

RRA

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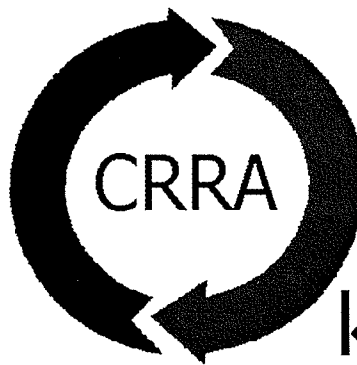
capable

dependable

knowledgeable

reliable

stable



**Comprehensive Annual Financial Report**

Fiscal Year Ended June 30, 2003

**Connecticut Resources Recovery Authority**

A Component Unit of the State of Connecticut

RRA

CRF



A Component Unit of the State of Connecticut

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003

Submitted by:

James P. Bolduc  
Chief Financial Officer

Nhan Vo-Le  
Director of Accounting



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2003

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# **Introductory Section**



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FAX (860) 757-7743

December 29, 2003

Board of Directors  
Connecticut Resources Recovery Authority  
100 Constitution Plaza, 17<sup>th</sup> Floor  
Hartford, CT 06103

We are pleased to present the Connecticut Resources Recovery Authority's ("the Authority") Comprehensive Annual Financial Report prepared for the fiscal year ended June 30, 2003.

The accuracy, completeness and fairness of this report are the responsibility of the Authority's management. We believe this report as presented is accurate in all material aspects and that it presents fairly the financial position of the Authority and the results of its operations as measured by the financial activity of the various projects. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial affairs have been included.

The report is presented in three sections:

- The Introductory Section contains this transmittal letter, which provides a description of Authority operations, pertinent financial information and an outline of major initiatives accomplished in fiscal year 2003 and planned for fiscal year 2004. The Introductory Section also contains a list of Authority Board members and officials and an organizational chart.
- The Financial Section contains the independent auditors' report, the management's discussion and analysis ("MD&A"), the financial statements and related notes and supplementary information.
- The Statistical Section contains unaudited data on selected financial, operating and project demographics on a multi-year basis.

## **THE REPORTING ENTITY**

The Authority is a body politic and corporate, created in 1973 by an act of the Connecticut Legislature, and is a public instrumentality and political subdivision of the State of Connecticut (the "State"). The Authority is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. Revenues generated by Authority operations, primarily disposal fees, energy revenues and recycling revenues, provide for the support of the Authority and its operations on a self-sustaining basis. The State provides no revenues to the Authority, other than those discussed under "Economic Condition and Outlook" pertaining to the Mid-Connecticut project, and the Authority has no taxing power. In carrying out this mission, the Authority utilizes private industry to construct and operate solid waste disposal and resources recovery facilities. The Authority contracts with Connecticut member municipalities, non-member municipalities (spot waste), and commercial haulers to provide solid waste management services and charges fees for these services. The Authority is authorized to issue bonds and notes to finance its activities upon approval of the State Treasurer.

The Authority is governed by an eleven member Board of Directors. In addition, two *ad hoc* directors are eligible to serve on the Board for each of the Authority's four regional solid waste management projects. These *ad hoc* directors vote only on matters concerning the project they represent.

## **SOLID WASTE MANAGEMENT SYSTEMS**

The Authority has developed four regional solid waste management projects, which together serve more than 100 Connecticut cities and towns. Each of these projects is described below:

### **Mid-Connecticut Project**

The Mid-Connecticut Project consists of a 2,710 ton per day refuse derived fuel ("RDF") resource recovery facility located in Hartford, Connecticut; the Hartford Landfill, which handles ash, process residue and bulky waste; the Ellington Landfill, which has been closed; a network of four transfer stations; and a regional recycling center composed of paper and container processing facilities. The Mid-Connecticut Project serves seventy Connecticut municipalities in the greater Hartford area and around the State.

The Mid-Connecticut resources recovery facility began commercial operation in October 1988 and continues to generate power at an annual hourly average rate of 51.01 megawatts of electrical energy (net of in-plant usage) in fiscal year 2003.

### **Bridgeport Project**

The Bridgeport Project consists of a 2,250 ton per day mass burn resources recovery facility located in Bridgeport, Connecticut; the Waterbury Landfill, which provides bulky

waste disposal capacity for the project; the Shelton Landfill, which has been closed; a network of eight transfer stations; and a regional recycling center. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator. The Bridgeport Project serves eighteen Connecticut municipalities in the southwest and south central part of the State.

The Bridgeport resources recovery facility began commercial operation in July 1988 and continues to generate power at an annual hourly average rate of 54.37 megawatts of electrical energy (net of in-plant usage) in fiscal year 2003. Electric energy revenues and certain other service charges are accrued by a private vendor under the terms of a long-term lease arrangement.

### **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, which has been closed. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator. The Wallingford project serves five Connecticut municipalities in New Haven County.

The Wallingford facility began commercial operation in May 1989 and continues to generate power at an annual hourly average rate of 7.59 megawatts of electrical energy (net of in-plant usage) in fiscal year 2003.

### **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, which has been closed. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator. The Southeast Project serves fifteen Connecticut municipalities in the eastern portion of the State.

The Southeast facility began commercial operation in February 1992. The facility continues to generate power at an annual hourly average rate of 15.77 megawatts of electrical energy (net of in-plant usage) in fiscal year 2003. Electric energy revenues and certain other service charges are accrued by a private vendor under the terms of a long-term lease arrangement.

### **Administrative Pool**

In addition to the Authority's operating projects, the Authority maintains an Administrative Pool 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. Interest income is not allocated.

Please refer to Note 1A in the "Notes to the Financial Statements" in the Financial Section of this report for additional information on the solid waste management systems.

## ECONOMIC CONDITION AND OUTLOOK

The Authority's four projects delivered mixed economic performance in fiscal year 2003. On the whole, combined net assets during the fiscal year decreased by \$11.3 million compared to a decrease of \$11.0 million in fiscal 2002, a decrease of 2.9% or \$0.3 million.

### *Mid-Connecticut Project and Enron Exposure*

Overall, the Mid-Connecticut project had a decrease in net assets of \$16.8 million, which reflects the net effect of decreased energy revenues, due to the loss of revenues related to the Enron bankruptcy described below, against increased member service revenues.

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 April 30, 2001 that, among other obligations, required Enron to pay the Authority a monthly \$2.2 million "capacity charge" for the purchase of steam, the purchase of the first 250 gigawatt hours of electricity produced each fiscal year, and an additional monthly charge of \$175,000 for conversion of steam into electricity from its Mid-Connecticut facility. By agreement, these payments were to continue through fiscal year 2012. As part of this transaction, Enron received \$220 million and the Authority received \$59.972 million during fiscal year 2001. Enron filed for bankruptcy on December 2, 2001 (fiscal year 2002) and has not made its monthly capacity, electricity or other payments due since that time. The net effect on the Mid-Connecticut project is the loss of significant monthly operating revenues. The Authority, in an effort to generate adequate revenues to pay debt service on its bonds, has increased the Mid-Connecticut tipping fees, is pursuing remedies in bankruptcy court and civil court in cooperation with the State's Attorney General, has entered into a two-year electricity sales agreement with Select Energy for increased electric rates on the output that would have been sole to Enron, and has become a wholesale electric supplier in the State. In addition to attempting to increase its revenues, the Authority has decreased expenses by implementing reductions in administrative and operational expenses.

This situation has impacted the ratings of Authority's outstanding Mid-Connecticut bonds, which are secured by revenues from the participating member towns under service agreements that commit the towns to deliver a minimum amount of waste to the facility each year. In addition, some of the Mid-Connecticut project bonds are further secured by the Special Capital Reserve Fund of the State of Connecticut whereby the State is obligated to maintain a minimum capital reserve for the bonds to the extent the Authority uses monies in the special capital reserve fund to pay debt service on the Authority's outstanding bonds. At fiscal year-end, it was unclear whether there would be any need for the State to make payments at some point in the future to maintain the minimum capital reserve requirement due to the non-receipt of payment from Enron. As of June 30, 2003, the Authority had approximately \$197.0 million Mid-Connecticut bonds outstanding of which the State's Special Capital Reserve Fund secured approximately \$183.8 million.



