CONNECTICUT RESOURCES RECOVERY AUTHORITY

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CCR
CARLIN, CHARRON & ROSEN, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the Authority's activities and financial performance provide an introduction to the audited financial statements for the fiscal year ended June 30, 2004 as compared to June 30, 2003. The MD&A is focused on the Authority's new Board and management team's commitment to openness and transparency. Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2004 total assets decreased by $7.0 million or 1.8% over fiscal year 2003 and total liabilities decreased by $8.3 million or 3.0%. Total assets exceeded liabilities by $118.8 million in 2004 as compared to $117.5 million for 2003, or a net increase of $1.3 million.

BALANCE SHEETS
As of June 30,
(In Thousands)

	2004	2003
ASSETS:		
Current unrestricted assets	$ 88,360	$ 81,344
Current restricted assets	30,477	29,841
Total current assets	118,837	111,185
Non-current assets:		
Cash and cash equivalents	61,548	60,726
Capital assets, net	198,936	213,219
Development and bond issuance costs, net	9,204	10,341
Total non-current assets	269,688	284,286
TOTAL ASSETS	$ 388,525	$ 395,471
LIABILITIES:		
Current liabilities	$ 49,680	$ 48,946
Long-term liabilities	220,012	229,036
TOTAL LIABILITIES	269,692	277,982
NET ASSETS:		
Invested in capital assets, net of debt	26,096	26,456
Restricted	64,025	63,385
Unrestricted	28,712	27,648
Total net assets	118,833	117,489
TOTAL LIABILITIES AND NET ASSETS	$ 388,525	$ 395,471

FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets during the past fiscal year:

ASSETS

Current unrestricted assets increased by $7.0 million or 8.6%. This was primarily due to increased tipping fees at the Mid-Connecticut, Bridgeport, and Southeast projects, higher electricity rates negotiated in a new Electric Purchase Agreement at the Mid-Connecticut project and a transfer of funds from the Mid-Connecticut restricted assets offset by a contribution to the Wallingford Tip Fee Stabilization Fund.

Current restricted assets increased by $0.6 million or 2.1% primarily due to timely receipt of electric revenue at the Wallingford project and increased debt service fundings in Mid-Connecticut project offset by the transfer of funds to unrestricted assets.

Non-current assets decreased by $14.6 million or 5.1%. This occurred primarily due to:

- Restricted cash and cash equivalents increased by $0.8 million due to an additional contribution to the Wallingford Tip Fee Stabilization Fund during fiscal year 2004 to cover future reductions in electricity revenues and increases in anticipated operating expenses at the Wallingford project.
- Capital assets decreased by $14.3 million due to depreciation expense of $16.7 million offset by $2.4 million in plant improvements and equipment purchases.
- Development and bond issuance costs decreased by $1.1 million due to amortization expense.

LIABILITIES

Current liabilities remained fairly constant as of June 30, 2004, increasing by $0.7 million or 1.5% as compared to June 30, 2003 due primarily to a $1.3 million increase in the current portion of bonds payable and a $0.9 million increase in the current portion of the State loan payable offset by a $1.5 million decrease in accounts payable and accrued expenses.

Long-term liabilities decreased by $9.0 million or 3.9% due to:

- Long-term portion of bonds payable, net decreased by $18.9 million due to regular principal payments on Authority bonds. The debt amounts as of June 30, 2004 reflect the deferred amount on refunding of bonds and the unamortized premium on sale of bonds.
- State loan payable increased by $8.8 million due to additional drawdowns during the fiscal year.
- Closure and postclosure care of landfills increased by $1.1 million due to scheduled payments of $0.7 million for the Ellington, Shelton and Wallingford landfills offset by a $1.8 million increase in projected costs for the Ellington, Hartford, Shelton, Waterbury and Wallingford landfills. This increase was primarily due to increases in land surface care, general engineering services, environmental monitoring and remediation costs.

SUMMARY OF OPERATIONS AND CHANGE IN NET ASSETS

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

STATEMENTS OF REVENUES, EXPENSES
AND CHANGE IN NET ASSETS
Fiscal Years Ended June 30,
(In Thousands)

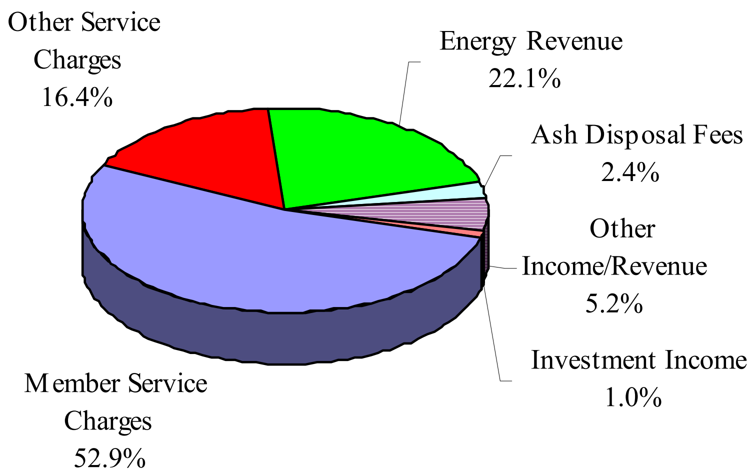
	2004	2003
Operating revenues	$ 165,418	$ 155,820
Operating expenses	135,482	138,272
Excess before depreciation and amortization and other non-operating income and expenses	29,936	17,548
Depreciation and amortization	17,887	18,188
Income before other non-operating revenues and expenses, net	12,049	(640)
Other non-operating revenues and expenses, net	(10,705)	(10,686)
Increase (Decrease) in net assets	1,344	(11,326)
Total net assets, beginning of year	117,489	128,815
Total net assets, end of year	$ 118,833	$ 117,489

Operating revenues increased by $9.6 million or 6.2% over fiscal year 2003, due primarily to a $5.6 million increase in the tipping fees at three of the four Authority projects (see "Authority Rates and Charges," herein), a $2.5 million increase in energy revenue at the Mid-Connecticut project offset by $161,000 decreased energy revenue at the Wallingford project, and a $2.2 increase in other operating revenue as a result of increased recycling sales and the return of a $500,000 contribution previously made to the National Geographic.

Operating expenses decreased during fiscal year 2004 by $2.8 million or 2.0% compared to fiscal year 2003. This was due primarily to decreased solid waste operation expenses and lower closure and postclosure care costs recognized in fiscal year 2004 for the Hartford and Wallingford landfills as compared to fiscal year 2003.

SUMMARY OF REVENUES

The following chart shows the major sources and the percentage of revenues for the fiscal year ended June 30, 2004:



Solid Waste tipping fees (member and other service charges) and ash disposal fees account for nearly three-quarters of the Authority's revenues. Energy production makes up another 22.1% of revenues. A summary of revenues for the fiscal year ended June 30, 2004, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

SUMMARY OF REVENUES
(Dollars in Thousands)

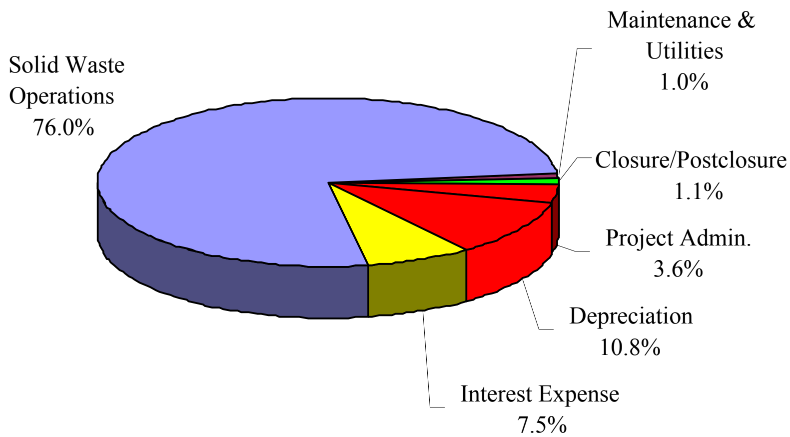
	2004	Percent of Total	2003	Increase/ (Decrease) from 2003	Percent Increase/ (Decrease)
Operating:					
Member Service Charges	$ 88,541	52.9%	$ 82,915	$ 5,626	6.8
Other Service Charges	27,384	16.4%	27,927	(543)	(1.9)
Energy Revenue	36,998	22.1%	34,639	2,359	6.8
Ash Disposal Fees	4,031	2.4%	4,033	(2)	(0.0)
Other Operating Revenue	8,464	5.1%	6,306	2,158	34.2
Total Operating Revenues	165,418	98.9%	155,820	9,598	6.2
Non-Operating:					
Investment Income	1,623	1.0%	2,386	(763)	(32.0)
Settlement Income	-	0.0%	375	(375)	-
Other Income	184	0.1%	174	10	5.7
Total Non-Operating Revenues	1,807	1.1%	2,935	(1,128)	(38.4)
TOTAL REVENUES	$ 167,225	100.0%	$ 158,755	$ 8,470	5.3

