

**CONNECTICUT RESOURCES  
RECOVERY AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2001**

**TOGETHER WITH**

**INDEPENDENT AUDITORS REPORT**



**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2001**

<b><u>TABLE OF CONTENTS</u></b>	<b><u>PAGE(S)</u></b>	<b><u>EXHIBIT</u></b>
Independent Auditors Report	1	
Financial Statements:		
Balance Sheets	2	I
Statements of Revenues, Expenses and Changes in Retained Earnings	3	II
Statements of Cash Flows	4	III
Notes to the Financial Statements	5-17	--
Supplementary Information:		
Combining Balance Sheets	18-19	A
Combining Statements of Revenues, Expenses and Changes in Retained Earnings	20	B
Combining Statements of Cash Flows	21-22	C

This document has been printed on recycled content paper.



**SCILLIA DOWLING  
& NATARELLI LLC**

**REPORT OF INDEPENDENT AUDITORS**

To the 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 years ended June 30, 2001 and 2000, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 audits provide 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, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 17, 2001, on our consideration of the Connecticut Resources Recovery Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

*Scillia Dowling & Natarelli LLC*

Hartford, Connecticut  
September 17, 2001

**Certified Public Accountants and Consultants**

555 Long Wharf Drive • New Haven, CT 06511 • 203.787.8600 • fax 203.787.8604  
Goodwin Square • 225 Asylum Street • Hartford, CT 06103 • 860.241.8962 • fax 860.241.9157



**BALANCE SHEETS**  
**JUNE 30, 2001 AND 2000**  
**(In Thousands)**

**EXHIBIT I**

<b>ASSETS</b>	<b>2001</b>	<b>2000</b>
Current Assets:		
Cash and cash equivalents	\$74,879	\$57,140
Service payments receivable	13,876	13,808
Accrued interest and other assets	<u>11,080</u>	<u>15,990</u>
<b>Total Current Assets</b>	<b>99,835</b>	<b>86,938</b>
Restricted Assets:		
Cash and cash equivalents	102,826	74,678
Investments	0	508
Accrued interest receivable	<u>587</u>	<u>750</u>
<b>Total Restricted Assets</b>	<b>103,413</b>	<b>75,936</b>
Development and Bond Issuance Costs	12,665	13,312
Property, Plant and Equipment, net	<u>237,665</u>	<u>202,501</u>
<b>TOTAL ASSETS</b>	<b><u>\$453,578</u></b>	<b><u>\$378,687</u></b>
<b>LIABILITIES AND FUND EQUITY</b>		
Current Liabilities:		
Current portion of bonds payable, net	\$20,802	\$17,235
Current portion of closure and postclosure care of landfills	2,816	3,537
Accounts payable and accrued expenses	<u>27,583</u>	<u>23,946</u>
<b>Total Current Liabilities</b>	<b>51,201</b>	<b>44,718</b>
Long-term Liabilities:		
Bonds payable, net	238,980	246,525
Closure and postclosure care of landfills	<u>21,344</u>	<u>21,455</u>
<b>TOTAL LIABILITIES</b>	<b>311,525</b>	<b>312,698</b>
Fund Equity:		
Contributed Capital	1,590	1,713
Retained Earnings: -		
Reserved	21,514	19,263
Unreserved	<u>118,949</u>	<u>45,013</u>
<b>Total Retained Earnings</b>	<b>140,463</b>	<b>64,276</b>
<b>TOTAL FUND EQUITY</b>	<b>142,053</b>	<b>65,989</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$453,578</u></b>	<b><u>\$378,687</u></b>

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, 2001 AND 2000  
(In Thousands)**

**EXHIBIT II**

	<u>2001</u>	<u>2000</u>
<b>OPERATING REVENUES</b>		
Service charges:		
Members	\$74,606	\$72,987
Other	30,100	29,304
Energy generation	55,110	52,770
Ash disposal fees	3,721	3,670
Other income	7,981	7,410
	<u>171,518</u>	<u>166,141</u>
<b>OPERATING EXPENSES</b>		
Solid waste operations	124,624	113,516
Depreciation and amortization	16,710	16,136
Maintenance and utilities	4,058	2,340
Closure and postclosure care of landfills	1,178	6,189
Project administration	7,196	6,548
	<u>153,766</u>	<u>144,729</u>
<b>OPERATING INCOME</b>	17,752	21,412
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	8,322	7,116
Settlement income	66,841	2,642
Bond interest expense	(15,776)	(16,872)
Other	(1,074)	(5,670)
	<u>58,313</u>	<u>(12,784)</u>
<b>NET INCOME</b>	76,065	8,628
Add item affecting contributed capital - depreciation on equipment acquired through capital grants	122	122
Retained earnings, beginning of year	<u>64,276</u>	<u>55,526</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u><u>\$140,463</u></u>	<u><u>\$64,276</u></u>