During March 2002, Moody's Investors Service twice downgraded that portion of the Mid-Connecticut bonds that were not secured by a municipal bond insurance policy from "A2" to "Baa3." In October 2002, Standard & Poor's downgraded the same bonds from "A" to "BBB." These downgrades reflected the loss of revenues associated with the Enron bankruptcy.

In an effort to help ease the Mid-Connecticut project's financial situation, the Connecticut General Assembly passed Public Act No. 02-46 during April 2002, 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 and to minimize the amount of tipping fee increases chargeable to the towns which use the Mid-Connecticut facility. On June 30, 2003, the Authority drew down \$2 million from this State loan under a Master Loan Agreement entered into between the Authority and the State. During August 2003, the General Assembly passed Public Act No. 03-05, which authorizes a loan by the State to the Authority for \$22 million of the \$115 million through June 30, 2004. The Authority is currently negotiating the State loan amount for fiscal year 2005. As of December 1, 2003, the Authority has received \$6.3 million in State loans in support of the Mid-Connecticut project debt service. It is anticipated that any future monthly debt service deficits will be funded in this manner.

#### *Other Projects*

Two of the remaining three projects posted increases in net assets for fiscal year 2003. The Wallingford project had an increase in net assets of \$4.1 million. Contributing to this increase are the continued high level of electricity revenues and waste deliveries to the Wallingford project. Electricity revenues and member revenues increased 0.8% and 0.3%, respectively, compared to the prior fiscal year. The Bridgeport project posted an increase in net assets of \$2.1 million for fiscal year 2003. This increase reflects the increase of the tipping fee enacted in fiscal year 2003, higher waste tonnage deliveries, and lower waste operations, maintenance and utilities expenses compared to fiscal year 2002.

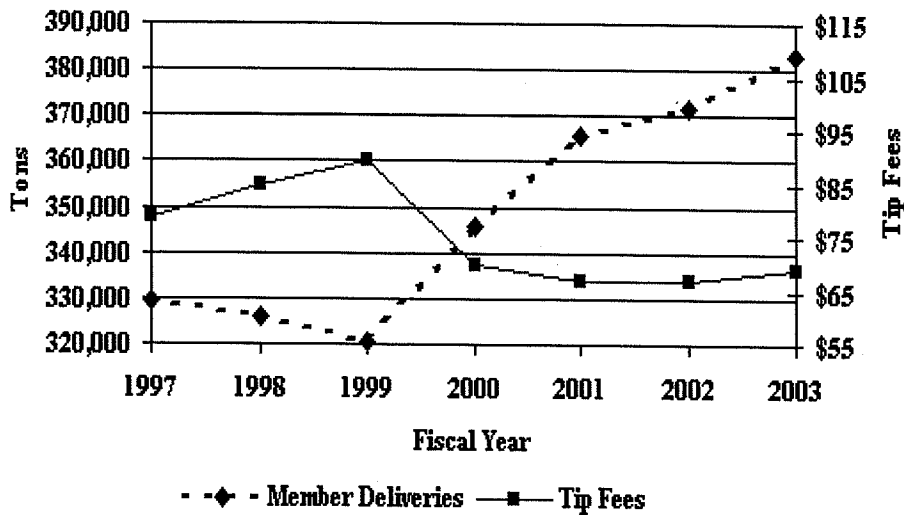
The Southeast project incurred a decrease in net assets for fiscal year 2003 of \$0.9 million. Of particular note, the Southeast project enjoys a highly advantageous energy contract that will provide significant incremental earnings in future years. As such, the project had anticipated this current year decrease and had budgeted nearly \$1.4 million of net assets to cover the shortfall. Total deliveries to the project increased 5.3% compared to the prior fiscal year.

In total, the Authority projects received nearly 2.1 million tons of municipal solid waste for fiscal year 2003, up 59,570 tons or 3.0% from fiscal year 2002.

Since fiscal 1997, a primary Authority initiative has been to reduce and maintain member tip fees for all projects at "marketplace" rates, and continue to increase member delivery volumes while improving the financial strength of each project. Figure 1 depicts the relationship between the tip fee and deliveries for the Bridgeport Project.

Figure 1

### Member Deliveries vs. Tip Fees Bridgeport Project



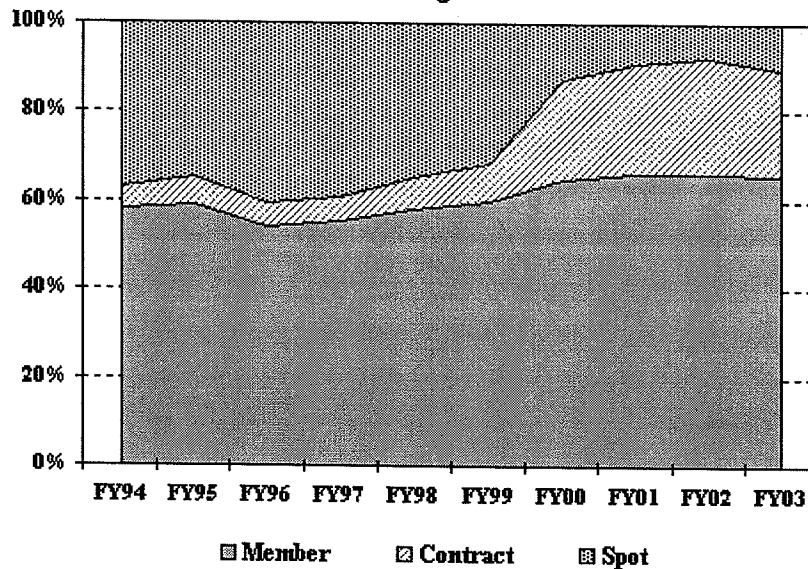
As illustrated, there is an inverse relationship between tipping fees and the amount of waste delivered to a project for disposal purposes. Member tipping fees were above marketplace levels in fiscal year 1997 through 1999, and during that time, deliveries of waste on behalf of the member towns declined. However, as the Authority successfully reduced member tip fees since fiscal year 2000, deliveries have increased (see Exhibit 1 and 5 in the Statistical Section).

The Wallingford and Southeast projects were able to hold tip fees constant during fiscal year 2003 from fiscal year 2002 levels enabling the Authority to deliver at or below market tipping fees to its members.

In addition, the projects also accept waste from "spot" market deliveries of in-state and out-of-state waste. Because tipping fees paid by spot-market deliverers are less than those paid by member towns and long-term contract haulers, the waste delivery mix a project experiences (the ratio of member waste, contract waste and spot waste) is vitally important to overall, economic performance of the system. Figure 2 highlights the performance of the Authority's strategy to reduce reliance upon spot waste suppliers, and to deliver improved and more predictable financial results through increased deliveries of member town waste and long-term contract deliveries.

Figure 2

### Solid Waste Delivery Distribution All Projects



**Operating accomplishments for fiscal year 2003 include the following:**

1. Negotiated a new Electricity Sales Agreement with Select Energy for the electricity produced at the Mid-Connecticut project that will provide an additional \$4.2 million in revenue over the next two years.
2. Applied to and became a member of the New England Power Pool ("NEPOOL"), which provides the opportunity for the Authority to sell electricity directly to the power grid.
3. Worked with the Metropolitan District Commission to modify 205 Conveyor to Troughing Conveyor at the Mid-Connecticut project. The results have been a dramatic reduction in spillage, which will extend conveyor life.
4. Installation of a reconditioned Magbelt to remove post-burned ferrous from the ash stream at the Mid-Connecticut project.
5. Negotiated with a contractor for returning ownership of the rolling stock to the Authority.
6. Successfully transitioned from previous paper processing contract operation to new transloading operation at the Mid-Connecticut project.
7. Completion of engineering work and traffic studies for consolidating paper transloading at the Mid-Connecticut Container Facility.