Overall, fiscal year 2004 total revenues rose by $8.5 million or 5.3% over fiscal year 2003. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Member service charges increased by $5.6 million or 6.8%. This increase reflects the increase of the tipping fee enacted for fiscal 2004 at the Mid-Connecticut, Southeast and Bridgeport facilities.
- Other service charges to both contract towns and spot waste haulers, decreased by $543,000 or 1.9% from fiscal year 2003 to 2004. The decrease is due to lower tons processed due to unscheduled downtime related to maintenance activities.
- Energy revenue increased by $2.4 million or 6.8%. This increase reflects a net increase in energy revenue at the Mid-Connecticut project of $2.5 million as a result of a more favorable electricity contract rate received during fiscal year 2004 offset by $161,000 decreased energy revenue at the Wallingford project.
- Other operating revenue increased by $2.1 million or 34.2% due to the return of a $500,000 contribution previously made to the National Geographic, better-than-expected recycling sales of $1 million, increased metal sales and sales of certified DEP soil from the Hartford landfill.
- Investment income decreased $764,000 from fiscal 2003 to 2004 or 32% due to overall poor market returns.
- Other income of $184,000 represents gain on sales of investments and computer equipment.

SUMMARY OF EXPENSES

The following chart shows the major sources and the percentage of expenses for the fiscal year ended June 30, 2004:



Solid Waste Operations are the major component of the Authority's expenses accounting for 76% of the expenses in fiscal year 2004. A summary of expenses for the fiscal year ended June 30, 2004, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

SUMMARY OF EXPENSES
(Dollars in Thousands)

	2004	Percent of Total	2003	Increase/ (Decrease) from 2003	Percent Increase/ (Decrease)
Operating:					
Solid Waste Operations	$ 126,016	76.0%	$ 127,873	$ (1,857)	(1.5)
Maintenance and Utilities	1,697	1.0%	1,076	621	57.7
Project Administration	5,880	3.6%	5,205	675	13.0
Closure and Postclosure	1,889	1.1%	4,118	(2,229)	(54.1)
Total Operating Expenses	135,482	81.7%	138,272	(2,790)	(2.0)
Depreciation	17,887	10.8%	18,188	(301)	(1.7)
Non-Operating:					
Interest Expense	12,482	7.5%	13,510	(1,028)	(7.6)
Other Expenses	30	0.0%	111	(81)	(73.0)
Total Non-Operating Expenses	12,512	7.5%	13,621	(1,109)	(8.1)
TOTAL EXPENSES	$ 165,881	100.0%	$ 170,081	$ (4,200)	(2.5)

The Authority's total expenses decreased by $4.2 million or 2.5% between fiscal year 2003 and 2004. Notable differences between the years include:

- Solid waste operations decreased by $1.9 million or 1.5% primarily due to a reduction in contract operating charges as a result of lower solid waste deliveries and lower legal fees as a result of settled cases.
- Maintenance and utilities expenses increased $621,000 or 57.7% primarily due to roof and baler improvements, demolition of a building, installation of gas wells and reallocation of pass-through costs for the Mid-Connecticut energy generating facility.
- Project administration costs increased by $675,000 or 13% due to filling vacant senior management positions and the hiring of new staff positions including four enforcement positions at the four projects and two administrative positions at headquarters.
- Landfill closure and post-closure costs decreased $2.2 million or 54.1% primarily due to lower closure and postclosure care costs recognized in fiscal year 2004 for the Hartford and Wallingford landfills as compared to fiscal year 2003 offset by higher costs recognized for the Ellington and Shelton landfills.
- Interest expense decreased by $1.0 million or 7.6% due to the decrease in principal amount of bonds outstanding.
- Other expenses of $30,000 represents trustee fees, letter of credit fees and miscellaneous expenses.

ENRON EXPOSURE

As part of the deregulation of the energy industry in Connecticut and the resultant energy contract buy-downs, the Authority entered into agreements with Enron Power Marketing, Inc. ("Enron") and the Connecticut Light & Power Company ("CL&P") on December 22, 2000 that, among other obligations, required Enron to pay the Authority monthly charges for the purchase of steam and for electricity generated from such steam from the Authority's Mid-Connecticut facility. As part of these transactions, Enron received $220 million from the Authority and the Authority received approximately $60 million from CL&P during fiscal year 2001. Enron filed for bankruptcy on December 2, 2001 and has not made its monthly payments since that time.

The Authority has taken significant action in an attempt to mitigate the financial impact of the above on the municipalities that are part of the Mid-Connecticut project. These include: increasing the Mid-Connecticut tipping fees (see Authority Rates and Charges section herein), pursuing remedies in bankruptcy court with the State's Attorney General, negotiating with Select Energy for improved electricity revenues for the Mid-Connecticut facility power and securing a retail electric supplier license in the State. In addition, the State has provided its support to ensure timely payment of debt service on the Mid-Connecticut bonds as required by legislation.

In connection with the Enron bankruptcy, the Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover the losses sustained in connection with the 2000 transaction. On July 22, 2004, the Authority's Board of Directors passed a resolution authorizing the settlement of the Enron litigation, which was recommended by the State of Connecticut's Attorney General. The Authority's Board of Directors further authorized the initiation of a bidding process to sell the Enron settlement claim in the capital markets. On August 20, 2004, the Authority's Board of Directs passed a resolution approving the sale of the Enron claim to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of 34.4% over the projected bankruptcy court's planned distribution. The Authority is expecting to realize approximately $111.2 million upon closing, which is scheduled for the fourth quarter of calendar 2004.

STATE LOAN

On April 19, 2002, the Connecticut General Assembly passed Public Act No. 02-46 (the "Act"), which authorizes a loan by the State to the Authority of up to $115 million to support the repayment of the Authority's debt for the Mid-Connecticut facility, in order to avoid default. The Act also restructured the Authority's Board of Directors and required a Steering Committee Report and Financial Mitigation Plan to be filed with the State.

On April 17, 2003, the Board passed a resolution for $22 million to be drawn down from the State during a 13-month period from June 1, 2003 through June 30, 2004 and submitted its Financial Mitigation Plan to the State for approval. On June 27, 2003, the State Treasurer and the Secretary of the Office of Policy and Management certified that the Authority had met the requirements set forth in the Act in order for the loan drawdowns to commence. The terms of the loan were set as monthly repayments to the State of both principal and interest at a variable rate of interest to be set by the State Treasurer each month. In accordance with the Master Loan Agreement between the State and the Authority, all borrowings must be applied to the debt service obligations of the Mid-Connecticut Project. As of June 30, 2004, the Authority had drawn down $12,841,646 from the State against the $22 million authorization for the 13-month period. The Authority has met all its monthly loan repayment obligations to the State in a timely manner.

On December 18, 2003, the Authority submitted its first quarterly Update to the Financial Mitigation Plan, which also included its funding request for fiscal year 2005 in the amount of $20 million. On March 1, 2004, the State approved this amount and entered into a Master Loan Agreement with the Authority for the ensuing fiscal year. On July 29, 2004, the Authority made its first draw for $2.1 million against the $20 million authorization for fiscal year 2005. On August 30, 2004, the Authority made a subsequent draw for $2.1 million against the $20 million authorization for fiscal year 2005. Draws made during fiscal year 2005 will be applied to the Mid-Connecticut debt service obligations.

LANDFILL ACTIVITY

The Authority's Board of Directors held a special meeting on June 3, 2004 to discuss matters involving the Hartford Landfill. At this meeting, the Board voted to discontinue all activities associated with determining the technical viability of vertical expansion of the Hartford Landfill. Although there would be financial benefit to the Mid-Connecticut Project if the Hartford Landfill were to be expanded, the expansion would at best provide a short-term interim solution to the solid waste capacity issue within the Project. Accordingly, and because there was lack of community support for the initiative, the Board determined that resources should instead be focused on long term solid waste disposal alternatives.

