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FAX (860) 757-7743

October 3, 2013

Joint Standing Committee on Finance, Revenue and Bonding  
Connecticut General Assembly  
State of Connecticut  
Legislative Office Building  
Hartford, CT 06106

**RE: Connecticut General Statutes, Section 22a-263b  
Connecticut Resources Recovery Authority: Annual Audited Financial Report for  
Fiscal Year 2013**

Dear Joint Standing Committee Chairs:

Pursuant to the above-referenced State statute, the Board of Directors of the Connecticut Resources Recovery Authority (the "Authority")

"...shall submit to the Joint Standing Committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding a copy of each audit of the authority conducted by an independent auditing firm, not later than seven days after the audit is received by said board of directors."

The Authority's Board of Directors received the audited financial report of the Authority for the fiscal year ended June 30, 2013. Accordingly, as Chairman of the Authority, I enclose the fiscal year 2013 audited financial report.

Best regards,

A handwritten signature in black ink, appearing to read "Donald S. Stein". The signature is fluid and cursive, written over a horizontal line.

Donald S. Stein  
Chairman of the Board

Enclosure – as stated

cc: Auditors of Public Accounts  
Legislative Program Review and Investigations Committee (2 copies)  
Mark Daley, Chief Financial Officer (without enclosure)  
Laurie Hunt, Esq., Director of Legal Services (without enclosure)  
Nhan Vo-Le, Director of Accounting and Financial Reporting (without enclosure)



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October 3, 2013

The Honorable Kevin Lembo  
State Comptroller  
Budget and Financial Analysis Division  
Accounting Services  
GAAP Reporting Unit  
55 Elm Street  
Hartford, CT 06106

Dear Mr. Lembo:

Enclosed please find a copy of the Authority's audited financial statements for the fiscal year ended June 30, 2013, to meet the GAAP Information Requirements requested by your office in its May 2013 communication to the Authority.

You may contact me directly at (860) 757-7722 to answer any questions or provide additional information.

Best regards,

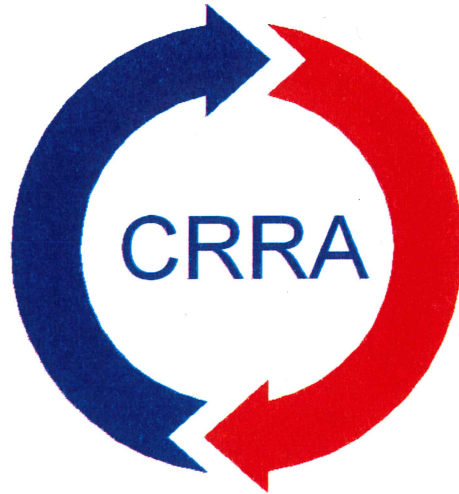
Mark T. Daley  
Chief Financial Officer

A handwritten signature in black ink, appearing to read "Mark Daley".

Enclosure – as stated

- c. Gerry Villa, Assistant Director  
W. David LeVasseur, Undersecretary Intergovernmental Policy Division  
Jean M. Gula, Associate Accounts Examiner  
Nhan Vo-Le, Director of Accounting and Financial Reporting-CRRA





**CONNECTICUT RESOURCES**

**RECOVERY AUTHORITY**

*A Component Unit of the State of Connecticut*

**ANNUAL FINANCIAL REPORT**

**FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

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**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE YEARS ENDED**  
**JUNE 30, 2013 AND 2012**

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**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Connecticut Resources Recovery Authority  
Hartford, Connecticut

**Report on the Financial Statements**

We have audited the accompanying balance sheets of the Connecticut Resources Recovery Authority (Authority), a component unit of the State of Connecticut, as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 22 be presented to supplement the basic financial statements. Such information, although not 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 obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The combining schedules on pages 47 through 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Bollam Sheedy Torani & Co LLP*

New York, New York  
October 1, 2013



**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") of the Connecticut Resources Recovery Authority's (the "Authority") activities and financial performance provides an introduction to the audited financial statements for the fiscal years ended June 30, 2013 and 2012. Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

As of November 15, 2012, all debt issued in the development of the Mid-Connecticut system has been retired, and the original municipal services contracts have expired. The Authority's Connecticut Solid Waste System (the "CSWS") has executed new agreements with 51 municipalities to provide waste disposal; and, in some cases, recycling services, with terms ranging from three to fifteen years. In addition to these towns, dozens of private haulers throughout the Central Connecticut Region have signed contracts with the CSWS. On and after November 15, 2012, the Authority continues to own and operate its system of facilities and all revenues continue to accrue to the Authority.

**FINANCIAL POSITION SUMMARY**

The Authority's fiscal year 2013 total assets decreased by \$13.6 million or 5.4% from fiscal year 2012 and total liabilities decreased by \$2.5 million or 3.2%. Total assets exceeded total liabilities by \$165.3 million as of June 30, 2013 as compared to \$176.5 million as of June 30, 2012 or a net decrease of \$11.2 million. The fiscal year 2012 total assets decreased by \$18.9 million or 7.0% from fiscal year 2011 and total liabilities decreased by \$6.9 million or 8.3%. Total assets exceeded total liabilities by \$176.5 million as of June 30, 2012 as compared to \$188.5 million as of June 30, 2011 or a net decrease of \$12.0 million.

<b>BALANCE SHEETS</b>			
<b>As of June 30,</b>			
<b>(Dollars in Thousands)</b>			
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Current unrestricted assets	\$ 111,531	\$ 101,160	\$ 95,885
Current restricted assets	6,705	22,875	35,134
<b>Total current assets</b>	<u>118,236</u>	<u>124,035</u>	<u>131,019</u>
Non-current assets:			
Restricted cash and cash equivalents	-	-	14,724
Restricted investments	8,184	8,177	817
Capital assets, net	111,943	119,385	123,543
Development and bond issuance costs, net	1,177	1,576	1,984
<b>Total non-current assets</b>	<u>121,304</u>	<u>129,138</u>	<u>141,068</u>
<b>TOTAL ASSETS</b>	<u>\$ 239,540</u>	<u>\$ 253,173</u>	<u>\$ 272,087</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current unrestricted liabilities	\$ 31,923	\$ 7,792	\$ 8,473
Current restricted liabilities	3,007	17,984	21,296
<b>Total current liabilities</b>	<u>34,930</u>	<u>25,776</u>	<u>29,769</u>
Long-term unrestricted liabilities	31,195	42,713	41,429
Long-term restricted liabilities	8,083	8,183	12,390
<b>Total long-term liabilities</b>	<u>39,278</u>	<u>50,896</u>	<u>53,819</u>
<b>TOTAL LIABILITIES</b>	<u>74,208</u>	<u>76,672</u>	<u>83,588</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	111,943	116,348	117,634
Restricted	5,058	11,050	24,837
Unrestricted	48,331	49,103	46,028
<b>TOTAL NET POSITION</b>	<u>165,332</u>	<u>176,501</u>	<u>188,499</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 239,540</u>	<u>\$ 253,173</u>	<u>\$ 272,087</u>

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

**FINANCIAL HIGHLIGHTS**

The following is an overview of significant changes within the Balance Sheets as of June 30, 2013 and 2012:

**ASSETS**

A summary of assets and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

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

	2013	2012	2013 Increase/ (Decrease) from 2012	2013 Percent Increase/ (Decrease)	2011	2012 Increase/ (Decrease) from 2011	2012 Percent Increase/ (Decrease)
<b>CURRENT ASSETS</b>							
Unrestricted Assets:							
Cash and cash equivalents	\$ 87,559	\$ 76,331	\$ 11,228	14.7%	\$ 73,499	\$ 2,832	3.9%
Accounts receivable, net of allowances	17,073	14,009	3,064	21.9%	17,528	(3,519)	(20.1%)
Inventory	6,544	6,370	174	2.7%	3,973	2,397	60.3%
Prepaid expenses	355	4,450	(4,095)	(92.0%)	885	3,565	402.8%
<b>Total Unrestricted Assets</b>	<b>111,531</b>	<b>101,160</b>	<b>10,371</b>	<b>10.3%</b>	<b>95,885</b>	<b>5,275</b>	<b>5.5%</b>
Restricted Assets:							
Cash and cash equivalents	6,705	22,875	(16,170)	(70.7%)	35,127	(12,252)	(34.9%)
Accrued interest receivable	-	-	-	-	7	(7)	(100.0%)
<b>Total Restricted Assets</b>	<b>6,705</b>	<b>22,875</b>	<b>(16,170)</b>	<b>(70.7%)</b>	<b>35,134</b>	<b>(12,259)</b>	<b>(34.9%)</b>
<b>TOTAL CURRENT ASSETS</b>	<b>118,236</b>	<b>124,035</b>	<b>(5,799)</b>	<b>(4.7%)</b>	<b>131,019</b>	<b>(6,984)</b>	<b>(5.3%)</b>
<b>NON-CURRENT ASSETS</b>							
Restricted cash and cash equivalents	-	-	-	-	14,724	(14,724)	(100.0%)
Restricted investments	8,184	8,177	7	0.1%	817	7,360	900.9%
Capital Assets:							
Depreciable, net	81,601	85,262	(3,661)	(4.3%)	91,400	(6,138)	(6.7%)
Nondepreciable	30,342	34,123	(3,781)	(11.1%)	32,143	1,980	6.2%
Development and bond issuance costs, net	1,177	1,576	(399)	(25.3%)	1,984	(408)	(20.6%)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>121,304</b>	<b>129,138</b>	<b>(7,834)</b>	<b>(6.1%)</b>	<b>141,068</b>	<b>(11,930)</b>	<b>(8.5%)</b>
<b>TOTAL ASSETS</b>	<b>\$ 239,540</b>	<b>\$ 253,173</b>	<b>\$ (13,633)</b>	<b>(5.4%)</b>	<b>\$ 272,087</b>	<b>(18,914)</b>	<b>(7.0%)</b>

**Current unrestricted assets** increased by \$10.4 million or 10.3% from fiscal year 2012, which also increased by \$5.3 million or 5.5% over fiscal year 2011. The fiscal year 2013 increase is due to:

- Unrestricted cash and cash equivalents increased by \$11.2 million as a result of the following:

# Connecticut Resources Recovery Authority

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- Funds released by the Trustee for a total amount of \$7.6 million from various trustee accounts previously classified as current restricted assets as a result of the maturity of the Mid-Connecticut 1996 Series A – Project Refinancing Bonds (the “Mid-Connecticut bonds”) schedule in November 2012 in pursuant with the Mid-Connecticut bond indentures; and
  - Receipts of \$4.9 million soil revenues for accepting of Connecticut Department of Energy and Environmental Protection (the “CTDEEP”) approved soil at the Hartford Landfill to be used as grading and contouring material; and
  - Contributions of \$3.5 million toward operating cash requirements at the Mid-Connecticut Project for costs associated with on-going legal matters and the closure of the Project; capital expenditures; and recycling education program; and
  - Higher transfer of funds from current restricted assets at the Southeast Project (\$3.0 million); and
  - A reclassification of funds from current restricted assets as a result of the Mid-Connecticut bonds maturity scheduled in November 2012 ( \$600,000); and
  - Higher energy revenues at the Jet Turbine Facility as a result of a new energy agreement effective in June 2012 (\$1.4 million ); partially offset by:
  - Payments of \$8.2 million for capital expenditures at the Waste Processing and Power Block Facilities, Mid-Connecticut transition costs, as well as closure and post-closure costs at the five landfills: Ellington, Hartford, Shelton, Wallingford, and Waterbury; and
  - Distribution of funds to the former Bridgeport and Wallingford Projects member towns for the remaining of Project surplus funds (\$810,000), and Southwest Connecticut Regional Recycling Operating Committee (the “SWEROC”) resulting from the expiration of a contract with the SWEROC (\$489,000).
- Accounts receivable, net increased by \$3.1 million due to delayed receipt of electric revenue at the Southeast Project as of June 30, 2013; partially offset by decreased receivable balance at the Mid-Connecticut Project due to the closure of the Project.
  - Inventory, including spare parts and fuel inventory; remained flat, increasing by \$174,000.
  - Prepaid expenses, reflecting payments to Authority’s vendors for insurance and contract operating charges that are applicable to future accounting periods, decreased by \$4.1 million due to timing.

The fiscal year 2012 increase was primarily due to:

- Unrestricted cash and cash equivalents increased by \$2.8 million primarily as a result of the following:
  - Contributions of \$13.8 million for operating requirements at the Mid-Connecticut Project for costs associated with on-going legal matters; expiration of the Project and transitioning from original operators to a new operator contract; capital expenditures; recycling education program; and funding solid waste reduction activities in support of the CTDEEP Solid Waste Management Plan; and



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### A Component Unit of the State of Connecticut

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- Funds transfer, net of \$6.9 million. Of the \$6.9 million, net, \$8.7 million reflects funds transferred from Mid-Connecticut current restricted Revenue Fund for potential project exposure, risks, and liabilities (\$6.5 million), and operating and capital expenditures (\$2.2 million); respectively, less funds transferred to the Mid-Connecticut current restricted Revenue Fund to defray the estimated impact of fiscal year 2012 tip fees (\$1.8 million); and
  - Electric revenue increased by \$1.1 million at the Southeast Project as a result of higher electricity generated and increasing electricity rates; partially offset by:
  - Payments for equipment purchases, plant improvements, and transition costs at the Mid-Connecticut Waste Processing Facility (“WPF”) and Power Block Facility (“PBF”); spare parts inventory at the PBF; closure costs at the Hartford Landfill; and post-closure costs at the Shelton, Wallingford, and Waterbury Landfills (\$12.4 million); and
  - An increase in payments for ash and non-processible waste transportation and disposal services at the Mid-Connecticut Project as a result of higher waste deliveries and unanticipated outages (\$2.5 million); and
  - A distribution of Southeast Project prior year’s surplus funds (\$1.4 million) to Southeastern Connecticut Regional Resources Recovery Authority (“SCRRA”); and
  - Contributions to SCRRA Future Needs Reserve increased by \$2.2 million as a result of the continuous impact of increased electricity revenues due to higher electric rates and prior year project surpluses; and
  - A net decrease of \$0.5 million in cash balances at the General Fund, Bridgeport, and Wallingford Projects, as well as the Landfill, Property, and Recycling Divisions.
  - Accounts receivable, net decreased by \$3.6 million. This occurred due to timely receipt of electric revenue at the Southeast Project, lower member waste deliveries at the Mid-Connecticut Project and SouthWest Division, decreased other operating revenues at the Property Division, which is partially offset by increased non-member charges and other operating revenues at the Mid-Connecticut Project.
  - Inventory, including spare parts and fuel inventory, increased by \$2.4 million. This increase was a result of spare parts acquired from the Connecticut Light and Power Company, the purchase of PBF spare parts inventory upon a contract expiration with a Mid-Connecticut former operator, and fuel purchases for the Jet Turbine Facility (the “JTF”).
  - Prepaid expenses, reflecting payments to Mid-Connecticut vendors for insurance and contract operating charges that are applicable to future accounting periods, increased by \$3.6 million.

**Current restricted assets** decreased by \$16.2 million or 70.7% from fiscal year 2012, which also decreased by \$12.3 million or 34.9% from fiscal year 2011. The fiscal year 2013 decrease is primarily due to the following:

- Regular principal and interest payments due on the Mid-Connecticut bonds scheduled in November 2012 (\$4.1 million); and

## Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

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- Funds released by the Trustee from various trustee accounts as a result of the maturity of the Mid-Connecticut bonds schedule in November 2012 in pursuant with the Mid-Connecticut bond indentures (\$7.6 million); and
- Decreased Revenue Fund at the Southeast Project due to higher transfer of funds to current unrestricted assets (\$3.0 million); and
- The reclassification of funds to current unrestricted assets as a result of the Mid-Connecticut bonds maturity scheduled in November 2012 ( \$600,000); and
- Payments for recycling education and landfill expenses at the Mid-Connecticut and Southeast Projects; respectively (\$0.4 million).

The fiscal year 2012 decrease was primarily due to:

- Payments for various expenses as follows:
  - Regular principal and interest due on the Mid-Connecticut bonds in November 2011 (\$4.1 million); and
  - Reconstruction of a fuel tank, rebuilding of two power turbines, and fuel purchases at the JTF (\$4.2 million); and
  - Prepayments to the Mid-Connecticut operator for July 2012 operational and capital expenditures pursuant to the Mid-Connecticut Operations and Management Agreement (\$3.5 million); and
- Various funds transfer as follows:
  - \$6.5 million to Mid-Connecticut current unrestricted Risk Fund (the “Risk Fund”) for potential project exposure, risks, and liabilities; and
  - \$2.2 million to Mid-Connecticut current unrestricted Facility Modifications Fund for capital expenditures incurred during fiscal year 2012 and Jets Operating Fund to subsidize fiscal year 2012 expenditures, (\$0.5 million) and (\$1.7 million); respectively; and
- Use of funds from the Mid-Connecticut current restricted Revenue Fund to pay for costs and fees incurred during fiscal year 2012 (\$6.8 million); partially offset by:
- The \$1.8 million transferred from the Risk Fund to defray the estimated impact of fiscal year 2012 tip fees; and
- Contributions of \$2.8 million at the Energy Generating Facility (the “EGF”) and the JTF for capital costs (\$2.4 million), and monitoring and maintenance of the Montville Landfill at the Southeast Project (\$0.4 million); and
- A total of \$7.4 million reclassified from non-current Special Capital Reserve Fund and other Trustee accounts for the final year’s debt service payments on the Mid-Connecticut bonds due in November 2012 (\$4.4 million), and remaining trustee funds to be released to the Authority after the Mid-Connecticut bonds were paid off in pursuant with the Mid-Connecticut bond indentures (\$3.0 million); respectively; and
- Timely receipt of electric revenue at the Southeast Project (\$2.8 million).



