education	33,354
Grants special projects expense	78,776
Office expenses	26,375
Insurance	5,887
Miscellaneous	6,416
Contingency	9,900
Travel/mileage reimbursement	2,752
Total general government	<u>747,235</u>
Excess of revenues over expenditures	67,573
Fund balance--at beginning of year	1,085,042
Fund balance--at end of year	<u>\$ 1,152,615</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Fund to the Statement of Activities:**

Net change in fund balance - governmental fund	\$ 67,573
Less: Depreciation expense on capital assets	(1,690)
Change in net position of governmental activities	<u>\$ 65,883</u>

See accompanying notes to the basic financial statements.

Housatonic Resources Recovery Authority

Notes to the Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

The Housatonic Resources Recovery Authority (the “Authority”) was created in July 1986 in accordance with the Connecticut General Statutes Chapter 103b, Municipal Resource Recovery Authorities. The Authority was established for the purpose of providing municipal solid waste and recycling management for the Housatonic Valley municipalities of Danbury, Bethel, Bridgewater, Brookfield, Kent, New Fairfield, New Milford, Newtown, Redding, Ridgefield, Sherman, and Weston. The Authority, a jointly governed organization created by the Housatonic Valley municipalities, is a regional authority governed by a twelve-member board comprised of the Chief Elected Officials and other representatives of the member towns and their appointed alternates.

The accompanying statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the Authority. Component units are legally separate entities for which the Authority (primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization’s governing body and either (1) the Authority’s ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Authority. Using these criteria, the Authority has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the activities of the Authority.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset with program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to haulers, and program fees from municipal solid waste and recycling tip fees, and 2) operating grants and reimbursements from other governmental units as well as corporate grants for recycling education programs. Other items not included among program revenues are reported as general revenues. The major individual governmental fund of the Authority is the general fund, and it has been reported as a separate column in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, under accrual accounting.

Revenues such as the per ton program and administrative fees paid by those collectors of municipal solid waste and recyclables within the HRRRA region who use any of the three MSW transfer stations and/or the regional recycling facility associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Authority receives the cash. Grant revenues are considered measurable and available when earned which is based on expenditures for reimbursable type grants or upon award date for non-reimbursable type grants.

Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Authority uses only governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The Authority reports the following major governmental fund:

General Fund – The General Fund is used to account for all the financial resources of the Authority except those required to be accounted for in another fund. The general fund balance is available to the Authority for any purpose provided it is expended or transferred according to the By-Laws of the Authority.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

The financial statements of the Authority are presented in accordance with generally accepted accounting principles (GAAP). The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Authority's financial activities for the fiscal year ended June 30, 2023.

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control within the Authority for the General Fund. An annual operating budget is adopted each fiscal year in accordance with the Authority's By-Laws and amended as required. The General Fund budget is adopted on a modified accrual basis of accounting (GAAP), except that encumbrances and continued appropriations are treated as budgeted expenditures in the year of incidence of the commitment to purchase.

The Authority members are authorized to transfer budget amounts within line items as well as any supplemental appropriations that amend the total expenditures. During the year, some line-item transfers were necessary.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Authority, available means expected to be received within ninety days of the fiscal year-end.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All cash and cash equivalents are insured or collateralized with securities held by the pledging financial institution segregated from its other assets, in accordance with State Statutes.

Investments

The Authority invests excess cash in mutual fund accounts with a national financial institution. The Authority classifies this type of deposit as an investment for financial statement purposes. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Receivables

Receivables at June 30, 2023 consist of accounts receivable for Program Fees. All accounts receivable is deemed collectible in full, and therefore no allowance for doubtful accounts exists.

Capital Assets and Depreciation

Capital assets consist of office furniture and computer equipment reported in governmental-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets, if any, are valued at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the depreciable capital assets are 5 years. Maintenance and repairs are recorded as expenses when incurred.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Leases

The Authority determines if an arrangement contains a lease at inception based on whether the Authority has the right to control the asset during the contract period and other facts and circumstances. The right-of-use assets represent the Authority's right to use the assets for the lease term, and the lease liabilities represent the Authority's obligations to make lease payments arising from the leases, both of which are recognized based on the present value of the future minimum lease payments over the lease term.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Net Position

Net position is the net effect of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are legal limitations imposed on their use by Authority legislation or external restrictions by other governments, creditors, grantors, laws, or regulations of other governments. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) define the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported using the fund balance categories listed below:

1. *Non-spendable* - fund balance that is either (a) not in spendable form, or (b) legally or contractually required to remain intact.
2. *Restricted* - fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* - fund balance that can be used only for the specific purposes determined by a formal action of the members of the Authority (the Authority's highest level of decision-making authority)
4. *Assigned* - fund balance that is intended to be used by the Authority for specific purposes but does not meet the criteria to be classified as restricted or committed.
5. *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Use of Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated transactions and events that occurred through January 11, 2024, the date these financial statements were available to be issued, for recognition and/or disclosure in these financial statements. There are no events that require disclosure.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2023:

Cash in checking	\$ 589,531
Other deposit accounts	<u>17,194</u>
Total cash and cash equivalents	<u>\$ 606,725</u>
Investment in mutual funds	<u>\$ 484,384</u>
Total investments	<u>\$ 484,384</u>

Deposits

The Authority's deposits can include demand and savings accounts and certificates of deposit with Connecticut banks. The Authority policy adopts the State of Connecticut requirements that each depository maintains segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

Investments

The Authority's investments consist of shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant fluctuating net asset values) whose portfolios include obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Authority also invests in shares of the Connecticut Short-term Investment Fund.

Concentrations

The Authority does not have a formal investment policy; however, their practice has been to maintain a diversified portfolio to minimize risk of loss resulting from over-concentration of assets in a specific issuer.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

**NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(continued)**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2023, the carrying amount of the Authority's deposits is \$589,531 and the bank balance is \$502,187. The bank balance was insured or covered by the assets of the financial institution at year-end.

The Authority had \$17,017 invested with the State of Connecticut Treasurer's Short - Term Investment Fund ("STIF"). The STIF is an investment pool of high quality, short-term money market instruments (under 60 days). The STIF is rated AAAM by Standard and Poor's. The STIF maintains a designated surplus reserve equal to one-tenth of one percent of the fund's value, until it reaches one percent of the value of all investments in the Fund. The funds in the reserve act as a general reserve against losses and are not held in a specific depositor's name. Currently the reserve contains in excess of \$95 million. Any losses experienced from a security default or a decline in the market value of a security will be charged against the reserve.

There is a risk that in the event of a failure of the counterparty to an investment transaction, the Authority will not be able to recover the value of its investment that is the possession of another party. At June 30, 2023, the Authority had \$484,384 invested in mutual fund accounts.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 has the following recurring fair value measurements as of June 30, 2023: Mutual funds of \$484,384 that are primarily invested in U.S. Treasury notes are valued using quoted market prices (Level 1 inputs).

NOTE 3 - PENSION PLAN

The Authority has established a Simplified Employee Pension Plan covering all employees. The Authority is required to contribute 7.5% of eligible employee's wages to the plan. Employees vest immediately in their accounts upon entrance into the plan. During the year ended June 30, 2023 the Authority contributed \$14,261 to the plan on eligible wages of \$190,900.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets is as follows:

	Balance			Balance
	July 1, 2022	Increases	Decreases	June 30, 2023
Furniture and equipment	\$ 12,556	\$ -	\$ -	\$ 12,556
Accumulated depreciation	(8,768)	(1,690)	-	(10,458)
	<u>\$ 3,788</u>	<u>\$ (1,690)</u>	<u>\$ -</u>	<u>\$ 2,098</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year the Authority received a total of \$201,381 from the participating regional towns as a reimbursement for the operation of the Household Hazardous Waste Day events. All amounts invoiced were received.

The Authority also leases office space from the Town of Brookfield, one of its member towns. See Note 7 for more information on this office space lease.

NOTE 6 - COMMITMENTS

Service Agreements

On January 11, 2018, the Authority signed a Regional Solid Waste and Recycling Agreement with Oak Ridge to accept and dispose of municipal solid waste and recycling materials for the region. The Agreement is effective July 1, 2019, for a period of 10 years, with the right to extend this Agreement beyond the initial 10-year term for 3 separate additional 5-year periods. The Agreement includes all terms and fees related to the acceptance and disposal of municipal solid waste and recycling materials. The Recycling Program Fee paid to HRRA is \$5.00 per ton of recycling material delivered to the recycling facility. The MSW Program Fee paid to HRRA is \$2.00 per ton of HRRA MSW delivered to the transfer stations.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

NOTE 7 - LEASES

The Authority has a lease for office space with the Town of Brookfield. The terms of the lease are as follows: 5 years commencing on October 1, 2021, for \$81,000 payable as \$1,350 per month each month thereafter through September 30, 2026. The Authority also has a lease for office equipment for a term of 39 months beginning October 2020. Minimum lease payments under this lease are \$196.92 per month. The remaining lease term of the office lease is 3.25 years, and the remaining lease term of the office equipment lease is .5 years. A discount rate of 4% was used to compute the present value upon adoption of the lease standard, GASB 87.

The value of the right-of-use assets as of June 30, 2023 was \$66,849 less accumulated amortization of \$16,795. As of June 30, 2023, the value of the lease liabilities was \$50,054. The Authority records the amortization and interest expense on these leases in the office expense line item of the budget.