The Authority has negotiated with the Town of Windsor regarding an agreement whereby the Mid-Connecticut Project received authority to ship municipal solid waste to the Windsor Landfill. Windsor's Town Council voted in favor of execution of the contract at its meeting on June 21, 2004. The Authority's Board of Directors also voted in favor of executing the contract at its July 22, 2004 meeting.

The Authority has also entered into a contract with an environmental engineering company to conduct a comprehensive landfill siting analysis. This analysis will identify potential sites within the State that are technically and environmentally amenable to permitting and constructing an ash residue and/or bulky waste landfill.

AUTHORITY RATES AND CHARGES

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

TIP FEE HISTORY BY PROJECT (Dollars charged per ton of solid waste delivered)				
Fiscal Year	**Mid-Connecticut**	**Bridgeport**	**Wallingford**	**Southeast**
2000	$49.00	$70.00	$57.00	$59.00
2001	50.00	67.00	56.00	58.00
2002	51.00	67.00	55.00	57.00
2003	57.00	69.00	55.00	57.00
2004	63.75	71.00	55.00	60.00

LONG-TERM DEBT ISSUANCE, ADMINISTRATION AND CREDIT RATINGS

The following table highlights the municipal bonds issued and currently outstanding as of the fiscal year ended June 30, 2004. Also included is the current credit rating for each issue.

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2004

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhancement [1]	X= SCRF-Backed [2]	Dated	Maturity Date	Original Principal ($000)	Principal Outstanding ($000)	On Authority's Books ($000)
MID-CONNECTICUT PROJECT									
1996 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/20/96	11/15/12	209,675	$165,705	$165,705
1997 Series A - Project Construction	Aaa	AAA	MBIA	X	07/15/97	11/15/06	8,000	3,075	3,075
2001 Series A - Project Construction (Subordinated)	Baa3	BBB	--	--	01/18/01	11/15/12	13,210	13,210	13,210
								181,990	181,990
BRIDGEPORT PROJECT									
1999 Series A - Project Refinancing	Aaa	AAA	MBIA	--	08/31/99	1/1/09	141,695	83,825	3,190
2000 Series A - Refinancing (partial insurance)	A3/Aaa	A+/AAA	MBIA	--	08/01/00	1/1/09	9,200	5,725	5,725
								89,550	8,915
WALLINGFORD PROJECT									
1991 Series One - Subordinated	A3	NR	--	--	08/01/91	11/15/05	7,000	1,250	1,250
1998 Series A - Project Refinancing	Aaa	AAA	Ambac	--	10/23/98	11/15/08	33,790	21,540	3,297
								22,790	4,547
SOUTHEAST PROJECT									
1989 Series A - Project Refinancing	Aaa	AAA	MBIA	X	06/01/89	11/15/11	3,935	2,255	2,255
1998 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/18/98	11/15/15	87,650	69,220	7,702
CORPORATE CREDIT REVENUE BONDS									
1992 Series A - Corporate Credit	NR	NR	--	--	09/01/92	11/15/22	30,000	30,000	0
2001 Series A - American Ref-Fuel Company LLC-I	A3	NR	--	--	12/10/98	11/15/15	6,750	6,750	0
2001 Series A - American Ref-Fuel Company LLC-II	Baa2	NR	--	--	12/10/98	11/15/15	6,750	6,750	0
								114,975	9,957
TOTAL PRINCIPAL BONDS OUTSTANDING								$409,305	$205,409

[1] Municipal Bond insurance providers: MBIA = MBIA Insurance Corporation
[2] SCRF = Special Capital Reserve Fund of the State of Connecticut
NR = Not Rated

The ratings of the Authority's outstanding bonds were unchanged during the fiscal year ended June 30, 2004.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Connecticut Resources Recovery Authority
Hartford, Connecticut

We have audited the accompanying basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Resources Recovery Authority as of June 30, 2004 and 2003, 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.

The accompanying Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carlin, Charron + Rosen, LLP

Glastonbury, Connecticut
August 20, 2004

BALANCE SHEETS
AS OF JUNE 30, 2004 AND 2003
(In Thousands)

EXHIBIT I

ASSETS	2004	2003
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	**$62,312**	$55,023
Accounts receivable, net of allowance	**21,053**	21,268
Inventory	**3,541**	3,607
Prepaid expenses	**1,454**	1,446
Total Unrestricted Assets	**88,360**	81,344
Restricted Assets:		
Cash and cash equivalents	**30,333**	29,676
Accrued interest receivable	**144**	165
Total Restricted Assets	**30,477**	29,841
Total Current Assets	**118,837**	111,185
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	**61,548**	60,726
Capital Assets:		
Depreciable, net	**170,661**	185,409
Nondepreciable	**28,275**	27,810
Development and bond issuance costs, net	**9,204**	10,341
Total Non-Current Assets	**269,688**	284,286
TOTAL ASSETS	**$388,525**	$395,471
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable, net	**$18,922**	$17,997
Current portion of State loan payable	**1,484**	195
Current portion of closure and postclosure care of landfills	**1,433**	1,330
Accounts payable and accrued expenses	**23,817**	26,093
Other	**4,024**	3,331
Total Current Liabilities	**49,680**	48,946
LONG-TERM LIABILITIES		
Bonds payable, net	**183,690**	202,609
State loan payable	**10,606**	1,805
Closure and postclosure care of landfills	**25,716**	24,622
Total Long-term Liabilities	**220,012**	229,036
TOTAL LIABILITIES	**269,692**	277,982
NET ASSETS		
Invested in Capital Assets, net of related debt	**26,096**	26,456
Restricted	**64,025**	63,385
Unrestricted	**28,712**	27,648
	92,737	91,033
Total Net Assets	**118,833**	117,489
TOTAL LIABILITIES AND NET ASSETS	**$388,525**	$395,471

The accompanying notes are an integral part of these financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2004 AND 2003 (In Thousands)

EXHIBIT II

	2004	2003
Operating Revenues		
Service charges:		
Members	**$88,541**	$82,915
Others	**27,384**	27,927
Energy generation	**36,998**	34,639
Ash disposal fees	**4,031**	4,033
Other operating revenues	**8,464**	6,306
Total operating revenues	**165,418**	155,820
Operating Expenses		
Solid waste operations	**126,016**	127,873
Depreciation and amortization	**17,887**	18,188
Maintenance and utilities	**1,697**	1,076
Closure and postclosure care of landfills	**1,889**	4,118
Project administration	**5,880**	5,205
Total operating expenses	**153,369**	156,460
Operating Income (Loss)	**12,049**	(640)
Non-Operating Revenues and (Expenses)		
Investment income	**1,623**	2,386
Settlement income	**-**	375
Other income, net	**154**	63
Interest expense	**(12,482)**	(13,510)
Net Non-Operating Revenues and (Expenses)	**(10,705)**	(10,686)
Increase (Decrease) in Net Assets	**1,344**	(11,326)
Total Net Assets, beginning of year	**117,489**	128,815
Total Net Assets, end of year	**$118,833**	$117,489

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003 — EXHIBIT III
(In Thousands)

	2004	2003
Cash Flows From Operating Activities		
Payments received from providing services	**$166,961**	$157,066
Payments to suppliers for goods and services	**(132,907)**	(134,006)
Payments to employees for services	**(3,395)**	(2,847)
Net Cash Provided by Operating Activities	**30,659**	20,213
Cash Flows From Investing Activities		
Interest on investments	**1,643**	2,568
Proceeds from maturities of investment securities	**-**	638
Net Cash Provided by Investing Activities	**1,643**	3,206
Cash Flows From Capital and Related Financing Activities		
Proceeds from State loan	**10,842**	2,000
Proceeds from sales of investments	**181**	-
Proceeds from sales of equipment	**3**	98
Payment for landfill closure and postclosure care liabilities	**(692)**	(1,032)
Acquisition and construction of capital assets	**(2,460)**	(1,074)
Interest paid on long-term debt	**(12,126)**	(13,018)
Principal paid on long-term debt	**(19,353)**	(19,024)
Net Cash Used in Capital and Related Financing Activities	**(23,605)**	(32,050)
Cash Flows From Non-Capital Financing Activities		
Other interest and fees	**71**	(90)
Net Cash Provided by (Used in) Non-Capital Financing Activities	**71**	(90)
Net increase (decrease) in cash and cash equivalents	**8,768**	(8,721)
Cash and cash equivalents, beginning of period	**145,425**	154,146
Cash and cash equivalents, end of period	**$154,193**	$145,425
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Operating income (loss)	**$12,049**	($640)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Settlement income	**-**	375
Depreciation of capital assets	**16,749**	17,049
Amortization of development and bond issuance costs	**1,138**	1,139
Provision for closure and postclosure care of landfills	**1,889**	4,118
(Increase) decrease in:		
Accounts receivable, net of allowance	**215**	(1,795)
Inventory	**66**	(64)
Prepaid expenses	**(8)**	73
(Decrease) increase in:		
Accounts payable and accrued expenses	**(1,439)**	(42)
Net Cash Provided by Operating Activities	**$30,659**	$20,213