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**Non-current assets** decreased by \$7.8 million or 6.1% from fiscal year 2012, which also decreased by \$11.9 million or 8.5% from fiscal year 2011. The fiscal year 2013 decrease occurred primarily due to:

- Restricted investments remained flat, increasing by \$7,000.
- Capital assets, net, consisting of depreciable and nondepreciable assets, decreased by \$7.4 million. The component of net capital assets fluctuated as follows:
  - Capital assets – depreciable, net decreased by \$3.6 million primarily due to \$14.7 million of depreciation expense and a \$1.0 million loss on write-off of various assets as a result of plant improvements; partially offset by \$0.3 million in equipment purchases and plant improvements, and a reclassification of \$11.8 million in construction in progress (“CIP”) from the nondepreciable capital assets; partially offset by:
  - Capital assets – nondepreciable decreased by \$3.8 million due to an increase in construction in progress of \$8.0 million; partially offset by the \$11.8 million reclassification of CIP to the depreciable capital assets, net.
- Development and bond issuance costs, net, slightly decreased by \$0.4 million due to amortization.

The fiscal year 2012 decrease occurred primarily due to:

- Restricted cash and cash equivalents decreased by \$14.7 million due to:
  - Purchases of \$7.3 million U.S. Treasury Bills for landfill post-closure trust funds, which is classified as non-current restricted investments; and
  - The reclassification of \$7.4 million of debt service reserve funds to current restricted assets for the final debt service payment on the Mid-Connecticut bonds due in November 15, 2012 (\$4.4 million) and the other Trustee funds that will be released to the Authority after the bonds are paid off (\$3.0 million).
- Capital assets, net, consisting of depreciable and nondepreciable assets, decreased by \$4.1 million. The component of net capital assets fluctuated as follows:
  - Capital assets – depreciable, net decreased by \$6.1 million primarily due to \$15.8 million of depreciation expense; partially offset by \$1.4 million in equipment purchases and plant improvements, and a reclassification of \$8.2 million in CIP from the nondepreciable capital assets; partially offset by:
  - Capital assets – nondepreciable increased by \$2.0 million due to an increase in construction in progress of \$10.1 million; partially offset by the \$8.2 million reclassification of CIP to the depreciable capital assets, net.
- Development and bond issuance costs, net, slightly decreased by \$0.4 million due to amortization.
- Restricted investments increased by \$7.4 million due to the purchases of U.S. Treasury Bills for the landfill post-closure trust funds with maturities over three months.

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**LIABILITIES**

A summary of liabilities and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

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

	2013	2012	2013 Increase/ (Decrease) from 2012	2013 Percent Increase/ (Decrease)	2011	2012 Increase/ (Decrease) from 2011	2012 Percent Increase/ (Decrease)
<b>CURRENT LIABILITIES</b>							
Payable from unrestricted assets:							
Closure and post-closure care of landfills	\$ 14,214	\$ 1,330	\$ 12,884	968.7%	\$ 4,193	\$ (2,863)	(68.3%)
Accounts payable	4,311	1,658	2,653	160.0%	1,671	(13)	(0.8%)
Accrued expenses and other current liabilities	13,535	4,804	8,731	181.7%	2,609	2,195	84.1%
<b>Total payable from unrestricted assets</b>	<b>32,060</b>	<b>7,792</b>	<b>24,268</b>	<b>311.4%</b>	<b>8,473</b>	<b>(681)</b>	<b>(8.0%)</b>
Payable from restricted assets:							
Bonds payable, net	-	4,134	(4,134)	(100.0%)	3,906	228	5.8%
Closure and post-closure care of landfills	-	1,298	(1,298)	(100.0%)	1,196	102	8.5%
Accounts payable	33	850	(817)	(96.1%)	3,650	(2,800)	(76.7%)
Accrued expenses and other current liabilities	2,837	11,702	(8,865)	(75.8%)	12,544	(842)	(6.7%)
<b>Total payable from restricted assets</b>	<b>2,870</b>	<b>17,984</b>	<b>(15,114)</b>	<b>(84.0%)</b>	<b>21,296</b>	<b>(3,312)</b>	<b>(15.6%)</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>34,930</b>	<b>25,776</b>	<b>9,154</b>	<b>35.5%</b>	<b>29,769</b>	<b>(3,993)</b>	<b>(13.4%)</b>
<b>LONG-TERM LIABILITIES</b>							
Payable from unrestricted assets:							
Closure and post-closure care of landfills	27,695	39,213	(11,518)	(29.4%)	37,929	1,284	3.4%
Other liabilities	3,500	3,500	-	0.0%	3,500	-	0.0%
<b>Total payable from unrestricted assets</b>	<b>31,195</b>	<b>42,713</b>	<b>(11,518)</b>	<b>(27.0%)</b>	<b>41,429</b>	<b>1,284</b>	<b>3.1%</b>
Payable from restricted assets:							
Bonds payable, net	-	-	-	0.0%	4,134	(4,134)	(100.0%)
Closure and post-closure care of landfills	7,367	7,359	8	0.1%	7,358	1	0.0%
Other liabilities	716	824	(108)	(13.1%)	898	(74)	(8.2%)
<b>Total payable from restricted assets</b>	<b>8,083</b>	<b>8,183</b>	<b>(100)</b>	<b>(1.2%)</b>	<b>12,390</b>	<b>(4,207)</b>	<b>(34.0%)</b>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>39,278</b>	<b>50,896</b>	<b>(11,618)</b>	<b>(22.8%)</b>	<b>53,819</b>	<b>(2,923)</b>	<b>(5.4%)</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 74,208</b>	<b>\$ 76,672</b>	<b>\$ (2,464)</b>	<b>(3.2%)</b>	<b>\$ 83,588</b>	<b>(6,916)</b>	<b>(8.3%)</b>

**Current liabilities** increased by \$9.2 million or 35.5% compared to the fiscal year 2012, which decreased by \$4.0 million or 13.4% compared to fiscal year 2011. The fiscal year 2013 decrease from 2012 is due to:

- **Current liabilities payable from unrestricted assets** increased by \$24.3 million. This occurred due to:
  - Closure and post-closure care of landfills increased by \$12.9 million due to closure activities at the Hartford Landfill that will incur within the next twelve months.
  - Accounts payable, accrued expenses, and other current liabilities increased by \$11.4 million due to reclassification of liabilities payable from current restricted assets as a result of the maturity of the Mid-Connecticut bonds, and an accrual for costs associated with a contract termination for design, upgrade, retrofit and



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operation/maintenance services for the Mid-Connecticut Recycling Center; partially offset by disbursements for goods and services received.

- **Current liabilities payable from restricted assets** decreased by \$15.1 million due to:
  - Bonds payable, net, decreased by \$4.1 million. This decrease reflects the final principal payment due on the Mid-Connecticut bonds in November 2012.
  - Closure and post-closure care of landfills decreased by \$1.3 million due to reclassification of closure and post-closure liabilities that will be paid from current unrestricted assets as a result of the maturity of the Mid-Connecticut bonds.
  - Accounts payable, accrued expenses, and other current liabilities decreased by \$9.7 million due to the reclassification of liabilities that will be paid from current unrestricted assets as a result of the maturity of the Mid-Connecticut bonds.

The fiscal year 2012 decrease from 2011 was due to:

- **Current liabilities payable from unrestricted assets** decreased by \$0.7 million due to:
  - Closure and post-closure care of landfills decreased by \$2.9 million primarily as a result of delayed closure activities as the Authority prepared for final closure at the Hartford Landfill by bringing soil in and using the soil to adjust the grade of the landfill to accept the final cap.
  - Accounts payable, accrued expenses, and other current liabilities increased by \$2.2 million due to timing in payments for goods and services received.
- **Current liabilities payable from restricted assets** decreased by \$3.3 million. This occurred due to:
  - Accounts payable and accrued expenses and other current liabilities decreased by \$3.6 million as a result of disbursements of funds for goods and services received.
  - Bonds payable, net, remained fairly constant, increasing by \$228,000. This increase reflects a reclassification of debt service from long-term restricted liabilities for the Mid-Connecticut bonds that was due in November 2012; partially offset by the regular principal payment made on the Mid-Connecticut bonds in November 2011.
  - Closure and post-closure care of landfills, remained flat, increasing by \$102,000.

**Long-term liabilities** decreased by \$11.6 million or 22.8% compared to fiscal year 2012, which also decreased by \$2.9 million or 5.4% compared to fiscal year 2011. The fiscal year 2013 decrease from 2012 is primarily due to:

- **Long-term liabilities payable from unrestricted assets** decreased by \$11.5 million due to increased current closure and post-closure liabilities and a reduction in those liabilities as a result of payments for closure and post-closure costs during fiscal year 2013;

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partially offset by a net increase in estimated closure and post-closure liabilities at the five landfills.

- **Long-term liabilities payable from restricted assets** remain flat, decreasing by \$100,000.

The fiscal year 2012 decrease from 2011 was primarily due to:

- **Long-term liabilities payable from unrestricted assets** increased by \$1.3 million due to a reduction of closure and post-closure liabilities as a result of payments for those liabilities less the impact of decreased current closure and post-closure costs.
- **Long-term liabilities payable from restricted assets** decreased by \$4.2 million as a result of the following:
  - Bonds payable, net decreased by \$4.1 million. This decrease occurred due to the reclassification of the debt service amount to current restricted liabilities for the Mid-Connecticut bonds that is due on November 15, 2012.
  - Other liabilities remained flat, decreasing by \$74,000.
  - Closure and post-closure care of landfills remained unchanged.

**SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION**

Net position may serve over time as a useful indicator of the Authority's financial position.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**Fiscal Years Ended June 30,**

**(Dollars in Thousands)**

	2013	2012	2011
Operating revenues	\$ 119,866	\$ 132,043	\$ 132,067
Operating expenses	115,029	127,799	144,121
Income (loss) before depreciation and amortization and other non-operating revenues and (expenses)	4,837	4,244	(12,054)
Depreciation and amortization	15,085	16,242	18,009
Loss before other non-operating revenues and (expenses), net	(10,248)	(11,998)	(30,063)
Non-operating revenues (expenses), net	(921)	-	(1,614)
Loss before special item	(11,169)	(11,998)	(31,677)
Special item:			
Gain on early retirement of debt, net	-	-	2,333
Change in net assets	(11,169)	(11,998)	(29,344)
Total net assets, beginning of year	176,501	188,499	217,843
Total net assets, end of year	\$ 165,332	\$ 176,501	\$ 188,499

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**Operating revenues** decreased by \$12.2 million or 9.2% during fiscal year 2013 from fiscal year 2012 and \$24,000 during fiscal year 2012 from fiscal year 2011. The fiscal year 2013 decrease is primarily due to:

- Decreased member service charges (\$6.8 million); and
- Decreased other service charges (\$2.3 million); and
- Decreased energy sales (\$4.3 million); partially offset by:
- Increased other operating revenues by \$1.3 million.

The fiscal year 2012 decrease was primarily due to:

- A \$923,000 decrease in member service charges; and
- A \$545,000 decrease in other operating revenues; partially offset by:
- A \$1.4 million increase in other services charges; and

**Operating expenses** decreased by \$12.8 million or 10.0% during fiscal year 2013 primarily due to:

- Decreased solid waste operations (\$14.5 million); and
- Decreased distribution to SCRRA (\$1.4 million); and
- Decreased legal services – external (\$0.6 million); partially offset by:
- Increased closure and post-closure care of landfills by \$1.4 million; and
- Increased distributions to member towns by \$0.8 million; and
- Increased distributions to SWEROC by \$489,000; and
- Increased administrative and operational services by \$0.5 million.

Operating expenses decreased by \$16.3 million or 11.3% during fiscal year 2012 primarily due to:

- A \$20.7 million decrease in distribution to member towns; partially offset by:
- An increase of \$3.0 million in solid waste operations; and
- A \$1.4 million of distribution to SCRRA.

**Depreciation and amortization** decreased by \$1.2 million or 7.1% and \$1.8 million or 9.8% during fiscal years 2013 and 2012; respectively, as a result of various asset being fully depreciated.

**Non-operating revenues (expenses), net** increased by nearly \$1.0 million during fiscal year 2013 from fiscal year 2012 and decreased \$1.6 million during fiscal year 2012 from fiscal year 2011. The fiscal year 2013 increase is due to:

- Other income (expenses), net increased by \$1.1 million; partially offset by:
- Investment income decreased by \$53,000; and
- Interest expense decreased by \$230,000.



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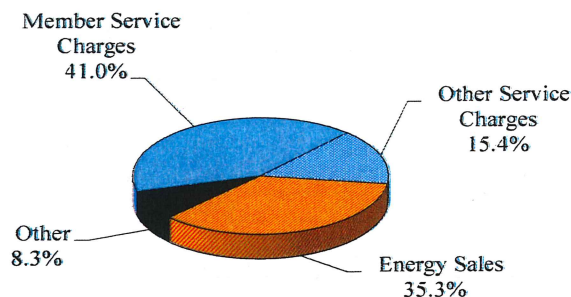
The fiscal year 2012 decrease was due to:

- Investment income decreased by \$114,000; partially offset by:
- Other income (expenses), net decreased by \$1.3 million; and
- Interest expense decreased by \$369,000.

**SUMMARY OF OPERATING REVENUES**

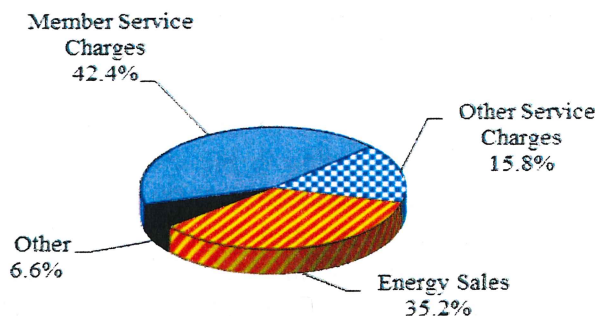
The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2013 and 2012:

**Fiscal Year 2013**



During fiscal year 2013 Solid Waste tipping fees (member service and other service charges) account for 56.4% of the Authority's operating revenues. Energy sales make up another 35.3% of operating revenues.

**Fiscal Year 2012**



During fiscal year 2012 Solid Waste tipping fees (member service and other service charges) account for 58.2% of the Authority's operating revenues. Energy sales make up another 35.2% of operating revenues.



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A summary of operating revenues and non-operating revenues, and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

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

	2013	2012	2013 Increase/ (Decrease) from 2012	2013 Percent Increase/ (Decrease)	2011	2012 Increase/ (Decrease) from 2011	2012 Percent Increase/ (Decrease)
<b>Operating Revenues:</b>							
Member service charges	\$ 49,145	\$ 55,966	\$ (6,821)	(12.2%)	\$ 56,889	\$ (923)	(1.6%)
Other service charges	18,512	20,860	(2,348)	(11.3%)	19,439	1,421	7.3%
Energy sales	42,261	46,547	(4,286)	(9.2%)	46,524	23	0.0%
Other operating revenues	9,948	8,670	1,278	14.7%	9,215	(545)	(5.9%)
<b>Total Operating Revenues</b>	<b>119,866</b>	<b>132,043</b>	<b>(12,177)</b>	<b>(9.2%)</b>	<b>132,067</b>	<b>(24)</b>	<b>(0.0%)</b>
<b>Non-Operating Revenues:</b>							
Investment income	139	192	(53)	(27.6%)	306	(114)	(37.3%)
Other income	67	560	(493)	(88.0%)	255	305	119.6%
<b>Total Non-Operating Revenues</b>	<b>206</b>	<b>752</b>	<b>(546)</b>	<b>(72.6%)</b>	<b>561</b>	<b>191</b>	<b>34.0%</b>
<b>Total Revenues</b>	<b>\$ 120,072</b>	<b>\$ 132,795</b>	<b>\$ (12,723)</b>	<b>(9.6%)</b>	<b>\$ 132,628</b>	<b>\$ 167</b>	<b>0.1%</b>

Overall, fiscal year 2013 total revenues decreased by \$12.7 million or 9.6% from fiscal year 2012. Fiscal year 2012 remained flat, increasing by \$167,000 or 0.1% from fiscal year 2011. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Member service charges decreased by \$6.8 million and \$923,000 in fiscal years 2013 and 2012; respectively. The fiscal year 2013 decrease is primarily due to the closure the Mid-Connecticut Project and expected lower member waste deliveries at the CSWS. The fiscal year 2012 decrease was primarily due to anticipated decrease in member deliveries at the Mid-Connecticut Project and SouthWest Division.
- Other service charges to both contract towns and spot waste haulers decreased by \$2.3 million in fiscal year 2013 primarily due to the closure of the Mid-Connecticut Project and expected lower non-member waste deliveries at the CSWS. During fiscal year 2012, other service charges to both contract towns and spot waste haulers increased \$1.4 million. This increase was primarily as a result of unexpected higher spot waste deliveries at the Mid-Connecticut Project that includes a slight increase in waste delivery settlements (the “waste settlements”) with various hauling companies for diversion of waste from the Mid-Connecticut Project.
- Energy sales decreased by \$4.3 million during fiscal year 2013. This occurred due to:
  - A decrease of \$7.6 million at the EGF due to lower electricity generated and contract rates; partially offset by:

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- An increase of \$1.4 million at the JTF as a result of the new energy agreement effective in June 2012; and
- An increase of \$1.2 million at the Southeast Project as a result of a slight increase in electricity rates less the impact of lower electricity generated.