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



**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**  
**(In Thousands)**

EXHIBIT III

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$17,752	\$21,412
Adjustments to reconcile operating income to net cash provided by operating activities:		
Settlement income	66,841	2,642
Depreciation of property, plant and equipment	15,464	14,945
Amortization of development and bond issuance costs	1,246	1,190
Provision for closure and postclosure care of landfills	1,178	6,189
Other nonoperating expenses	43	(782)
Rebate to municipalities	(1,150)	(5,000)
(Increase) decrease in:		
Other assets	4,909	1,550
Service payments receivable	(68)	(2,046)
Increase in accounts payable and accrued expenses	3,870	5,814
Net Cash Provided by Operating Activities	<u>110,085</u>	<u>45,914</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Other interest and fees	<u>(80)</u>	<u>(98)</u>
Net Cash Used for Noncapital Financing Activities	<u>(80)</u>	<u>(98)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of bonds	23,084	5,245
Proceeds from disposal of equipment	58	443
Refunding of debt	(112)	369
Bond issuance costs incurred	(599)	0
Payment of landfill closure and postclosure care liabilities	(2,011)	(3,589)
Interest paid on bonds	(15,224)	(16,278)
Principal paid on bonds	(27,733)	(22,957)
Acquisition and construction of capital assets	<u>(50,575)</u>	<u>(3,536)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(73,112)</u>	<u>(40,303)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	8,461	7,072
Proceeds from sale and maturities of investment securities	889	6,885
Purchase of investment securities	<u>(356)</u>	<u>(500)</u>
Net Cash Provided by Investing Activities	<u>8,994</u>	<u>13,457</u>
Net Increase in Cash and Cash Equivalents	45,887	18,970
Cash and Cash Equivalents, Beginning of Year, (Unrestricted and Restricted)	<u>131,818</u>	<u>112,848</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR, (UNRESTRICTED AND RESTRICTED)</b>	<u>\$177,705</u>	<u>\$131,818</u>

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



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

#### 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, a Non-Project Ventures group of accounts 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 2,710 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 sixty-six Connecticut municipalities through service contract arrangements. The Authority owns 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 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 to a private vendor. Private vendors under various operating contracts conduct operation of the facilities. 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 sales-type arrangement until December 2008, with several renewal option provisions. 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 electric 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 seventeen Connecticut municipalities in the eastern portion of the State through service contract arrangements. 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 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. Electric energy and nonmember town revenues accrue to the vendor with certain

contractually prescribed credits to the service fee for these revenue types.

#### **Non-Project Ventures**

In conjunction with the deregulation of the State's electric industry, the Authority purchased certain land and assets owned by the regional electric utility, for placement in a yet to be formed entity. As part of the land and assets acquisition, certain environmental remediation and operating responsibilities were assumed. The Authority executed a contract and obtained insurance for the remediation of the environmental contamination with respect to the land and assets.

#### **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 and non-project ventures group 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, used to finance the construction of certain assets, is 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. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

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

#### E. Receivables

Receivables 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. Service payments receivable are stated net of an allowance for the estimated portion that is not expected to be collected of \$220,000 at June 30, 2001 and 2000.

#### F. Inventory

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

#### 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 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 operation, the costs are amortized using the straight-line method over twenty to twenty-five year periods.

At June 30, 2001 and 2000, accumulated amortization of development costs for the projects is as follows:

Project (000's)	2001	2000
Mid-Connecticut	\$2,179	\$2,022
Wallingford	3,400	3,117
Southeastern	<u>4,124</u>	<u>3,732</u>
Total	<u>\$9,703</u>	<u>\$8,871</u>

#### J. Property, Plant and Equipment

Property, Plant and Equipment with a useful life in excess of one year is 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
Gas and Steam Turbines	10-20
Recycling Equipment	10
Rolling Stock and Automobiles	5
Office and Other Equipment	3-5
Roadways	20

**K. 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). A Trustee administers debt service. 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.

**L. Compensated Absences**

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

**M. Fund Equity**

The changes in Contributed Capital for the years ended June 30, 2001 and 2000 are as follows:

Contributed Capital (000's)	2001	2000
Beginning of year	\$1,713	\$1,835
Amortization of Capital grants	<u>(123)</u>	<u>(122)</u>
End of year	<u>\$1,590</u>	<u>\$1,713</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, 2001 and 2000 are summarized as follows:

Reserved Retained Earnings (000's)	2001	2000
Debt principal payment	\$13,095	\$10,971
Operating and maintenance	3,245	3,052
Equipment replacement	3,098	2,914
Regional recycling center equipment	1,367	1,443
Landfill custodian accounts	671	518
Mercury Public Awareness Account	<u>38</u>	<u>365</u>
Total	<u>\$21,514</u>	<u>\$19,263</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 that may include adjustable-rate 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 fair value of the position in the pool is the same as the value of the pool shares.

The Authority's primary investment tools are STIF and treasury securities.

#### A. Deposits

At June 30, 2001 and 2000, the carrying amounts of the Authority's deposits were \$1,439,000 and \$2,900,000, respectively, and the bank balances were \$3,075,000 and \$4,934,000, respectively. Of the bank balances, Federal Depository Insurance covered at risk category 1, \$100,000 and \$200,000, at June 30, 2001 and 2000, respectively. The remaining bank balances of \$2,975,000 and \$4,734,000 at June 30, 2001 and 2000, respectively, were categorized at risk category 3.

Category 3 deposits are those bank balances which are uninsured and are either not collateralized, 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, 2001 and 2000 were \$308,000 and \$493,000, respectively. The remaining category 3 bank balances of \$2,668,000 and \$4,241,000 at June 30, 2001 and 2000, respectively, were not collateralized.