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

COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2004
(In Thousands)

EXHIBIT A
Page 1 of 2

ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	**Total 2004**
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	$1,555	$25,199	$9,989	$23,256	$2,313	$ -	**$62,312**
Accounts receivable, net of allowance	-	8,197	5,263	2,117	5,476	-	**21,053**
Inventory	-	3,541	-	-	-	-	**3,541**
Prepaid expenses	29	1,065	57	303	-	-	**1,454**
Due from other funds	32	1,321	-	-	-	(1,353)	**-**
Total Unrestricted Assets	1,616	39,323	15,309	25,676	7,789	(1,353)	**88,360**
Restricted Assets:							
Cash and cash equivalents	20	22,361	1,473	2,622	3,857	-	**30,333**
Accrued interest receivable	-	44	2	43	55	-	**144**
Total Restricted Assets	20	22,405	1,475	2,665	3,912	-	**30,477**
Total Current Assets	1,636	61,728	16,784	28,341	11,701	(1,353)	**118,837**
NON-CURRENT ASSETS							
Restricted cash and cash equivalents	-	49,843	1,508	8,922	1,275	-	**61,548**
Capital assets:							
Depreciable:							
Plant	870	160,783	25,126	-	-	-	**186,779**
Equipment	852	201,181	2,796	-	-	-	**204,829**
	1,722	361,964	27,922	-	-	-	**391,608**
Less: accumulated depreciation	(736)	(197,805)	(22,406)	-	-	-	**(220,947)**
Total Depreciable, net	986	164,159	5,516	-	-	-	**170,661**
Nondepreciable:							
Land	-	10,595	15,200	1,979	-	-	**27,774**
Construction in progress	-	501	-	-	-	-	**501**
Total Nondepreciable	-	11,096	15,200	1,979	-	-	**28,275**
Development and bond issuance costs, net	-	2,146	153	1,527	5,378	-	**9,204**
Total Non-Current Assets	986	227,244	22,377	12,428	6,653	-	**269,688**
TOTAL ASSETS	$2,622	$288,972	$39,161	$40,769	$18,354	($1,353)	**$388,525**

COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2004
(In Thousands)

EXHIBIT A
Page 2 of 2

LIABILITIES AND NET ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2004
CURRENT LIABILITIES							
Current portion of:							
Bonds payable, net	$ -	$ 15,320	$ 1,696	$ 1,351	$ 555	$ -	**$ 18,922**
State loan payable	-	1,484	-	-	-	-	**1,484**
Closure and postclosure care of landfills	-	178	1,070	185	-	-	**1,433**
Accounts payable and accrued expenses	1,030	9,822	5,073	2,634	5,258	-	**23,817**
Due to other funds	1,321	32	-	-	-	(1,353)	**-**
Other	-	4,024	-	-	-	-	**4,024**
Total Current Liabilities	2,351	30,860	7,839	4,170	5,813	(1,353)	**49,680**
LONG-TERM LIABILITIES							
Bonds payable, net	-	164,698	7,292	3,171	8,529	-	**183,690**
State loan payable	-	10,606	-	-	-	-	**10,606**
Closure and postclosure care of landfills	-	9,665	10,933	5,118	-	-	**25,716**
Total Long-term Liabilities	-	184,969	18,225	8,289	8,529	-	**220,012**
TOTAL LIABILITIES	2,351	215,829	26,064	12,459	14,342	(1,353)	**269,692**
NET ASSETS							
Invested in Capital Assets, net of related debt	-	13,030	13,066	-	-	-	**26,096**
Restricted:							
Debt service reserve funds	-	20,023	1,261	101	78	-	**21,463**
Energy generating facility	-	20,000	-	-	-	-	**20,000**
Debt service funds		8,363	1,053	-	69		**9,485**
Tip fee stabilization	-	-	-	7,609	-	-	**7,609**
Operating and maintenance	-	1,529	-	-	-	-	**1,529**
Equipment replacement	-	1,529	-	-	-	-	**1,529**
Select energy escrow	-	1,000	-	-	-	-	**1,000**
Landfill custodian accounts	-	421	150	132	-	-	**703**
Regional recycling center equipment	-	448	-	-	-	-	**448**
Recycling education fund	-	239	-	-	-	-	**239**
Mercury public awareness	20	-	-	-	-	-	**20**
Total Restricted	20	53,552	2,464	7,842	147	-	**64,025**
Unrestricted	251	6,561	(2,433)	20,468	3,865	-	**28,712**
	271	60,113	31	28,310	4,012	-	**92,737**
Total Net Assets	271	73,143	13,097	28,310	4,012	-	**118,833**
TOTAL LIABILITIES AND NET ASSETS	$2,622	$288,972	$39,161	$40,769	$18,354	($1,353)	**$388,525**

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

EXHIBIT B

FOR THE YEAR ENDED JUNE 30, 2004

(In Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	**Total 2004**
Operating Revenues							
Service charges:							
Members	$ -	$ 39,466	$ 30,098	$ 8,313	$ 10,664	$ -	**$ 88,541**
Others	-	15,789	11,556	142	1,225	(1,328)	**27,384**
Energy generation	-	24,052	-	12,946	-	-	**36,998**
Ash disposal fees	-	-	4,031	-	-	-	**4,031**
Other operating revenues	-	4,448	3,881	86	49	-	**8,464**
Total operating revenues	-	83,755	49,566	21,487	11,938	(1,328)	**165,418**
Operating Expenses							
Solid waste operations	7	58,675	42,228	15,864	10,570	(1,328)	**126,016**
Depreciation and amortization	180	16,081	854	324	448	-	**17,887**
Maintenance and utilities	-	1,481	241	(25)	-	-	**1,697**
Closure and postclosure care of landfills	-	467	1,158	264	-	-	**1,889**
Project administration	-	4,381	861	469	169	-	**5,880**
Total operating expenses	187	81,085	45,342	16,896	11,187	(1,328)	**153,369**
Operating Income (Loss)	(187)	2,670	4,224	4,591	751	-	**12,049**
Non-Operating Revenues and (Expenses)							
Investment income	32	1,102	100	359	30	-	**1,623**
Other income (expenses)	316	(122)	(40)	-	-	-	**154**
Interest expense	-	(11,032)	(454)	(254)	(742)	-	**(12,482)**
Net Non-Operating Income and (Expenses)	348	(10,052)	(394)	105	(712)	-	**(10,705)**
Income (Loss) before operating transfers	161	(7,382)	3,830	4,696	39	-	**1,344**
Transfers in (out)	(9,079)	5,337	2,443	1,047	252	-	**-**
Increase (Decrease) in Net Assets	(8,918)	(2,045)	6,273	5,743	291	-	**1,344**
Total Net Assets, beginning of year	9,189	75,188	6,824	22,567	3,721	-	**117,489**
Total Net Assets, end of year	$ 271	$ 73,143	$ 13,097	$ 28,310	$ 4,012	$ -	**$ 118,833**

