

**CONNECTICUT RESOURCES
RECOVERY AUTHORITY**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 1999

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT



ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
JUNE 30, 1999

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SIMIONE, SCILLIA, LARROW & DOWLING LLC

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Connecticut Resources Recovery Authority
Hartford, Connecticut

We have audited the accompanying financial statements of Connecticut Resources Recovery Authority, a component unit of the State of Connecticut, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Connecticut Resources Recovery Authority as of June 30, 1998 were audited by other auditors whose report dated September 15, 1998, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit proves a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Resources Recovery Authority as of June 30, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 16, 1999, on compliance and on internal control over financial reporting.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Connecticut Resources Recovery Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The information regarding Year 2000 Compliance has not been audited by us and accordingly, we express no opinion on it.


Hartford, Connecticut
September 16, 1999

Certified Public Accountants and Consultants

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BALANCE SHEETS
JUNE 30, 1999 AND 1998
(In Thousands)

EXHIBIT I

ASSETS	1999	1998
Current Assets:		
Cash and cash equivalents	\$47,999	\$46,229
Service payments receivable	11,881	10,973
Accrued interest and other assets	16,852	18,185
Total Current Assets	76,732	75,387
Restricted Assets:		
Cash and cash equivalents	64,849	69,729
Investments	6,938	7,701
Accrued interest receivable	744	826
Total Restricted Assets	72,531	78,256
Development and Bond Issuance Costs	14,504	14,988
Long-term Receivables	277	831
Property, Plant and Equipment, net	214,351	228,428
TOTAL ASSETS	\$378,395	\$397,890
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Current portion of bonds payable, net	\$16,519	\$16,687
Current portion of closure and postclosure care of landfills	3,752	4,676
Accounts payable and accrued expenses	18,423	23,246
Total Current Liabilities	38,694	44,609
Long-term Liabilities:		
Bonds payable, net	263,700	284,782
Closure and postclosure care of landfills	18,640	17,837
Other	0	4,610
TOTAL LIABILITIES	321,034	351,838
Fund Equity:		
Contributed Capital	1,835	1,961
Retained Earnings: -		
Reserved	18,676	17,467
Unreserved	36,850	26,624
Total Retained Earnings	55,526	44,091
TOTAL FUND EQUITY	57,361	46,052
TOTAL LIABILITIES AND FUND EQUITY	\$378,395	\$397,890

The accompanying notes are an integral part of these financial statements.



**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998
(In Thousands)**

EXHIBIT II

	1999	1998
OPERATING REVENUES		
Service charges:		
Members	\$75,906	\$75,307
Other	12,930	15,004
Energy generation	48,334	45,747
Ash disposal fees	3,955	4,263
Other income	7,279	7,538
	<u>148,404</u>	<u>147,859</u>
 OPERATING EXPENSES		
Solid waste operations	95,081	96,334
Depreciation and amortization	15,730	17,078
Maintenance and utilities	7,067	7,167
Closure and postclosure care of landfills	1,424	(1,188)
Project administration	5,493	5,015
	<u>124,795</u>	<u>124,406</u>
	23,609	23,453
 NONOPERATING REVENUES (EXPENSES)		
Investment income	6,076	6,678
Settlement income	4,723	2,569
Bond interest expense	(18,229)	(19,606)
Other	(4,870)	(3,714)
	<u>(12,300)</u>	<u>(14,073)</u>
	11,309	9,380
 NET INCOME		
Add item affecting contributed capital - depreciation on equipment acquired through capital grants	126	147
Retained earnings, beginning of year	44,091	34,564
 RETAINED EARNINGS, END OF YEAR	<u>\$55,526</u>	<u>\$44,091</u>

The accompanying notes are an integral part of these financial statements.



**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998
(In Thousands)**

EXHIBIT III

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$23,609	\$23,453
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	14,540	15,954
Provision for closure and postclosure care of landfills	1,424	(1,188)
Increase in other long-term liabilities	220	1,290
Amortization of development and bond issuance costs	1,189	1,123
Reduction of development costs	0	1,216
Settlement income	(108)	2,569
Other nonoperating expenses	(1,786)	0
Rebate to municipalities	(3,000)	(3,000)
(Increase) decrease in:		
Service payments receivable	(892)	601
Other assets	1,910	(3,581)
Increase (decrease) in accounts payable and accrued expenses	(4,529)	4,988
Net Cash Provided by Operating Activities	<u>32,577</u>	<u>43,425</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other interest and fees	(123)	(158)
Net Cash Used for Noncapital Financing Activities	<u>(123)</u>	<u>(158)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds	16,395	8,000
Proceeds from sale of property and equipment	2,011	27
Bond issuance costs incurred	(707)	(516)
Payment of landfill closure and postclosure care liabilities	(1,544)	(1,260)
Acquisition and construction of capital assets	(2,343)	(12,931)
Refunding of debt	(3,570)	0
Interest paid on bonds	(17,542)	(18,968)
Principal paid on bonds	(35,162)	(41,173)
Net Cash Used for Capital and Related Financing Activities	<u>(42,462)</u>	<u>(66,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,252	6,822
Proceeds from sale and maturities of investment securities	1,014	23,650
Reduction in loan receivable	0	5,604
Purchase of investment securities	(368)	(12,327)
Net Cash Provided by Investing Activities	<u>6,898</u>	<u>23,749</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,110)</u>	<u>195</u>
Cash and Cash Equivalents, Beginning of Year, (Unrestricted and Restricted)	<u>115,958</u>	<u>115,763</u>
CASH AND CASH EQUIVALENTS, END OF YEAR, (UNRESTRICTED AND RESTRICTED)	<u>\$112,848</u>	<u>\$115,958</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During fiscal 1999, a settled claim resulted in settlement income of \$4,130,000 (the amount provided in excess of the payment).

The accompanying notes are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

The Connecticut Resources Recovery Authority (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 (State) and is included as a component unit in the State's Comprehensive Annual Financial Report. The Authority Board of Directors consists of thirteen full members and eight ad-hoc members. The Governor of the State appoints four full members and all eight ad-hoc members. Six full members are appointed by the State legislature and three full members are ex-officio. The Treasurer of the State approves the issuance of all Authority bonds and notes. The State is contingently liable to restore deficiencies 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; that is, revenues from user services and sales of products, such as electricity, cover the cost of fulfilling the Authority's mission.