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, 2001 and 2000.

(000's)	2001	2000
Total Deposits	\$1,439	\$2,900
STIF	172,959	125,995
U. S. Treasury Open End Mutual Fund	2,637	2,923
U.S. Treasury Bills (not classified as investments)	<u>670</u>	<u>0</u>
Total Cash and Cash Equivalents (unrestricted and restricted)	<u>\$177,705</u>	<u>\$131,818</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 yearend. Category 1 includes investments that are insured or registered or for which the Authority or its agent in the Authority's name holds securities. Category 2 includes uninsured and unregistered investments for which a counter party holds the securities by a counter party's trust department or agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which the securities are held by a counter party's trust department or agent, but not in the Authority's name.

At June 30, 2001, investments as defined by GASB Statement No. 3 were U. S. Treasury Bills in the fair value amount of \$670,000 (with maturities less than 90 days classified as cash equivalents) classified in Risk Category 3. At June 30, 2000, investments, so defined, were U.S. Treasury Notes in the fair value amount of \$508,000 classified in Risk Category 3.

### 3. PROPERTY, PLANT & EQUIPMENT

Co-incident with the March 2001 assignment of the Mid-Connecticut Project Energy Contract explained in Note 7, the Authority purchased certain generation equipment and land at the Mid-Connecticut Project for a total value of \$35,087,000.



A summary of property, plant and equipment at June 30, 2001 and 2000 is presented as follows:

Classification (000's)	2001	2000
Land	\$24,833	\$22,123
Plant	184,941	174,727
Equipment	193,903	165,293
Construction in progress	<u>10,314</u>	<u>1,291</u>
Subtotal	413,991	363,434
Less accumulated depreciation	<u>(176,326)</u>	<u>(160,933)</u>
Property, Plant & Equipment, net	<u>\$237,665</u>	<u>\$202,501</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 2001 and 2000, 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.

In January 2001, the Authority issued \$13,210,000 Mid-Connecticut 2001 Series A bonds. The proceeds were used towards the construction of (i) a maneuvering hall for delivering solid waste and (ii) an air processing system at the Mid-Connecticut facility.

In August 2000, the Authority issued \$9,200,000 Bridgeport 2000 Series A bonds with an average

interest rate of 5.0%. The proceeds of the 2000 bonds, together with \$1,268,000 of other Authority funds (\$1,145,000 restricted) were deposited into an irrevocable trust. These amounts were used to refund \$10,260,000 of Bridgeport 1989 Series A bonds which had an average interest rate of 7.5%.

The Bridgeport refunding resulted in a difference of \$112,000 between the reacquisition price and the net carrying amount of the old debt. The amount is being charged to interest expense through fiscal year 2009 using the proportionate-to-stated interest method. This refunding is reducing the Authority's total debt service payments by \$2,647,000 through fiscal 2009 and generated an economic gain (the difference between the present values of the debt service payments of the old and new bonds) of \$755,000.

In August 1999, the Authority issued \$141,695,000 Bridgeport 1999 Series A bonds (of which \$5,245,000 was 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 was allocable to Authority purposes with an interest rate of 8%).

The Bridgeport 1999 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 is being credited to interest expense through fiscal 2009 using the proportionate-to-stated interest method. This refunding is reducing 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 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 were made from this trust through the final maturity date of November 15, 2000.



The annual requirements to amortize long-term debt recorded by the Authority as of June 30, 2001, including interest payments of \$94,419,000, are as follows:

Year Ending June 30 (000's)	Mid- Connecticut	Bridgeport	Wallingford	Southeastern	Interest	Total
2002	14,064	2,780	3,535	423	14,221	35,022
2003	13,751	1,606	2,556	461	13,057	31,430
2004	14,512	1,651	1,327	507	12,034	30,031
2005	15,320	1,696	1,351	555	10,948	29,869
2006	16,297	1,761	1,126	609	9,758	29,550
2007-2011	94,416	5,531	2,045	3,930	30,644	136,566
2012-2016	<u>53,985</u>	<u>0</u>	<u>0</u>	<u>3,990</u>	<u>3,758</u>	<u>61,733</u>
Total	<u>\$222,344</u>	<u>\$15,025</u>	<u>\$11,939</u>	<u>\$10,474</u>	<u>\$94,419</u>	<u>\$354,201</u>
Interest Rates	4.25-6.25%	4.6-6.5%	3.4-6.85%	5.0-7.7%		

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, 2001 and 2000, which are backed by a special capital reserve fund, are as follows:

Project (000's)	2001	2000
Mid-Connecticut	\$208,578	\$222,812
Bridgeport	1,230	2,385
Southeastern	<u>10,474</u>	<u>10,856</u>
Total	<u>\$220,282</u>	<u>\$236,053</u>

The long-term debt amounts for the Projects in the two tables above have been reduced by the deferred

loss (gain) on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2001 and 2000, as follows:

Project (000's)	2001	2000
Deferred loss (gain):		
Mid-Connecticut	\$4,102	\$4,774
Bridgeport	(102)	(241)
Wallingford	67	83
Southeastern	<u>2,394</u>	<u>2,688</u>
Subtotal	6,461	7,304
Reduced by unamortized premium -		
Mid-Connecticut	(556)	0
Bridgeport	(77)	0
Southeastern	<u>(1,074)</u>	<u>(1,207)</u>
Net Reduction	<u>\$4,754</u>	<u>\$6,097</u>