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

EXHIBIT C

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	**Total 2004**
Cash Flows From Operating Activities							
Payments received from providing services	$ -	$ 83,491	$ 48,952	$ 22,966	$ 11,552	$ -	**$ 166,961**
Payments received from other funds	1,321	(70)	-	-	-	(1,251)	**1,251**
Payments to suppliers for goods and services	329	(62,597)	(43,062)	(15,999)	(11,578)	-	**(132,907)**
Payments to employees for services	-	(2,527)	(500)	(270)	(98)	-	**(3,395)**
Payments to other funds	70	(1,321)	-	-	-	1,251	**(1,251)**
Net Cash Provided by (Used in) Operating Activities	1,720	16,976	5,390	6,697	(124)	-	**30,659**
Cash Flows From Investing Activities							
Interest on investments	32	1,106	99	363	43	-	**1,643**
Net Cash Provided by Investing Activities	32	1,106	99	363	43	-	**1,643**
Cash Flows From Capital and Related Financing Activities							
Proceeds from State loan	-	10,842	-	-	-	-	**10,842**
Proceeds from sales of investments	181	-	-	-	-	-	**181**
Proceeds from sales of equipment	-	3	-	-	-	-	**3**
Payment for landfill closure and postclosure care liabilities	-	(161)	(367)	(164)	-	-	**(692)**
Acquisition and construction of capital assets	(842)	(1,567)	(51)	-	-	-	**(2,460)**
Interest paid on long-term debt	-	(10,745)	(525)	(250)	(606)	-	**(12,126)**
Principal paid on long-term debt	-	(15,747)	(1,620)	(1,339)	(647)	-	**(19,353)**
Net Cash Used in Capital and Related Financing Activities	(661)	(17,375)	(2,563)	(1,753)	(1,253)	-	**(23,605)**
Cash Flows From Non-Capital Financing Activities							
Transfer in	-	5,337	2,443	1,047	252	(9,079)	**-**
Other interest and fees	99	(9)	(18)	-	(1)	-	**71**
Transfers out	(9,079)	-	-	-	-	9,079	**-**
Net Cash Provided by (Used in) Non-Capital Financing Activities	(8,980)	5,328	2,425	1,047	251	-	**71**

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
(In Thousands)

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	**Total 2004**
Net increase (decrease) in cash and cash equivalents	$ (7,889)	$ 6,035	$ 5,351	$ 6,354	$ (1,083)	$ -	**$ 8,768**
Cash and cash equivalents, beginning of year	9,464	91,368	7,619	28,446	8,528	-	**145,425**
Cash and cash equivalents, end of year	$ 1,575	$ 97,403	$ 12,970	$ 34,800	$ 7,445	$ -	**$ 154,193**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating income (loss)	$ (187)	$ 2,670	$ 4,224	$ 4,591	$ 751	$ -	**$ 12,049**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation of capital assets	180	15,746	823	-	-	-	**16,749**
Amortization of development and bond issuance costs	-	335	30	324	449	-	**1,138**
Provision for closure and postclosure care of landfills	-	467	1,158	264	-	-	**1,889**
(Increase) decrease in:							
Accounts receivable, net of allowance	-	(264)	(613)	1,479	(387)	-	**215**
Inventory	-	66	-	-	-	-	**66**
Prepaid expenses	38	(94)	26	1	21	-	**(8)**
Due from other funds	70	(1,321)	-	-	-	(1,251)	**-**
(Decrease) increase in:							
Accounts payable and accrued expenses	298	(559)	(258)	38	(958)	-	**(1,439)**
Due to other funds	1,321	(70)	-	-	-	1,251	**-**
Net Cash Provided by (Used in) Operating Activities	$ 1,720	$ 16,976	$ 5,390	$ 6,697	$ (124)	$ -	**$ 30,659**

COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2004
(In Thousands)

EXHIBIT D
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	**Total 2004**
Net assets invested in capital assets, net of related debt	$ -	$ 13,030	$ 13,066	$ -	$ -	**$ 26,096**
Restricted net assets:						
Restricted cash and cash equivalents:						
Debt service reserve funds	-	26,786	1,508	1,313	1,274	**30,881**
Energy generating facility	-	20,000	-	-	-	**20,000**
Debt service funds	-	12,263	1,302	947	450	**14,962**
Tip fee stabilization	-	-	-	7,609	-	**7,609**
Revenue fund	-	3,527	-	1,394	1,201	**6,122**
MDC arbitration escrow	-	4,193	-	-	-	**4,193**
Montville landfill postclosure	-	-	-	-	2,032	**2,032**
Operating and maintenance	-	1,529	-	-	-	**1,529**
Equipment replacement	-	1,529	-	-	-	**1,529**
Select energy escrow	-	1,000	-	-	-	**1,000**
DEP trust - landfills	-	421	150	132	-	**703**
RRC container equipment	-	451	-	-	-	**451**
Customer guarantee of payment	-	216	18	42	-	**276**
Rebate funds		10	3	107	151	**271**
Recycling education fund	-	239	-	-	-	**239**
Town of Ellington trust - pooled funds	-	41	-	-	-	**41**
Mercury public awareness	20	-	-	-	-	**20**
Authority project cost account	-	-	-	-	18	**18**
Earning fund	-	-	-	-	5	**5**
Total restricted cash and cash equivalents	20	72,205	2,981	11,544	5,131	**91,881**

COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2004
(In Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	**Total 2004**
Less liabilities to be paid with restricted assets:						
Bonds payable, net	$ -	$ 3,910	$ 252	$ 1,351	$ 555	**$ 6,068**
State loan payable	-	1,484	-	-	-	**1,484**
Closure and postcloure care of landfills	-	178	18	185	-	**381**
Accounts payable and accrued expenses	-	2,294	-	954	3,233	**6,481**
Accrued MDC escrow	-	4,024	-	-	-	**4,024**
Total liabilities to be paid with restricted assets:	-	11,890	270	2,490	3,788	**18,438**
Bonds payable to be retired from non-current restricted assets	-	6,763	247	1,212	1,196	**9,418**
Total restricted net assets	20	53,552	2,464	7,842	147	**64,025**
Unrestricted net assets:						
Designated for:						
Postclosure care of landfills	-	2,321	2,911	5,320	-	**10,552**
Closure care of landfills	-	6,674	202	-	-	**6,876**
Future loss contingencies	-	5,342	-	1,047	252	**6,641**
Waste processing facility modifications	-	3,890	-	-	-	**3,890**
Rolling stock	-	2,817	-	-	-	**2,817**
Recycling	-	1,860	-	-	-	**1,860**
Landfill replacement	-	1,800	-	-	-	**1,800**
Future use	-	-	569	-	-	**569**
Benefit fund	251	-	-	-	-	**251**
Undesignated	-	(18,143)	(6,115)	14,101	3,613	**(6,544)**
Total unrestricted net assets	251	6,561	(2,433)	20,468	3,865	**28,712**
Total Net Assets	$ 271	$ 73,143	$ 13,097	$ 28,310	$ 4,012	**$ 118,833**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

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. As of June 30, 2004, the Authority Board of Directors consists of eleven full members and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. The remaining eight full members are appointed by the State legislature.

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

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

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

<u>Mid-Connecticut Project</u>

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal services to seventy 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 and subleases 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.

In conjunction with the deregulation of the State's electric industry, the Authority acquired four Pratt & Whitney Twin-Pac peaking jets turbines, two steam turbines, and certain land and assets acquired from the Connecticut Light & Power Company (CL&P). These assets and the operations of the peaking jets and the steam turbines were accounted for separately and were named the Non-Project Ventures group. During fiscal year 2003, the Non-Project Ventures group was consolidated with the Mid-Connecticut Project. Operating and maintenance agreements were entered into with Northeast Generation Services Company to operate the peaking jets turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines.

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 determined service fee. Electric energy revenues and certain other service charges are accrued by 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 Wallingford Project's revenues are derived primarily from service fees charged to users and fees for electric energy generated. The Authority pays the vendor a contractually determined service fee. The operating contract has provisions for revenue sharing with the vendor if prescribed operating parameters are achieved.

Southeast Project

The Southeast Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The Southeast Project provides solid waste disposal services to fifteen 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 its revenues from service fees charged to participating municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor with certain contractually prescribed credits payable to the Authority for these revenue types.

General Fund

The Authority has a General Fund in which the costs of central administration are accumulated. Substantially, all of 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 an Enterprise Fund, which is considered a separate accounting entity. It is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

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

The Authority's financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Interest on revenue bonds, used to finance the construction of certain assets, is capitalized during the construction period net of interest earned on the investment of unexpended bond proceeds.

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

The financial statements are presented in accordance with Alternative #1 under Governmental Accounting Standards Board (GASB) Statement No. 20, whereby 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 accounting principles generally accepted in the United States of America 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 with maturities of three months or less when purchased are considered to be cash equivalents.

E. Accounts Receivable

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not expected to be collected of $165,000 and $220,000 at June 30, 2004 and 2003, respectively.