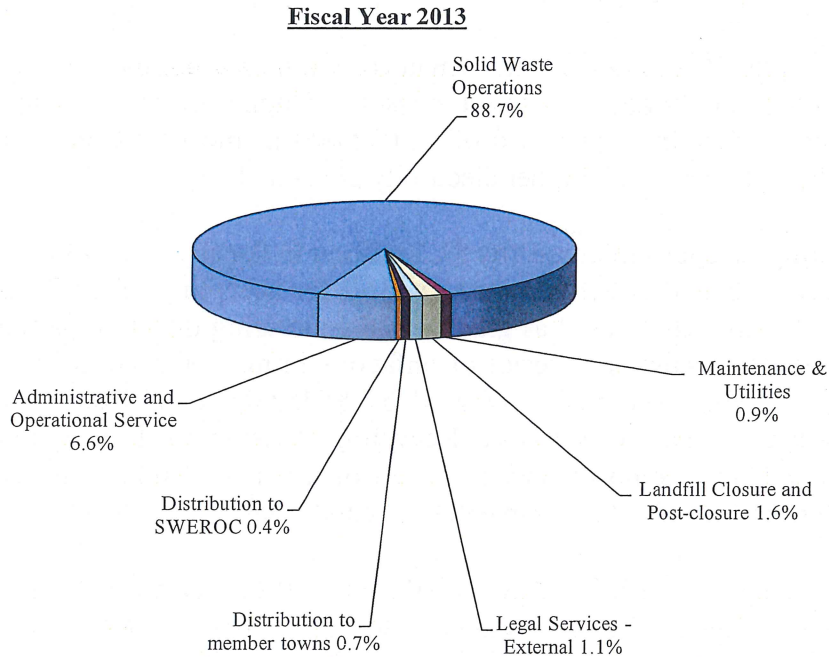
During fiscal year 2012, energy sales remained flat, increasing by \$23,000 due to an increase of \$1,075,000 at the Southeast Project a result of higher electricity generated and contract rates; partially offset by a decrease of \$1,052,000 at the Mid-Connecticut Project due to lower contract rates offset by higher electricity generated.

- Other operating revenues increased by \$1.3 million in fiscal year 2013 primarily as a result of soil revenues generated at the Hartford Landfill for accepting of CTDEEP approved soil at the Hartford Landfill to be used as grading and contouring material; partially offset by lower metal and recycling sales as a result of unfavorable market conditions. During fiscal year 2012, other operating revenues decreased by \$545,000 mainly due to decreased residual revenue share and rental income at the Recycling Division resulting upon the expiration of a contract between the Authority and its former operator, which is offset by higher metal and recycling sales as a result of favorable market conditions.
- Investment income for both fiscal years 2013 and 2012 remained flat, decreasing by \$53,000 from fiscal year 2012 and \$114,000 from fiscal year 2011; respectively. The decreases for both fiscal years are due to low cash balances and continued low interest rates.
- Other income of \$67,000 for fiscal year 2013 represents gains on sales of equipment and miscellaneous income. Other income of \$560,000 for fiscal year 2012 represents settlement income in association with one of the lawsuits at the Mid-Connecticut Project, gains on sales of equipment, and miscellaneous income.

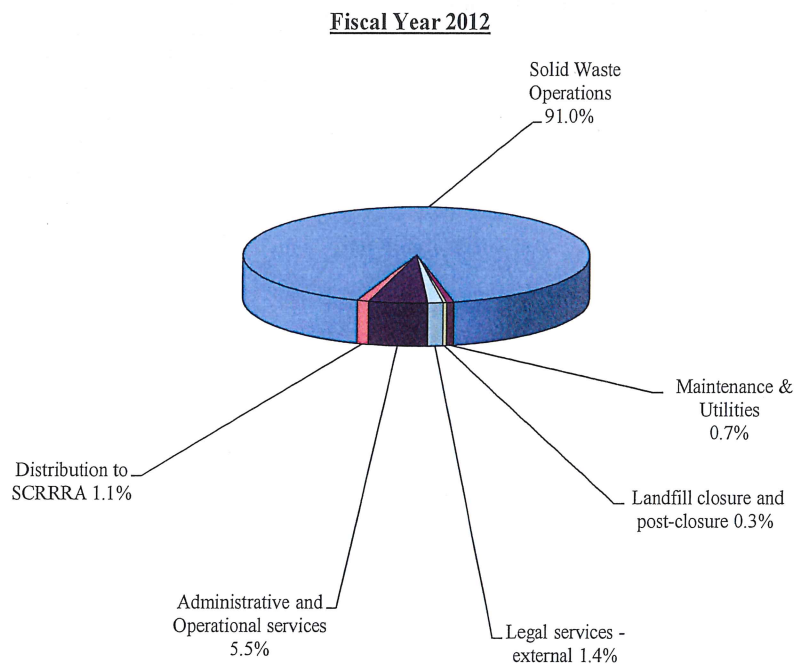
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**SUMMARY OF OPERATING EXPENSES**

The following charts show the major sources and the percentage of operating expenses for the fiscal years ended June 30, 2013 and 2012:



Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 88.7% of operating expenses in fiscal year 2013.



During fiscal year 2012, Solid Waste Operations accounted for 91.0% of operating expenses.



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A summary of operating expenses and non-operating expenses and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

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

	2013	2012	2013 Increase/ (Decrease) from 2012	2013 Percent Increase/ (Decrease)	2011	2012 Increase/ (Decrease) from 2011	2012 Percent Increase/ (Decrease)
Operating Expenses:							
Solid waste operations	\$ 102,110	\$ 116,261	\$ (14,151)	(12.2%)	\$ 113,219	\$ 3,042	2.7%
Maintenance and utilities	1,024	900	124	13.8%	1,237	(337)	(27.2%)
Landfill closure and post-closure	1,862	415	1,447	348.7%	214	201	93.9%
Legal services - external	1,209	1,803	(594)	(32.9%)	1,601	202	12.6%
Administrative and operational services	7,525	7,019	506	7.2%	7,194	(175)	(2.4%)
Distribution to member towns	810	-	810	100.0%	20,656	(20,656)	(100.0%)
Distribution to SWEROC	489	-	489	100.0%	-	-	-
Distribution to SCRRRA	-	1,401	(1,401)	(100.0%)	-	1,401	0.0%
Total Operating Expenses	115,029	127,799	(12,770)	(10.0%)	144,121	(16,322)	(11.3%)
Depreciation and amortization	15,085	16,242	(1,157)	(7.1%)	18,009	(1,767)	(9.8%)
Non-Operating Expenses:							
Interest expense	87	317	(230)	(72.6%)	686	(369)	(53.8%)
Other expenses	1,040	435	605	139.1%	1,489	(1,054)	(70.8%)
Total Non-Operating Expenses	1,127	752	375	49.9%	2,175	(1,423)	(65.4%)
Total Expenses	\$ 131,241	\$ 144,793	(13,552)	(9.4%)	\$ 164,305	\$ (19,512)	(11.9%)

The Authority's total expenses decreased by \$13.6 million or 9.4% between fiscal years 2013 and 2012. Fiscal year 2012 total expenses decreased by \$19.5 million or 11.9% from fiscal year 2011. Notable differences between the fiscal years include:

- Solid waste operations decreased by \$14.2 million from fiscal year 2012 to 2013. This occurred primarily due to the following:
  - Decreased ash and non-processible waste transportation and disposal services as a result of lower waste deliveries, lower payments in lieu of taxes (the "PILOT") resulting upon the expiration of the PILOT agreement, lower contract operating charges as a result of a new Operations and Management Agreement (the new "O & M Agreement") to operate the WPF, PBF, EGF, and TJF (the "facilities"), and lower transition costs for the new operator at the Mid-Connecticut Project; partially offset by:
  - Higher distribution of funds to SCRRRA for future expenses at the Southeast Project.
- Solid waste operations increased by \$3.0 million from fiscal year 2011 to 2012. This occurred primarily due to:
  - Greater ash and non-processible waste transportation and disposal services as a result of higher waste deliveries and unanticipated outages, increased PILOT, and transition costs for the new operator at the Mid-Connecticut Project; partially offset by lower contract operating charges resulting from the new O & M Agreement to operate the facilities; and

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- Higher distribution of funds to SCRRRA for future expenses at the Southeast Project; partially offset by:
- Decreased contract operating charges at the SouthWest Division due to lower member waste deliveries; and
- Decreased operating fee of recyclables at the Recycling Division as a result of the contract expiration with the Authority's former operator.
- Maintenance and utilities expenses remained flat, increasing by \$124,000 during fiscal year 2013 and decreasing by \$337,000 during fiscal year 2012.
- Landfill closure and post-closure care costs increased by \$1.4 million during fiscal year 2013. The fiscal year 2013 increase is primarily due to increased projected closure and post-closure costs at the Hartford Landfill; partially offset by decreased projected post-closure costs at the Shelton and Wallingford landfills. The increase at the Hartford Landfill is due to an increase in construction costs of the final phase of closure, and increased post-closure costs. The decreases at the Shelton and Wallingford landfills are due to the actual costs for fiscal year 2013 are lower than expected, plus a reduction in the projected cost of environmental monitoring. Landfill closure and post-closure care costs remained relatively flat, increasing by \$201,000 during fiscal year 2012.
- Legal services – external decreased by \$594,000 during fiscal year 2013 due to lower legal costs incurred in association with various legal matters. During fiscal year 2012, legal services – external remained relatively flat, increasing by \$202,000.
- Administrative and operational services increased by \$506,000 from fiscal year 2012 and decreased by \$175,000 from fiscal year 2011. The increase in fiscal year 2013 is due to a new methodology for the allocation of salaries and overhead costs associated with the SouthWest Division.
- Distribution to member towns increased by \$810,000 due to distribution of the remaining of Project surplus funds to the former Bridgeport and Wallingford Projects member towns during fiscal year 2013.
- Distribution to SWEROC increased by \$489,000. This increase is as a result of the expiration of the contract with the SWEROC.
- Distribution to SCRRRA decreased by \$1.4 million from fiscal year 2012. During fiscal year 2012, the Authority transferred \$1.4 million of Southeast Project surplus funds to SCRRRA for its future needs.
- Interest expense decreased by \$230,000 and \$369,000 during fiscal years 2013 and 2012; respectively, due to principal paydowns on outstanding bonds.
- Other expenses of \$1.0 million during fiscal year 2013 represents the write-off of various assets as a result of plant improvements, and trustee fees. Other expenses of \$435,000 during fiscal year 2012 represents the write-off of various assets as a result of equipment disposals, future use expense at the Shelton Landfill, and miscellaneous expenses.



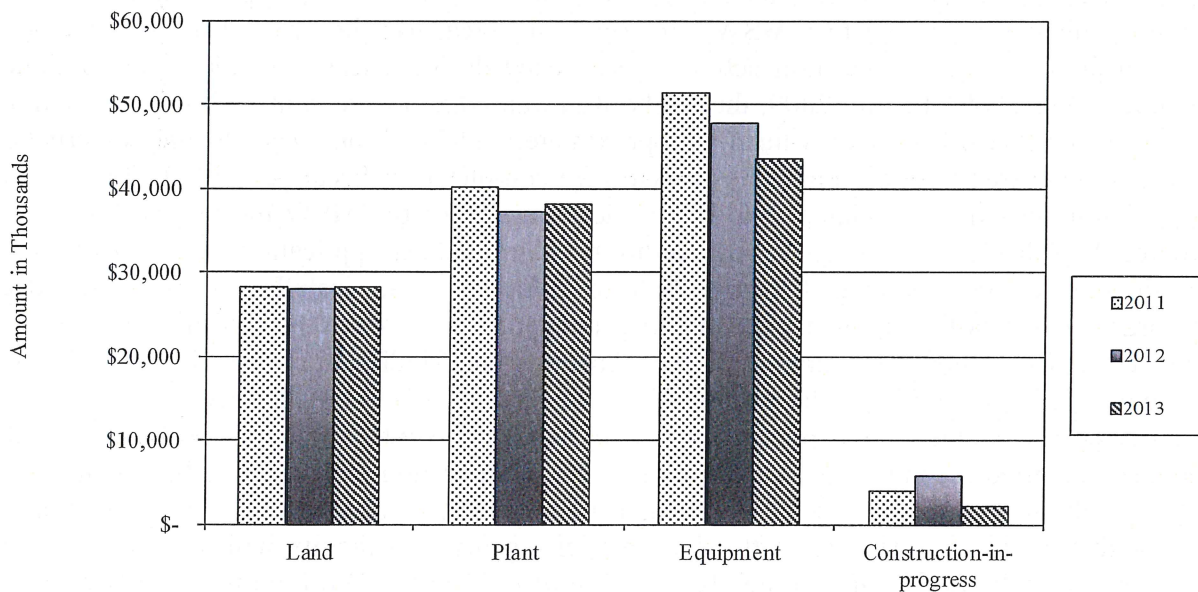
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**CAPITAL ASSETS**

The following table is a three year comparison of the Authority's investment in capital assets:

**Capital Assets**  
**(Net of Accumulated Depreciation)**  
**As of June 30,**  
**(In Thousands)**

	2011	2012	2013
Land	\$ 28,180	\$ 28,180	\$ 28,181
Plant	40,158	37,338	38,070
Equipment	51,242	47,924	43,531
Construction-in-progress	3,963	5,943	2,161
<b>Totals</b>	<b>\$ 123,543</b>	<b>\$ 119,385</b>	<b>\$ 111,943</b>



The Authority's investment in capital assets for its activities as of June 30, 2013 and 2012 totaled \$111.9 million and \$119.4 million; respectively (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, equipment, gas and steam turbines, land, landfills, roadways, rolling stock and vehicles.

The total fiscal year 2013 and 2012 decrease in the Authority's investment in capital assets is 6.2% and 3.4%, respectively. The fiscal year 2013 decrease is due to depreciation expense and the write-off of various assets; partially offset by equipment purchases, plant improvements, and CIP.

The fiscal year 2012 decrease was due to depreciation expense; partially offset by plant improvements, equipment purchases, and CIP.

Additional information on the Authority's capital assets can be found in Notes 1J and 3 on pages 31 and 36 of this report; respectively.

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## LANDFILL ACTIVITY

### Hartford Landfill

The Connecticut State Legislature approved legislation that provides \$13.0 million to the Authority for costs associated with the closure of the Hartford landfill, with \$3.0 million allocated in fiscal year 2008, and \$10.0 million allocated in fiscal year 2009. In March 2008, the State Bond Commission appropriated \$3.0 million. The Authority received the \$3.0 million in January 2009. In July 2010, the State Bond Commission appropriated another \$5.0 million. The Authority received the \$5.0 million in October 2010. Subsequent legislation was approved that reduced the amount reimbursable to the Authority to \$8.0 million, a reduction of \$5.0 million. Therefore, the Authority has received all of the money available to it (\$8.0 million) for costs associated with the closure of the Hartford Landfill.