8. Utilized mixed glass for Hartford landfill cover in lieu of shipping it out-of-state at much greater cost.
9. Generated additional revenues by the sales of contaminated soil at the Hartford Landfill, which had been approved by the Connecticut Department of Environmental Protection ("CTDEP") for use as daily cover.
10. Finalized and signed a Consent Order with the CTDEP to establish the authority for the Wallingford Resource Recovery Facility to continue to operate.
11. Completion of a comprehensive investigation and delineation of the leachate plume underlying the Shelton Landfill.

## **MAJOR INITIATIVES**

As discussed earlier in this letter, the Authority entered into agreements with CL&P and Enron, which provided the Authority with the funding for the acquisition of property and for the extensive environmental remediation associated with the nearly century-long use of Hartford property for electricity generation purposes. These agreements had originally been anticipated to provide revenues to the Mid-Connecticut project for the life of the project. However, following Enron's declaration of bankruptcy in 2001, the Authority has experienced the loss of a significant capacity charge of \$2.2 million per month and the loss of electricity sales that Enron was contractually obligated to purchase under the agreement.

The following are several approaches to mitigate the effect of the Enron loss of revenues on the Mid-Connecticut Project:

### **Plan To Minimize Tipping Fees For Mid-Connecticut Municipalities**

The Steering Committee Report to the Board of Directors and the Connecticut General Assembly submitted pursuant to Public Act 02-46, filed in December 2002, required a plan to minimize tipping fees for the Connecticut municipalities that utilize the Mid-Connecticut project. Since then, a number of administrative, financial, operational and procedural changes have been implemented at the Authority and efforts on others have begun. Central to these initiatives has been the orderly transition by the new senior management to a renewed focus by the Authority on the solid waste business in Connecticut. The challenge of overcoming the significant loss of approximately \$26 million (\$30/ton) in annual cash revenue to the Mid-Connecticut project cannot be accomplished in one year or through a singular solution. It will be overcome through a series of actions over an extended time horizon.

During calendar year 2003, the Authority successfully undertook numerous steps to avoid substantially increasing the tip fees in the near term, while at the same time being mindful

of its obligations under the Mid-Connecticut bond resolution to avoid a default situation. The results of these efforts are as follows:

1. Negotiations with CL&P culminated in the receipt of \$9.5 million in past due funds related to outstanding billings for electric sales.
2. The fiscal year 2004 tip fee was increased to \$63.75/ton from \$57.00/ton recognizing that market conditions allowed for a more competitive situation.
3. The Authority has set as a goal to establish tip fees in line with market rates to avoid potential issues regarding flow control.
4. The Board approved the Financial Mitigation Plan and a Master Loan Agreement with the State of Connecticut was negotiated for \$22.0 million to be available through June 30, 2004. These funds are required to be repaid by June 30, 2012. Current projections are to utilize less than the \$22.0 million thereby mitigating the impact on future tip fees.
5. An energy agreement for the first 250 gigawatt hours of production from the South Meadows facility was bid successfully with the result being incremental revenues of \$4.2 million over the two-year contract term.
6. Implemented cost containment efforts to identify both minor and major cost drivers and begin the process of renegotiations. The Authority forecasts that successful renegotiations with one vendor alone could save approximately \$1.5 million per year.
7. Miscellaneous revenue streams were sought out in the form of landfill cover and generated approximately \$123,000 in fiscal year 2003.
8. Certain legal contracts for Enron litigation were renegotiated from an hourly charge to a success contingency basis.
9. Pursued legislation to access escheat funds of approximately \$16 million associated with uncollected bottle and can redemption.

The next phase of the mitigation plan will continue to focus on a mixture of both near term and longer-term issues while recognizing that the current solid waste disposal contracts with member and contract municipalities expire in 2012. The actions will vary but the central theme of an ongoing business model post 2012 will be paramount in overcoming the sizable financial impact. Looking ahead, the Authority will be focusing its efforts as follows:

1. Continuance of vendor contract negotiations and/or renegotiation to improve costs and/or improve efficiency.

2. Filing with the State of Connecticut for access to a fiscal year 2005 portion of the \$93.0 million in loans as authorized in the legislation (Public Act 03-05).
3. Continuance of one-on-one meetings with officials of member and contract towns to discuss the extension of their solid waste contracts and also to provide information on the future of solid waste disposal options in the State and region.
4. Implementation of a reorganization plan to focus on greater internal effectiveness and efficiency.
5. Commence the process of developing a business model for the post 2012 period with the eventual renegotiation of contract extensions with member and contract towns as well as new towns.
6. Identify, develop and implement cost-effective solutions for the disposal of residue and ash.
7. Evaluate the financial option for refinancing beyond 2012 that would provide necessary cash flows at terms that incorporate longer maturities than currently available, which should lessen the impact on tip fees and support contract extension with the municipalities.
8. Maintain least cost strategies in administrative costs.
9. Pursue the recovery of settlement funds arising from Enron-related litigation.
10. Continue efforts to access escheat funds associated with uncollected bottle and can redemption.

The ultimate success of the efforts to mitigate the impact on tip fees rests in the ability to successfully extend the operations of the Authority beyond 2012, renegotiation of member and contract town agreements, and most importantly to restructure the outstanding Mid-Connecticut bonded debt over a longer time horizon.

#### **Efforts To Increase Electricity And Steam Revenues**

The Authority has evaluated a number of options for the sale of electricity generated at the Mid-Connecticut project, with the goal of maximizing revenues from that sale while simultaneously minimizing market risk. As of the date of this report, the Authority has made significant progress including the following:

1. On November 6, 2002, the Authority received its Electric Supplier license from the Department of Public Utility Control ("DPUC"). However, the decision required a second DPUC approval for any retail sales from the South Meadows facility. This restriction is currently under appeal in Superior Court.

2. On June 2, 2003, the Authority was accepted by the Federal Energy Regulatory Commission ("FERC") as a member of NEPOOL, which provides the opportunity for the Authority to sell power directly to the grid, effective July 1, 2003.
3. On June 30, 2003, the Authority entered into a new two-year Energy Purchase Agreement with Select Energy for the sale of the first 250,000 megawatt hours of electricity produced at the Mid-Connecticut plant that would have been sold to Enron. The price received is variable, based on off-peak and on-peak hours. The total revenue increase to be realized over the prior Enron electricity contract is approximately \$4.2 million for the two-year contract term over the price that Enron would have paid the Authority.

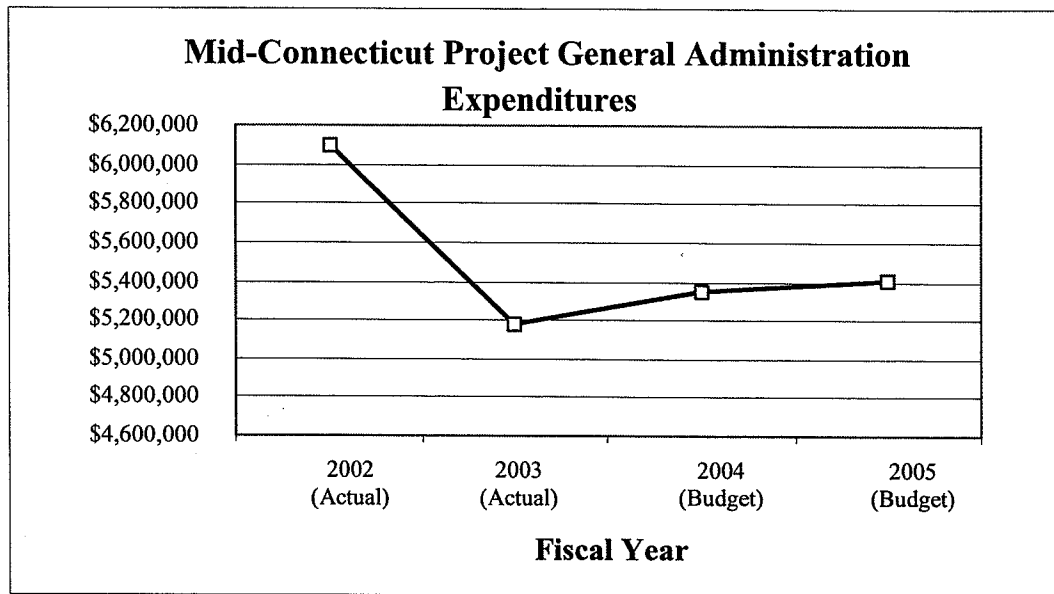
### **Efforts To Renegotiate Vendor Contracts**

The Authority will recognize more positive cashflow with successful vendor contract renegotiations. To that end, the Authority has renegotiated and is continuing to renegotiate certain contracts with its contract operators. It has also renegotiated all its legal services agreements including those with the law firms employed by the Attorney General's office. Other vendor's contracts will be renegotiated as they expire. Other initiatives include exercising the Authority's rights under the ash disposal agreement with its major hauler to take Mid-Connecticut ash to the Putnam Landfill under favorable rates.