F. Inventory

The Authority's spare parts inventory is stated at the lower of cost or market using the weighted-average cost method. The Authority's coal inventory is stated at the lower of cost or market using the FIFO method.

Inventories at June 30, 2004 and 2003 are summarized as follows:

Inventories	2004 ($000)	2003 ($000)
Spare parts	$3,217	$3,285
Coal	324	322
Total	$3,541	$3,607

G. Investments

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

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

H. Restricted Assets

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

I. Development and Bonds Issuance Costs

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

At June 30, 2004 and 2003, development and bond issuance costs for the projects are as follows:

Project	2004 ($000)	2003 ($000)
Development costs:		
Mid-Connecticut	$ 3,277	$ 3,277
Wallingford	5,667	5,667
Southeast	10,006	10,006
	18,950	18,950
Less accumulated amortization:		
Mid-Connecticut	2,650	2,493
Wallingford	4,250	3,967
Southeast	5,300	4,908
	12,200	11,368
Total development costs, net	$6,750	$7,582
Bond Issuance costs:		
Mid-Connecticut	$ 2,832	$ 2,832
Bridgeport	275	275
Wallingford	584	584
Southeast	1,008	1,008
	4,699	4,699
Less accumulated amortization:		
Mid-Connecticut	1,313	1,135
Bridgeport	122	92
Wallingford	474	433
Southeast	336	280
	2,245	1,940
Total bond issuance costs, net	$2,454	$2,759
Totals, net	$9,204	$10,341

J. Capital Assets

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

Capital assets	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

The Authority's capitalization threshold is $1,000. Improvements, renewals and significant repairs that extend the life of the asset are capitalized; other repairs and maintenance costs are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any related gains or losses are recorded.

K. Accrued Compensation

The Authority's liability for vested accumulated unpaid vacation, sick pay and other employee benefit amounts is included in accounts payable and accrued expenses in the accompanying balance sheets.

L. Net Assets

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

Unrestricted net assets represent the net assets available to finance future operations or available to be returned through reduced tip fees or rebates.

Further, unrestricted net assets may be divided into designated and undesignated portions. Designated net assets represent the Authority's self-imposed limitations on the use of otherwise unrestricted net assets. Unrestricted net assets have been designated by the Board of Directors of the Authority for various purposes and such designations totaled $35,256 and $34,588 as of June 30, 2004 and 2003 respectively.

Restrictions of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Restricted net assets at June 30, 2004 and 2003 are summarized as follows:

Restricted Net Assets	2004 ($000)	2003 ($000)
Debt service reserve	$21,463	$21,597
Energy generating facility	20,000	20,000
Debt service funds	9,485	8,881
Tip fee stabilization	7,609	6,688
Operating and maintenance	1,529	1,511
Equipment replacement	1,529	1,511
Select energy escrow	1,000	0
Landfill custodian accounts	703	699
Regional recycling center equipment	448	2,241
Recycling education fund	239	237
Mercury public awareness	20	20
Total	$64,025	$63,385

M. Reclassifications

Certain reclassifications have been made to the 2003 financial statements to conform to the current year presentation.

2. CASH DEPOSITS 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 are generally reset daily, monthly, quarterly and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares.

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

A. Cash Deposits

Governmental Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments, and Repurchase Agreements* requires governmental organizations to categorize their cash deposits into three levels of risk. Category 1 includes amounts which are insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes amounts that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes amounts which are uninsured and uncollateralized including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name.

For purposes of this disclosure, cash deposits include only bank deposits. As of June 30, 2004 and 2003, the carrying amounts of the Authority's deposits were $2,253,000 and $4,463,000, respectively, and the bank balances were $3,055,000 and $4,871,000, respectively. As of June 30, 2004, $100,000 was insured by the Federal Deposit Insurance Corporation (Category 1) and $2,955,000 was uninsured and uncollateralized (Category 3), as defined by Governmental Accounting Standards Board Statement No. 3. However, all bank deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of the public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of either the trust department of the pledging bank or in another bank in the name of the pledging bank.

The following table is a summary of GASB Statement No. 3 cash deposits reconciled to Total Cash and Cash Equivalents (unrestricted and restricted) at June 30, 2004 and 2003.

	2004 ($000)	2003 ($000)
Cash Deposits	$ 2,253	$ 4,463
STIF	148,692	138,960
U. S. Treasury Open End Mutual Fund	2,546	2,002
U.S. Treasury Bills (not classified as investments)	702	0
Total Cash and Cash Equivalents (unrestricted and restricted)	$154,193	$145,425

B. Investments

In accordance with the provisions of Statement No. 3 of the Governmental Accounting Standards Board, the Authority's investments must be categorized to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered in the Authority's name or are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments which are held by a counter party's trust department or by its agent in the Authority's name. Category 3 includes uninsured or unregistered securities which are held by a counter party, its trust department or by its agent, but not held in the Authority's name.

At June 30, 2004, the Authority held Treasury Bills in the fair value amount of $702,000 (with maturities less than 90 days classified as cash equivalents) classified in Risk Category 3. At June 30, 2003, the Authority held no investments as defined by GASB Statement No. 3.

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2003 and 2004:

	Balance at July 1, 2002 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2003 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2004 ($000)
Nondepreciable assets:									
Land	$ 27,774	$ -	$ -	$ -	$ 27,774	$ -	$ -	$ -	$ 27,774
Construction-in-progress	30	47	(41)	-	36	649	(184)	-	501
Total nondepreciable assets	**$ 27,804**	**$ 47**	**$ (41)**	**$ -**	**$ 27,810**	**$ 649**	**$ (184)**	**$ -**	**$ 28,275**
Depreciable assets:									
Plant	$ 198,651	$ 635	$ (13,129)	$ -	$ 186,157	$ 986	$ -	$ (364)	$ 186,779
Equipment	192,889	458	13,112	(2,670)	203,789	937	217	(114)	204,829
Total at cost	391,540	1,093	(17)	(2,670)	389,946	1,923	217	(478)	391,608
Less accumulated depreciation for:									
Plant	(94,584)	(7,428)	-	-	(102,012)	(7,595)	128	293	(109,186)
Equipment	(95,538)	(9,621)	13	2,621	(102,525)	(9,154)	(161)	79	(111,761)
Total accumulated depreciation	(190,122)	(17,049)	13	2,621	(204,537)	(16,749)	(33)	372	(220,947)
Total depreciable assets, net	**$ 201,418**	**$ (15,956)**	**$ (4)**	**$ (49)**	**$ 185,409**	**$ (14,826)**	**$ 184**	**$ (106)**	**$ 170,661**

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 2004 and 2003, there was no capitalized interest as there was no external borrowing.

4. LONG-TERM DEBT

A. Bonds Payable

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

The following is a summary of changes in bonds payable for the years ended June 30, 2003 and 2004.

	Balance at July 1, 2002 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2003 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2004 ($000)	Amounts Due Within One Year ($000)
Bonds payable - principal	$ 243,034	$ -	$ 19,024	$ 224,010	$ -	$ 18,601	$ 205,409	$ 19,471
Unamortized amounts:								
Premiums	1,512	-	188	1,324	-	180	1,144	171
Deferred amount on refunding	(5,567)	-	(839)	(4,728)	-	(787)	(3,941)	(720)
Total bonds payable	$ 238,979	$ -	$ 18,373	$ 220,606	$ -	$ 17,994	$ 202,612	$ 18,922

The long-term debt amounts for the projects in the table above have been reduced by the deferred amount on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2004 and 2003, as follows:

Project	2004 ($000)	2003 ($000)
Deferred amount on refunding:		
	$2,368	$2,908
Mid-Connecticut	(42)	(60)
Bridgeport		
Wallingford	27	38
Southeast	1,588	1,842
Subtotal	3,941	4,728
Reduced by unamortized premium:		
Mid-Connecticut	(400)	(453)
Bridgeport	(31)	(44)
Southeast	(713)	(827)
Subtotal	(1,144)	(1,324)
Net Reduction	$2,797	$3,404

Certain of the Authority's bonds are secured by special capital reserve funds. Each fund is equal to the highest annual amount of debt service remaining on the issue. The State is contingently liable to restore any deficiencies that exist in these funds in the event that the Authority must draw from the fund. Bond principal amounts recorded as long-term debt at June 30, 2004 and 2003, which are backed by special capital reserve funds, are as follows:

Project	2004 ($000)	2003 ($000)
Mid-Connecticut	$168,775	$183,775
Southeast	9,958	10,604
Total	$178,733	$194,379