The Authority is comprised of four comprehensive solid waste disposal systems and an Administrative Pool. Each of the operating systems has a unique legal, contractual, financial and operational structure described as follows:

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,000 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 provides solid waste disposal services to over sixty Connecticut municipalities through service contract arrangements. The Authority owns the Waste Processing Facility portion of the Resources Recovery Facility, the transfer stations, the Ellington Landfill and the container processing portion of the Regional Recycling Center. The Authority leases the land for the Resources Recovery Facility, Essex transfer station and paper processing portion of the Regional Recycling Center. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. The Authority leases the paper processing facility of the Regional Recycling Center. Operation of the facilities is conducted by private vendors under various operating contracts. All revenue generated by the facilities accrues to the Authority. Certain operating contracts have provisions for revenue sharing with a vendor if prescribed operating parameters are achieved. The Authority has responsibility for all debt issued in the development of the Mid-Connecticut system.

Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn Resources Recovery Facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a Regional Recycling Center located in Stratford, Connecticut. The Bridgeport Project provides solid waste disposal services to eighteen Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities in the Bridgeport system. The Resources Recovery Facility is leased to a private vendor under a long-term arrangement. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to pay for the costs of the facility including debt service (other



than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to member municipalities and other system users. The Authority pays the vendor a contractually specified disposal fee. Energy and nonmember town revenues accrue to the vendor.

Wallingford Project

The Wallingford Project consists of a 420 ton per day mass burn Resources Recovery Facility located in Wallingford, Connecticut and the Wallingford Landfill. Five Connecticut municipalities in New Haven County are provided solid waste disposal services by this system through service contract arrangements. The Authority leases the Wallingford Landfill and owns the Resources Recovery Facility. The Resources Recovery Facility is leased to a private vendor under a long-term arrangement. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is responsible for operating the facility and servicing the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The project's revenues are primarily service fees charged to users and fees for electrical energy generated. The Authority pays the vendor a contractually determined service fee.

Southeastern Project

The Southeastern Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The system provides solid waste disposal services to sixteen Connecticut municipalities in the southeast corner of the State through service contract arrangements. The Resources Recovery Facility is owned by the Authority. It is leased to a private vendor under a long-term lease. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to operate and maintain the facility and service the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives revenues from service fees charged to participating municipalities and pays the vendor a service fee for the disposal service. Electrical energy and nonmember town revenues accrue to the vendor with certain contractually prescribed credits to the service fee for these revenue types.

Administrative Pool

The Authority has an Administrative Pool in which the costs of central administration are accumulated. These costs are allocated to the Authority's projects based on time expended.

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

The accounts of the Authority are organized as Enterprise Funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, 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.

Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, are capitalized during the construction period, net of interest earned on the investment of unexpended bond proceeds.

The financial statements are presented in accordance with Alternative #1 under Governmental Accounting Standards Board (GASB) Statement No. 20, and the Authority follows (1) all GASB pronouncements and (2) Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those which conflict with a GASB pronouncement.

C. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, all unrestricted and restricted highly liquid investments and those with a maturity of three months or less when purchased are considered to be cash equivalents.



D. Receivables

Receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral.

Service payments receivable are stated net of an allowance for uncollectibles of \$135,000 at June 30, 1999 and \$80,000 at June 30, 1998.

Project (000's)	1999	1998
Mid-Connecticut	\$1,866	\$1,709
Wallingford	2,833	2,550
Southeastern	<u>3,340</u>	<u>2,947</u>
Total	<u>\$8,039</u>	<u>\$7,206</u>

E. Inventory

Inventory is valued at the lower of cost (first-in/first out) or market.

F. 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.

G. 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.

H. Development Costs

Costs incurred during the development stage of an Authority project, including, but not limited to, initial planning, permitting and bond administration costs, are capitalized. When the project begins commercial operations, the costs are amortized using the straight-line method over twenty to twenty-five year periods.

At June 30, 1999 and 1998, accumulated amortization of development costs for the projects is as follows:

I. Property, Plant and Equipment

Property, Plant and Equipment with a useful life in excess of one year are capitalized at historical cost. Depreciation of exhaustible fixed 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 property, plant and equipment are as follows:

Property, Plant and Equipment	Years
Resources Recovery Buildings	30
Other Buildings	20
Resources Recovery Equipment	30
Recycling Equipment	10
Rolling Stock and Automobiles	5
Office and Other Equipment	3 - 5
Roadways	20

J. Other Financing

The Authority has issued several bonds pursuant to Indenture Agreements with a Trustee to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under Lease or Loan Agreements between the Authority and the operators.



The Authority does not become involved in the construction activities or the repayment of the debt related to the waste processing facilities (other than the portion allocable to Authority purposes). Debt service is administered by a Trustee. The Authority has not guaranteed repayment of debt service in the event of default; therefore, the Authority does not record the debt or the related capital lease receivable in its financial statements.

The portion of all bond issues allocable to Authority purposes is recorded as long-term debt.

K. Compensated Absences

The Authority's liability for vested accumulated unpaid vacation, sick pay, and other employee benefit amounts is recorded on an accrual basis.

L. Fund Equity

The changes in Contributed Capital for the years ended June 30, 1999 and 1998 are as follows:

Contributed Capital (000's)	1999	1998
Beginning of year	\$1,961	\$2,108
Amortization of capital grants	<u>(126)</u>	<u>(147)</u>
End of year	<u>\$1,835</u>	<u>\$1,961</u>

Unreserved retained earnings represent the net assets available to finance future operations or for distribution.

Reservations of retained earnings are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Reserved retained earnings at June 30, 1999 and 1998 are summarized as follows:

Reserved Retained Earnings (000's)	1999	1998
Debt principal payment	\$10,798	\$10,843
Operating and maintenance	2,883	2,735
Equipment replacement	2,753	2,611
Regional recycling center equipment	1,390	351
Landfill custodian accounts	491	576
Mercury Public Awareness Account	<u>361</u>	<u>351</u>
Total	<u>\$18,676</u>	<u>\$17,467</u>

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Connecticut General Statutes authorize the Authority to invest funds in obligations of the United States or any state or other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the Short Term Investment Fund (STIF) administered by the Office of the Treasurer of the State.