In June and July 2007, the Authority awarded two closure construction contracts, one to cap approximately seven acres in the Phase 1 Ash Area, and the other to cap approximately 45 acres in the Municipal Solid Waste ("MSW")/Interim Ash Area, together valued at approximately \$15.0 million. These construction activities proceeded during fiscal year 2008 and continued into fiscal year 2009. In July 2009, the Authority awarded a closure contract for the remaining portion of the Phase I ash area valued at approximately \$2.5 million. The closure construction activities associated with the Phase I ash area were completed in fiscal year 2010. The closure construction activities associated with the 45 acre portion of the MSW/Interim ash area were completed in 2011. In July 2011, the Authority submitted an application to CTDEEP for a modification of the existing Closure Plan to allow for the installation of an exposed membrane/solar landfill cap over the remaining, uncapped, 35 acres of the landfill. In December 2011, CTDEEP issued an approval of the Closure Plan Modification, which approved two different exposed membrane/solar technologies. In March 2013, the Authority issued a request for proposals to cap the 35 uncapped acres with either of the two technologies. In June 2013, the Authority awarded a contract for the work to ET&L Corporation and selected the Closure Turf capping technology, which utilizes a 50mil Linear Low Density Polyethylene membrane overlain by a synthetic turf. A one megawatt solar electricity generation facility will be constructed on top of the synthetic turf in the southeastern section of the landfill. Work on the project began in July 2013 and the expected completion date of the Solar Electricity Generation portion of the project is December 2013, while the capping and closure of all 35 acres is expected to be complete in June 2014. It is expected that the Authority will receive certification of closure from CTDEEP for the entire landfill during the summer of 2014.



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**AUTHORITY RATES AND CHARGES**

During the months of January and February each year, as required under the various project bond resolutions, the Authority's Board of Directors approves the succeeding fiscal year tip fees for all of the projects except the Southeast Project, which is subject to approval by SCRRRA. The following table presents a history of the tip fees for each of the projects:

<b>TIP FEE HISTORY BY PROJECT</b>							
(Dollars charged per ton of solid waste delivered)							
Fiscal Year	Mid-Connecticut 1,2,3,7	CSWS <sup>8</sup>	Bridgeport <sup>4,5</sup>		SouthWest Division <sup>5</sup>	Wallingford <sup>6</sup>	Southeast
2001	\$50.00	\$0.00	\$60.00	\$7.00	N/A	\$56.00	\$58.00
2002	\$51.00	\$0.00	\$60.00	\$7.00	N/A	\$55.00	\$57.00
2003	\$57.00	\$0.00	\$62.00	\$7.00	N/A	\$55.00	\$57.00
2004	\$63.75	\$0.00	\$63.00	\$8.00	N/A	\$55.00	\$60.00
2005	\$70.00	\$0.00	\$64.50	\$8.00	N/A	\$56.00	\$60.00
2006	\$70.00	\$0.00	\$66.00	\$8.00	N/A	\$57.00	\$60.00
2007	\$69.00	\$0.00	\$70.00	\$8.00	N/A	\$58.00	\$60.00
2008	\$69/\$60.96	\$0.00	\$76.00	\$5.00	N/A	\$59.00	\$60.00
2009	\$72/\$62	\$0.00	\$80.00	\$18.50	\$63.00	\$60.00	\$60.00
2010	\$69/\$63	\$0.00	N/A	N/A	\$63.00	\$60.00	\$60.00
2011	\$69.00	\$0.00	N/A	N/A	\$64.16	N/A	\$60.00
2012	\$69.00	\$0.00	N/A	N/A	\$65.11	N/A	\$60.00
2013	\$69.00	\$60.50 - \$64.50 <sup>9</sup>	N/A	N/A	\$66.41	N/A	\$60.00

<sup>1</sup> On October 25, 2007, per court order, the Authority reduced the Mid-Connecticut Project tip fee for municipalities for the remainder of fiscal year 2008. The hauler's rate remained at \$69/ton for the entire year.

<sup>2</sup> The Mid-Connecticut Project tip fee was reduced to \$62.00 per ton for the period January 1 – June 30, 2009.

<sup>3</sup> On June 18, 2009, the Board of Directors authorized a \$6 per ton credit to the Mid-Connecticut Project tip fee.

<sup>4</sup> The Bridgeport Project charged a split rate: the first rate was for actual tons delivered and the second rate was based on the minimum commitment tonnage.

<sup>5</sup> Contracts with the towns within the Bridgeport Project expired on December 31, 2008. Many former Bridgeport Project towns entered into contracts with the Authority for disposal at the Bridgeport facility at a rate of \$63.00 per ton for the period beginning January 1, 2009.

<sup>6</sup> The Authority's operating contract with the Wallingford Project expired on June 30, 2010. The original Wallingford Project towns subsequently signed solid waste delivery agreements with the operator.

<sup>7</sup> For the period from July 1, 2012 - November 15, 2012.

<sup>8</sup> For the period from November 16, 2012 - June 30, 2013.

<sup>9</sup> Tier 1 Short-term: \$62.50; Tier 1 Long-term / Tier 3: \$60.50; Tier 2: \$64.50.

**LONG-TERM DEBT ISSUANCE, ADMINISTRATION AND CREDIT RATINGS**

As detailed in the table on the following page, as of the fiscal year ended June 30, 2013, the Authority had \$60.6 million of outstanding debt and is not carried on its books.

In December 2010, the Authority issued \$27.75 million of 2010 Series A Project Refunding Bonds as a conduit for the Southeast Project. This issuance refunded the Southeast Project's outstanding 1998 Series A Bonds and were additionally secured by the Special Capital Reserve Fund ("SCRFF") of the State. The SCRFF is a contingent liability of the State available to replenish any debt service reserve fund draws on bonds that have the SCRFF designation. The funds used to replenish a debt service reserve draw are provided by the State's General Fund and



**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

are deemed appropriated by the Connecticut legislature. Based on the contractual arrangements, the 2010 Series A Bonds are not carried on the Authority's books.

The Authority previously served as conduit issuer on \$43.5 million of bonds for the Southeast Project in connection with the Covanta Southeastern Connecticut Company, which are not carried on the Authority's books.

The current ratings of the Authority's outstanding bonds reflect the upheaval in the credit markets following the sub-prime mortgage crisis of 2007 and 2008 and the subsequent recalibration of municipal bond ratings by the major rating agencies.

Additional information on the Authority's long-term debt can be found in Note 4 on pages 35 - 36 of this report.

**STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2013**

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	X= SCRF- Backed <sup>1</sup>	Dated	Maturity Date	Original Principal (\$000)	Principal Outstanding (\$000)	On Authority's Books (\$000)
<b>SOUTHEAST PROJECT</b>								
2010 Series A - Project Refunding <sup>2</sup>	Aa3	AA	X	12/02/10	11/15/15	27,750	17,100	-
<b>CORPORATE CREDIT REVENUE BONDS</b>								
1992 Series A - Corporate Credit	Ba1	NR	--	09/01/92	11/15/22	30,000	30,000	-
2001 Series A - Covanta Southeastern Connecticut Company-I	Ba1	NR	--	11/15/01	11/15/15	6,750	6,750	-
2001 Series A - Covanta Southeastern Connecticut Company-II	Ba1	NR	--	11/15/01	11/15/15	6,750	6,750	-
<b>TOTAL PRINCIPAL BONDS OUTSTANDING</b>							<u>60,600</u>	<u>-</u>

<sup>1</sup> SCRF = Special Capital Reserve Fund of the State of Connecticut.

<sup>2</sup> The 2010 Series A Bonds refunded the 1998 Series A Bonds originally issued in the amount of \$87,650,000 on August 18, 1998.

NR = Not Rated

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Accounting and Financial Reporting, 100 Constitution Plaza – 6<sup>th</sup> Floor, Hartford, CT 06103.

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**

A Component Unit of the State of Connecticut

**BALANCE SHEETS**

AS OF JUNE 30, 2013 AND 2012

(Dollars in Thousands)

EXHIBIT I

Page 1 of 2

<b>ASSETS</b>	<b>2013</b>	2012
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 87,559	\$ 76,331
Accounts receivable, net of allowances	17,073	14,009
Inventory	6,544	6,370
Prepaid expenses	355	4,450
Total Unrestricted Assets	<u>111,531</u>	<u>101,160</u>
Restricted Assets:		
Cash and cash equivalents	6,705	22,875
Total Restricted Assets	<u>6,705</u>	<u>22,875</u>
<b>TOTAL CURRENT ASSETS</b>	<u>118,236</u>	<u>124,035</u>
<b>NON-CURRENT ASSETS</b>		
Restricted investments	8,184	8,177
Capital Assets:		
Depreciable, net	81,601	85,262
Nondepreciable	30,342	34,123
Development and bond issuance costs, net	1,177	1,576
<b>TOTAL NON-CURRENT ASSETS</b>	<u>121,304</u>	<u>129,138</u>
<b>TOTAL ASSETS</b>	<u>\$ 239,540</u>	<u>\$ 253,173</u>

The accompanying notes are an integral part of these financial statements

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**BALANCE SHEETS (Continued)**  
**AS OF JUNE 30, 2013 AND 2012**  
**(Dollars in Thousands)**

**EXHIBIT I**  
**Page 2 of 2**

	2013	2012
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Payable from unrestricted assets:		
Closure and post-closure care of landfills	14,214	1,330
Accounts payable	4,311	1,658
Accrued expenses and other current liabilities	13,535	4,804
Total payable from unrestricted assets	32,060	7,792
Payable from restricted assets:		
Bonds payable, net	-	4,135
Closure and post-closure care of landfills	-	1,298
Accounts payable	33	850
Accrued expenses and other current liabilities	2,837	11,701
Total payable from restricted assets	2,870	17,984
<b>TOTAL CURRENT LIABILITIES</b>	<b>34,930</b>	<b>25,776</b>
<b>LONG-TERM LIABILITIES</b>		
Payable from unrestricted assets:		
Closure and post-closure care of landfills	27,695	39,213
Other liabilities	3,500	3,500
Total payable from unrestricted assets	31,195	42,713
Payable from restricted assets:		
Closure and post-closure care of landfills	7,367	7,359
Other liabilities	716	824
Total payable from restricted assets	8,083	8,183
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>39,278</b>	<b>50,896</b>
<b>TOTAL LIABILITIES</b>	<b>74,208</b>	<b>76,672</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	111,943	116,348
Restricted for:		
Energy generating facility	1,646	1,516
Montville landfill post-closure	1,026	680
DEEP trust - landfills	817	818
Shelton landfill future use	701	700
Covanta Wallingford escrow	500	500
Other restricted net position	225	135
City of Hartford Recycling education fund	143	189
Revenue fund	-	2,408
Equipment replacement	-	1,504
Operating and maintenance	-	1,504
Select Energy escrow	-	1,000
Debt service funds	-	96
Total Restricted	5,058	11,050
Unrestricted	48,331	49,103
<b>TOTAL NET POSITION</b>	<b>165,332</b>	<b>176,501</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 239,540</b>	<b>\$ 253,173</b>

The accompanying notes are an integral part of these financial statements

## CONNECTICUT RESOURCES RECOVERY AUTHORITY

## EXHIBIT II

A Component Unit of the State of Connecticut  
**STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**  
 (Dollars in Thousands)

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Service charges:		
Members	\$ 49,145	\$ 55,966
Others	18,512	20,860
Energy sales	42,261	46,547
Other operating revenues	9,948	8,670
<b>Total Operating Revenues</b>	<u>119,866</u>	<u>132,043</u>
<b>Operating Expenses</b>		
Solid waste operations	102,110	116,261
Depreciation and amortization	15,085	16,242
Maintenance and utilities	1,024	900
Closure and post-closure care of landfills	1,862	415
Legal services - external	1,209	1,803
Administrative and Operational services	7,525	7,019
Distribution to member towns	810	-
Distribution to SWEROC	489	-
Distribution to SCRRA	-	1,401
<b>Total Operating Expenses</b>	<u>130,114</u>	<u>144,041</u>
<b>Operating Loss</b>	<b>(10,248)</b>	<b>(11,998)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	139	192
Other income (expenses), net	(973)	125
Interest expense	(87)	(317)
<b>Non-Operating Expenses, Net</b>	<u>(921)</u>	<u>-</u>
<b>Change in Net Position</b>	<b>(11,169)</b>	<b>(11,998)</b>
<b>Total Net Position, beginning of year</b>	<u>176,501</u>	<u>188,499</u>
<b>Total Net Position, end of year</b>	<u>\$ 165,332</u>	<u>\$ 176,501</u>

The accompanying notes are an integral part of these financial statements



**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**  
**(Dollars in Thousands)**

**EXHIBIT III**

	2013	2012
<b>Cash Flows Provided (Used) by Operating Activities</b>		
Payments received from providing services	\$ 117,354	\$ 136,561
Payments to suppliers for goods and services	(104,018)	(129,867)
Payments to employees for services	(2,841)	(4,384)
Distribution to member towns	(810)	-
Distribution to SWEROC	(489)	-
Distribution to SCRRRA	-	(1,401)
Net Cash Provided by Operating Activities	9,196	909
<b>Cash Flows Provided (Used) by Investing Activities</b>		
Interest on investments	145	197
Purchases of investments	-	(7,357)
Net Cash Provided (Used) by Investing Activities	145	(7,160)
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities</b>		
Proceeds from sales of equipment	49	54
Payments for landfill closure and post-closure care liabilities	(1,786)	(1,891)
Acquisition and construction of capital assets	(8,287)	(11,793)
Interest paid on long-term debt	(113)	(335)
Principal paid on long-term debt	(4,135)	(3,915)
Net Cash Used by Capital and Related Financing Activities	(14,272)	(17,880)
<b>Cash Flows Used by Non-Capital Financing Activities</b>		
Other interest and fees	(11)	(13)
Net Cash Used by Non-Capital Financing Activities	(11)	(13)
<b>Net decrease in cash and cash equivalents</b>	(4,942)	(24,144)
<b>Cash and cash equivalents, beginning of year</b>	99,206	123,350
<b>Cash and cash equivalents, end of year</b>	\$ 94,264	\$ 99,206
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>		
Operating loss	\$ (10,248)	\$ (11,998)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation of capital assets	14,685	15,835
Amortization of development and bond issuance costs	400	407
Provision for closure and post-closure care of landfills	1,862	415
Other income (expenses)	18	197
Changes in assets and liabilities, net of transfers:		
(Increase) decrease in:		
Accounts receivable, net	(3,064)	3,519
Inventory	(174)	(2,397)
Prepaid expenses and other current assets	4,095	(3,564)
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	1,622	(1,505)
<b>Net Cash Provided by Operating Activities</b>	\$ 9,196	\$ 909

The accompanying notes are an integral part of these financial statements

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

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**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Entity and Services**

The Connecticut Resources Recovery Authority (the "Authority") is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (the "State") and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2013, the Authority is authorized to have a board consisting of eleven directors and eight ad-hoc members. The Governor of the State appoints three directors and all eight ad-hoc members. The remaining eight directors are appointed by various state legislative leaders. All appointments require the advice and consent of both houses of the General Assembly.

The State Treasurer continues to approve the issuance of all Authority bonds and notes. The State is contingently liable to restore deficiencies in debt service reserves established for certain Authority bonds. The Authority has no taxing power.

The Authority has responsibility for implementing solid waste disposal and resources recovery systems and facilities throughout the State in accordance with the State Solid Waste Management Plan. To accomplish its purposes, the Authority is empowered to determine the location of and construct solid waste management projects, to own, operate and maintain waste management projects, or to make provisions for operation and maintenance by contracting with private industry. The Authority is required to be self-sufficient in its operation in order to cover the cost of fulfilling the Authority's mission.

The Authority is comprised of two comprehensive solid waste disposal systems: Connecticut Solid Waste System (the "CSWS") and Southeast Project, four divisions: Property Division, SouthWest Division, Landfill Division, and Recycling Division (South Unit), a General Fund, and three inactive projects: Bridgeport Project, Mid-Connecticut Project, and Wallingford Project. Each of the operating systems has a unique legal, contractual, financial, and operational structure described as follows:

**CSWS**

Fifty one of the former Mid-Connecticut Project towns have signed the new Municipal Service Agreement (the "MSA") with the Authority's CSWS effective November 16, 2012 to provide waste disposal; and, in some cases, recycling services, with terms ranging from three to fifteen years. In addition to these towns, dozens of private haulers throughout the Central Connecticut Region have signed contracts with the CSWS. On and after November 15, 2012, the Authority continues to own and operate its system of facilities, free and clear of all debt, and all revenues continue to accrue to the Authority.

**Southeast Project**

The Southeast Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The Southeast Project provides solid waste disposal services to 12 Connecticut municipalities in the eastern portion of the State through service contract arrangements. The initial contracts with the municipalities begin to expire in November 2015. The Authority owns the Resources Recovery Facility. It is leased to a private vendor under a long-term lease. The private vendor has beneficial ownership of the facility



**Connecticut Resources Recovery Authority**  
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through this arrangement. The vendor is obligated to operate and maintain the facility and service the debt. The Authority derives its revenues from service fees charged to participating municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor with certain contractually prescribed credits payable to the Authority for these revenue types.

**Property Division**

The Property Division was created on January 1, 2009, following the expiration of the Bridgeport Project on December 31, 2008 and the simultaneous maturity of the Authority's bonds that had been issued to finance the construction of the Bridgeport Project. The Authority was the owner and holder of several funds, assets, and liabilities, including numerous landfill post-closure reserves related to the former Bridgeport Project, the Shelton transfer station, and the Garbage Museum (located in Stratford). As these assets and liabilities were no longer project-specific, the Authority created the Property Division to reflect their status. On July 1, 2010, the Authority transferred similar assets, liabilities, and related net position associated with the Wallingford Project following the expiration of that Project on June 30, 2010. In addition, certain assets, liabilities, and net position related to the Mid-Connecticut Project were transferred to the Property Division following the closure of the Mid-Connecticut Project on November 15, 2012.