Future minimum lease obligations of these minimum lease payments as of June 30, 2023, were as follows:

Year Ended June 30, 2024	\$ 17,382
2025	16,200
2026	16,200
2027	4,050
Total lease payments	<u>53,832</u>
Less: interest	<u>(3,778)</u>
Present value of lease liabilities	<u><u>\$ 50,054</u></u>

NOTE 8 - GRANT WITH USDA

The Authority has received grant awards from the U.S. Department of Agriculture Natural Resources Conservation Service (“USDA”) for a municipal composting initiative in the Town of Ridgefield. The award period for the first grant is September 21, 2021, to September 30, 2023, for \$72,657 in federal funds with \$25,610 in non-federal funds. The award period for the second grant is January 27, 2023, to February 13, 2025, for \$43,093 in federal funds and \$36,400 in non-federal funds.

During the year ended June 30, 2023 the Authority recognized \$79,214 in operating grant revenues and \$78,776 in special projects grant expense for this composting project.

Housatonic Resources Recovery Authority

Notes to the Financial Statements (continued)

June 30, 2023

NOTE 9 - CONCENTRATION OF RISK

A major portion of the Authority's revenues are derived from fees based on throughput in the recycling and municipal solid waste facilities. Declines in the levels of throughput in either facility or a negotiated change in the fee structure could adversely affect the Authority's ability to generate future cash flow from the HRRRA Service Agreements.

NOTE 10 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to public officials, torts, injuries to employees and acts of God. The Authority purchases commercial insurance for all risks of loss. The Authority has had no significant reduction in the coverage on the above insurance from the prior year. The Authority has not had any settlements on any insurance coverage in the current year or prior year.

The HRRRA Service Agreements require that Oak Ridge Transfer Stations, LLC and Oak Ridge Hauling, LLC indemnify the Authority and the municipalities from any and all damages and causes of action which may arise from a party's use or entrance into the Transfer stations.

NOTE 11 - FUND BALANCE POLICY

The Authority has a Fund Balance Policy to establish goals and provide guidance concerning the desired level of fund balance maintained by the Authority to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

In accordance with the policy, the fund balance will be reviewed by the Executive Committee every year that it is over 200% of the non-reimbursable expenditures for the prior year. Additionally, no part of the fund balance can be spent without the approval of the full authority.

It is the goal of the Authority to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 100% of annual operating expenditures. If the unassigned fund balance at fiscal year-end falls below the goal, the Authority shall develop a restoration plan to achieve and maintain the minimum fund balance.

Required Supplementary Information

Housatonic Resources Recovery Authority

Budgetary Comparison Schedule---General Fund

For the Year Ended June 30, 2023

	Original Budget	Amendments	Original/Final Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:					
Charges for services - User fees	\$ 450,500	\$ -	\$ 450,500	\$ 494,250	\$ 43,750
Intergovernmental	240,000	-	240,000	201,381	(38,619)
Investment earnings, net	12,000	-	12,000	4,282	(7,718)
Operating grants and contributions	108,907	43,093	152,000	113,914	(38,086)
Miscellaneous	-	-	-	981	981
Total revenues	<u>811,407</u>	<u>43,093</u>	<u>854,500</u>	<u>814,808</u>	<u>(39,692)</u>
Expenditures:					
General government					
Contingency	10,000	-	10,000	9,900	100
Education	35,500	-	35,500	33,354	2,146
Grants special projects expense	68,407	43,093	111,500	78,776	32,724
Household Hazardous Waste Expense	308,000	-	308,000	265,537	42,463
Insurance	6,675	-	6,675	5,887	788
Miscellaneous	7,800	-	7,800	6,416	1,384
Office expenses	27,370	-	27,370	26,375	995
Professional services	28,700	-	28,700	26,336	2,364
Staffing	305,456	-	305,456	291,902	13,554
Travel/mileage reimbursement	3,000	-	3,000	2,752	248
Total expenditures	<u>800,908</u>	<u>43,093</u>	<u>844,001</u>	<u>747,235</u>	<u>96,766</u>
Excess of revenues over expenditures	<u>\$ 10,499</u>	<u>\$ -</u>	<u>\$ 10,499</u>	<u>\$ 67,573</u>	<u>\$ 57,074</u>

See Independent Auditor's Report and notes to required supplemental information.

Housatonic Resources Recovery Authority

Notes to Required Supplementary Information

June 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control within the Authority for the General Fund. An annual operating budget is adopted each fiscal year in accordance with the Authority's By-Laws and amended as required. The General Fund budget is adopted on a modified accrual basis of accounting, except that encumbrances and continued appropriations are treated as budgeted expenditures in the year of incidence of the commitment to purchase and certain employee benefits are budgeted on the cash basis of accounting.

The Board is authorized to transfer budgeted amounts within line items, as well as any supplemental appropriations and appropriations of fund balance that amend the total expenditures. During the year, line-item transfers were not necessary. A supplemental appropriation was necessary to increase the budget for a grant to fund a special project.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. There were no encumbrances outstanding at June 30, 2023.

Unencumbered appropriations lapse at the end of each fiscal year.