STIF is an investment pool of short-term money market instruments which may include adjustable-rate corporate, federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and generally are 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 Authority's primary investment tools are STIF and treasury securities.

A. Deposits

At June 30, 1999 and 1998, the carrying amounts of the Authority's deposits were \$3,842,000 and \$2,928,000 respectively, and the bank balances were \$5,605,000 and \$3,778,000, respectively. Of the bank balances, \$200,000 were covered by Federal Depository Insurance at risk category 1 at June 30, 1999 and 1998. The remaining bank balances of \$5,405,000 and



\$3,578,000 at June 30, 1999 and 1998, respectively, were categorized at risk category 3.

Category 3 deposits are those bank balances which are uninsured and are either uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the name of the Authority. The minimum amounts of the Authority's category 3 bank balances collateralized at June 30, 1999 and 1998 were \$561,000 and \$378,000, respectively. The remaining category 3 bank balances of \$4,844,000 and \$3,200,000 at June 30, 1999 and 1998, respectively, were uncollateralized.

The following table is a summary of GASB Statement No. 3 deposits reconciled to Total Cash and Cash Equivalents (unrestricted and restricted) at June 30, 1999 and 1998.

(000's)	1999	1998
Total Deposits	3,842	2,928
STIF	106,585	110,785
U.S. Treasury and other Obligations	<u>2,421</u>	<u>2,245</u>
Total Cash and Cash Equivalents (unrestricted and restricted)	<u>\$112,848</u>	<u>\$115,958</u>

B. Investments

Investments, under GASB Statement No. 3, are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes investments which are insured or registered or for which securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent, but not in the Authority's name.

At June 30, 1999 and 1998, investments, as defined by GASB Statement No. 3, were U.S. Treasury Notes in the fair value amount of \$6,938,000 and \$7,701,000, respectively, which are classified in Risk Category 3.

3. PROPERTY, PLANT & EQUIPMENT

A summary of property, plant and equipment at June 30, 1999 and 1998 is presented as follows:

Classification (000's)	1999	1998
Land	\$21,937	\$21,937
Plant	174,768	181,627
Equipment	163,309	162,278
Construction in progress	<u>1,128</u>	<u>0</u>
Subtotal	361,142	365,842
Less accumulated depreciation	<u>(146,791)</u>	<u>(137,414)</u>
Property, Plant & Equipment, net	<u>\$214,351</u>	<u>\$228,428</u>

Interest is capitalized on assets acquired with tax-exempt 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 proceeds over the same period.

During fiscal 1999 and 1998, there was no interest capitalized in property, plant and equipment.

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 bond indentures.



The annual requirements to amortize long-term debt recorded by the Authority as of June 30, 1999, including interest payments of \$120,432,000 are, as follows:

Year Ending June 30 (000's)	Mid- Connecticut	Bridgeport	Wallingford	Southeastern	Interest	Total
2000	13,416	2,755	0	348	16,137	32,656
2001	14,233	2,420	111	382	15,107	32,253
2002	14,014	2,595	3,523	423	13,964	34,519
2003	13,698	1,470	2,545	461	12,768	30,942
2004	14,460	1,580	1,318	507	11,707	29,572
2005-2009	84,025	9,970	4,500	3,332	40,320	142,147
2010-2014	82,382	0	0	4,151	10,345	96,878
2015-2016	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,600</u>	<u>84</u>	<u>1,684</u>
Total	<u>\$236,228</u>	<u>\$20,790</u>	<u>\$11,997</u>	<u>\$11,204</u>	<u>\$120,432</u>	<u>\$400,651</u>
Interest Rates	4.5-6.5%	6.4-8%	3.3-6.85%	5-7.7%		

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 any one year in the event that the Authority is unable to do so. Certain Authority bonds are insured. Bond principal amounts recorded as long-term debt at June 30, 1999 and 1998, which are backed by a special capital reserve fund, are as follows:

Project (000's)	1999	1998
Mid-Connecticut	\$236,228	\$248,552
Bridgeport	3,960	5,435
Wallingford	0	5,488
Southeastern	<u>11,204</u>	<u>17,069</u>
Total	<u>\$251,392</u>	<u>\$276,544</u>

The long-term debt amounts for the Projects in the two tables above have been reduced by the deferred amount on refundings of bonds, net of the unamortized premium on the sale of bonds at June 30, 1999 and 1998, as follows:

Project (000's)	1999	1998
Deferred amount:		
Mid-Connecticut	\$5,522	\$6,333
Wallingford	178	0
Southeastern	<u>2,994</u>	<u>0</u>
Subtotal	8,694	6,333
Reduced by unamortized premium - Southeastern	<u>(1,344)</u>	<u>(0)</u>
Net Reduction	<u>\$7,350</u>	<u>\$6,333</u>



In January 1999, the Authority defeased the Southeastern 1988 Landfill bonds which had an outstanding principal balance of \$2,445,000, by depositing \$2,573,000 (\$1,689,000 of restricted funds) into an irrevocable trust. Debt service payments for these bonds are scheduled to be made from this trust through the final maturity date of November 15, 2000.

In October 1998, the Authority issued the \$39,475,000 Wallingford 1998 Series A, B and C bonds (of which \$5,174,000 was allocable to Authority purposes) with an average interest rate of 4%. The proceeds of the 1998 bonds, together with \$1,236,000 of other Authority restricted funds were deposited into an irrevocable trust. These amounts were used to refund \$39,965,000 of Wallingford 1986 Series A, One and Two bonds (of which \$5,206,000 was allocable to Authority purposes) which had an average interest rate of 6.7%.

The Wallingford refunding resulted in a difference of \$197,000 between the reacquisition price and the net carrying amount of the old debt allocable to Authority purposes. This amount is being charged to interest expense through fiscal 2009 using the proportionate-to-stated interest method. This refunding will reduce the Authority's solid waste operations expense and allocable debt service payments by \$9,077,000 through fiscal 2009 and generated an economic gain (the difference between the present values of the debt service payments of the 1986 and the 1998 bonds) of \$5,897,000.