**SouthWest Division**

The Authority provides disposal services to 12 of the former 20 Bridgeport Project towns for disposal at the Wheelabrator facility located in Bridgeport. On December 31, 2008, the Authority and Wheelabrator Bridgeport entered into a First Amendment and Renewal of Site Lease; whereby Wheelabrator Bridgeport purchased the Authority's nominal interest in the Facility.

**Landfill Division**

The Landfill Division was created during fiscal year 2012 to account for specific costs associated with post-closure reserves for the Shelton, Waterbury, and Wallingford landfills. As a result, certain assets; liabilities; and net position previously reported in the Property Division were transferred into the Landfill Division. Following the expiration of the Mid-Connecticut Project, the Ellington and Hartford landfills also became part of the Landfill Division.

**Recycling Division**

A new division called the Recycling Division was created during fiscal year 2012 to account for the Stratford recycling activity that was originally part of the Bridgeport Project. As a result, certain assets, liabilities, and net position related to the Stratford recycling, which was previously reported in the Property Division following the closure of the Bridgeport Project, were transferred to the Recycling Division.

**General Fund**

The Authority has a General Fund in which the costs of central overall expenditures are accumulated. These costs were historically allocated to the Authority's projects primarily based on time expended. Effective fiscal year 2010, these costs are allocated to the Authority's projects primarily based on a weighting of assets, revenues, number of towns, and tonnage deliveries, in order to be more indicative of cost causation.

**Mid-Connecticut Project**

The Mid-Connecticut Project consisted of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill, and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provided solid waste disposal and recycling services to 70 Connecticut municipalities through service contract arrangements. The Authority owns the

# **Connecticut Resources Recovery Authority**

## **A Component Unit of the State of Connecticut**

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Resources Recovery Facility, the transfer stations, the Ellington Landfill, and the Regional Recycling Center. The Authority leased the land for the Essex transfer station. The Authority controlled the Hartford Landfill under a long-term lease with the City of Hartford. The Hartford Landfill was closed as of December 31, 2008. Private vendors, under various operating contracts, conducted operation of the facilities. All revenue generated by the facilities accrued to the Authority. Certain operating contracts had provisions for revenue sharing with a vendor if prescribed operating parameters were achieved. The Authority had responsibility for all debt issued in the development of the Mid-Connecticut system, which has been paid-off as of November 15, 2012.

The Authority's contracts with the municipalities ended on November 15, 2012. On November 16, 2012, certain assets, including inventories, liabilities, and net position were transferred to the Authority's CSWS, Property Division, and Landfill Division to be used for payment of the current and projected liabilities of the Mid-Connecticut Project, and future obligations of the Ellington and Hartford landfills post-closure care costs.

### **Bridgeport Project**

The Authority's contract with the Bridgeport Project's municipalities ended on December 31, 2008, as did the Authority's agreement with the Bridgeport Project's operator. As a result, the Bridgeport Project is no longer accepting solid waste and has effectively ceased operations. The Authority executed a new five-and-a-half-year service agreement with an operator, commencing on January 1, 2009, for the disposal of approximately 265,000 tons of municipal solid waste ("MSW") annually from 12 of the Project's municipalities. These Bridgeport Project municipalities have signed service agreements with the Authority's SouthWest Division for waste deliveries beginning on January 1, 2009.

### **Wallingford Project**

The Authority's contract with the Wallingford Project's municipalities ended on June 30, 2010. The operating contract between the Authority and the Wallingford Project also expired on June 30, 2010. The contract had a provision; whereby the Authority could exercise an option to purchase the facility under certain conditions when the contract ended. The Authority did not exercise its option to purchase and the vendor now owns the Facility. The Authority retained the right to deliver 25,000 tons per year of solid waste. The five original Wallingford Project towns signed agreements with the vendor and continue to deliver their solid waste to the Facility.

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

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

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

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

The Authority's financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Interest on revenue bonds, used to finance the construction of certain asset, is



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capitalized during the construction period, net of interest earned on the investment of unexpended bond proceeds.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. The principal operating revenues of the Authority are charges to customers for user services and sales of electricity. Operating expenses include the cost of solid waste operations, maintenance and utilities, closure and post-closure care of landfills, administrative expenses, distribution to member towns and/or other, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Estimates**

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

**D. Cash and Cash Equivalents**

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

**E. Accounts Receivable, Net**

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not

expected to be collected of \$632,000 at June 30, 2013 and \$468,000 at June 30, 2012.

**F. Inventory**

The Authority's spare parts inventory is stated at the lower of cost or market using the weighted-average cost method. The Authority's fuel inventory is stated at the lower of cost or market using the FIFO method. Inventories at June 30, 2013 and 2012 are summarized as follows:

Inventories	Fiscal Year	
	2013 (\$000)	2012 (\$000)
Spare Parts	\$ 5,323	\$ 5,390
Fuel	1,221	980
Total	\$ 6,544	\$ 6,370

**G. Investments**

Investments are stated at fair value. Gains or losses on sales of investments are determined using the specific identification method.

Interest on investments is recorded as revenue in the year the interest is earned, unless capitalized as an offset to capitalized interest expense on assets acquired with tax-exempt debt.

**H. Restricted Assets**

Under provisions of various bond indentures and certain other agreements, restricted assets are used for debt service, special capital reserve funds and other debt service reserve funds, development, construction and operating costs.

**I. Development and Bonds Issuance Costs**

Costs incurred during the development stage of an Authority project, including, but not limited to, initial planning and permitting, and bond issuance costs are capitalized. When the project begins commercial operation, the development costs are amortized using the straight-line method over the estimated life of the project.

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

Bond issuance costs are amortized over the life of the related bond issue using the straight-line method.

At June 30, 2013 and 2012, development and bond issuance costs for the projects are as follows:

<b>Southeast Development Costs</b>	<u>Fiscal Year</u>	
	<u>2013</u>	<u>2012</u>
	<u>(\$000)</u>	<u>(\$000)</u>
Development Costs	10,006	10,006
Less accumulated amortization	<u>8,829</u>	<u>8,438</u>
Total development costs, net	<u>1,177</u>	<u>1,568</u>
<b>Mid-Connecticut Bond Issuance Costs</b>		
Bond Issuance Costs	239	239
Less accumulated amortization	<u>239</u>	<u>231</u>
Total bond issuance costs, net	<u>\$ -</u>	<u>\$ 8</u>
Totals, net	<u>\$ 1,177</u>	<u>\$ 1,576</u>

A summary of future amortization for development is as follows:

<u>Fiscal year ending June 30,</u>	<u>Southeast (\$000)</u>
2014	392
2015	392
2016	<u>393</u>
Total	<u>\$ 1,177</u>

**J. Capital Assets**

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

are based on the estimated years of available disposal capacity. The estimated useful lives of other capital assets are as follows:

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

The Authority's capitalization threshold for property, plant, and equipment and for office furniture and equipment is \$5,000 and \$1,000, respectively. Improvements, renewals, and significant repairs that extend the useful life of a capital asset are capitalized; other repairs and maintenance costs are expensed as incurred. When capital assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any related gains or losses are recorded.

The Authority reviews its long-lived assets used in operations for impairment when there is an event or change in circumstances that indicates impairment in value. The Authority records impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Authority does not expect to recover its carrying costs on properties held for use, the Authority reduces its carrying cost to fair value, and for properties held for sale, the Authority reduces its carrying value to the fair value less costs to sell. During the fiscal years ended June 30, 2013 and 2012, no impairment losses were recognized. Management does not believe that the value of its properties is impaired as of June 30, 2013.



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**K. Compensated Absences**

The Authority's liability for vested accumulated unpaid vacation and personal amounts is included in accrued expenses and other current liabilities in the accompanying balance sheet. As of July 1, 2012, accumulated vacation and personal time earned is \$475,000, plus an addition and a reduction during fiscal year 2013 of \$141,000 and \$288,000; respectively. As of July 1, 2011, accumulated vacation and personal time earned was \$409,000, plus an addition and a reduction of \$68,000 and \$2,000 during fiscal year 2012; respectively.

Accumulated vacation and personal time earned and not paid at June 30, 2013 and 2012 was \$328,000 and \$475,000; respectively.

**L. Net Position**

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net position may be divided into designated and undesignated portions. Designated net position represent the Authority's self-imposed limitations on the use of otherwise unrestricted net position. Unrestricted net position has been designated by the Board of Directors of the Authority for various purposes. Such designations totaled \$22.3 million and \$34.9 million as of June 30, 2013 and 2012, respectively. Unrestricted net position at June 30, 2013 and 2012 are summarized as follows:

Unrestricted Net Position	2013 (\$000)	2012 (\$000)
Undesignated	\$ 26,019	\$ 14,251
Designated:		
Non-GASB #18 post-closure	4,115	7,628
Future loss contingencies	8,647	12,262
Capital expenditures	3,130	-
Facility modifications	-	6,351
Litigation reserve	3,135	2,358
Transition costs	1,750	2,029
Rolling stock	-	1,033
Recycling	189	678
Recycling Education solid waste initiative reserve	-	500
Enron litigation expense	438	459
Post-project closure	179	1,053
Project-closure	433	117
Landfill development	296	296
South Meadows site remediation	-	88
	<u>22,312</u>	<u>34,852</u>
Total Unrestricted Net Position	<u>\$ 48,331</u>	<u>\$ 49,103</u>

Restrictions of net position are limited to outside third party restrictions and represent the net position that has been legally identified for specific purposes. Restricted net position totaled \$5.1 million and \$11.1 million as of June 30, 2013 and 2012, respectively.

As of June 30, 2013 and 2012, the Authority has no restricted net position that is restricted by enabling legislation.

**M. New Accounting Pronouncements**

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net



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position in a statement of financial position and related disclosures.

The Authority fully adopted GASB Statements No. 62 and No. 63 as of July 1, 2012, and there was no significant impact to the financial statements.

**2. CASH DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following as of June 30, 2013 and 2012:

Cash and Cash Equivalents	2013 (\$000)	2012 (\$000)
Unrestricted:		
Cash deposits	\$ 3,342	\$ 1,326
Cash equivalents:		
STIF *	84,217	75,005
	<u>87,559</u>	<u>76,331</u>
Restricted – current:		
Cash deposits	630	3,628
Cash equivalents:		
STIF *	6,075	18,106
Money Market Funds	-	1,141
	<u>6,705</u>	<u>22,875</u>
Restricted – non-current:		
Cash equivalents:		
U.S. Treasuries	8,184	-
	<u>8,184</u>	<u>-</u>
<b>Total</b>	<u>\$102,448</u>	<u>\$ 99,206</u>

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

**A. Cash Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's investment policy does not have a deposit policy for custodial credit risk.

As of June 30, 2013 and 2012, approximately \$2.2 million and \$2.3 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2013 (\$000)	2012 (\$000)
Uninsured and Uncollateralized	\$ 1,888	\$ 1,941
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	<u>350</u>	<u>406</u>
<b>Total</b>	<u>\$2,238</u>	<u>\$2,347</u>

All of the Authority's deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments in the Short-Term Investment Fund ("STIF"), U.S. Treasuries, and Money Market Funds as of June 30, 2013 and 2012 are included in cash and cash equivalents in the accompanying balance sheet. For purposes of disclosure under GASB Statement No. 40, such amounts are considered investments and are included in the investment disclosures that follow.

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**B. Investments**

**Interest Rate Risk**

As of June 30, 2013, the Authority's investments consisted of the following debt securities:

Investment Type	Fair Value (\$000)	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
STIF	\$ 90,292	\$ 90,292	\$ -	\$ -	\$ -
U.S. Treasuries	8,184	8,184	-	-	-
<b>Total</b>	<b>\$ 98,476</b>	<b>\$ 98,476</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

As of June 30, 2012, the Authority's investments consisted of the following debt securities:

Investment Type	Fair Value (\$000)	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
STIF	\$ 93,111	\$ 93,111	\$ -	\$ -	\$ -
U.S. Treasuries	8,177	8,177	-	-	-
<b>Total</b>	<b>\$101,288</b>	<b>\$101,288</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly, and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares. As of June 30, 2013 and 2012, STIF had a weighted average maturity of 45 days and 31 days; respectively. The U.S. Treasury Securities are U.S. Treasury Bills that had 90-day and 180-day maturities as of June 30, 2013 and 2012, respectively. The Money Market Funds invest exclusively in short-term U.S. Treasury

obligations and repurchase agreements secured by U.S. Treasury obligations. This fund complies with Securities and Exchange Commission regulations regarding money market fund maturities, which requires that the weighted average maturity be 90 days or less. As of June 30, 2013, the weighted average maturity of this fund was 45 days.

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

**Credit Risk**

The Authority's investment policy delineates the investment of funds in securities as authorized and defined within the bond resolutions governing the Southeast Projects for those funds established under the bond resolution and held in trust by the Authority's trustee. For all other funds, Connecticut state statutes permit the Authority to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

As of June 30, 2013, the Authority's investments, other than U.S. Treasuries, were rated as follows:

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Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service Not Rated	Fitch Ratings Not Rated
STIF	\$ 90,292	AAAm	Not Rated	Not Rated

As of June 30, 2012, the Authority's investments, other than U.S. Treasuries, were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service Not Rated	Fitch Ratings Not Rated
STIF	\$ 90,649	AAAm	Not Rated	Not Rated
Money Market Funds	\$ 1,141	AAAm	Aaa	AAAmmf

**Custodial Credit Risk**

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

risk disclosures. The STIF is not subject to regulatory oversight nor is it registered with the Securities and Exchange Commission as an investment company.

**Concentration of Credit Risk**

The Authority's investment policy places no limit on the amount of investment in any one issuer, but does require diversity of the investment portfolio if investments are made in non-U.S. government or U.S. agency securities to eliminate the risk of loss of over-concentration of assets in a specific class of security, a specific maturity and/or a specific issuer. The asset allocation of the investment portfolio should, however, be flexible enough to assure adequate liquidity for Authority needs. As of June 30, 2013 and 2012, approximately 91.7% and 90.9%, respectively, of the Authority's investments are in the STIF, which is rated in the highest rating category by Standard & Poor's and provides daily liquidity, thereby satisfying the primary objectives of the Authority's investment policy.



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**3. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended June 30, 2012 and 2013:

	Balance at June 30, 2011 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2012 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2013 (\$000)
<b>Depreciable assets:</b>									
Plant	\$ 189,016	\$ 407	\$ 3,031	\$ (274)	\$ 192,180	13	\$ 7,937	\$ (4,563)	\$ 195,566
Equipment	222,921	1,265	5,122	(787)	228,521	262	3,842	(801)	231,825
Total at cost	<u>411,937</u>	<u>1,672</u>	<u>8,153</u>	<u>(1,061)</u>	<u>420,701</u>	<u>275</u>	<u>11,779</u>	<u>(5,364)</u>	<u>427,391</u>
<b>Less accumulated depreciation for:</b>									
Plant	(148,858)	(6,192)	-	208	(154,842)	(6,323)	125	3,545	(157,496)
Equipment	(171,679)	(9,643)	-	725	(180,597)	(8,486)	\$ -	\$ 789	(188,294)
Total accumulated depreciation	<u>(320,537)</u>	<u>(15,835)</u>	<u>-</u>	<u>933</u>	<u>(335,439)</u>	<u>(14,809)</u>	<u>125</u>	<u>4,334</u>	<u>(345,790)</u>
Total depreciable assets, net	<u>\$ 91,400</u>	<u>\$ (14,163)</u>	<u>\$ 8,153</u>	<u>\$ (128)</u>	<u>\$ 85,262</u>	<u>\$ (14,535)</u>	<u>\$ 11,904</u>	<u>\$ (1,030)</u>	<u>\$ 81,601</u>
<b>Nondepreciable assets:</b>									
Land	\$ 28,180	\$ -	\$ -	\$ -	\$ 28,180	\$ -	\$ -	\$ -	\$ 28,181
Construction-in-progress	3,963	10,133	(8,153)	-	5,943	8,012	(11,795)	-	2,161
Total nondepreciable assets	<u>\$ 32,143</u>	<u>\$ 10,133</u>	<u>\$ (8,153)</u>	<u>\$ -</u>	<u>\$ 34,123</u>	<u>\$ 8,012</u>	<u>\$ (11,795)</u>	<u>\$ -</u>	<u>\$ 30,342</u>
Total depreciable and nondepreciable assets	<u>\$ 123,543</u>	<u>\$ (4,030)</u>	<u>\$ -</u>	<u>\$ (128)</u>	<u>\$ 119,385</u>	<u>\$ (6,522)</u>	<u>\$ 109</u>	<u>\$ (1,030)</u>	<u>\$ 111,943</u>

Interest is capitalized on assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested debt proceeds over the same period. During fiscal years 2013 and 2012, there was no capitalized interest as there was no new external borrowing.