### **Efforts To Reduce Administrative Costs**

As part of the Authority's plan to mitigate the loss of energy revenues to the Mid-Connecticut project, administrative expenditures have been reduced. As Figure 3 illustrates, the Authority has successfully reduced administrative expenditures by 15.2% from fiscal year 2002 to fiscal year 2003 at the Mid-Connecticut project. The Authority has finished its most stringent cost-cutting measures and currently is maintaining its level of expenditures, factoring in inflationary increases, as necessary. Future efforts will focus on least cost strategies and continuance of vendor contract negotiations and/or renegotiations.

**Figure 3**



Note: For every \$100,000 change in expenditures, Mid-Connecticut project tip fees are adjusted by approximately \$0.10 per ton.

#### **Efforts To Assess Viability Of The Sale Of Hard Assets**

To date, there have been several hard assets identified for potential sale that might mitigate the tip fee increases. They include: Jet turbines, building, property, and miscellaneous equipment.

#### **Debt Refinancing**

All four of the Authority's resources recovery facilities were financed in the mid to late 1980's when interest rates were high relative to today's rates. There was no new bond financing or refinancing activity during fiscal year 2003.

#### **Long-Term Service Planning**

The contractual life of the Authority's projects (the term of the municipal service contracts, power contracts, operating contracts and project bonds) extends between 2008 and 2015. While this appears to be years away, the Authority has already begun to consider how solid waste services will be provided beyond the term of the existing projects. During fiscal year 2003, the Authority underwent a change in senior management and a reconstituted Board of Directors. The new Board delivered a Steering Committee Report to the Connecticut Legislature in December 2002. Since then, senior management began an ongoing series of meetings with its member cities and towns to discuss long-term planning with regard to solid waste flow. In addition, the Board has begun a long-term strategic planning process.



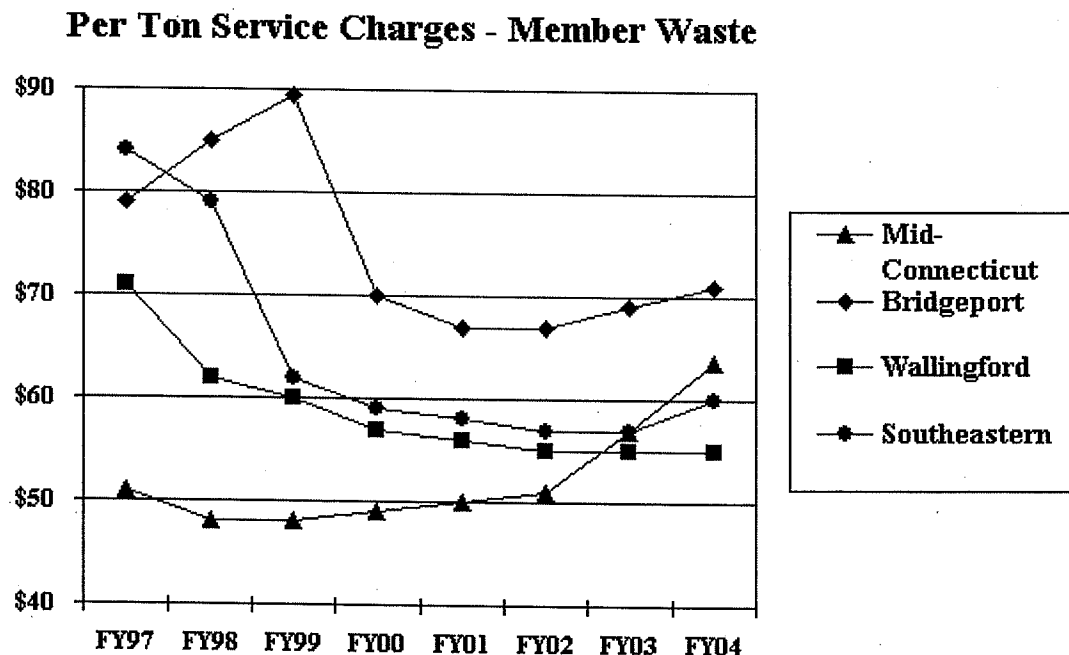
## Market Competitive Tip Fees

A multi-year initiative was begun in fiscal year 1997 to return and maintain all project tip fees at market rates. Efforts to reduce fees have included project bond refinancings, executing enforceable delivery contracts with waste haulers, securing lower cost ash disposal capacity, staffing reductions, discontinuing use of non-performing landfill assets and eliminating uncertainties related to the power contracts through settlements with the utility companies.

These efforts paid off in terms of reduced tip fees. Figure 4 highlights the member tip fees for all four projects since fiscal year 1997. The Authority has leveraged its service reliability and market proximity with competitive tip fees to assure waste deliveries by means of "economic flow control." Simply put, waste haulers generally seek out the closest reliable disposal option offering a reasonable market price.

On the whole, the Authority has been successful in increasing member waste flow through reductions in tip fees. However, due to the Authority's Enron exposure (discussed previously) the Board of Directors passed a \$6.00 per ton increase in the Mid-Connecticut project tip fee for fiscal year 2003 and a \$6.75 per ton increase for fiscal year 2004. In addition, the Bridgeport project tip fee was also raised \$2.00 per ton for fiscal year 2003 and \$1.00 per ton for fiscal year 2004 due to increases in a variety of expense-related factors including insurance, recycling and a reduction in interest income.

Figure 4



## **FINANCIAL INFORMATION**

The Authority's Board of Directors has the power to establish service charges (tip fees) for the waste disposal services provided by the Authority at the Mid-Connecticut, Bridgeport and Wallingford Projects. The Board of Directors of the Southeast Connecticut Regional Resources Recovery Authority formally establishes the service charges for the Southeast Project.

The Authority is a component unit enterprise fund of the State. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The acquisition, maintenance and improvement of the Authority's physical facilities are financed from existing cash resources or through the issuance of bonds.

The Authority uses the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred. Additional information regarding the significant accounting policies can be found in the "Notes to the Financial Statements" in the Financial Section of this report.

Management of the Authority is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Financial Results**

The 2003 fiscal year financial operations showed an operating loss of \$0.6 million. The decrease in net assets for fiscal year 2003 of \$11.3 million represents a decrease of \$0.3 million from the \$11.0 million decrease for fiscal year 2002. Please refer to Summary of Operations and Changes in Net Assets in the MD&A in the Financial Section of this report for additional discussion and analysis.

Total operating revenues for fiscal year 2003 were \$155.8 million, a decrease of 1.1% or \$1.7 million as compared to fiscal year 2002. Please refer to Summary of Revenues in the MD&A in the Financial Section of this report for discussion and analysis on the Authority's revenues.

Total operating expenses decreased 0.9% or \$1.5 million from fiscal year 2002 to fiscal year 2003. Please refer to Summary of Expenses in the MD&A in the Financial Section of this report for additional discussion and analysis on the Authority's expenses.