In August 1998, the Authority issued \$87,650,000 Southeastern 1998 Series A bonds (of which \$9,755,000 is allocable to Authority purposes) with an average interest rate of 5.3%. The proceeds of the 1998 bonds, together with \$2,257,000 of other Authority funds (\$461,000 restricted) were deposited into an irrevocable trust. These amounts were used to refund \$89,835,000 of Southeastern 1988 Series A bonds (of which \$10,013,000 is allocable to Authority purposes) which had an average interest rate of 8%.

The Southeastern refunding resulted in a difference of \$3,265,000 between the reacquisition price and the net carrying amount of the old debt allocable to Authority purposes. This amount is being charged to interest expense through fiscal 2016 using the proportionate-to-

stated interest method. This refunding will reduce the Authority's solid waste operations expense and allocable debt service payments by \$34,000,000 through fiscal 2016 and generated an economic gain (the difference between the present values of the debt service payments of the 1988 and the 1998 bonds) of \$16,000,000.

In July 1997, the Authority issued \$8,000,000 of Mid-Connecticut 1997 Series A Bonds with an average interest rate of 4.6%. The final maturity on these bonds is November 15, 2006. The proceeds from this issue funded construction activity at the Hartford Landfill.

At June 30, 1999 and 1998, the Authority had an unused \$10,000,000 line of credit for the Bridgeport Project. In conjunction with the August 1999 bond refunding discussed in Note 16, the line of credit was terminated.

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

State and federal regulations require the Authority to place final cover on its landfills when it stops accepting waste (which may have been or included ash) and to perform certain maintenance and monitoring functions for periods which may extend to thirty years after closure.

GASB Statement No. 18 - "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", applies to closure and postclosure care costs which are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. This amount increases the liability on the balance sheet for closure and postclosure care of landfills. These costs are generally paid when the landfill is closed and may continue for up to thirty years thereafter. The liability for these costs is reduced when these costs are actually incurred.

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation.



The closure and postclosure care expenses and the amounts paid or accrued for fiscal 1998 and 1999 for the landfills, are separately presented in the following table:

Project/Landfill (000's)	Liability at July 1, 1997	Expense	Paid or Accrued	Liability at June 30, 1998	Expense	Paid or Accrued	Liability at June 30, 1999
Mid-Connecticut:							
Hartford	\$3,613	\$125	\$0	\$3,738	\$493	\$0	\$4,231
Ellington	5,603	(1,313)	(631)	3,659	(165)	(2)	3,492
Bridgeport:							
Shelton	10,023	570	(482)	10,111	244	(1,355)	9,000
Waterbury	121	2	0	123	245	0	368
Wallingford	<u>5,601</u>	<u>(572)</u>	<u>(147)</u>	<u>4,882</u>	<u>607</u>	<u>(188)</u>	<u>5,301</u>
Total	<u>\$24,961</u>	<u>(\$1,188)</u>	<u>(\$1,260)</u>	<u>\$22,513</u>	<u>\$1,424</u>	<u>(\$1,545)</u>	<u>\$22,392</u>

The estimated remaining costs to be recognized in the future as closure and postclosure care of landfills expense, the percent of landfill capacity used and the remaining years of life at June 30, 1999 are scheduled below:

Project/Landfill (000's)	Remaining Costs to be Recognized	Capacity Used Landfill Area		Estimated Years of Remaining Landfill Area Life	
		Ash	Other	Ash	Other
Mid-Connecticut:					
Hartford	\$1,390	78%	97%	6.0	1.5
Ellington	0	---	100%	---	closed
Bridgeport:					
Shelton	0	100%	---	closed	---
Waterbury	525	---	41%	---	16.0
Wallingford	<u>71</u>	100%	99%	closed	0.5
Total	<u>\$1,986</u>				



The State of Connecticut Department of Environmental Protection (DEP) requires that certain financial assurance mechanisms be maintained by the Authority to ensure payment of closure and postclosure costs related to certain landfills. Additionally, DEP requires that the Authority budget for anticipated closure costs for Mid-Connecticut's Hartford Landfill and the Bridgeport Project's Shelton Landfill.

Trust accounts were held for financial assurance purposes for Mid-Connecticut's Ellington Landfill and Bridgeport's Waterbury Landfill. These trust accounts are valued at \$362,000 and \$129,000, respectively, at June 30, 1999 and \$345,000 and \$123,000, respectively, at June 30, 1998. A trust account for Mid-Connecticut's Hartford Landfill valued at \$109,000 at June 30, 1998 was also held for financial assurance. These trust accounts are reflected as restricted assets on the balance sheet.

At June 30, 1999 and 1998, letters of credit for \$445,000 were outstanding which related to closure and postclosure costs of Bridgeport's original Shelton Landfill.

In addition to the above accounts and letters of credit, the Authority meets certain financial assurance requirements at June 30, 1999 and 1998 by meeting specified criteria pursuant to Section 258.74 of the federal EPA Subtitle D regulations.

6. RETAINED DEFICIT OF INDIVIDUAL PROJECT

The June 30, 1998 accumulated deficit of the Wallingford Project was \$918,000. The Wallingford Project had retained earnings of \$3,079,000 at June 30, 1999. The project's retained deficit was eliminated in fiscal 1999 as a result of increased energy revenues and a reduction in bond interest expense.

7. MAJOR CUSTOMER

Steam and electricity revenues from the Connecticut Light & Power Company (CL&P) totaled 33% and 31% of the Authority's operating revenues for the years ended June 30, 1999 and 1998, respectively.

8. SETTLEMENT INCOME (LOSS)

The Administrative Pool received settlement income

of \$25,000 in 1999. This income resulted from administrative fees charged for the Authority's participation in a corporate credit bond issuance.

Under a settlement agreement with CL&P, during fiscal 1999, the Authority and CL&P agreed to a revised schedule of electric purchase rates for the Southeastern Project. This Project made a one-time payment to CL&P of \$700,000 and realized \$4,130,000 of settlement income as a result of the agreement. This settlement income arose from the manner in which the dispute had been previously recorded.