**4. LONG-TERM DEBT**

The principal long-term obligations of the Authority are special obligation revenue bonds issued to finance the design, development, and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts, and monies pledged in the respective bond indentures.

The following is a summary of changes in bonds payable for the years ended June 30, 2012 and 2013:

	Balance at July 1, 2011 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2012 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2013 (\$000)
Bonds Payable							
Bonds payable - principal	\$ 8,049	\$ -	\$ (3,914)	\$ 4,135	\$ -	\$ (4,135)	\$ -
Unamortized amounts:							
Premiums	-	-	-	-	-	-	-
Deferred amount on refunding	(11)	-	11	-	-	-	-
Total bonds payable	<u>\$ 8,038</u>	<u>\$ -</u>	<u>\$ (3,903)</u>	<u>\$ 4,135</u>	<u>\$ -</u>	<u>\$ (4,135)</u>	<u>\$ -</u>

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On November 15, 2012, the Authority paid the outstanding balance on the Mid-Connecticut 1996 Series A – Project Refinancing bonds, which totaled \$4,135,000.

Certain of the Authority’s bonds are secured by special capital reserve funds. Each fund is equal to the highest annual amount of debt service remaining on the issue. The State is contingently liable to restore any deficiencies that exist in these funds in the event that the Authority must draw from the fund. Bond principal amounts recorded as long-term debt at June 30, 2013 and 2012, which are backed by special capital reserve funds, are as follows:

Project	2013 (\$000)	2012 (\$000)
Mid-Connecticut	\$ -	\$ 4,135
Total	<u>\$ -</u>	<u>\$ 4,135</u>

These special capital reserve funds are presented as net position, restricted for debt service reserve funds on the Authority’s balance sheet.

**5. LONG-TERM LIABILITIES FOR CLOSURE AND POST-CLOSURE CARE OF LANDFILLS**

Federal, State and local regulations require the Authority to place final cover on its landfills when it stops accepting waste (including ash) and to perform certain maintenance and

monitoring functions for periods that may extend to thirty years after closure.

GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs," applies to closure and post-closure care costs that are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority estimates its liability for these closure and post-closure care costs and records any increases or decreases to the liability as an operating expense. For landfills presently open, such estimate is based on landfill capacity used as of the balance sheet date. The liability for these costs is reduced when the costs are actually paid, which is generally after the landfill is closed.

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation. The closure and post-closure care liabilities including the amounts paid and accrued for fiscal 2012 and 2013 for the landfills, are presented in the following table:

Landfill	Liability at July 1,			Liability at June 30,			Liability at June 30,	Amounts Due Within
	2011 (\$000)	Expense (\$000)	Paid (\$000)	2012 (\$000)	Expense (\$000)	Paid (\$000)	2013 (\$000)	One Year (\$000)
Ellington	3,738	16	(140)	3,614	(164)	(150)	3,300	382
Hartford	\$ 29,406	\$ 418	\$ (1,206)	\$ 28,618	\$ 3,195	\$ (1,205)	\$ 30,608	\$ 12,794
Shelton	11,138	162	(394)	10,906	(528)	(251)	10,128	625
Wallingford	5,413	(180)	(122)	5,111	(660)	(153)	4,298	365
Waterbury	981	(1)	(29)	951	19	(27)	942	48
Total	<u>\$ 50,676</u>	<u>\$ 415</u>	<u>\$ (1,891)</u>	<u>\$ 49,200</u>	<u>\$ 1,862</u>	<u>\$ (1,786)</u>	<u>\$ 49,276</u>	<u>\$ 14,214</u>

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At June 30, 2013, all five of the landfills have no capacity available since 100% of their capacity has been used. There is no remaining life on the landfills, and there are no remaining costs to be recognized in the future as closure and post-closure care costs of the landfills.

The Connecticut Department of Environmental Protection ("CTDEEP") requires that certain financial assurance mechanisms be maintained by the Authority to ensure payment of closure and post-closure costs related to certain landfills. Additionally, CTDEEP requires that the Authority budget for closure costs for the Hartford Landfill be included in the applicable fiscal year budget.

The Authority has placed funds in trust accounts for the Ellington, Waterbury, and Wallingford Landfills for financial assurance purposes. These trust accounts are reflected as restricted investments in the accompanying balance sheet.

In addition, the Authority has established Post-Closure Trust Funds as financial assurance mechanisms for the Shelton Landfill and the Wallingford Landfill. These trust funds are reflected as restricted investments in the accompanying balance sheet as of June 30, 2013 and 2012; respectively.

**6. MAJOR CUSTOMERS**

Energy sales to Northeast Utilities and Constellation totaled 16.31% and 12.19%, respectively, of the Authority's operating revenues for the fiscal year ended June 30, 2013. Energy sales to Northeast Utilities and Constellation totaled 21.77% and 13.48%, respectively, of the Authority's operating revenues for the fiscal year ended June 30, 2012.

Service charge revenues from All Waste, Inc. totaled 7.00% of the Authority's operating revenues for each of the fiscal years ended June 30, 2013 and 2012.

**7. RETIREMENT BENEFIT PLAN**

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

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are five percent of payroll plus a dollar for dollar match of employees' contributions up to five percent of employee wages. Authority contributions for the years ended June 30, 2013 and 2012 amounted to \$410,000 and \$404,000, respectively. Employees contributed \$406,000 to the plan in fiscal year 2013 and \$378,000 in fiscal year 2012. A separate report is not available to non-participants.

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

The Authority has no post-employment benefit plans as of June 30, 2013 and 2012.



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**8. RISK MANAGEMENT**

The Authority is exposed to various risks of loss. The Authority endeavors to purchase commercial insurance for all insurable risks of loss that can be done so at reasonable expense. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years. The overall limit applies on a blanket basis, per occurrence, for property damage to all scheduled locations and provides coverage for business interruption and extra expense for the South Meadows facilities. The South Meadows waste-to-energy facility is the Authority's highest valued single facility.

The Authority is a member of the Connecticut Interlocal Risk Management Agency's ("CIRMA") Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. The premium for each of the policy periods from July 1, 2013 through July 1, 2014 and July 1, 2012 through July 1, 2013 was \$63,000 and \$60,000, respectively.

**9. COMMITMENTS**

The Authority has various operating leases for office space and office equipment, which totaled \$352,000 and \$362,000 for fiscal years 2013 and 2012, respectively.

The Authority also has agreements with various municipalities for payments in lieu of taxes ("PILOT") for personal and real property. For the years ended June 30, 2013 and 2012, the PILOT payments, which are included in the solid waste operations in the accompanying statements of revenues, expenses and changes in net position, totaled \$3,708,000 and \$5,681,000, respectively. The City of Hartford PILOT agreement for the Mid-Connecticut Project expired on November 15, 2012. Currently, there is no PILOT agreement for the CSWS. Future minimum rental commitments under non-cancelable operating leases and

future PILOT payments as of June 30, 2013 are as follows:

Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2014	396	1,055
2015	403	1,096
2016	206	1,140
2017	15	1,185
2018	15	23
Thereafter	135	207
Total	<u>\$ 1,170</u>	<u>\$ 4,706</u>

The Authority has executed contracts with the operators/contractors of the resources recovery facilities, regional recycling centers, transfer stations, and landfills containing various terms and conditions expiring through November 2015. Generally, operating charges are derived from various factors such as tonnage processed, energy produced, and certain pass-through operating costs.

The approximate amount of contract operating charges, including transition costs incurred in connection with a new Operations and Management Agreements effective in 2012 ("O & M Agreements") to operate the Mid-Connecticut's Waste Processing Facility (the "WPF), the Power Block Facility, and the Energy Generation Facility, included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2013 and 2012 was as follows:

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Project	2013 (\$000)	2012 (\$000)	Project	Amount (\$000)
Connecticut Solid Waste System	\$ 30,439	\$ -	Southeast -	
Mid-Connecticut	22,619	67,943	1992 Series A - Corp. Credit	\$ 30,000
Southeast	21,190	21,046	2001 Series A - Covanta	
SouthWest	12,894	13,218	Southeastern Connecticut	
Property	883	240	Company - I	6,750
Landfill	543	123	2001 Series A - Covanta	
Recycling	576	588	Southeastern Connecticut	
Wallingford	-	21	Company - II	6,750
			2010 Series A - Project Refunding	17,100
<b>Total</b>	<b>\$ 89,144</b>	<b>\$ 103,179</b>	<b>Total</b>	<b>\$ 60,600</b>

During fiscal year 2013, the Authority executed a construction contract in the amount of \$11.6 million for the final cap and solar electric generation facility at the Hartford Landfill. As of June 30, 2013, remaining commitment on this contract is \$11.6 million.

There was no construction contract executed during fiscal year June 30, 2012.

**10. OTHER FINANCING**

The Authority served as a conduit issuer for several bonds pursuant to bond resolutions to fund the construction of waste processing facilities built and operated by independent contractors. The revenue bonds were issued by the Authority to lower the cost of borrowing for the contractor/operator of the projects. The Authority was not involved in the construction activities, and construction requisitions by the contractor were made from various trustee accounts.

The Authority is not involved in the repayment of debt on these issues. In the event of default, and except in cases where the State has a contingent liability, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues on its financial statements. The principal amounts of these bond issues outstanding at June 30, 2013 are as follows:

**11. SEGMENT INFORMATION**

The Authority has two projects that operate resources recovery and recycling facilities and landfills throughout the State, plus four divisions, and are required to be self-supporting through user service fees and sales of electricity. The Authority has issued various revenue bonds to provide financing for the design, development, and construction of these resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts, and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the years ended June 30, 2013 and 2012, respectively.

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Fiscal Year 2013	CSWS <sup>(1)</sup>	Mid-Connecticut Project <sup>(2)</sup>	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Condensed Balance Sheets</b>							
Assets:							
Current unrestricted assets	\$ 20,243	\$ 43,391	\$ 9,690	\$ 1,467	\$ 10,397	\$ 34,332	\$ 662
Current restricted assets	383	343	3,086	-	2,178	701	14
Total current assets	<u>20,626</u>	<u>43,734</u>	<u>12,776</u>	<u>1,467</u>	<u>12,575</u>	<u>35,033</u>	<u>676</u>
Non-current assets:							
Restricted investments	-	-	-	-	-	8,184	-
Capital assets, net	-	-	-	-	95,697	16,109	-
Other assets, net	-	-	1,177	-	-	-	-
Total non-current assets	<u>-</u>	<u>-</u>	<u>1,177</u>	<u>-</u>	<u>95,697</u>	<u>24,293</u>	<u>-</u>
Total assets	<u>\$ 20,626</u>	<u>\$ 43,734</u>	<u>\$ 13,953</u>	<u>\$ 1,467</u>	<u>\$ 108,272</u>	<u>\$ 59,326</u>	<u>\$ 676</u>
Liabilities:							
Current liabilities	\$ 14,903	\$ 21,387	\$ 3,162	\$ 1,222	\$ 945	\$ 2,522	\$ 108
Long-term liabilities	-	3,500	716	-	-	35,062	-
Total liabilities	<u>14,903</u>	<u>24,887</u>	<u>3,878</u>	<u>1,222</u>	<u>945</u>	<u>37,584</u>	<u>108</u>
Net Position:							
Invested in capital assets, net of related debt	-	-	-	-	95,696	16,109	-
Restricted	225	143	1,026	-	2,146	1,518	-
Unrestricted	5,498	18,704	9,049	245	9,485	4,115	568
Total net position	<u>5,723</u>	<u>18,847</u>	<u>10,075</u>	<u>245</u>	<u>107,327</u>	<u>21,742</u>	<u>568</u>
Total liabilities and net position	<u>\$ 20,626</u>	<u>\$ 43,734</u>	<u>\$ 13,953</u>	<u>\$ 1,467</u>	<u>\$ 108,272</u>	<u>\$ 59,326</u>	<u>\$ 676</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>							
Operating revenues	\$ 36,595	\$ 35,567	\$ 28,158	\$ 13,603	\$ 5,100	\$ 322	\$ 708
Operating expenses	36,259	34,509	27,103	13,453	2,554	(5)	1,343
Depreciation and amortization expense	-	5,467	392	-	9,073	-	-
Operating income (loss)	<u>336</u>	<u>(4,409)</u>	<u>663</u>	<u>150</u>	<u>(6,527)</u>	<u>327</u>	<u>(635)</u>
Non-operating revenues (expenses):							
Investment income	6	80	2	-	6	45	-
Other income (expenses), net	-	(550)	10	-	(437)	(4)	-
Interest expense	-	(87)	-	-	-	-	-
Net non-operating revenues (expense)	<u>6</u>	<u>(557)</u>	<u>12</u>	<u>-</u>	<u>(431)</u>	<u>41</u>	<u>-</u>
Income (loss) before transfers	<u>342</u>	<u>(4,966)</u>	<u>675</u>	<u>150</u>	<u>(6,958)</u>	<u>368</u>	<u>(635)</u>
Transfers in (out)	<u>5,381</u>	<u>(118,653)</u>	<u>-</u>	<u>-</u>	<u>106,561</u>	<u>6,711</u>	<u>-</u>
Change in net position	<u>5,723</u>	<u>(123,619)</u>	<u>675</u>	<u>150</u>	<u>99,603</u>	<u>7,079</u>	<u>(635)</u>
Total net position, July 1, 2012	<u>-</u>	<u>142,466</u>	<u>9,400</u>	<u>95</u>	<u>7,724</u>	<u>14,663</u>	<u>1,203</u>
Total net position, June 30, 2013	<u>\$ 5,723</u>	<u>\$ 18,847</u>	<u>\$ 10,075</u>	<u>\$ 245</u>	<u>\$ 107,327</u>	<u>\$ 21,742</u>	<u>\$ 568</u>
<b>Condensed Statements of Cash Flows</b>							
Net cash provided (used) by:							
Operating activities	\$ 8,296	\$ 11,171	\$ (2,300)	\$ (1,212)	\$ 3,338	\$ (7,946)	\$ (757)
Investing activities	6	86	2	-	6	45	-
Capital and related financing activities	-	(8,318)	-	-	(4,792)	(1,155)	-
Non-capital financing activities	<u>638</u>	<u>(33,061)</u>	<u>(1)</u>	<u>-</u>	<u>9,237</u>	<u>23,176</u>	<u>-</u>
Net (decrease) increase	<u>8,940</u>	<u>(30,122)</u>	<u>(2,299)</u>	<u>(1,212)</u>	<u>7,789</u>	<u>14,120</u>	<u>(757)</u>
Cash and cash equivalents, July 1, 2012	<u>-</u>	<u>72,660</u>	<u>7,196</u>	<u>1,430</u>	<u>2,137</u>	<u>13,032</u>	<u>1,243</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 8,940</u>	<u>\$ 42,538</u>	<u>\$ 4,897</u>	<u>\$ 218</u>	<u>\$ 9,926</u>	<u>\$ 27,152</u>	<u>\$ 486</u>

<sup>(1)</sup> Contracts with the CSWS municipalities began on November 16, 2012.

<sup>(2)</sup> Contracts with the Mid-Connecticut Project's municipalities ended on November 15, 2012.