Annual debt service requirements to maturity on bonds payable are as follows:

	Mid-Connecticut		Bridgeport		Wallingford	
Year ending June 30	Principal ($000)	Interest ($000)	Principal ($000)	Interest ($000)	Principal ($000)	Interest ($000)
2005	15,755	9,758	1,670	446	1,360	178
2006	16,680	8,761	1,740	363	1,133	112
2007	17,790	7,703	1,845	277	658	69
2008	17,900	6,646	1,955	185	684	42
2009	18,925	5,640	1,705	86	712	14
2010-2014	94,940	11,373	-	-	-	-
2015-2017	-	-	-	-	-	-
	$181,990	$49,881	$8,915	$1,357	$4,547	$415
Interest Rates		4.25-6.25%		4.83-5.5%		3.90-6.85%

	Southeast		Total	
Year ending June 30	Principal ($000)	Interest ($000)	Principal ($000)	Interest ($000)
2005	686	565	19,471	10,947
2006	732	522	20,285	9,758
2007	779	475	21,072	8,524
2008	821	425	21,360	7,298
2009	876	372	22,218	6,112
2010-2014	4,438	1,010	99,378	12,383
2015-2017	1,625	84	1,625	84
	$9,957	$3,453	$205,409	$55,106
Interest Rates		5.125-7.7%		

B. Loan Payable

During April 2002, the Connecticut General Assembly passed Public Act No. 02-46 authorizing a loan by the State to the Authority of up to $115 million in support of debt service payments on the Mid-Connecticut facility bonds. Through June 30, 2004, the Authority has drawn down $12.8 million in loan advances from the State. All loans received from the State must be fully repaid, with interest, by 2012. The interest rate, as determined by the Office of the State Treasurer, is adjusted monthly based on the State's base rate plus twenty-five basis points and may not exceed six percent. The interest rate at June 2004 was 1.38%.

The following is a summary of changes in the loan payable for the years ended June 30, 2003 and 2004.

	Balance at July 1, 2002 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2003 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2004 ($000)	Amounts Due Within One Year ($000)
Loan payable - principal	$ -	$ 2,000	$ -	$ 2,000	$ 10,842	$ 752	$ 12,090	$ 1,484

Maturities of the loan payable and related interest are as follows:

Year Ending June 30	Principal ($000)	Interest ($000)
2005	$1,484	$463
2006	1,483	403
2007	1,483	342
2008	1,483	283
2009	1,483	222
2010 – 2012	4,674	308
Total	$12,090	$2,021
Interest rate is assumed @ 4.00%		

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 the 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 2003 and 2004 for the landfills, are presented in the following table:

Project/Landfill	Liability at July 1, 2002 ($000)	Expense ($000)	Paid or Accrued ($000)	Liability at June 30, 2003 ($000)	Expense ($000)	Paid or Accrued ($000)	Liability at June 30, 2004 ($000)	Amounts Due Within One Year ($000)
Mid-Connecticut:								
Hartford	$ 4,306	$ 2,030	$ -	$ 6,336	$ 190	$ -	$ 6,526	$ -
Ellington	3,381	(25)	(154)	3,202	277	(161)	3,318	178
Bridgeport:								
Shelton	10,713	181	(639)	10,255	1,097	(367)	10,985	1,070
Waterbury	512	444	-	956	61	-	1,017	-
Wallingford	3,953	1,488	(238)	5,203	264	(164)	5,303	185
Total	$22,865	$ 4,118	($ 1,031)	$25,952	$ 1,889	($ 692)	$27,149	$ 1,433

The estimated remaining costs to be recognized in the future as closure and postclosure care of landfill expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2004, are scheduled below:

Project/Landfill	Remaining Costs to be Recognized ($000)	Capacity Used Landfill Area		Estimated Years of Remaining Landfill Area Life	
		Ash	Other	Ash	Other
Mid-Connecticut-Hartford	$1,173	60%	97%	4	2
Bridgeport-Waterbury	126	----	89%	----	2
Total	$1,299				

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.

The Authority has placed funds in trust accounts for financial assurance purposes. The Mid-Connecticut Ellington Landfill account is valued at $421,000 and $419,000 at June 30, 2004 and 2003, respectively. The Bridgeport Waterbury Landfill account is valued at $150,000 and $149,000 at June 30, 2004 and 2003, respectively. The Wallingford Landfill account is valued at $132,000 and $131,000 at June 30, 2004 and 2003, respectively. These trust accounts are reflected as restricted assets in the accompanying balance sheets.

At June 30, 2004, a letter of credit for $305,000 was outstanding for financial assurance of the Bridgeport Shelton Landfill. No funds were drawn on this letter during fiscal year 2004.

In addition to the above accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2004 and 2003 by meeting specified criteria pursuant to Section 258.74 of the federal Environmental Protection Agency Subtitle D regulations.

6. MAJOR CUSTOMERS

Energy generation revenues from CL&P totaled 18% and 17% of the Authority's operating revenues for the years ended June 30, 2004 and 2003, respectively.

Service charge revenues from Waste Management of Connecticut, Inc. totaled 12% of the Authority's operating revenues for each of the fiscal years ended June 30, 2004 and 2003.

7. SETTLEMENT INCOME

In November 2002, the Authority received $375,000 from a contractor as a result of a settlement of a claim with the contractor for facility utilization.

8. RETIREMENT PLAN

The Authority is the Administrator of its 401(k) Employee Savings Plan. This defined contribution retirement plan covers all eligible employees. To be eligible, the employee 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 plus a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2004 and 2003 amounted to $275,000 and $254,000, respectively. Employees contributed $252,000 to the plan in fiscal year 2004 and $211,000 in fiscal year 2003.

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 endeavors to purchase commercial insurance for all insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. During fiscal year 2004, the Public Officials/Employers liability insurance coverage was increased from $3 million to $5 million to take advantage of the improved market. Also, in fiscal year 2004, CRRA reduced the overall property insurance limit from $450 million to $305 million, which represents 100% replacement cost values for the Mid-Connecticut Power Block Facility and Energy Generating Facility, plus business interruption and extra expense values for the Mid-Connecticut project. This is CRRA's highest valued single facility. The $305 million applies on a blanket basis for property damage to all locations.

The Authority is a member of the Connecticut Interlocal Risk Management Agency's (CIRMA) Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. The deposit contributions (premiums) paid were $49,000 and $35,000 for the years ended June 30, 2004 and 2003, respectively.

Under the Master Loan Agreement entered into between the State of Connecticut and the Authority, the Authority is obligated to pay principal and interest on any State loans advanced, on a monthly basis, until 2012. Each advance and all amounts outstanding will bear interest at a variable rate, as determined by the Office of the State Treasurer each month and may not exceed six percent. Principal repayments shall be made in consecutive equal monthly installments. As of June 30, 2004, the Authority had $12.1 million outstanding in State loans.

10. COMMITMENTS

The Authority has various operating leases for office space, land, landfills and office equipment. For the years ended June 30, 2004 and 2003, operating lease payments totaled $927,000 and $968,000, respectively. The Authority also has agreements with various municipalities for payments in lieu of taxes (PILOT) for personal and real property. For the years ended June 30, 2004 and 2003, the PILOT payments totaled $7,512,000 and $7,213,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2004 are as follows:

Fiscal Year	Lease Amount ($000)	PILOT Amount ($000)
2005	$723	$7,761
2006	765	8,012
2007	777	8,272
2008	801	8,541
2009	451	7,531
2010 - 2014	845	22,805
Total	$4,362	$62,922

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

The approximate amount of contract operating charges included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2004 and 2003 was as follows:

Project	2004 ($000)	2003 ($000)
Mid-Connecticut	$42,789	$43,184
Bridgeport	37,693	39,456
Wallingford	13,079	13,208
Southeast	9,415	9,288
Total	$102,976	$105,136

11. OTHER FINANCING

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

The Authority is not 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 principal amounts of these bond issues outstanding at June 30, 2004 (excluding portions allocable to Authority purposes) are as follows:

Project	Amount ($000)
Bridgeport - 1999 Series A	$ 80,635
Wallingford - 1998 Series A	18,243
Southeast -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	61,518
2001 Series A (American Ref-Fuel Company LLC – I)	6,750
2001 Series A (American Ref-Fuel Company LLC – II)	6,750
	105,018
Total	$203,896

The Southeast 1998 Series A Project bond issue is secured by a special capital reserve fund. The State is contingently liable for any deficiencies in the special capital reserve fund for this bond issue.