## **Debt Administration**

The Authority issues debt for financing construction and improvements to the solid waste disposal facilities. In addition, the Authority issues debt to refund high interest rate debt. At June 30, 2003, approximately \$224.0 million in outstanding revenue bond debt was recorded on the Authority's books as follows:

	<u>(\$000)</u>
Mid-Connecticut	\$196,985
Bridgeport	10,535
Wallingford	5,886
Southeast	<u>10,604</u>
Total	<u>\$224,010</u>

The outstanding series of revenue bonds are generally rated by either Moody's Investor Service, Inc. or Standard & Poor's Corporation, or both. In addition, Fitch rates certain Mid-Connecticut project bonds. Credit features vary across and within projects. As a result, there are a variety of ratings on these four projects. Please see Exhibit 10 in the Statistical Section of this report for a complete listing of outstanding bond ratings.

## **Cash Management**

During the year, cash was invested on a short-term basis. The Authority's primary short-term investment vehicle is the Short-Term Investment Fund ("STIF") operated by the Office of the State Treasurer. The annualized average yield for STIF for fiscal year 2003 was 1.64% compared to 2.61% in fiscal year 2002. This represents the overall steady decline in interest rates experienced in the market since fiscal year 2002.

## **Risk Management**

The Authority endeavors to purchase commercial insurance for its property and liability needs. The Authority has secured insurance coverage for a variety of environmental exposures related to the operation and control of its projects and landfills. Statutory workers' compensation benefits are provided by the Authority's membership in the Connecticut Interlocal Risk Management Agency Workers' Compensation Pool. The Authority also has designated a portion of its net assets to cover insurance deductibles and losses not covered by the Authority's commercial insurance among other items. The Authority engages in an on-going evaluation of its risk exposures to prevent losses where possible and minimize the financial impact of those risks that must be undertaken.

### **Independent Audit**

State statute requires that an annual audit be conducted by an independent certified public accountant. The accounting firm of Carlin, Charron & Rosen, LLP, was selected in January 2003 to perform audits from June 30, 2003 through June 30, 2005. The auditor's report on the financial statements and supplementary information is included in the Financial Section of this report.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Connecticut Resources Recovery Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the tenth consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Authority believes this current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is being submitted to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

We would like to express our gratitude to the many individuals whose support and cooperation contributed to the production of this report.

Respectfully submitted,



James P. Bolduc  
Chief Financial Officer



Nhan Vo-Le  
Director of Accounting

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Connecticut Resources Recovery Authority

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "William Patrick Costa".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**Board of Directors  
as of June 30, 2003**

**Directors**

The Honorable Michael A. Pace, Chairman

R. Christopher Blake

The Honorable Stephen T. Cassano

Benson R. Cohn

The Honorable Mark Cooper

James Francis

The Honorable Alex A. Knopp

The Honorable Mark A. Laretti

Theodore H. Martland

Raymond J. O'Brien

Andrew M. Sullivan, Jr.

**Ad Hoc Directors**

**Mid-Connecticut Project**

The Honorable Timothy G. Griswold  
Vacancy

**Bridgeport Project**

Sherwood Lovejoy  
Vacancy

**Wallingford Project**

Vacancy  
Vacancy

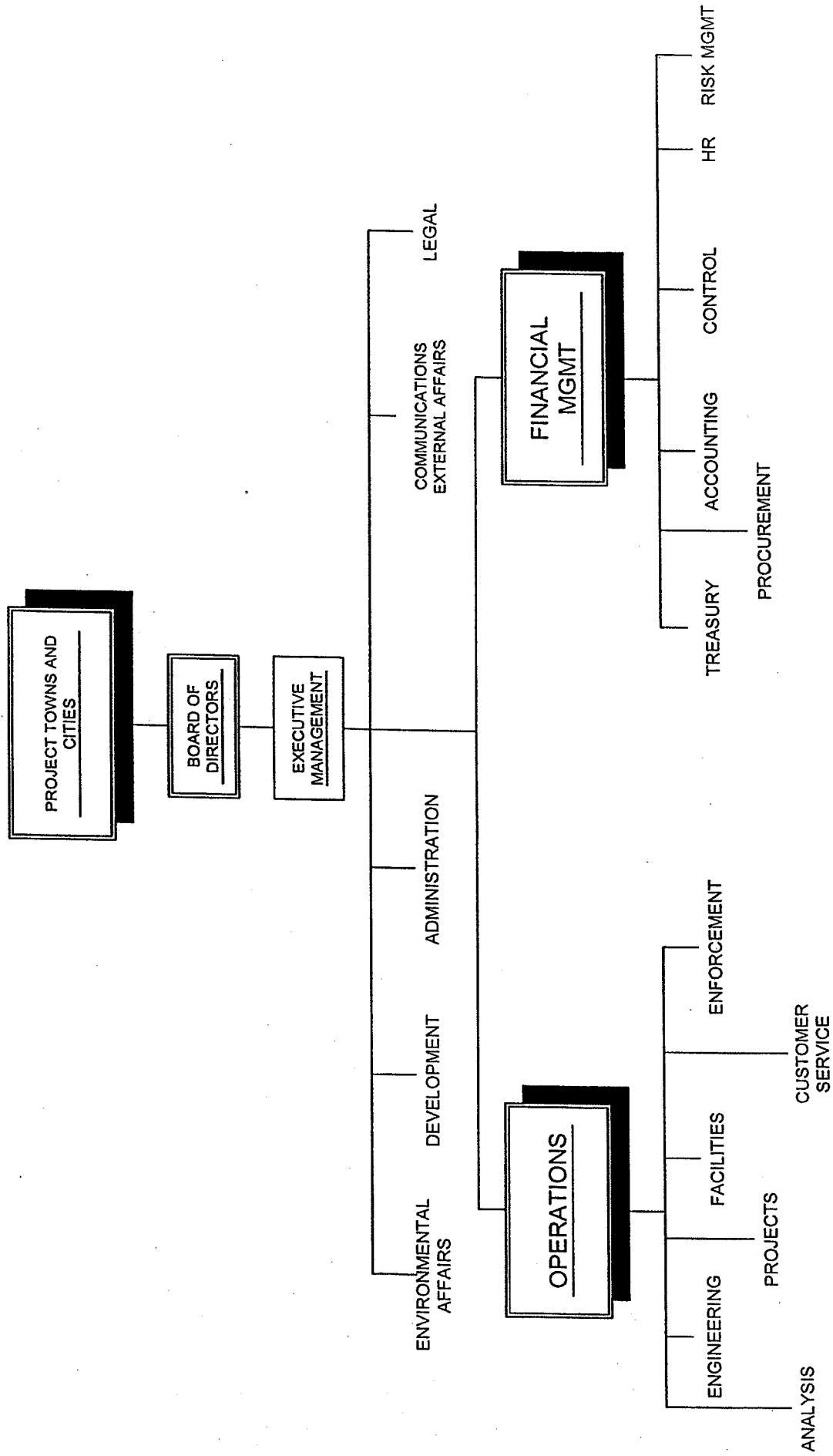
**Southeast Project**

The Honorable Arthur L. Lathrop  
Vacancy

**President**

Thomas D. Kirk

# Connecticut Resources Recovery Authority Organization Chart



## **Financial Section**





**CARLIN, CHARRON & ROSEN, LLP**

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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 year ended June 30, 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 audit. The basic financial statements of the Authority as of June 30, 2002, before the adjustments described in Note 15, were audited by other auditors whose report dated September 23, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 15 that were applied to restate the 2002 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

The accompanying Management's Discussion and Analysis presented on pages 3 through 13 of the Financial Section is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section, the Supplementary Information presented on pages 32 through 37 of the Financial Section, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information presented on pages 32 through 37 of the Financial Section has been subjected to the auditing procedures applied in the audit 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. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Caulin, Chauon & Rosen, LLP*

Glastonbury, Connecticut  
August 18, 2003, except for Note 16 as  
to which the date is September 25, 2003



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Connecticut Resources Recovery Authority (the "Authority") was created in 1973 by an act of the Connecticut Legislature and is a public instrumentality and political subdivision of the State of Connecticut (the "State"). The Authority is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. Revenues generated by Authority operations, primarily disposal fees, energy revenues and recycling revenues, provide for the support of the Authority and its operations on a self-sustaining basis. The State provides no revenues to the Authority and the Authority has no taxing power. In carrying out this mission the Authority utilizes private industry to construct and operate solid waste disposal and resources recovery facilities. The Authority contracts with Connecticut member municipalities, non-member municipalities (spot waste), and commercial haulers to provide waste management services and charges fees for these services. The member towns have agreed to deliver a minimum amount of solid waste to the facilities. The Authority is authorized to issue tax-exempt bonds and notes to finance its activities. The Authority's bonds are generally secured by service agreements with the participating entities. Authority bonds are also secured by revenues from the sale of energy generated by the facility and waste from non-municipal sources. In addition, Authority bonds may also be secured by a special capital reserve fund (backed by the State) and municipal bond insurance or bank letters of credit.