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Fiscal Year 2012	Mid-Connecticut Project (S000)	Southeast Project (S000)	SouthWest Division (S000)	Property Division (S000)	Landfill Division (S000)	Recycling Division (S000)	Bridgeport (1) Project (S000)	Wallingford (2) Project (S000)
<b>Condensed Balance Sheets</b>								
Assets:								
Current unrestricted assets	\$ 75,616	\$ 5,766	\$ 2,634	\$ 1,681	\$ 12,463	\$ 1,446	\$ -	\$ -
Current restricted assets	15,823	5,843	-	500	700	9	-	-
Total current assets	<u>91,439</u>	<u>11,609</u>	<u>2,634</u>	<u>2,181</u>	<u>13,163</u>	<u>1,455</u>	<u>-</u>	<u>-</u>
Non-current assets:								
Restricted investments	490	-	-	-	7,687	-	-	-
Capital assets, net	102,601	-	-	5,663	10,838	-	-	-
Other assets, net	8	1,568	-	-	-	-	-	-
Total non-current assets	<u>103,099</u>	<u>1,568</u>	<u>-</u>	<u>5,663</u>	<u>18,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 194,538</u>	<u>\$ 13,177</u>	<u>\$ 2,634</u>	<u>\$ 7,844</u>	<u>\$ 31,688</u>	<u>\$ 1,455</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:								
Current liabilities	\$ 17,808	\$ 2,953	\$ 2,539	\$ 120	\$ 1,217	\$ 252	\$ -	\$ -
Long-term liabilities	34,264	824	-	-	15,808	-	-	-
Total liabilities	<u>52,072</u>	<u>3,777</u>	<u>2,539</u>	<u>120</u>	<u>17,025</u>	<u>252</u>	<u>-</u>	<u>-</u>
Net Position:								
Invested in capital assets, net of related debt	99,564	-	-	5,663	10,838	-	-	-
Restricted	6,434	3,088	-	500	1,028	-	-	-
Unrestricted	36,468	6,312	95	1,561	2,797	1,203	-	-
Total net position	<u>142,466</u>	<u>9,400</u>	<u>95</u>	<u>7,724</u>	<u>14,663</u>	<u>1,203</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 194,538</u>	<u>\$ 13,177</u>	<u>\$ 2,634</u>	<u>\$ 7,844</u>	<u>\$ 31,688</u>	<u>\$ 1,455</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>								
Operating revenues	\$ 90,081	\$ 26,751	\$ 13,618	\$ 738	\$ 6	\$ 1,117	\$ -	\$ -
Operating expenses	84,976	27,530	13,651	716	77	1,046	30	41
Depreciation and amortization expense	15,418	392	-	265	-	-	-	-
Operating (loss) income	<u>(10,313)</u>	<u>(1,171)</u>	<u>(33)</u>	<u>(243)</u>	<u>(71)</u>	<u>71</u>	<u>(30)</u>	<u>(41)</u>
Non-operating revenues (expenses):								
Investment income	157	3	1	3	25	2	-	1
Other income (expenses), net	320	13	-	(9)	(154)	-	-	(138)
Interest expense	(317)	-	-	-	-	-	-	-
Net non-operating revenues (expense)	<u>160</u>	<u>16</u>	<u>1</u>	<u>(6)</u>	<u>(129)</u>	<u>2</u>	<u>-</u>	<u>(137)</u>
Income (loss) before special item and transfers	<u>(10,153)</u>	<u>(1,155)</u>	<u>(32)</u>	<u>(249)</u>	<u>(200)</u>	<u>73</u>	<u>(30)</u>	<u>(178)</u>
Transfers in (out)	-	-	-	(14,840)	14,863	1,130	(363)	(790)
Change in net position	<u>(10,153)</u>	<u>(1,155)</u>	<u>(32)</u>	<u>(15,089)</u>	<u>14,663</u>	<u>1,203</u>	<u>(393)</u>	<u>(968)</u>
Total net position, July 1, 2011	<u>152,619</u>	<u>10,555</u>	<u>127</u>	<u>22,813</u>	<u>-</u>	<u>-</u>	<u>393</u>	<u>968</u>
Total net position, June 30, 2012	<u>\$ 142,466</u>	<u>\$ 9,400</u>	<u>\$ 95</u>	<u>\$ 7,724</u>	<u>\$ 14,663</u>	<u>\$ 1,203</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Condensed Statements of Cash Flows</b>								
Net cash provided (used) by:								
Operating activities	\$ 1,050	\$ 479	\$ (24)	\$ (208)	\$ (314)	\$ 111	\$ (30)	\$ (254)
Investing activities	160	4	1	3	(7,332)	2	-	2
Capital and related financing activities	(17,335)	-	-	-	(545)	-	-	-
Non-capital financing activities	(5)	-	-	(21,207)	21,223	1,130	(363)	(791)
Net (decrease) increase	<u>(16,130)</u>	<u>483</u>	<u>(23)</u>	<u>(21,412)</u>	<u>13,032</u>	<u>1,243</u>	<u>(393)</u>	<u>(1,043)</u>
Cash and cash equivalents, July 1, 2011	<u>88,790</u>	<u>6,713</u>	<u>1,453</u>	<u>23,549</u>	<u>-</u>	<u>-</u>	<u>393</u>	<u>1,043</u>
Cash and cash equivalents, June 30, 2012	<u>\$ 72,660</u>	<u>\$ 7,196</u>	<u>\$ 1,430</u>	<u>\$ 2,137</u>	<u>\$ 13,032</u>	<u>\$ 1,243</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

(2) Contracts with the Wallingford Project's municipalities and operator ended on June 30, 2010.

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**12. SIGNIFICANT EVENTS**

As of November 15, 2012, all debt issued in the development of the Mid-Connecticut system has been retired, and the original municipal services contracts have expired. The Authority has executed new agreements with 51 municipalities to provide waste disposal, and, in some cases, recycling services, with terms ranging from three to fifteen years. In addition to these towns, dozens of private haulers throughout the existing Mid-Connecticut territory have signed contracts with the CSWS. On and after November 15, 2012, the Authority continues to own and operate its system of facilities, free and clear of all debt, and all revenues continue to accrue to the Authority.

Several waste hauling companies have settled with the Authority for diversion of waste from the Authority's former Mid-Connecticut Project. As of Jun 30, 2013 and 2012, remaining revenues for wastes to be delivered totaled to the Authority's facility approximately \$87,000 and \$2.0 million; respectively.

**13. CONTINGENCIES**

**Mid-Connecticut Project:**

On October 7, 2009, The Metropolitan District Commission ("MDC") initiated an arbitration proceeding against the Authority seeking a declaratory judgment that the Authority is responsible for certain post-employment benefits and other costs that MDC may incur following the expiration of its contract for the operation of a portion of the Mid-Connecticut Project on December 30, 2011. The MDC did not specify the amount of its monetary claim in its demand for a declaratory judgment in arbitration; however, the MDC has recently asserted an amended demand for arbitration based on similar underlying legal arguments and asserting a claim for unspecified damages. MDC has also filed an application for a prejudgment remedy (the "PJR Application"), which asserts that an attachment or garnishment of \$47 million, or more, is necessary to secure a remedy for its claims. MDC's application acknowledges, however, that it has only actually

expended \$2.1 million of its alleged \$47 million claimed obligation. On April 1, 2013, the Authority filed a motion to dismiss MDC's PJR Application. A hearing on the application was completed, and post-hearing briefs submitted, by July 2, 2013, and a decision is due on or before October 30, 2013. Arbitration hearings on the question of liability only are scheduled to be held in January 2014. If the Authority is determined to have any responsibility for the claimed costs, further arbitration hearings will be scheduled.

The Authority has valid defenses and is vigorously defending against the MDC demands. On February 7, 2012, the Authority sent letters to all Mid-Connecticut Project municipalities advising them that, in the event that the Authority is ultimately determined to be responsible for any portion of MDC's claimed costs, each municipality will be responsible for its pro rata share of such costs.

The matter is too preliminary to estimate any potential exposure.

In January 2006, the Authority's pollution liability insurance carrier, American International Specialty Lines Insurance Company ("AISLIC") settled with numerous commercial and residential neighbors of the Hartford Landfill who had filed suit against the Authority in 2001, claiming that the Authority negligently maintained and operated its Hartford Landfill and that the Hartford Landfill constituted a public nuisance. On May 4, 2006, AISLIC initiated a declaratory judgment action in federal district court seeking a declaration that AISLIC is not obligated to indemnify the Authority in connection with the settled lawsuit and that AISLIC should be awarded the amount it spent on defense and indemnification of the Authority. The Authority filed its answer and affirmative defenses, and counterclaimed, alleging bad faith and seeking recovery of its attorneys' fees. AISLIC filed five dispositive motions in June 2011. On October 24, 2011, the Authority filed briefs in opposition to AISLIC's motions, together with the Authority's motion for summary judgment. On March 30, 2012, the Court denied four of AISLIC's five motions.



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Both AISLIC and the Authority filed motions for reconsideration of that ruling, which have all been denied by the Court. On September 10, 2012, the Court granted the Authority's motion for summary judgment as to AISLIC's defense costs, and denied it as to AISLIC's indemnity obligations. The Authority moved for reconsideration, which was granted but the requested relief denied. AISLIC moved to reopen discovery to permit the reopening of the deposition of the Authority's designee, which motion was granted by the court on August 15, 2013. On August 29, 2013, the Authority moved for clarification of that order to ensure that the reopened deposition is limited in scope; the parties are awaiting resolution of this issue by the court. The parties' Joint Trial Memorandum is due November 27, 2013, and the case is to be trial ready December 27, 2013. Trial date has not been established. The Authority has several viable defenses and is vigorously defending the declaratory judgment action.

In March 2013, Tremont Public Advisors filed a complaint against the Authority in Connecticut Superior Court, claiming that the Authority illegally awarded a contract for Municipal Government Liaison Services and violated Connecticut's Antitrust Act, and seeking injunctions, damages, interest, and attorneys' costs. The Authority does not believe that there is any merit to the plaintiff's claims and intends to vigorously defend the lawsuit.

**Bridgeport Project:**

In the early 1990's, the Authority was named as a Potentially Responsible Party in the now-combined federal and State of New Jersey suits to recover the costs of remediation of the landfill known as Combe Fill South. The Authority's liability was substantially resolved in the spring of 2009 as a result of a mediated global settlement. However, one of the settling parties is pursuing a contribution action against certain non-settling entities. The Authority continues to monitor remaining case activities to the extent they may implicate the Authority.

**Other Issues and Unasserted Claims and Assessments:**

The MDC has included in several monthly invoices to the Authority a claim for reimbursement of certain MDC legal and consulting fees. The Authority has disputed these charges on the grounds that they are not related to the MDC's obligation to operate, maintain, and repair the WPF during the term of the Authority-MDC Agreement.

Two contracts between the Authority and Covanta Mid-Conn, Inc. for the operation and maintenance of components of the Mid-Connecticut Project expired on May 31, 2012. Several Covanta Mid-Conn invoices are disputed by the Authority and remain unpaid.

On March 31, 2009, the Authority submitted a timely water discharge renewal application seeking the re-issuance of the Authority's National Pollutant Discharge Elimination System ("NPDES") Permit to the CTDEEP. Review of the Authority's permit renewal application by CTDEEP is ongoing, including whether the current location, design, construction and capacity of the cooling water intake structures at the Authority's South Meadows Facility represents best technology available ("BTA") for minimizing adverse environmental impact and, if not, what additional operational and/or technological measures reflecting BTA will need to be implemented at the Facility.

The Municipal Solid Waste Management Agreement ("MSA") between the Authority and the City of Waterbury expired on June 30, 2013. The City has informed the Authority that it disputes the amount of service payments owed pursuant to the MSA for the period from November 15, 2012, through June 30, 2013, and that it consequently intends to withhold payment from the Authority's final invoice. As of the date hereof, the matter has not been resolved, and the Authority's invoice to Waterbury in the amount of \$240,468.41 for June services has not been paid.



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

#### **14. SUBSEQUENT EVENTS**

##### **Legislation**

The Connecticut Legislature, in its 2013 session, enacted Public Act No. 13-285, an Act concerning recycling and jobs. Three sections of the Act are specifically pertinent to the Authority. Section 7 requires the Connecticut Department of Energy & Environmental Protection (DEEP) to initiate one or more audits of the Authority covering a variety of areas such as operations, financial, human resources, information technology, liabilities, etc. The cost of the audit, up to \$500,000, will be funded by the Authority. DEEP is required to provide a summary of the findings of the audits to the Governor and Joint Standing Committee of the General Assembly on or before October 30, 2013. Section 8 of the Act provided for the establishment of a Resources Recovery Task Force to study the operations, financial stability and business models for resource recovery facilities operating in the state. The section requires numerous analyses and recommendations (to be incorporated in a report and submitted no later than December 15, 2013 to a Joint Standing Committee of the General Assembly). The report may have significant impact on the future of Resource Recovery Facilities within the State, including the Authority. Section 9 of the Act requires the Authority to develop a transition plan for achieving a sustainable business model that improves the long term stability of the Authority or conducting the dissolution of the Authority and the disposing of its assets. The plan is to be developed in consultation with the Resources Recovery Task Force and is required to be transmitted to the Governor and Joint Standing Committee of the General Assembly on or before November 30, 2013.

Section 99 of Public Act No. 13-184, an Act concerning expenditures and revenues for the biennium ending June 30, 2015, was passed by the General Assembly on June 5, 2013. That Act requires DEEP and the Authority to negotiate a memorandum of understanding (“MOU”) by which DEEP will assume all legal obligations resulting from the closure of the Ellington, Hartford, Shelton, Wallingford, and Waterbury landfills. At the same time, the General Assembly requires the Authority to transfer up to \$35.0 million to the State’s General Fund.

Until the MOU is executed, the Authority will continue to take all reasonable and appropriate steps necessary to continue to monitor and maintain the five landfills in accordance with governing law. The Authority anticipates that the transfer of funds to the State’s General Fund in accordance with Section 99 Public Act No. 13-184 will occur following the execution of the MOU, transfer of all appropriate permits to the State of Connecticut (the “State”), conveyance of all the property owned by the Authority which is associated with such landfills to the State, and the transfer of all liabilities and obligations resulting from the closure of the landfills to the State. Negotiations between the Authority and DEEP regarding the MOU are ongoing.

#### **15. NEW ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the

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determination of major fund calculations and limiting the use of the term deferred in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In March 2012, GASB issued Statement No. 66, *Technical Corrections*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred

outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, including mergers and acquisitions.

This statement requires disclosures to be made that will enable financial statement users to evaluate the nature and financial effect of those transactions. This statement is effective for periods beginning after December 15, 2013, with earlier application encouraged.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This statement will require a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. An obligation guaranteed in a non-exchange transaction will need to be reported until it is legally released as an obligor. This statement is effective for periods beginning after June 15, 2013, with earlier application encouraged.

Management has not estimated the extent of the potential impact of these statements on the Authority's financial statements.



**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
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**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF BALANCE SHEETS**  
**AS OF JUNE 30, 2013**  
**(Dollars in Thousands)**

**EXHIBIT A**  
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	General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	Total
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Unrestricted Assets:										
Cash and cash equivalents	\$ 107	\$ 8,557	\$ 42,195	\$ 1,811	\$ 218	\$ 7,748	\$ 26,451	\$ 472	\$ -	\$ 87,559
Accounts receivable, net of allowances	22	5,895	988	7,879	1,249	917	-	123	-	17,073
Inventory	-	4,825	-	-	-	1,719	-	-	-	6,544
Prepaid expenses	-	355	-	-	-	-	-	-	-	355
Due from other funds	1,185	611	208	-	-	13	7,881	67	(9,965)	-
<b>Total Unrestricted Assets</b>	<b>1,314</b>	<b>20,243</b>	<b>43,391</b>	<b>9,690</b>	<b>1,467</b>	<b>10,397</b>	<b>34,332</b>	<b>662</b>	<b>(9,965)</b>	<b>111,531</b>
Restricted Assets:										
Cash and cash equivalents	-	383	343	3,086	-	2,178	701	14	-	6,705
<b>Total Restricted Assets</b>	<b>-</b>	<b>383</b>	<b>343</b>	<b>3,086</b>	<b>-</b>	<b>2,178</b>	<b>701</b>	<b>14</b>	<b>-</b>	<b>6,705</b>
<b>TOTAL CURRENT ASSETS</b>	<b>1,314</b>	<b>20,626</b>	<b>43,734</b>	<b>12,776</b>	<b>1,467</b>	<b>12,575</b>	<b>35,033</b>	<b>676</b>	<b>(9,965)</b>	<b>118,236</b>
<b>NON-CURRENT ASSETS</b>										
Restricted investments	-	-	-	-	-	-	8,184	-	-	8,184
Capital Assets:										
Depreciable:										
Plant	864	-	-	-	-	169,349	25,353	-	-	195,566
Equipment	1,233	-	-	-	-	228,289	2,303	-	-	231,825
	2,097	-	-	-	-	397,638	27,656	-	-	427,391
Less: Accumulated depreciation	(1,960)	-	-	-	-	(316,174)	(27,656)	-	-	(345,790)
<b>Total Depreciable, net</b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,464</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,601</b>
Nondepreciable:										
Land	-	-	-	-	-	12,072	16,109	-	-	28,181
Construction in progress	-	-	-	-	-	2,161	-	-	-	2,161
<b>Total Nondepreciable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,233</b>	<b>16,109</b>	<b>-</b>	<b>-</b>	<b>30,342</b>
Development and bond issuance costs, net	-	-	-	1,177	-	-	-	-	-	1,177
<b>TOTAL NON-CURRENT ASSETS</b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>1,177</b>	<b>-</b>	<b>95,697</b>	<b>24,293</b>	<b>-</b>	<b>-</b>	<b>121,304</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,451</b>	<b>\$ 20,626</b>	<b>\$ 43,734</b>	<b>\$ 13,953</b>	<b>\$ 1,467</b>	<b>\$ 108,272</b>	<b>\$ 59,326</b>	<b>\$ 676</b>	<b>\$ (9,965)</b>	<b>\$ 239,540</b>

See Independent Auditor's Report



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**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF BALANCE SHEETS (Continued)**  
**AS OF JUNE 30, 2013**  
**(Dollars in Thousands)**