**5. LONG-TERM LIABILITIES FOR CLOSURE AND POSTCLOSURE 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 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

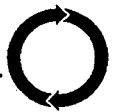
these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. This amount increases the liability on the balance sheet for closure and postclosure care of landfills. These costs are generally paid when the landfill is closed 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 2000 and 2001 for the landfills, are separately presented in the following table:

Project/Landfill (000's)	Liability at July 1, 1999	Expense	Paid or Accrued	Liability at June 30, 2000	Expense	Paid or Accrued	Liability at June 30, 2001
Mid-Connecticut:							
Hartford	\$4,231	\$81	\$0	\$4,312	(\$199)	\$0	\$4,113
Ellington	3,492	137	(309)	3,320	114	(235)	3,199
Bridgeport:							
Shelton	9,000	5,446	(3,065)	11,381	1,985	(1,551)	11,815
Waterbury	368	239	0	607	(91)	0	516
Wallingford	<u>5,301</u>	<u>286</u>	<u>(215)</u>	<u>5,372</u>	<u>(631)</u>	<u>(224)</u>	<u>4,517</u>
<b>Total</b>	<b><u>\$22,392</u></b>	<b><u>\$6,189</u></b>	<b><u>(\$3,589)</u></b>	<b><u>\$24,992</u></b>	<b><u>\$1,178</u></b>	<b><u>(\$2,010)</u></b>	<b><u>\$24,160</u></b>

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 for open landfills at June 30, 2001, 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	\$1,098	60%	95%	2.0	2.0
Bridgeport-Waterbury	<u>242</u>	---	68%	---	14.0
Total	<u>\$1,340</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.

Trust accounts were held for financial assurance purposes. The Mid-Connecticut Ellington Landfill account was valued at \$402,000 and \$382,000 at June 30, 2001 and 2000, respectively. The Bridgeport Waterbury Landfill account was valued at \$143,000 and \$136,000 at June 30, 2001 and 2000, respectively. The Wallingford Landfill account established in fiscal 2001 was valued at \$126,000 at June 30, 2001. These trust accounts are reflected as restricted assets on the balance sheet.

At June 30, 2001 and 2000, a letter of credit for \$305,000 was outstanding for financial assurance of the Bridgeport Shelton Landfill.

In addition to the above accounts and letters of credit, the Authority satisfies certain financial assurance requirements at June 30, 2001 and 2000 by meeting specified criteria pursuant to Section 258.74 of the federal EPA Subtitle D regulations.

## 6. MAJOR CUSTOMERS

In connection with the restructuring of the state's electric industry, in March 2001, Connecticut Light & Power Company (CL&P) assigned its Mid-Connecticut energy agreement with the Authority to Enron Power Marketing, Inc.

Steam and electricity revenues from the CL&P totaled 26% and 32% of the Authority's operating revenues for the years ended June 30, 2001 and 2000, respectively.

Service charges revenues and other income from Waste Management of Connecticut, Inc. totaled 10% and 11% of the Authority's operating revenues for the years ended June 30, 2001 and 2000, respectively.

## 7. SETTLEMENT INCOME

In March 2001, CL&P assigned the Mid-Connecticut Project energy contract to Enron Power Marketing Inc.. The Authority and Enron Power Marketing Inc. amended the contract to include payment for the purchase of capacity and energy from the Mid-Connecticut Project. This transaction yielded \$59,972,000 of settlement income in the Non-Project Ventures group of accounts.

In June 2000, the Authority entered into an Operating and License Agreement with CL&P to operate certain gas turbines. The proceeds from the operation of the units were held in escrow to March 2001. In March 2001, in conjunction with the purchase discussed in Note 3, the escrowed proceeds of \$6,619,000 were transferred to the Authority as settlement income in the Non-Project Ventures group of accounts.

During both fiscal 2001 and 2000, the Authority received \$250,000 from the Southeastern Project's regional authority. These payments resulted from agreements entered into in fiscal 1996 between the regional authority and private entities.



During fiscal year 2000, the Authority received \$2,000,000 of settlement income for the Southeastern Project. This amount was received from a private entity in conjunction with receiving an approved closure plan for the Montville Landfill that is not owned or operated by the Authority.

The Administrative Pool received settlement income for an insurance claim of \$362,000 in fiscal year 2000. The amount was partial reimbursement of an environmental pollution claim in the amount of \$473,000 recorded in the year ended June 30, 1998.

**8. 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.

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are 5 percent of payroll with a dollar for dollar match of employees' contributions up to 5 percent. For the year ended June 30, 2001, Authority contributions to the Plan were \$279,000 and employees contributed \$240,000.

Prior to July 1, 2000, Authority contributions were made at a rate of 10 percent of payroll. For the year ended June 30, 2000, Authority contributions to the Plan were \$300,000 and employees contributed \$158,000.

**9. 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 insurable 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 guaranteed cost program. The deposit contributions (premiums) paid were \$12,000 and \$10,000 for the years ended June 30, 2001 and 2000, respectively. The premiums are subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$750,000 per occurrence and purchases reinsurance above that amount to the limit of liability of \$10 million per occurrence.