The Authority has developed and helps oversee four regional waste-to-energy projects across the State. These facilities in Bridgeport, Hartford, Preston and Wallingford process the majority of the State's waste and serve approximately two out of every three municipalities in the State. The Authority is also Connecticut's largest recycler, having developed two of the country's largest recycling facilities and a statewide transportation network.

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, 2003 as compared to June 30, 2002 restated (see Note 15 Restatement in the Notes to the Financial Statements). 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 2003 assets decreased by \$24.8 million or 5.9% over fiscal year 2002 and liabilities decreased by \$13.5 million or 4.6%. Total assets exceeded liabilities by \$117.5 million in 2003 as compared to \$128.8 million for 2002, or a net decrease of \$11.3 million.

### STATEMENTS OF NET ASSETS (In Thousands)

	<u>2003</u>	<u>2002</u> (Restated)
<b>ASSETS:</b>		
Current unrestricted assets	\$ 81,344	\$ 92,022
Current restricted assets	<u>16,689</u>	<u>17,994</u>
Total current assets	<u>98,033</u>	<u>110,016</u>
Non-current assets:		
Cash and cash equivalents	73,878	69,564
Capital assets, net	213,219	229,222
Other assets, net	<u>10,341</u>	<u>11,480</u>
Total non-current assets	<u>297,438</u>	<u>310,266</u>
<b>TOTAL ASSETS</b>	<u>\$ 395,471</u>	<u>\$ 420,282</u>
<b>LIABILITIES:</b>		
Current liabilities	\$ 48,946	\$ 49,313
Long-term liabilities	<u>229,036</u>	<u>242,154</u>
<b>TOTAL LIABILITIES</b>	<u>277,982</u>	<u>291,467</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of debt	26,456	27,108
Restricted	43,042	42,358
Unrestricted	<u>47,991</u>	<u>59,349</u>
Total net assets	<u>117,489</u>	<u>128,815</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 395,471</u>	<u>\$ 420,282</u>

## FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Statement of Net Assets during the past fiscal year:

### ASSETS

**Current unrestricted assets** decreased by \$10.7 million or 11.6%. This was due primarily to the drawdown of funds from reserves to cover operating expenses in the Mid-Connecticut project due to a loss in revenues from Enron (see Enron and Covanta Exposure section herein).

**Current restricted assets** decreased by \$1.3 million or 7.3%. This decrease was the result of:

- Cash and cash equivalents decreased by \$0.6 million due to decreased fundings in the debt service funds.
- Investments decreased by \$0.7 million due to maturities of U.S. Treasury Bills.



**Non-current assets** decreased by \$12.8 million or 4.1%. This occurred primarily due to:

- Cash and cash equivalents increased by \$4.3 million as a result of the collection of past due electricity revenues from Enron/CL&P for the period 12/3/01 – 12/11/02 and the loan drawdown from the State loan to cover operating expenses in the Mid-Connecticut project due to a loss in fixed payments due from Enron (see Note 14 Significant Events in the Notes to the Financial Statements).
- Capital assets decreased by \$16.0 million primarily due to depreciation expenses of \$17.1 million, which was offset by \$1.1 million plant improvements and equipment purchases.
- Development and bond issuance costs decreased by \$1.1 million due to amortization expenses.

## **LIABILITIES**

- **Current liabilities** remained fairly constant as of June 30, 2003, decreasing by \$0.4 million or 0.9% as compared to June 30, 2002, due primarily to decreased net current portion of bonds payable of \$0.4 million and accounts payable and accrued expenses of \$0.2 million, which was offset by a \$0.2 million increase in current portion of State loan payable.

**Long-term liabilities** decreased by \$13.1 million or 5.4% due to:

- Long-term portion of bonds payable, net decreased by \$18.0 million due to regular principal payments on Authority bonds. The debt amounts as of June 30, 2003 reflect the deferred loss or gain on refunding of bonds and the unamortized premium on sale of bonds.
- State loan payable increased by \$1.8 million, reflecting the long-term portion of the \$2.0 million loan drawdown from the State loan.
- Closure and postclosure care of landfills increased by \$3.1 million due to scheduled payments of \$1.0 million for the Ellington, Shelton and Wallingford landfills, which was offset by a \$4.1 million increase in projected costs for the Hartford, Shelton, Waterbury and Wallingford landfills. This increase was primarily the result of:
  - Increased cost in the Hartford and Waterbury landfills because of increases in the acreage requiring final closure after the landfills stop receiving waste.
  - Increased cost in the Wallingford landfill groundwater monitoring program because of inclusion of the Barbarino property.
  - Increased cost for the Shelton landfill due to expenses being higher than estimated.



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

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

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

(In Thousands)

Fiscal Years Ending June 30,

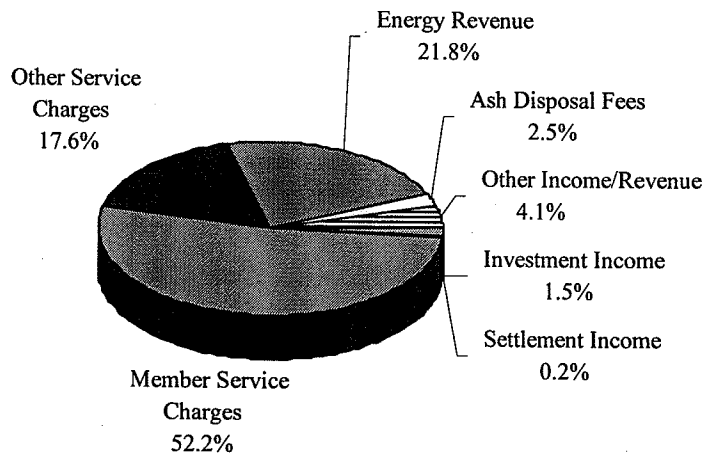
	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Operating revenues	\$ 155,820	\$ 157,513
Operating expenses	<u>138,274</u>	<u>140,958</u>
Excess before depreciation and amortization and other non-operating income and expenses	17,546	16,555
Depreciation and amortization	<u>18,186</u>	<u>16,975</u>
Income before other non-operating income and expenses, net	(640)	(420)
Other non-operating income and expenses, net	<u>(10,686)</u>	<u>(10,589)</u>
 Decrease in Net Assets	 <u>\$ (11,326)</u>	 <u>\$ (11,009)</u>

**Operating revenues** remained fairly constant in fiscal year 2003, decreasing by \$1.7 million or 1.1% over fiscal year 2002, due primarily to the net effect of decreased energy revenues against increased member service revenues.

**Operating expenses**, net of depreciation also decreased slightly during fiscal year 2003 by \$2.7 million or 1.9% compared to fiscal year 2002. This was due primarily to decreased solid waste operations expenses and lower costs associated with maintenance and repair of the facilities.