**EXHIBIT A**  
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	General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	Total
<b>LIABILITIES AND NET POSITION</b>										
<b>CURRENT LIABILITIES</b>										
Payable from unrestricted assets:										
Closure and post-closure care of landfills	\$ -	\$ -	\$ 11,919	\$ -	\$ -	\$ -	\$ 2,295	\$ -	\$ -	14,214
Accounts payable	113	1,868	627	281	1,222	43	68	89	-	4,311
Accrued expenses and other current liabilities	520	3,925	8,516	409	-	145	20	-	-	13,535
Due to other funds	13	8,953	125	6	-	724	139	5	(9,965)	-
<b>Total payable from unrestricted assets</b>	<b>646</b>	<b>14,746</b>	<b>21,187</b>	<b>696</b>	<b>1,222</b>	<b>912</b>	<b>2,522</b>	<b>94</b>	<b>(9,965)</b>	<b>32,060</b>
Payable from restricted assets:										
Accounts payable	-	-	-	-	-	33	-	-	-	33
Accrued expenses and other current liabilities	-	157	200	2,466	-	-	-	14	-	2,837
<b>Total payable from restricted assets</b>	<b>-</b>	<b>157</b>	<b>200</b>	<b>2,466</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>2,870</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>646</b>	<b>14,903</b>	<b>21,387</b>	<b>3,162</b>	<b>1,222</b>	<b>945</b>	<b>2,522</b>	<b>108</b>	<b>(9,965)</b>	<b>34,930</b>
<b>LONG-TERM LIABILITIES</b>										
Payable from unrestricted assets:										
Closure and post-closure care of landfills	-	-	-	-	-	-	27,695	-	-	27,695
Other liabilities	-	-	3,500	-	-	-	-	-	-	3,500
<b>Total payable from unrestricted assets</b>	<b>-</b>	<b>-</b>	<b>3,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,695</b>	<b>-</b>	<b>-</b>	<b>31,195</b>
Payable from restricted assets:										
Closure and post-closure care of landfills	-	-	-	-	-	-	7,367	-	-	7,367
Other liabilities	-	-	-	716	-	-	-	-	-	716
<b>Total payable from restricted assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>716</b>	<b>-</b>	<b>-</b>	<b>7,367</b>	<b>-</b>	<b>-</b>	<b>8,083</b>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>3,500</b>	<b>716</b>	<b>-</b>	<b>-</b>	<b>35,062</b>	<b>-</b>	<b>-</b>	<b>39,278</b>
<b>TOTAL LIABILITIES</b>	<b>646</b>	<b>14,903</b>	<b>24,887</b>	<b>3,878</b>	<b>1,222</b>	<b>945</b>	<b>37,584</b>	<b>108</b>	<b>(9,965)</b>	<b>74,208</b>

See Independent Auditor's Report

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF BALANCE SHEETS (Continued)**  
**AS OF JUNE 30, 2013**  
**(Dollars in Thousands)**

**EXHIBIT A**  
**Page 3 of 3**

	General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	Total
<b>NET POSITION</b>										
Invested in capital assets, net of related debt	138	-	-	-	-	95,696	16,109	-	-	111,943
Restricted for:										
Energy generating facility	-	-	-	-	-	1,646	-	-	-	1,646
Montville landfill post-closure	-	-	-	1,026	-	-	-	-	-	1,026
DEEP trust - landfills	-	-	-	-	-	-	817	-	-	817
Shelton landfill future use	-	-	-	-	-	-	701	-	-	701
Covanta Wallingford escrow	-	-	-	-	-	500	-	-	-	500
City of Hartford recycling education fund	-	-	143	-	-	-	-	-	-	143
Other restricted net assets	-	225	-	-	-	-	-	-	-	225
Total Restricted	-	225	143	1,026	-	2,146	1,518	-	-	5,058
Unrestricted	667	5,498	18,704	9,049	245	9,485	4,115	568	-	48,331
<b>TOTAL NET POSITION</b>	805	5,723	18,847	10,075	245	107,327	21,742	568	-	165,332
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,451</u>	<u>\$ 20,626</u>	<u>\$ 43,734</u>	<u>\$ 13,953</u>	<u>\$ 1,467</u>	<u>\$ 108,272</u>	<u>\$ 59,326</u>	<u>\$ 676</u>	<u>\$ (9,965)</u>	<u>\$ 239,540</u>

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**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(Dollars in Thousands)**

EXHIBIT B

	General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	Total
<b>Operating Revenues</b>										
Service charges:										
Members	\$ -	\$ 14,127	\$ 12,676	\$ 8,493	\$ 13,603	\$ 246	\$ -	\$ -	\$ -	\$ 49,145
Others	-	10,915	7,669	115	-	-	-	-	(187)	18,512
Energy sales	-	9,346	8,945	19,550	-	4,420	-	-	-	42,261
Other operating revenues	-	2,207	6,277	-	-	434	322	708	-	9,948
<b>Total Operating Revenues</b>	-	36,595	35,567	28,158	13,603	5,100	322	708	(187)	119,866
<b>Operating Expenses</b>										
Solid waste operations	-	32,897	27,428	26,900	12,894	1,273	332	573	(187)	102,110
Depreciation and amortization	153	-	5,467	392	-	9,073	-	-	-	15,085
Maintenance and utilities	-	342	610	-	-	-	-	72	-	1,024
Closure and post-closure care of landfills	-	-	2,555	-	-	-	(693)	-	-	1,862
Legal services - external	-	277	916	7	-	9	-	-	-	1,209
Administrative and Operational services	-	2,743	3,000	196	559	462	356	209	-	7,525
Distribution to member towns	-	-	-	-	-	810	-	-	-	810
Distribution to SWEROC	-	-	-	-	-	-	-	489	-	489
<b>Total Operating Expenses</b>	153	36,259	39,976	27,495	13,453	11,627	(5)	1,343	(187)	130,114
<b>Operating Income (Loss)</b>	(153)	336	(4,409)	663	150	(6,527)	327	(635)	-	(10,248)
<b>Non-Operating Revenues (Expenses)</b>										
Investment income	-	6	80	2	-	6	45	-	-	139
Other income (expenses)	8	-	(550)	10	-	(437)	(4)	-	-	(973)
Interest expense	-	-	(87)	-	-	-	-	-	-	(87)
<b>Non-Operating Expenses, Net</b>	8	6	(557)	12	-	(431)	41	-	-	(921)
Income (Loss) before Transfers	(145)	342	(4,966)	675	150	(6,958)	368	(635)	-	(11,169)
Transfers in (out)	-	5,381	(118,653)	-	-	106,561	6,711	-	-	-
<b>Change in Net Position</b>	(145)	5,723	(123,619)	675	150	99,603	7,079	(635)	-	(11,169)
<b>Total Net Position, beginning of year</b>	950	-	142,466	9,400	95	7,724	14,663	1,203	-	176,501
<b>Total Net Position, end of year</b>	\$ 805	\$ 5,723	\$ 18,847	\$ 10,075	\$ 245	\$ 107,327	\$ 21,742	\$ 568	\$ -	\$ 165,332

See Independent Auditor's Report



**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(Dollars in Thousands)**

**EXHIBIT C**  
**Page 1 of 2**

	General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	Total
<b>Cash Flows Provided (Used) by Operating Activities</b>										
Payments received from providing services	\$ 8	\$ 32,327	\$ 40,632	\$ 24,691	\$ 13,558	\$ 5,209	\$ 322	\$ 794	\$ (187)	\$ 117,354
Payments received from other funds	13	8,953	125	6	-	724	139	5	(9,965)	-
Payments to suppliers for goods and services	(230)	(31,202)	(28,129)	(26,926)	(14,630)	(1,673)	(509)	(906)	187	(104,018)
Payments to employees for services	-	(1,171)	(1,249)	(71)	(140)	(99)	(17)	(94)	-	(2,841)
Payments to other funds	(1,185)	(611)	(208)	-	-	(13)	(7,881)	(67)	9,965	-
Distribution to member towns	-	-	-	-	-	(810)	-	-	-	(810)
Distribution to SWEROC	-	-	-	-	-	-	-	(489)	-	(489)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(1,394)</u>	<u>8,296</u>	<u>11,171</u>	<u>(2,300)</u>	<u>(1,212)</u>	<u>3,338</u>	<u>(7,946)</u>	<u>(757)</u>	<u>-</u>	<u>9,196</u>
<b>Cash Flows Provided by Investing Activities</b>										
Interest on investments	-	6	86	2	-	6	45	-	-	145
<b>Net Cash Provided by Investing Activities</b>	<u>-</u>	<u>6</u>	<u>86</u>	<u>2</u>	<u>-</u>	<u>6</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>145</u>
<b>Cash Flows Used by Capital and Related Financing Activities</b>										
Proceeds from sales of equipment	-	-	11	-	-	38	-	-	-	49
Payments for landfill closure and post-closure care liabilities	-	-	(631)	-	-	-	(1,155)	-	-	(1,786)
Acquisition and construction of capital assets	(7)	-	(3,450)	-	-	(4,830)	-	-	-	(8,287)
Interest paid on long-term debt	-	-	(113)	-	-	-	-	-	-	(113)
Principal paid on long-term debt	-	-	(4,135)	-	-	-	-	-	-	(4,135)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(7)</u>	<u>-</u>	<u>(8,318)</u>	<u>-</u>	<u>-</u>	<u>(4,792)</u>	<u>(1,155)</u>	<u>-</u>	<u>-</u>	<u>(14,272)</u>
<b>Cash Provided (Used) by Non-Capital Financing Activities</b>										
Other interest and fees	-	(2)	(4)	(1)	-	-	(4)	-	-	(11)
Cash inflow / (outflow)	-	640	(33,057)	-	-	9,237	23,180	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>-</u>	<u>638</u>	<u>(33,061)</u>	<u>(1)</u>	<u>-</u>	<u>9,237</u>	<u>23,176</u>	<u>-</u>	<u>-</u>	<u>(11)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>\$ (1,401)</u>	<u>\$ 8,940</u>	<u>\$ (30,122)</u>	<u>\$ (2,299)</u>	<u>\$ (1,212)</u>	<u>\$ 7,789</u>	<u>\$ 14,120</u>	<u>\$ (757)</u>	<u>\$ -</u>	<u>\$ (4,942)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>1,508</u>	<u>-</u>	<u>72,660</u>	<u>7,196</u>	<u>1,430</u>	<u>2,137</u>	<u>13,032</u>	<u>1,243</u>	<u>-</u>	<u>99,206</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 107</u>	<u>\$ 8,940</u>	<u>\$ 42,538</u>	<u>\$ 4,897</u>	<u>\$ 218</u>	<u>\$ 9,926</u>	<u>\$ 27,152</u>	<u>\$ 486</u>	<u>\$ -</u>	<u>\$ 94,264</u>

See Independent Auditor's Report

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**(Dollars in Thousands)**

	General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Eliminations	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>										
Operating (loss) income	\$ (153)	\$ 336	\$ (4,409)	\$ 663	\$ 150	\$ (6,527)	\$ 327	\$ (635)	\$ -	\$ (10,248)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:										
Depreciation of capital assets	153	-	5,459	-	-	9,073	-	-	-	14,685
Amortization of development and bond issuance costs	-	-	8	392	-	-	-	-	-	400
Provision for closure and post-closure care of landfills	-	-	2,555	-	-	-	(693)	-	-	1,862
Other income (expenses)	8	-	-	10	-	-	-	-	-	18
Changes in assets and liabilities, net of transfers:										
(Increase) decrease in:										
Accounts receivable, net	-	(5,895)	6,158	(3,477)	(45)	109	-	86	-	(3,064)
Inventory	-	(82)	37	-	-	(129)	-	-	-	(174)
Prepaid expenses and other current assets	24	(355)	4,281	11	-	-	131	3	-	4,095
Due from other funds	13	8,953	125	6	-	724	139	5	(9,965)	-
Increase (decrease) in:										
Accounts payable, accrued expenses and other liabilities	(254)	5,950	(2,835)	95	(1,317)	101	31	(149)	-	1,622
Due to other funds	(1,185)	(611)	(208)	-	-	(13)	(7,881)	(67)	9,965	-
<b>Net Cash Provided by Operating Activities</b>	<u>\$ (1,394)</u>	<u>\$ 8,296</u>	<u>\$ 11,171</u>	<u>\$ (2,300)</u>	<u>\$ (1,212)</u>	<u>\$ 3,338</u>	<u>\$ (7,946)</u>	<u>\$ (757)</u>	<u>\$ -</u>	<u>\$ 9,196</u>

See Independent Auditor's Report

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION**  
**AS OF JUNE 30, 2013**  
**(Dollars in Thousands)**

**EXHIBIT D**  
**Page 1 of 2**

	General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Total
<b>Net position invested in capital assets, net of related debt</b>	\$ 138	\$ -	\$ -	\$ -	\$ -	\$ 95,696	\$ 16,109	\$ -	\$ 111,943
<b>Restricted net position:</b>									
Current restricted cash and cash equivalents:									
Revenue fund	-	-	-	1,232	-	-	-	-	1,232
Operating surplus fund	-	-	-	-	-	-	-	-	-
Montville landfill post-closure	-	-	-	1,854	-	-	-	-	1,854
Energy generating facility	-	-	-	-	-	1,678	-	-	1,678
Shelton landfill future use	-	-	-	-	-	-	701	-	701
Covanta Wallingford escrow	-	-	-	-	-	500	-	-	500
City of Hartford recycling education fund	-	-	143	-	-	-	-	-	143
Customer guarantee of payment	-	158	200	-	-	-	-	-	358
Museum	-	177	-	-	-	-	-	-	177
Town of Ellington trust - pooled funds	-	48	-	-	-	-	-	-	48
Commodity revenue share	-	-	-	-	-	-	-	14	14
<b>Total current restricted cash and cash equivalents</b>	<b>-</b>	<b>383</b>	<b>343</b>	<b>3,086</b>	<b>-</b>	<b>2,178</b>	<b>701</b>	<b>14</b>	<b>6,705</b>
Non-current restricted cash and cash equivalents and investments:									
Shelton landfill trust fund	-	-	-	-	-	-	5,683	-	5,683
Wallingford landfill trust fund	-	-	-	-	-	-	1,682	-	1,682
DEEP trust - landfills	-	-	-	-	-	-	819	-	819
<b>Total non-current restricted cash and cash equivalents and investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,184</b>	<b>-</b>	<b>8,184</b>
<b>Less liabilities to be paid with current restricted assets:</b>									
Other liabilities	-	158	200	2,060	-	32	-	14	2,464
<b>Total liabilities to be paid with current restricted assets</b>	<b>-</b>	<b>158</b>	<b>200</b>	<b>2,060</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>14</b>	<b>2,464</b>
<b>Less liabilities to be paid with non-current restricted assets:</b>									
Landfill post-closure care costs	-	-	-	-	-	-	7,367	-	7,367
<b>Total liabilities to be paid with non-current restricted assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,367</b>	<b>-</b>	<b>7,367</b>
<b>Total restricted net position</b>	<b>-</b>	<b>225</b>	<b>143</b>	<b>1,026</b>	<b>-</b>	<b>2,146</b>	<b>1,518</b>	<b>-</b>	<b>5,058</b>

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**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**SUPPLEMENTARY INFORMATION - COMBINING SCHEDULE OF NET POSITION (Continued)**  
**AS OF JUNE 30, 2013**  
**(Dollars in Thousands)**

	General Fund	Connecticut Solid Waste System	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division	Total
<b>Unrestricted net position:</b>									
Designated for:									
Future loss contingencies	\$ -	\$ -	\$ 8,395	\$ 252	\$ -	\$ -	\$ -	\$ -	\$ 8,647
Capital expenditures	-	-	-	-	-	3,130	-	-	3,130
Litigation reserve	-	-	3,135	-	-	-	-	-	3,135
Non-GASB #18 post-closure	-	-	-	-	-	-	4,115	-	4,115
Transition costs	-	-	1,750	-	-	-	-	-	1,750
Project closure	-	-	353	-	-	80	-	-	433
Recycling	-	-	-	-	-	-	-	189	189
Enron litigation expense	-	-	-	-	-	438	-	-	438
Post-project closure	-	-	-	-	-	179	-	-	179
Landfill development	-	-	296	-	-	-	-	-	296
Undesignated	667	5,498	4,775	8,797	245	5,658	-	379	26,019
Total unrestricted net position	<u>667</u>	<u>5,498</u>	<u>18,704</u>	<u>9,049</u>	<u>245</u>	<u>9,485</u>	<u>4,115</u>	<u>568</u>	<u>48,331</u>
<b>Total Net Position</b>	<u>\$ 805</u>	<u>\$ 5,723</u>	<u>\$ 18,847</u>	<u>\$ 10,075</u>	<u>\$ 245</u>	<u>\$ 107,327</u>	<u>\$ 21,742</u>	<u>\$ 568</u>	<u>\$ 165,332</u>

See Independent Auditor's Report

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

Board of Directors  
Connecticut Resources Recovery Authority  
Hartford, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet of the Connecticut Resources Recovery Authority (Authority) as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2013.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Authority in a separate letter dated October 1, 2013.

**Purpose of this Report**

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

*Bollam Sheedy Torani & Co. LLP*

New York, New York  
October 1, 2013