During fiscal 1999 and 1998, the Authority received \$490,000 and \$2,330,000, respectively, from the Southeastern Project's regional authority. These payments resulted from agreements entered into in fiscal 1996 between the regional authority and private entities.

The Authority recorded settlement income of \$78,000 and \$342,000 in fiscal 1999 and 1998, respectively, in the Southeastern Project under a June 1998 decision by the State's Department of Public Utility Control.

During 1998, the Administrative Pool paid \$664,000 to settle two environmental claims related to past operations of the Bridgeport Project.

Under a release and settlement agreement, the Mid-Connecticut Project received \$561,000 during fiscal 1998 from a facility operator.

9. RETIREMENT PLAN

The Authority is the Administrator of its 401(k) Employee Savings Plan. This defined contribution retirement plan covers all eligible staff members. To be eligible, the staff member must be 18 years of age and have been a full time employee for six months.

Contributions are made at a rate of 10 percent of payroll. Authority contributions for the year ended June 30, 1999 amounted to \$270,000 based on covered payroll of \$2,701,000. Covered payroll represents 87.4 percent of total payroll in 1999. Authority contributions for the year ended June 30, 1998 amounted to \$279,000 based on covered payroll of \$2,793,000. Covered payroll represents 96.4 percent of total payroll in 1998. Employees contributed \$149,000 to the plan in fiscal 1999 and \$158,000 in fiscal 1998.



10. RISK MANAGEMENT

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

The Authority is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. Seq. of the Connecticut General Statutes.

The Authority is a member of CIRMA's 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 dividend program and losses and reserves incurred in each coverage period are evaluated at 18, 30, and 42 months after the effective date of coverage. If the Authority's losses are low, it is entitled to receive dividends which reduce future premium expenses. The deposit contributions (premiums) paid were \$15,000 and \$39,000 for the years ended June 30, 1999 and 1998, respectively. The premiums are subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence and purchases reinsurance above that amount to the limit of liability of \$10 million per occurrence.

11. COMMITMENTS

The Authority has various operating leases for office space, land, landfills and office equipment. For the years ended June 30, 1999 and 1998, operating lease payments totaled \$1,278,000 and \$1,268,000, respectively. Future minimum rental commitments under noncancelable operating leases as of June 30, 1999 are as follows:

Fiscal Year (000's)	Amount
2000	\$1,392
2001	1,396
2002	1,405
2003	1,380
2004	1,376
Thereafter	<u>6,135</u>
Total	<u>\$13,084</u>

The Authority leases the Bridgeport Regional Recycling Center and its equipment to a private vendor. Under this operating lease, the Authority earned rental income of \$1,065,000 and \$1,055,000 for the years ended June 30, 1999 and 1998, respectively. The cost of the plant and equipment under lease is \$3,025,000 and \$1,909,000, respectively, at June 30, 1999. The carrying value at June 30, 1999 of this plant and equipment under lease is \$2,061,000 and \$641,000, respectively. The future minimum rental income on noncancelable leases at June 30, 1999 is \$9,165,000 due in fiscal years 2000 through 2008 in equal annual amounts of \$1,018,000.

The Authority reached agreement regarding the termination of the Wallingford Projects's steam supply agreement in fiscal 1993. Under this agreement, the Authority paid \$450,000 in fiscal 1999, \$423,000 in fiscal 1998 and is committed to pay \$480,000 in fiscal 2000 and \$510,000 in fiscal 2001.

12. OTHER FINANCING

The Authority has issued several bonds pursuant to Indenture Agreements to fund the construction of waste processing facilities by an independent contractor/operator. The revenue bonds are issued by the Authority to lower the cost of borrowing for the contractor/operator of the projects. The Authority does not become involved in the construction activities, and construction requisitions by the contractor are made from various trustee accounts.



The Authority does not become involved in the repayment of debt on these issues except for the portion of the bonds allocable to Authority purposes. Payment of the debt is not guaranteed by the Authority or the State in the event of default except in cases where the State has a contingent liability discussed below. Therefore, the Authority does not record the assets and liabilities related to these bond issues in its financial statements. The amounts of these bond issues outstanding at June 30, 1999 (excluding portions allocable to Authority purposes), with final maturity dates are as follows:

Project (000's)	Amount
BRIDGEPORT	
1985 Series A	\$107,524
1985 Series B	<u>40,046</u>
	<u>147,570</u>
WALLINGFORD	
1998 Series A	28,616
1998 Series B	3,085
1998 Series C	<u>2,600</u>
	<u>34,301</u>
SOUTHEASTERN	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	77,895
1998 Series A (Corp. Credit BFI)	6,750
1998 Series A (Corp. Credit Duke Capital)	<u>6,750</u>
	<u>121,395</u>
TOTAL	<u><u>\$303,266</u></u>

The Southeastern 1998 Series A Project bond issue is secured by a special capital reserve fund. The State of Connecticut is contingently liable for any deficiencies of funds as further explained in Note 4.

13. SERVICE CONTRACT COMMITMENTS

The Authority has various contracts with the operators of the waste processing and power block facilities, regional recycling centers, transfer stations and landfills under 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.

Approximate contract operating charges included in solid waste operations and maintenance and utilities expenses for the years ended June 30, 1999 and 1998 are as follows:

Project (000's)	1999	1998
Mid-Connecticut	\$37,572	\$37,083
Bridgeport	25,580	22,294
Wallingford	12,468	12,567
Southeastern	<u>7,574</u>	<u>8,637</u>
Total	<u><u>\$83,194</u></u>	<u><u>\$80,581</u></u>

14. SEGMENT INFORMATION - ENTERPRISE FUNDS

The Authority has four operating enterprise funds which are intended to be self-supporting through service fees charged to operate resources recovery and recycling facilities. In addition, the Authority has an Administrative Pool. Financial segment information as of and for the year ended June 30, 1999 (with comparative totals for the prior year) for these projects and the Administrative Pool is as follows:



(000's)	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Administrative Pool	Total 1999	Total 1998
Operating revenues	\$81,591	\$34,530	\$19,761	\$12,522	\$0	\$148,404	\$147,859
Depreciation and amortization expense	13,182	1,164	326	933	125	15,730	17,078
Operating income (loss)	15,538	3,310	4,048	883	(170)	23,609	23,453
Operating transfers:							
Out	0	0	0	0	(472)	(472)	(617)
In	277	134	48	13	0	472	617
Net income (loss)	218	2,377	3,997	4,800	(83)	11,309	9,380
Property, plant & equipment:							
Additions	2,343	0	0	0	103	2,446	12,990
Deletions	(229)	(59)	(8)	(6,771)	(79)	(7,146)	(998)
Bonds payable (including current portion)	236,228	20,790	11,997	11,204	0	280,219	301,469
Total equity	28,459	6,309	3,079	9,667	9,847	57,361	46,052
Net working capital (deficiency)	10,489	(947)	10,526	8,599	9,371	38,038	30,778
Total Assets	\$280,426	\$40,468	\$22,383	\$24,722	\$10,396	\$378,395	\$397,890

15. CONTINGENCIES

In February 1994, the Authority and the Bridgeport facility operator reached an agreement which reduced the annual guaranteed tonnage commitment from 515,000 tons of municipal solid waste to 400,000 tons, beginning in fiscal 1994. Previously, the facility operator had contended that Trustee approval was required for the negotiated agreement to be effective. In conjunction with the Bridgeport Project bonds refinancing, discussed in Note 16, the matter has been resolved with no material adverse effect to the Authority.

During fiscal 1999, the Authority reached a settlement with CL&P regarding the electricity purchase rate paid to the Southeastern Project. Results of the settlement are discussed in Note 8.

In April 1997, the Authority entered into a contract with a private vendor to permit, construct and operate an ash recycling facility as part of the Mid-Connecticut Project. The Authority terminated this contract in fiscal 1999.

The Authority is involved in other legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, based upon the opinion of legal counsel, management presently believes that the outcome of these proceedings and claims will not have a material adverse effect on the Authority's financial position.

16. SUBSEQUENT EVENTS

In July 1999, the Authority approved a \$2,000,000 rebate of fiscal year 1999 service charges to the five Wallingford member municipalities.



In August 1999, the Authority issued \$141,695,000 Bridgeport 1999 Series bonds (of which \$5,245,000 is allocable to Authority purposes with an average interest rate of 4.8%). The proceeds of the 1999 bonds, together with \$335,000 of other restricted Authority funds were deposited into an irrevocable trust. These amounts were used to refund \$153,355,000 of Bridgeport 1985 Series A and B bonds (of which \$5,785,000 is allocable to Authority purposes with an average interest rate of 8%).

The refunding resulted in a difference of \$282,000 between the net carrying amount and the reacquisition price of the old debt allocable to Authority purposes. This amount will be credited to interest expense

through fiscal 2009 using the proportionate-to-stated interest method. This refunding will reduce the Authority's solid waste operations expense and allocable debt service payments by \$19,403,000 through fiscal 2009 and generated an economic gain (the difference between the present values of the Authority's portions of debt service payments and solid waste fees under the 1985 and the 1999 bonds) of \$16,036,000.

In September 1999, the Authority approved a \$3,000,000 rebate of fiscal year 1999 service charges to the forty-four Mid-Connecticut member municipalities.



Connecticut Resources Recovery Authority

COMBINING BALANCE SHEETS

JUNE 30, 1999

(with Comparative Totals for June 30, 1998)

(In Thousands)

EXHIBIT A
Page 1 of 2

ASSETS	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Total 1999	Total 1998
Current Assets:							
Cash and cash equivalents	\$9,898	\$16,876	\$4,963	\$9,004	\$7,258	\$47,999	\$46,229
Service payments receivable	0	5,717	3,049	1,129	1,986	11,881	10,973
Accounts receivable	0	6,791	0	2,377	2,397	11,565	9,336
Accrued interest and other receivables	2	99	43	0	1,150	1,294	4,116
Prepaid expenses	20	262	19	712	7	1,020	1,104
Inventory	0	2,973	0	0	0	2,973	3,629
Total Current Assets	9,920	32,718	8,074	13,222	12,798	76,732	75,387
Restricted Assets:							
Cash and cash equivalents	361	47,737	7,180	5,837	3,734	64,849	69,729
Investments	0	6,856	82	0	0	6,938	7,701
Accrued interest receivable	0	256	21	173	294	744	826
Total Restricted Assets	361	54,849	7,283	6,010	4,028	72,531	78,256
Development and Bond Issuance Costs	0	3,661	75	3,149	7,619	14,504	14,988
Long-term Receivables	0	0	0	0	277	277	831
Property, Plant and Equipment:							
Land	0	6,923	15,014	0	0	21,937	21,937
Plant	0	149,066	25,702	0	0	174,768	181,627
Equipment	673	159,967	2,647	22	0	163,309	162,278
Construction in progress	0	1,128	0	0	0	1,128	0
	673	317,084	43,363	22	0	361,142	365,842
Less accumulated depreciation	(558)	(127,886)	(18,327)	(20)	0	(146,791)	(137,414)
Property, Plant and Equipment, net	115	189,198	25,036	2	0	214,351	228,428
TOTAL ASSETS	\$10,396	\$280,426	\$40,468	\$22,383	\$24,722	\$378,395	\$397,890



Connecticut Resources Recovery Authority

COMBINING BALANCE SHEETS

JUNE 30, 1999

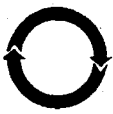
(with Comparative Totals for June 30, 1998)

(In Thousands)