**10. COMMITMENTS**

The Authority has various operating leases for office space, land, landfills and office equipment. For the years ended June 30, 2001 and 2000, operating lease payments totaled \$1,340,000 and \$1,355,000, respectively. Future minimum rental commitments under noncancelable operating leases as of June 30, 2001 are as follows:

Fiscal Year (000's)	Amount
2002	\$912
2003	885
2004	880
2005	903
2006	916
Thereafter	<u>2,530</u>
Total	<u>\$7,026</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 \$1,115,000 and \$1,102,000 for the years ended June 30, 2001 and 2000, respectively. The cost of the plant and equipment under lease is \$3,025,000 and \$1,909,000 respectively, at June 30, 2001. The carrying value at June 30, 2001 of this plant and equipment under lease is \$1,758,000 and \$260,000, respectively. The future minimum rental income on non-cancelable leases at June 30, 2001 is \$7,417,000 due in fiscal years 2002 through 2008 in equal annual amounts of \$1,060,000.

During fiscal 2001, the Authority contracted to construct an air processing system for the Mid-Connecticut facility. At June 30, 2001, the remaining amount to complete the construction contract was \$1,317,000.

In June 2001, the Authority authorized the purchase of three parcels adjacent to the Mid-Connecticut Ellington Landfill for the approximate amount of \$900,000. The Administration Project will provide the funds for these purchases. To date, consummation of the purchase of one of the parcels had occurred for approximately \$171,000.

In December 2000, the Authority authorized purchasing land adjacent to the Wallingford landfill for approximately \$1,850,000 plus legal fees. The purchase remains subject to the consummation of a final purchase contract.

## 11. 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. In the event of default, and except in cases where the State has a contingent liability discussed below, 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 in its financial statements. The amounts of these bond issues outstanding at June 30, 2001 (excluding portions allocable to Authority purposes) are as follows:

Project (000's)	Amount
Bridgeport - 1999 Series A	<u>\$119,680</u>
Wallingford - 1998 Series A	<u>27,684</u>
Southeastern -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	71,817
1998 Series A (Corp. Credit BFI)	6,750
1998 Series A (Corp. Credit Duke Capital)	<u>6,750</u>
	<u>115,317</u>
Total	<u>\$262,681</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 for this bond issue as explained in Note 4.

## 12. 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.

The approximate amount of contract operating charges included in solid waste operations and maintenance and utilities expenses for the years ended June 30, 2001 and 2000 are as follows:



Project (000's)	2001	2000
Mid-Connecticut	\$38,898	\$39,599
Bridgeport	39,450	33,432
Wallingford	11,390	11,972
Southeastern	9,978	10,033
Non-Project Ventures	<u>940</u>	<u>0</u>
<b>Total</b>	<b><u>\$100,656</u></b>	<b><u>\$95,036</u></b>

**13. 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. The Authority also has a non-project ventures enterprise fund, established in fiscal 2001, that is intended to be self-supporting primarily through certain energy revenues. In addition, the Authority has an Administrative Pool. Financial segment information is presented below as of and for the year ended June 30, 2001 (with comparative totals for the prior year).

(000's)	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Administrative Pool	Total 2001	Total 2000
Operating revenues	\$89,484	\$46,877	\$20,822	\$11,461	\$2,874	\$0	\$171,518	\$166,141
Depreciation and amortization expense	14,324	1,068	324	448	322	224	16,710	16,136
Operating income (loss)	14,648	(488)	5,195	(963)	(49)	(591)	17,752	21,412
Net income (loss)	6,166	(705)	4,730	(1,160)	66,867	167	76,065	8,628
Property, plant & equipment:								
Additions	15,451	37	0	0	35,087	58	50,639	3,920
Deletions	(23)	(3)	0	0	0	(95)	(121)	(1,628)
Bonds payable (including current portion)	222,344	15,025	11,939	10,474	0	0	259,782	263,760
Total equity	37,599	4,983	12,593	9,099	66,867	10,912	142,053	65,989
Net working capital (deficiency)	6,351	(419)	12,190	8,212	12,102	10,198	48,634	42,220
Total Assets	\$280,930	\$37,624	\$32,529	\$22,759	\$68,007	\$11,729	\$453,578	\$378,687



#### 14. CONTINGENCIES

In September 2001, the Authority began to arbitrate a vendor's \$5,000,000 claim for costs over the contracted amount to construct the Mid-Connecticut air processing system. The Authority has filed for liquidated damages and considers the contractor claim without merit. Therefore, management believes that the outcome of the claim will not have a material adverse effect on the Authority's financial position.

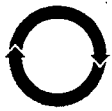
In May 2001, Bridgeport Resco filed a demand for arbitration seeking a declaratory judgment that it is entitled to nearly \$9,000,000 of savings over a ten-year period. The claim pertains to the August 1999 bond series refinancing. Management intends to vigorously pursue its rights and remedies in this matter and does not expect there to be a material adverse effect on the Authority's financial position.

On June 1, 2000, the Authority entered into an Operating and License Agreement with CL&P that provides for the Authority to operate certain gas turbines. In April 2001, these turbines were acquired in conjunction with the acquisition discussed in Note 3.