**SUMMARY OF REVENUES**

The following chart shows the major sources and the percentage of operating revenues for the fiscal year ended June 30, 2003:



*Percentages may not add due to rounding.*



## Connecticut Resources Recovery Authority

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 21.8% of revenues. A summary of revenues for the fiscal year ended June 30, 2003, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

### SUMMARY OF REVENUES

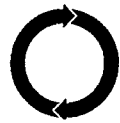
(Dollars in Thousands)

	2003	Percent of Total	2002 (Restated)	Increase/ (Decrease) from 2002	Percent Increase/ (Decrease)
<b>Operating:</b>					
Member Service Charges	\$ 82,915	52.2%	\$ 76,634	\$ 6,281	8.2
Other Service Charges	27,927	17.6%	27,389	538	2.0
Energy Revenue	34,639	21.8%	43,246	(8,607)	(19.9)
Ash Disposal Fees	4,033	2.5%	3,945	88	2.2
Other Operating Revenue	6,306	4.0%	6,299	7	0.1
<b>Total Operating Revenues</b>	<b>155,820</b>	<b>98.2%</b>	<b>157,513</b>	<b>(1,693)</b>	<b>(1.1)</b>
<b>Non-Operating:</b>					
Investment Income	2,386	1.5%	4,388	(2,002)	(45.6)
Settlement Income	375	0.2%	-	375	-
Other Income	174	0.1%	158	16	10.1
<b>Total Non-Operating Revenues</b>	<b>2,935</b>	<b>1.8%</b>	<b>4,546</b>	<b>(1,611)</b>	<b>(35.4)</b>
<b>TOTAL REVENUES</b>	<b>\$ 158,755</b>	<b>100.0%</b>	<b>\$ 162,059</b>	<b>\$ (3,304)</b>	<b>(2.0)</b>

Percentages may not add due to rounding.

Overall, fiscal year 2003 revenues declined by 2.0% over fiscal year 2002. The following discusses the major changes in operating and non-operating revenues of the Authority:

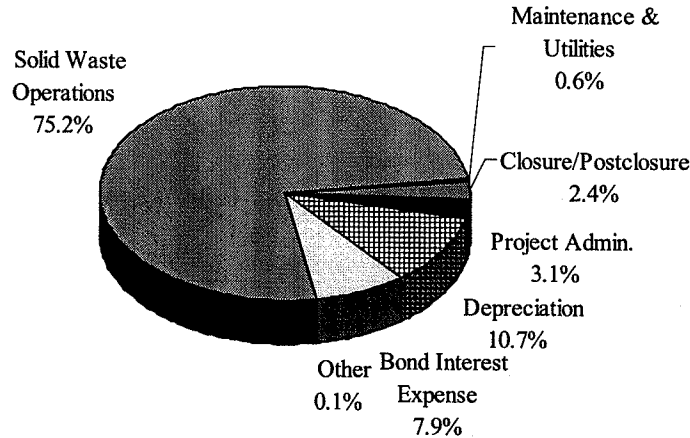
- Member service charges, which represents both contract and member towns, increased by 8.2% or \$6.3 million. This increase reflects the increase of the tipping fee enacted for fiscal 2003 at the Mid-Connecticut and Bridgeport facilities.
- Other service charges, which represent spot waste haulers, increased by \$538,000 or 2.0% from fiscal year 2002 to 2003. The increase is due to the higher market prices received for spot waste during fiscal 2003.
- Energy revenue decreased by \$8.6 million due to an \$11.8 million reduction in the Mid-Connecticut revenue, which was offset by a \$3.2 million increase in electric revenue from the Mid-Connecticut project including \$1.7 million for electric revenue received in March 2003, which had previously been written off in the prior fiscal year (see Enron and Covanta Exposure section herein and Note 14 Significant Events in the Notes to Financial Statements).
- Ash disposal fees were virtually unchanged from fiscal year 2002 to 2003.
- Other operating revenue was unchanged from fiscal year 2002 to 2003. Other operating revenue includes recycling sales.
- Investment income decreased \$2.0 million from fiscal 2002 to 2003 or 45.6% due to overall market declines and lower returns on the Authority's investments and decreased reserves in the Mid-Connecticut project.



- Settlement income of \$375,000 is associated with settlement of a claim with a contractor for facility utilization.
- Other income of \$174,000 represents rental income and gains on sales of equipment.

**SUMMARY OF EXPENSES**

The following chart shows the major sources and the percentage of operating expenses for the fiscal year ended June 30, 2003:



Solid Waste Operations are the major component of the Authority's expenses accounting for over 75% of the expenses in fiscal year 2003. A summary of expenses for the fiscal year ended June 30, 2003, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

**SUMMARY OF EXPENSES**  
(Dollars in Thousands)

	2003	Percent of Total	2002 (Restated)	Increase/ (Decrease) from 2002	Percent Increase/ (Decrease)
<b>Operating:</b>					
Solid Waste Operations	\$ 127,873	75.2%	\$ 129,930	\$ (2,057)	(1.6)
Maintenance and Utilities	1,076	0.6%	3,562	(2,486)	(69.8)
Project Administration	5,205	3.1%	6,619	(1,414)	(21.4)
Closure and Postclosure	4,118	2.4%	846	3,272	386.8
<b>Total Operating Expenses</b>	<b>138,272</b>	<b>81.3%</b>	<b>140,957</b>	<b>(2,685)</b>	<b>(1.9)</b>
Depreciation	18,188	10.7%	16,976	1,212	7.1
<b>Non-Operating:</b>					
Bond Interest Expense	13,510	7.9%	14,456	(946)	(6.5)
Other expenses	111	0.1%	679	(568)	(83.7)
<b>Total Non-Operating Expenses</b>	<b>13,621</b>	<b>8.0%</b>	<b>15,135</b>	<b>(1,514)</b>	<b>(10.0)</b>
<b>TOTAL EXPENSES</b>	<b>\$ 170,081</b>	<b>100.0%</b>	<b>\$ 173,068</b>	<b>\$ (2,987)</b>	<b>(1.7)</b>





The Authority's expenses remained fairly constant between fiscal year 2002 and 2003 decreasing by \$3.0 million or 1.7% in total. Notable differences between the years include:

- Solid waste operations decreased by \$2.1 million or 1.6% primarily due to lower net service payments. While overall operating costs increased, they were offset by higher energy payment credits for the Southeast Project. In addition, fiscal year 2002 included a non-recurring, one-time expense related to two projects (mercury control system for the Southeast Project and a Selective Non-Catalytic Reduction (SNCR) system for the Bridgeport Project).
- Maintenance and utilities expenses decreased \$2.5 million or 69.8% primarily due to lower costs for repairs and maintenance for the Mid-Connecticut project and the Bridgeport project.
- Project administration costs decreased by \$1.4 million or 21.3% due to tight fiscal control and reductions in labor and overhead costs.
- Landfill closure and post-closure costs increased \$3.3 million or 386.2% primarily due to an increase in the projected costs in fiscal year 2003 for the Hartford, Shelton, Waterbury and Wallingford landfills as compared to fiscal year 2002.
- Bond interest expense decreased by \$946,000 or 6.5% due to the maturity of the Bridgeport Project 1991 Series A Bonds.
- Other expenses of \$111,000 representing trustee fees, letter of credit fees and miscellaneous expenses, decreased by \$568,000 primarily due to \$559,000 rebated to the Wallingford towns during fiscal year 2002 as compared to zero for fiscal year 2003.

## **ENRON and COVANTA 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 its Mid-Connecticut facility. As part of these transactions, Enron received \$220 million from the Authority and the Authority received approximately \$60.0 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.

Also Covanta Mid-Conn., Inc., the operator of the steam and electricity production components of the Mid-Connecticut facility, and Covanta Projects of Wallingford, L.P., the operator and lessee of the Wallingford facility, filed for bankruptcy on April 1, 2002. To date, the bankruptcy has not affected Covanta's operation of either the Mid-Connecticut or Wallingford facilities.

The Authority has taken significant action in an attempt to mitigate the financial impact 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 pledged its support to the payment of debt service on the Mid-Connecticut bonds through legislation.



## 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 June 13, 2002, the reconstituted Board of Directors met for the first time; on December 31, 2002, the Steering Committee Report was filed with the State with a new strategic plan and recommendations for short, medium and long-term operating and financial solutions; and on May 5, 2003 the Financial Mitigation Plan was filed with the State Treasurer and the Secretary of the Office of Policy and Management. During the June 30, 2003 Special Session, the Authority's enabling statute was further amended to change the composition of the Board from thirteen members to eleven and thereby changed the quorum effective upon passage and effective retroactively. The legislation deleted the two ex-officio members of the Board, the State Treasurer and the Secretary of the Office of Policy and Management. Further, the newest amendment repealed Sections 22a-261 and 22a-268d of the Connecticut general statutes and replaced them and revised the structure of the loan by the State requiring collateral, an analysis of staffing levels, performance and qualifications of staff and the Board. It further requires quarterly mitigation reports and that the Authority discusses with member municipalities their interest in extending the contracts beyond June 20, 2012.