EXHIBIT A

Page 2 of 2

LIABILITIES AND FUND EQUITY	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Total 1999	Total 1998
Current Liabilities:							
Current portion of: -							
Bonds payable, net	\$0	\$13,416	\$2,755	\$0	\$348	\$16,519	\$16,687
Closure and postclosure care of landfills	0	797	2,265	690	0	3,752	4,676
Accounts payable and accrued expenses	549	8,016	4,001	2,006	3,851	18,423	23,246
Total Current Liabilities	549	22,229	9,021	2,696	4,199	38,694	44,609
Long-term Liabilities:							
Bonds payable, net	0	222,812	18,035	11,997	10,856	263,700	284,782
Closure and postclosure care of landfills	0	6,926	7,103	4,611	0	18,640	17,837
Other	0	0	0	0	0	0	4,610
TOTAL LIABILITIES	549	251,967	34,159	19,304	15,055	321,034	351,838
Fund Equity:							
Contributed Capital	795	1,040	0	0	0	1,835	1,961
Retained Earnings:							
Reserved: -							
Debt principal payment	0	8,853	1,622	0	323	10,798	10,843
Operating and maintenance	0	2,883	0	0	0	2,883	2,735
Equipment replacement	0	2,753	0	0	0	2,753	2,611
Regional recycling center equipment	0	1,390	0	0	0	1,390	351
Landfill custodian accounts	0	362	129	0	0	491	576
Mercury Public Awareness Account	361	0	0	0	0	361	351
Total Reserved	361	16,241	1,751	0	323	18,676	17,467
Unreserved	8,691	11,178	4,558	3,079	9,344	36,850	26,624
Total Retained Earnings	9,052	27,419	6,309	3,079	9,667	55,526	44,091
TOTAL FUND EQUITY	9,847	28,459	6,309	3,079	9,667	57,361	46,052
TOTAL LIABILITIES AND FUND EQUITY	\$10,396	\$280,426	\$40,468	\$22,383	\$24,722	\$378,395	\$397,890



Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED JUNE 30, 1999

(with Comparative Totals for June 30, 1998)

(In Thousands)

EXHIBIT B

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Total 1999	Total 1998
Operating revenues:							
Service charges: -							
Members	\$0	\$27,778	\$28,249	\$8,350	\$11,529	\$75,906	\$75,307
Others	0	11,140	0	798	992	12,930	15,004
Energy generation	0	37,738	0	10,596	0	48,334	45,747
Ash disposal fees	0	0	3,955	0	0	3,955	4,263
Other income	0	4,935	2,326	17	1	7,279	7,538
Total operating revenues	0	81,591	34,530	19,761	12,522	148,404	147,859
Operating expenses:							
Solid waste operations	45	41,538	28,700	14,313	10,485	95,081	96,334
Depreciation and amortization	125	13,182	1,164	326	933	15,730	17,078
Maintenance and utilities	0	6,973	89	5	0	7,067	7,167
Closure and postclosure care of landfills	0	328	489	607	0	1,424	(1,188)
Project administration	0	4,032	778	462	221	5,493	5,015
Total operating expenses	170	66,053	31,220	15,713	11,639	124,795	124,406
OPERATING INCOME (LOSS)	(170)	15,538	3,310	4,048	883	23,609	23,453
Nonoperating revenues (expenses):							
Investment income	517	3,775	614	715	455	6,076	6,678
Settlement income (loss)	25	0	0	0	4,698	4,723	2,569
Bond interest expense	0	(14,737)	(1,618)	(786)	(1,088)	(18,229)	(19,606)
Other	17	(4,635)	(63)	(28)	(161)	(4,870)	(3,714)
Net nonoperating revenues (expenses)	559	(15,597)	(1,067)	(99)	3,904	(12,300)	(14,073)
Income (loss) before operating transfers	389	(59)	2,243	3,949	4,787	11,309	9,380
Operating transfers in (out)	(472)	277	134	48	13	0	0
NET INCOME (LOSS)	(83)	218	2,377	3,997	4,800	11,309	9,380
Add item affecting contributed capital - depreciation on equipment acquired through capital grants	0	126	0	0	0	126	147
Retained earnings (deficit), beginning of year	9,135	27,075	3,932	(918)	4,867	44,091	34,564
RETAINED EARNINGS, END OF YEAR	\$9,052	\$27,419	\$6,309	\$3,079	\$9,667	\$55,526	\$44,091

COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1999
(with Comparative Totals for June 30, 1998)
(In Thousands)

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Total 1999	Total 1998
CASH FLOWS FROM OPERATING ACTIVITIES							
Operating income (loss)	(\$170)	\$15,538	\$3,310	\$4,048	\$883	\$23,609	\$23,453
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:							
Depreciation of property, plant and equipment	125	12,789	1,139	3	484	14,540	15,954
Provision for closure and postclosure care of landfills	0	328	489	607	0	1,424	(1,188)
Increase in other long-term liabilities	0	0	0	0	220	220	1,290
Amortization of development and bond issuance costs	0	392	25	324	448	1,189	1,123
Reduction of development costs	0	0	0	0	0	0	1,216
Settlement income (loss)	25	0	0	0	(133)	(108)	2,569
Other nonoperating expenses	(50)	(1,621)	0	0	(115)	(1,786)	0
Rebate to municipalities	0	(3,000)	0	0	0	(3,000)	(3,000)
(Increase) decrease in:							
Accrued interest and other receivables	0	55	(43)	(56)	3,443	3,399	(2,983)
Inventory	0	656	0	0	0	656	(380)
Prepaid expenses	30	61	12	(29)	10	84	(60)
Service payments receivable	0	(702)	(95)	49	(144)	(892)	601
Accounts receivable	0	(175)	0	(845)	(1,209)	(2,229)	(158)
Increase (decrease) in:							
Accounts payable and accrued expenses	(863)	(502)	(296)	176	(3,044)	(4,529)	4,988
Net Cash Provided by (Used for) Operating Activities	(903)	23,819	4,541	4,277	843	32,577	43,425
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Operating transfers from other funds	0	277	134	48	13	472	617
Other interest and fees	0	(14)	(63)	(28)	(18)	(123)	(158)
Operating transfers to other funds	(472)	0	0	0	0	(472)	(617)
Net Cash Provided by (Used for) Noncapital Financing Activities							
		263	71	20	(5)	(123)	(158)

Risk Fund TRF out



Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1999

(with Comparative Totals for June 30, 1998)

(In Thousands)