The Authority was a defendant in a multiple count civil action alleging certain antitrust violations and damage claims in connection with another entity's construction of a resources recovery facility in Lisbon, Connecticut. In October 2000, the Authority settled this matter for no money.

The Authority is subject to numerous federal, State and local environmental and other regulatory laws and regulations. The Authority is in substantial compliance with all such governmental laws and regulations.

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 outside 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.



Connecticut Resources Recovery Authority

COMBINING BALANCE SHEETS

JUNE 30, 2001

(with Comparative Totals for June 30, 2000)

(In Thousands)

EXHIBIT A  
Page 1 of 2

ASSETS	Administrative		Mid-Connecticut		Bridgeport		Wallingford		Southeastern		Non-Project		Total	
	Pool	Project	Project	Project	Project	Project	Project	Project	Project	Ventures	2001	2000		
<b>Current Assets:</b>														
Cash and cash equivalents	\$10,984	\$24,375	\$4,226	\$17,233	\$7,063	\$10,998	\$74,879	\$57,140			\$74,879	\$57,140		
Service payments receivable	0	5,577	5,405	945	1,949	0	13,876	13,808			13,876	13,808		
Accounts receivable	0	1,177	0	1,290	2,672	947	6,086	10,505			6,086	10,505		
Accrued interest and other receivables	0	405	17	0	128	0	550	1,345			550	1,345		
Prepaid expenses	31	381	24	241	9	222	908	1,137			908	1,137		
Inventory	0	2,461	0	0	0	1,075	3,536	3,003			3,536	3,003		
<b>Total Current Assets</b>	<b>11,015</b>	<b>34,376</b>	<b>9,672</b>	<b>19,709</b>	<b>11,821</b>	<b>13,242</b>	<b>99,835</b>	<b>86,938</b>			<b>99,835</b>	<b>86,938</b>		
<b>Restricted Assets:</b>														
Cash and cash equivalents	41	64,257	4,356	10,249	3,923	20,000	102,826	74,678			102,826	74,678		
Investments	0	0	0	0	0	0	0	508			0	508		
Accrued interest receivable	0	211	12	71	293	0	587	750			587	750		
<b>Total Restricted Assets</b>	<b>41</b>	<b>64,468</b>	<b>4,368</b>	<b>10,320</b>	<b>4,216</b>	<b>20,000</b>	<b>103,413</b>	<b>75,936</b>			<b>103,413</b>	<b>75,936</b>		
<b>Development and Bond</b>														
Issuance Costs	0	3,174	269	2,500	6,722	0	12,665	13,312			12,665	13,312		
<b>Property, Plant and Equipment:</b>														
Land	0	6,923	15,200	0	0	2,710	24,833	22,123			24,833	22,123		
Plant	343	154,945	25,086	0	0	4,567	184,941	174,727			184,941	174,727		
Equipment	846	162,476	2,749	22	0	27,810	193,903	165,293			193,903	165,293		
Construction in progress	0	10,314	0	0	0	0	10,314	1,291			10,314	1,291		
Less accumulated depreciation	1,189	334,658	43,035	22	0	35,087	413,991	363,434			413,991	363,434		
	(516)	(155,746)	(19,720)	(22)	0	(322)	(176,326)	(160,933)			(176,326)	(160,933)		
<b>Property, Plant and Equipment, net</b>	<b>673</b>	<b>178,912</b>	<b>23,315</b>	<b>0</b>	<b>0</b>	<b>34,765</b>	<b>237,665</b>	<b>202,501</b>			<b>237,665</b>	<b>202,501</b>		
<b>TOTAL ASSETS</b>	<b>\$11,729</b>	<b>\$280,930</b>	<b>\$37,624</b>	<b>\$32,529</b>	<b>\$22,759</b>	<b>\$68,007</b>	<b>\$453,578</b>	<b>\$378,687</b>			<b>\$453,578</b>	<b>\$378,687</b>		



Connecticut Resources Recovery Authority

COMBINING BALANCE SHEETS

EXHIBIT A

Page 2 of 2

JUNE 30, 2001

(with Comparative Totals for June 30, 2000)

(In Thousands)

LIABILITIES AND FUND EQUITY	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Total 2001	Total 2000
<b>Current Liabilities:</b>								
Current portion of: -								
Bonds payable, net	\$0	\$14,064	\$2,780	\$3,535	\$423	\$0	\$20,802	\$17,235
Closure and postclosure care of landfills	0	286	2,026	504	0	0	2,816	3,537
Accounts payable and accrued expenses	817	13,675	5,285	3,480	3,186	1,140	27,583	23,946
<b>Total Current Liabilities</b>	817	28,025	10,091	7,519	3,609	1,140	51,201	44,718
<b>Long-term Liabilities:</b>								
Bonds payable, net	0	208,280	12,245	8,404	10,051	0	238,980	246,525
Closure and postclosure care of landfills	0	7,026	10,305	4,013	0	0	21,344	21,455
<b>TOTAL LIABILITIES</b>	817	243,331	32,641	19,936	13,660	1,140	311,525	312,698
<b>Fund Equity:</b>								
Contributed Capital	795	795	0	0	0	0	1,590	1,713
<b>Retained Earnings:</b>								
Reserved: -								
Debt principal payment	0	9,144	1,370	2,219	362	0	13,095	10,971
Operating and maintenance	0	3,245	0	0	0	0	3,245	3,052
Equipment replacement	0	3,098	0	0	0	0	3,098	2,914
Regional recycling center equipment	0	1,367	0	0	0	0	1,367	1,443
Landfill custodian accounts	0	402	143	126	0	0	671	518
Mercury Public Awareness Account	38	0	0	0	0	0	38	365
Total Reserved	38	17,256	1,513	2,345	362	0	21,514	19,263
Unreserved	10,079	19,548	3,470	10,248	8,737	66,867	118,949	45,013
Total Retained Earnings	10,117	36,804	4,983	12,593	9,099	66,867	140,463	64,276
<b>TOTAL FUND EQUITY</b>	10,912	37,599	4,983	12,593	9,099	66,867	142,053	65,989
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	\$11,729	\$280,930	\$37,624	\$32,529	\$22,759	\$68,007	\$453,578	\$378,687



Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2001  
(with Comparative Totals for June 30, 2000)

EXHIBIT B

	(In Thousands)									
	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Total 2001	Total 2000		
Operating revenues:										
Service charges: -										
Members	\$0	\$31,496	\$25,107	\$7,637	\$10,366	\$0	\$74,606	\$72,987		
Others	0	13,395	15,270	356	1,079	0	30,100	29,304		
Energy generation	0	39,828	0	12,813	0	2,469	55,110	52,770		
Ash disposal fees	0	0	3,721	0	0	0	3,721	3,670		
Other income	0	4,765	2,779	16	16	405	7,981	7,410		
Total operating revenues	0	89,484	46,877	20,822	11,461	2,874	171,518	166,141		
Operating expenses:										
Solid waste operations	367	53,733	42,341	13,916	11,721	2,546	124,624	113,516		
Depreciation and amortization	224	14,324	1,068	324	448	322	16,710	16,136		
Maintenance and utilities	0	1,651	926	1,480	0	1	4,058	2,340		
Closure and postclosure care of landfills	0	(85)	1,894	(631)	0	0	1,178	6,189		
Project administration	0	5,213	1,136	538	255	54	7,196	6,548		
Total operating expenses	591	74,836	47,365	15,627	12,424	2,923	153,766	144,729		
<b>OPERATING INCOME (LOSS)</b>	<b>(591)</b>	<b>14,648</b>	<b>(488)</b>	<b>5,195</b>	<b>(963)</b>	<b>(49)</b>	<b>17,752</b>	<b>21,412</b>		
Nonoperating revenues (expenses):										
Investment income	643	4,788	615	1,453	498	325	8,322	7,116		
Settlement income	0	0	0	0	250	66,591	66,841	2,642		
Bond interest expense	0	(13,284)	(802)	(753)	(937)	0	(15,776)	(16,872)		
Other	115	14	(30)	(1,165)	(8)	0	(1,074)	(5,670)		
Net nonoperating revenues (expenses)	758	(8,482)	(217)	(465)	(197)	66,916	58,313	(12,784)		
<b>NET INCOME (LOSS)</b>	<b>167</b>	<b>6,166</b>	<b>(705)</b>	<b>4,730</b>	<b>(1,160)</b>	<b>66,867</b>	<b>76,065</b>	<b>8,628</b>		
Add item affecting contributed capital - depreciation on equipment acquired through capital grants	0	122	0	0	0	0	122	122		
Retained earnings, beginning of year	9,950	30,516	5,688	7,863	10,259	0	64,276	55,526		
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$10,117</b>	<b>\$36,804</b>	<b>\$4,983</b>	<b>\$12,593</b>	<b>\$9,099</b>	<b>\$66,867</b>	<b>\$140,463</b>	<b>\$64,276</b>		



Connecticut Resources Recovery Authority

**COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2001  
(with Comparative Totals for June 30, 2000)**

**EXHIBIT C**  
Page 1 of 2

**CASH FLOWS FROM OPERATING ACTIVITIES**

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Total 2001	Total 2000
Operating income (loss)	(\$591)	\$14,648	(\$488)	\$5,195	(\$963)	(\$49)	\$17,752	\$21,412
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:								
Settlement income	0	0	0	0	250	66,591	66,841	2,642
Depreciation of property, plant and equipment	224	13,906	1,012	0	0	322	15,464	14,945
Amortization of development and bond issuance costs	0	418	56	324	448	0	1,246	1,190
Provision for closure and postclosure care of landfills	0	(85)	1,894	(631)	0	0	1,178	6,189
Other nonoperating revenues (expenses)	61	(18)	0	0	0	0	43	(782)
Rebate to municipalities	0	0	0	(1,150)	0	0	(1,150)	(5,000)
(Increase) decrease in:								
Accounts receivable	0	5,735	0	(39)	(330)	(947)	4,419	1,060
Accrued interest and other receivables	14	255	99	0	426	0	794	637
Inventory	0	542	0	0	0	(1,075)	(533)	(30)
Service payments receivable	0	266	(750)	137	279	0	(68)	(2,046)
Prepaid expenses	19	(57)	(5)	496	(2)	(222)	229	(117)
Increase (decrease) in:								
Accounts payable and accrued expenses	(302)	1,836	82	1,126	(12)	1,140	3,870	5,814
Net Cash (Used for) Provided by Operating Activities	(575)	37,446	1,900	5,458	96	65,760	110,085	45,914