12. SEGMENT INFORMATION

The Authority has four segments that operate resources recovery and recycling facilities and landfills throughout the State and are required to be self-supporting through user service fees and sales of electricity. The Authority has issued various revenue bonds to provide financing for the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the year ended June 30, 2004.

	Mid-Connecticut ($000)	Bridgeport ($000)	Wallingford ($000)	Southeast ($000)
Condensed Statements of Net Assets				
Assets:				
Current unrestricted assets	$39,323	$15,309	$25,676	$7,789
Current restricted assets	22,405	1,475	2,665	3,912
Total current assets	61,728	16,784	28,341	11,701
Non-current assets:				
Cash and cash equivalents	49,843	1,508	8,922	1,275
Capital assets, net	175,255	20,716	1,979	-
Other assets, net	2,146	153	1,527	5,378
Total non-current assets	227,244	22,377	12,428	6,653
Total assets	$288,972	$39,161	$40,769	$18,354
Liabilities:				
Current liabilities	$30,860	$7,839	$4,170	$5,813
Long-term liabilities	184,969	18,225	8,289	8,529
Total liabilities	215,829	26,064	12,459	14,342
Net Assets:				
Invested in capital assets, net of debt	13,030	13,066	-	-
Restricted	53,552	2,464	7,842	147
Unrestricted	6,561	(2,433)	20,468	3,865
Total net assets	73,143	13,097	28,310	4,012
Total Liabilities and Net Asets	$288,972	$39,161	$40,769	$18,354
Condensed Statements of Revenues, Expenses, and Changes in Net Assets				
Operating revenues	$83,755	$49,566	$21,487	$11,938
Operating expenses	(65,004)	(44,488)	(16,572)	(10,739)
Depreciation and amortization expense	(16,081)	(854)	(324)	(448)
Operating income (loss)	2,670	4,224	4,591	751
Nonoperating income (expenses):				
Other income (expenses)	(122)	(40)	-	-
Investment income	1,102	100	359	30
Interest expense	(11,032)	(454)	(254)	(742)
Transfers in	5,337	2,443	1,047	252
Transfers out	-	-	-	-
Change in net assets	(2,045)	6,273	5,743	291
Total net assets, July 1, 2003	75,188	6,824	22,567	3,721
Total net assets, June 30, 2004	$73,143	$13,097	$28,310	$4,012
Condensed Statement of Cash Flows				
Net cash provided by (used in):				
Operating activities	$16,976	$5,390	$6,697	($124)
Investing activities	1,106	99	363	43
Capital and related financing activities	(17,375)	(2,563)	(1,753)	(1,253)
Noncapital financing activities	5,328	2,425	1,047	251
Net increase (decrease)	6,035	5,351	6,354	(1,083)
Cash and cash equivalents, July 1, 2003	91,368	7,619	28,446	8,528
Cash and cash equivalents, June 30, 2004	$97,403	$12,970	$34,800	$7,445

13. SIGNIFICANT EVENTS

During 2001, the Authority entered into an energy agreement with the Connecticut Light & Power Company (CL&P) and Enron Power Marketing, Inc. (Enron), which consisted of the sale of the first 250,000 megawatt hours of electricity produced at the Mid-Connecticut Facility in the fiscal year to Enron and the balance to CL&P. With the bankruptcy filing of Enron on December 2, 2001, the Authority remarketed that portion of electricity sales and entered into an Energy Purchase Agreement with Select Energy on June 30, 2003.

Covanta Mid-Connecticut, Inc., (Covanta) operator of the steam and electricity production components of the Mid-Connecticut facility, filed for bankruptcy on April 1, 2002. During fiscal year 2004, Covanta has emerged from the bankruptcy.

14. CONTINGENCIES

The Authority, through the Connecticut Attorney General's Office, is pursuing recovery of lost monies from the transaction with Enron and its subsidiaries in bankruptcy, federal and state courts from its former law firms, financial institutions, rating agencies, Enron and Enron related parties. Other than the legal fees for which the Authority may be responsible, management believes that the outcome of the claim will not have a material adverse effect on the Authority's financial position (see Note 16 Subsequent Events).

In January 2002, a former employee of the Authority filed suit against both the Authority and its former President for alleged damages flowing from his December 2001 termination. The Authority's exposure is estimated to be its $100,000 deductible. In addition, the Authority is indemnifying and defending its former President in his personal capacity, for which there appears to be no insurance coverage. Management believes that the outcome of this claim will not have a material adverse effect on the Authority's financial position.

The Authority is also defending and indemnifying its former President pursuant to his separation agreement in civil matters only. He, however, has reserved his right to sue the Authority for payment of criminal defense costs.

In November 2003, the Town of West Hartford filed suit against the Authority's former President and Chairman seeking alleged actual damages resulting from the failed Enron transaction, as well as equitable relief and punitive damages. In December 2003, the Town of New Hartford filed suit against the Authority, all former board members and delegates, the Authority's former President, and others, seeking alleged actual damages resulting from the failed Enron transaction, as well as equitable relief and punitive damages. The Authority's insurer is treating the two matters as one claim for insurance purposes. The Authority's exposure is estimated to be the amount of its deductible. In addition, the Authority is indemnifying and defending its former President and board members and may have some exposure for legal fees. Management believes that the outcome of this claim will probably 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 approximately $9,000,000 of savings from an August 1999 bond refinancing. The parties are continuing to attempt to settle this claim and management believes that the outcome of the claim will most probably not have a material adverse effect on the Authority's financial position.

The Authority has numerous open issues with the Metropolitan District including claims asserted by both parties. The resolution to many of these are subject to ongoing arbitration / mediation proceedings and cannot be predicted at this time. Management believes the net outcome of the various claims will not have a material adverse effect on the Authority's financial position.

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

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, the Authority believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance, will not have a material adverse effect on the consolidated financial position or results of operations of the Authority.

15. OPERATIONS

During fiscal year 2001, as part of the deregulation of the energy industry in Connecticut and the resultant energy contract buy-downs, the Authority entered into agreements with Enron and CL&P that would have provided $26 million of revenue per year from Enron through fiscal year 2012. The annual debt service payment on the outstanding Mid-Connecticut Project bonds is $26 million. Enron has not made any payments since December 2001 and is currently in bankruptcy. In response to this matter, the Authority sought assistance from the State. Chapter 446e, Sections 22a-257 et seq., as amended by Public Act No. 02-46 in April 2002 and Public Act 03-5 in August 2003 (Act) authorizes a loan of up to $115 million from the State to the Authority in support of its Mid-Connecticut debt service obligations. The Act requires that the Authority file certain documents and comply with certain reporting requirements with the State as a condition of obtaining the proceeds of the loan. The Act also requires the Authority to adopt a plan to minimize its tipping fees charged to municipalities.

On December 31, 2002, the Authority filed its Steering Committee Report with the Connecticut General Assembly. The Steering Committee Report outlined the short, medium and long-term operating and financial solutions that the new Board of Directors recommended for the Authority. It also discussed the new strategic plan, which included the projected future tip fees at the Mid-Connecticut facility, plans for the use of recoveries from litigation relating to the Enron bankruptcy and potential revenues from negotiated electricity contracts due to the Enron bankruptcy. In order to commence loan draws on the $115 million loan, the Authority also submitted its Financial Mitigation Plan to the State Treasurer and the Secretary of the Office of Policy and Management on May 5, 2003.

Through June 30, 2004, the Authority has drawn down $12.8 million of the authorized loan amount. Management has also negotiated with a CL&P affiliate a new power contract that is expected to increase electricity revenues through fiscal year 2005. In addition, for fiscal year 2004, the Board of Directors increased the tip fee at the Mid-Connecticut Project almost 12%, from $57.00 per ton to $63.75 per ton.

16. SUBSEQUENT EVENTS

On July 22, 2004, the Authority's Board of Directors passed a resolution authorizing the settlement of the Enron litigation, which was recommended by the State of Connecticut's Attorney General. The Authority's Board of Directors further authorized the initiation of a bidding process to sell the Enron claim in the capital markets. On August 20, 2004, the Authority's Board of Directs passed a resolution approving the sale of the Enron claim to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of 34.4% over the projected bankruptcy court's plan distribution. The Authority is expecting to realize approximately $111.2 million upon closing, scheduled for the fourth quarter of calendar 2004.