EXHIBIT C

Page 2 of 2

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Total 1999	Total 1998
Proceeds from sale of bonds	0	0	0	5,174	11,221	16,395	8,000
Proceeds from sale of property and equipment	0	8	3	0	2,000	2,011	27
Bond issuance costs incurred	0	0	0	(105)	(602)	(707)	(516)
Payment of landfill closure and postclosure care liabilities	0	(2)	(1,354)	(188)	0	(1,544)	(1,260)
Acquisition and construction of capital assets	0	(2,343)	0	0	0	(2,343)	(12,931)
Refunding of debt	0	0	0	(215)	(3,355)	(3,570)	0
Interest paid on bonds	0	(14,035)	(1,708)	(789)	(1,010)	(17,542)	(18,968)
Principal paid on bonds	0	(13,135)	(2,570)	(5,488)	(13,969)	(35,162)	(41,173)
Net Cash Used for Capital and Related Financing Activities	0	(29,507)	(5,629)	(1,611)	(5,715)	(42,462)	(66,821)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	517	3,925	617	728	465	6,252	6,822
Proceeds from sale and maturities of investment securities	0	278	47	689	0	1,014	23,650
Reduction in loan receivable	0	0	0	0	0	0	5,604
Purchase of investment securities	0	(287)	(81)	0	0	(368)	(12,327)
Net Cash Provided by Investing Activities	517	3,916	583	1,417	465	6,898	23,749
Net Increase (Decrease) in Cash and Cash Equivalents	(858)	(1,509)	(434)	4,103	(4,412)	(3,110)	195
Cash and Cash Equivalents, Beginning of Year, (Unrestricted and Restricted)	11,117	66,122	12,577	10,738	15,404	115,958	115,763
CASH AND CASH EQUIVALENTS, END OF YEAR, (UNRESTRICTED AND RESTRICTED)	\$10,259	\$64,613	\$12,143	\$14,841	\$10,992	\$112,848	\$115,958

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During fiscal 1999, a settled claim resulted in settlement income for the Southeastern Project of \$4,130,000 (the amount provided in excess of the payment).



YEAR 2000 Compliance (Unaudited)

Generally, the Year 2000 (Y2K) problem is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect operations in fiscal 2000 and beyond. For many years, programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965 as "01/01/65" instead of "01/01/1965". On January 1, 2000 at 12:00:01 a.m., the internal clock in many computers and other equipment will roll over from "12/31/99" to "01/01/00". Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. This may cause the programs to process data inaccurately or stop processing data altogether.

The Y2K problem as it relates to the Authority required a review of the following five information and computer systems: accounting/billing system; computer network system; hardware and PC equipment; telephone system; and, automated scale software.

In January 1999, the Authority completed the awareness and assessment stages to address all these Y2K issues. At that time, a budget and time line was established to address them.

By June 30, 1999, the Authority acquired a new accounting/billing system and automated scale software which are Y2K compliant. The accounting system became operational in July 1999 completing the remediation and validation/testing stages for this matter. The computer network system hardware, personal computer equipment and telephone systems were upgraded to be Y2K compliant in August 1999 completing the remediation and validation/testing stage for them.

Remediation of the billing system and automated scale software began with the purchase of Y2K compliant software in fiscal 1999. The remediation stage for these two systems is expected to be complete in October 1999 when they become operational. Completion of the validation/testing stage for these two systems is anticipated to occur in November 1999. At such time, all information and computer systems should be Y2K compliant. However, completion of validation/testing does not guarantee that these systems and equipment will be Y2K compliant.

Total resources to address the Y2K issues for the Authority's computer systems and other electronic equipment are expected to approximate \$500,000. Of that amount, \$200,000 had been spent as of June 30, 1999. The remaining \$300,000, which is not deemed significant, is expected to be spent after that date.



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SIMIONE, SCILLIA, LARROW & DOWLING LLC

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF RETAINED EARNINGS

Board of Directors
Connecticut Resources Recovery Authority
Hartford, Connecticut

We have audited the financial statements of Connecticut Resources Recovery Authority, a component unit of the State of Connecticut, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 16, 1999. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Connecticut Resources Recovery Authority taken as a whole. The accompanying Schedule of Retained Earnings is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Simione, Scillia, Larrow & Dowling LLC

Hartford, Connecticut
September 16, 1999

Certified Public Accountants and Consultants

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Connecticut Resources Recovery Authority

SCHEDULE OF RETAINED EARNINGS

JUNE 30, 1999

(with Comparative Totals for June 30, 1998)

(In Thousands)

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Total 1999	Total 1998
Reserved for:							
Debt principal payment	\$0	\$8,853	\$1,622	\$0	\$323	\$10,798	\$10,843
Operating and maintenance	0	2,883	0	0	0	2,883	2,735
Equipment replacement	0	2,753	0	0	0	2,753	2,611
Regional recycling center equipment	0	1,390	0	0	0	1,390	351
Landfill custodian accounts	0	362	129	0	0	491	576
Mercury Public Awareness Account	361	0	0	0	0	361	351
Total reserved	361	16,241	1,751	0	323	18,676	17,467
Unreserved:							
Designated for: -							
Future loss contingencies	9,041	0	0	0	0	9,041	9,041
Landfill closure and postclosure	0	3,639	3,654	798	1,039	9,130	6,579
Rolling stock	0	4,481	0	0	0	4,481	3,987
Waste processing facility modifications	0	5,276	0	0	0	5,276	1,751
Landfill replacement	0	1,800	800	0	0	2,600	2,600
Landfill construction	0	1,149	0	0	0	1,149	1,641
Office relocation	804	0	0	0	0	804	0
Energy deregulation	0	564	0	0	0	564	0
Future use	0	0	0	375	0	375	375
Clean Air Act	0	300	0	0	0	300	885
Health Fund	209	0	0	0	0	209	205
Ash reutilization study	0	29	79	8	15	131	131
CBEC Inc.	0	74	0	0	0	74	119
Developmental activities	64	0	0	0	0	64	89
Recycling	0	0	50	0	0	50	50
Recycling Trust Fund	28	0	0	0	0	28	33
FERC	0	0	0	0	0	0	700
Undesignated	(1,455)	(6,134)	(25)	1,898	8,290	2,574	(1,562)
Total unreserved	8,691	11,178	4,558	3,079	9,344	36,850	26,624
Total	\$9,052	\$27,419	\$6,309	\$3,079	\$9,667	\$55,526	\$44,091