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Other interest and fees	0	(27)	(30)	(15)	(8)	0	(80)	(98)
Net Cash Used for Noncapital Financing Activities	0	(27)	(30)	(15)	(8)	0	(80)	(98)



Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2001  
(with Comparative Totals for June 30, 2000)

EXHIBIT C  
Page 2 of 2

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(in Thousands)						Total 2001	Total 2000
	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures		
Proceeds from sale of bonds	0	13,789	9,295	0	0	0	23,084	5,245
Proceeds from disposal of equipment	4	54	0	0	0	0	58	443
Refunding of debt	0	0	(112)	0	0	0	(112)	369
Bond issuance costs incurred	0	(324)	(275)	0	0	0	(599)	0
Payment of landfill closure and postclosure care liabilities	0	(236)	(1,551)	(224)	0	0	(2,011)	(3,589)
Interest paid on bonds	0	(12,656)	(1,053)	(737)	(778)	0	(15,224)	(16,278)
Principal paid on bonds	0	(14,905)	(12,115)	(168)	(545)	0	(27,733)	(22,957)
Acquisition and construction of capital assets	0	(15,451)	(37)	0	0	(35,087)	(50,575)	(3,536)
Net Cash Used for Capital and Related Financing Activities	4	(29,729)	(5,848)	(1,129)	(1,323)	(35,087)	(73,112)	(40,303)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Interest on investments	643	4,853	620	1,480	540	325	8,461	7,072
Proceeds from sale and maturities of investment securities	0	701	188	0	0	0	889	6,885
Purchase of investment securities	0	(306)	(50)	0	0	0	(356)	(500)
Net Cash Provided by Investing Activities	643	5,248	758	1,480	540	325	8,994	13,457
Net Increase (Decrease) in Cash and Cash Equivalents	72	12,938	(3,220)	5,794	(695)	30,998	45,887	18,970
Cash and Cash Equivalents, Beginning of Year, (Unrestricted and Restricted)	10,953	75,694	11,802	21,688	11,681	0	131,818	112,848
<b>CASH AND CASH EQUIVALENTS, END OF YEAR, (UNRESTRICTED AND RESTRICTED)</b>	<b>\$11,025</b>	<b>\$88,632</b>	<b>\$8,582</b>	<b>\$27,482</b>	<b>\$10,986</b>	<b>30,998</b>	<b>\$177,705</b>	<b>\$131,818</b>



**SCHEDULE OF RETAINED EARNINGS**  
**JUNE 30, 2001**  
(with Comparative Totals for June 30, 2000)  
(In Thousands)

	Administrative	Mid-Connecticut	Bridgeport	Wallingford	Southeastern	Non-Project	Total	Total
	Pool	Project	Project	Project	Project	Ventures	2001	2000
Reserved for:								
Debt principal payment	\$0	\$9,144	\$1,370	\$2,219	\$362	\$0	\$13,095	\$10,971
Operating and maintenance	0	3,245	0	0	0	0	3,245	3,052
Equipment replacement	0	3,098	0	0	0	0	3,098	2,914
Regional recycling center equipment	0	1,367	0	0	0	0	1,367	1,443
Landfill custodian accounts	0	402	143	126	0	0	671	518
Mercury Public Awareness Account	38	0	0	0	0	0	38	365
<b>Total reserved</b>	<b>38</b>	<b>17,256</b>	<b>1,513</b>	<b>2,345</b>	<b>362</b>	<b>0</b>	<b>21,514</b>	<b>19,263</b>
Unreserved:								
Designated for: -								
Landfill closure and postclosure	0	6,917	2,876	3,297	2,245	0	15,335	12,284
Future loss contingencies	10,307	0	0	0	0	0	10,307	9,707
Rolling stock	0	5,985	0	0	0	0	5,985	5,031
Waste processing facility modifications	0	5,917	0	0	0	0	5,917	8,112
Future use	0	0	0	3,110	0	0	3,110	2,985
Landfill replacement	0	1,800	800	0	0	0	2,600	2,600
Clean Air Act	0	0	0	750	0	0	750	894
Landfill construction	0	517	0	0	0	0	517	77
Transfer station maintenance	0	500	0	0	0	0	500	0
Power block facility maintenance	0	500	0	0	0	0	500	0
Ash reutilization	250	0	0	0	0	0	250	250
Health Fund	92	0	0	0	0	0	92	144
Developmental activities	47	0	0	0	0	0	47	68
Recycling	24	0	50	0	0	0	74	72
Energy deregulation	0	0	0	0	0	0	0	17
CBEC Inc.	0	0	0	0	0	0	0	14
Undesignated	(641)	(2,588)	(256)	3,091	6,492	66,867	72,965	2,758
<b>Total unreserved</b>	<b>10,079</b>	<b>19,548</b>	<b>3,470</b>	<b>10,248</b>	<b>8,737</b>	<b>66,867</b>	<b>118,949</b>	<b>45,013</b>
<b>Total</b>	<b>\$10,117</b>	<b>\$36,804</b>	<b>\$4,983</b>	<b>\$12,593</b>	<b>\$9,099</b>	<b>\$66,867</b>	<b>\$140,463</b>	<b>\$64,276</b>