Prior to commencing drawdowns on the \$115.0 million loan, the April 19, 2002 Legislation required that the State Treasurer and the Secretary of the Office of Policy and Management approve the Financial Mitigation Plan. In addition, the Authority's Board of Directors needed to approve, by two-thirds of the appointed directors, a resolution authorizing the drawdown of the \$115.0 million loan from the State. On February 27, 2003 the Authority's Board of Directors approved a resolution authorizing a subordinate loan from the State of Connecticut for the benefit of the Mid-Connecticut project. On April 17, 2003, the Board further passed a supplemental resolution authorizing an interim financing from the State of Connecticut for the benefit of the Mid-Connecticut project, specifically designating that \$22.0 million could be drawn down during a 13-month period from June 2003 through June 30, 2004.

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. The Financial Mitigation Plan filed anticipated that a total of \$19.9 million would be drawn down from the \$22.0 million authorized for the period ending June 30, 2004. On June 30, 2003 the State transferred \$2.0 million to the Authority's trustee for deposit into the debt service account of the Mid-Connecticut System Bonds, fulfilling the legislation to support debt service payments due on the outstanding bonds and in accordance with the monthly cashflow projections filed by the Authority. On July 29, 2003, the State transferred \$2.17 million to the trustee in accordance with the Authority's monthly cashflow projections. On August 1, 2003, the Authority made its first loan repayment of \$20,348.01 to the State in fulfillment of the loan repayment requirements established by the State Treasurer.



**SUMMARY OF CASH FLOW ACTIVITIES**

The following is a summary of the major sources and uses of cash and cash equivalents for the past two fiscal years. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less.

	STATEMENTS OF CASH FLOWS	
	(In Thousands)	
	Fiscal Years Ending June 30,	
	2003	2002
	<u>2003</u>	<u>(Restated)</u>
Cash flow from operating activities	\$ 20,213	\$ 17,280
Cash flow from investing activities	3,206	4,165
Cash flow from capital and related financing activities	(32,050)	(44,908)
Cash flow from non-capital and related financing activities	<u>(90)</u>	<u>(96)</u>
Net increase (decrease) in cash and cash equivalents	(8,721)	(23,559)
Cash and cash equivalents:		
Beginning of year	<u>154,146</u>	<u>177,705</u>
End of year	<u>\$ 145,425</u>	<u>\$ 154,146</u>

The Authority's available cash and cash equivalents decreased \$8.7 million from \$154.1 million at the end of fiscal year 2002 to \$145.4 million at the end of fiscal year 2003 due to the positive flows of funds provided by operations and investing activities offset by the use of funds for capital expenditures and related financing activities, as described below:

- Cash flow from operating activities for the fiscal years as indicated above represents the net difference between cash received for services and cash paid to suppliers and to employees for goods and services. For the fiscal year 2003, this net figure was \$3.0 million higher than fiscal year 2002 and was mainly due to increased tipping fees at the Mid-Connecticut and Bridgeport projects, collection of CL&P electricity payments from 12/3/01 – 12/11/02 offset by uncollected payments due from Enron (see Enron and Covanta Exposure section herein) and a settlement payment for \$2.2 million to settle claims and disputes related to the Mid-Connecticut Air Processing System.
- Cash flow from investing activities represents the net difference between interest on investments of Authority funds plus any maturing investments versus the purchase of investment securities. For the fiscal year 2003, this net figure was \$1.0 million less than fiscal year 2002 and was mainly due to a decrease of \$2.3 million in investment income representing the steady decline in interest rates experienced in the market during the year and decreased reserves in the Mid-Connecticut project, which was offset by an increase of \$638,000 for proceeds from maturities of U.S. Treasury Bills. These securities have been reinvested in U.S. Treasury Obligations with maturities of three months and are classified as cash and cash equivalents, which resulted in an increase of \$677,000 in cash flow from investing activities as compared to fiscal year 2002.
- Cash flow from capital and related financing activities represents the net difference between total proceeds from the State loan, sales of equipment and total costs involved with landfill closure and postclosure, debt service expenses, and capital acquisition. For



the fiscal year 2003, this net figure improved by \$12.8 million over fiscal year 2002 and was mainly due to a combination of proceeds from the \$2.0 million State loan received during 2003 and a \$10.8 million decrease in acquisition and construction of capital assets (\$6.3 million), payments of debt service (\$3.4 million), and payments of landfill closure and postclosure care (\$1.1 million).

**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:

<b>TIP FEE HISTORY BY PROJECT</b> (Dollars charged per ton of solid waste delivered)				
<b>Fiscal Year</b>	<b>Mid-Connecticut</b>	<b>Bridgeport</b>	<b>Wallingford</b>	<b>Southeast</b>
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**

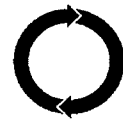
The following table highlights the municipal bonds issued and currently outstanding as of the fiscal year ending June 30, 2003. Also included is the current credit rating for each issue.

**STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2003**

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhancement *	X= SCRF-Backed**	Dated	Maturity Date	Original Principal (\$000)	Principal Outstanding (\$000)	On Authority's Books (\$000)
<b>MID-CONNECTICUT PROJECT</b>									
1996 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/20/96	11/15/12	209,675	\$179,775	\$179,775
1997 Series A - Project Construction	Aaa	AAA	MBIA	X	07/15/97	11/15/06	8,000	4,000	4,000
2001 Series A - Project Construction (Subordinated)	Baa3	BBB			01/18/01	11/15/12	13,210	13,210	13,210
								196,985	196,985
<b>BRIDGEPORT PROJECT</b>									
1999 Series A - Project Refinancing	Aaa	AAA	MBIA		08/31/99	1/1/09	141,695	98,245	3,730
2000 Series A - Refinancing (partial insurance)	A3/Aaa	A+/AAA	MBIA		08/01/00	1/1/09	9,200	6,805	6,805
								105,050	10,535
<b>WALLINGFORD PROJECT</b>									
1991 Series One - Subordinated	A3	NR			08/01/91	11/15/05	7,000	2,000	2,000
1998 Series A - Project Refinancing	Aaa	AAA			10/23/98	11/15/08	33,790	25,385	3,886
								27,385	5,886
<b>SOUTHEAST PROJECT</b>									
1989 Series A - Project Refinancing	Aaa	AAA	MBIA	X	06/01/89	11/15/11	3,935	2,450	2,450
1998 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/18/98	11/15/15	87,650	73,280	8,154
<b>CORPORATE CREDIT REVENUE BONDS</b>									
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			11/15/01	11/15/15	6,750	6,750	0
2001 Series A - American Ref-Fuel Company LLC-II	Baa2	NR			11/15/01	11/15/15	6,750	6,750	0
								119,230	10,604
<b>TOTAL PRINCIPAL BONDS OUTSTANDING</b>								\$448,650	\$224,010

\* Municipal Bond insurance providers: MBIA = MBIA Insurance Corporation  
 \*\* SCRF = Special Capital Reserve Fund of the State of Connecticut  
 NR = Not Rated

The ratings of the Authority's outstanding bonds were unchanged during fiscal year ending June 30, 2003 with one exception: the Mid-Connecticut System Subordinated Revenue Bonds, 2001 Series A. Of the three outstanding Mid-Connecticut system bond issues, the 2001 Series A bonds are subordinated debt that is not secured by the State's special capital reserve fund and do not carry municipal bond insurance. The Standard & Poor's Corporation downgraded this series of bonds to "BBB" from "A" in October 2002, due to the Authority's Enron exposure at the Mid-Connecticut facility (see Enron and Covanta Exposure section herein and Note 14 Significant Events in the Notes to Financial Statements).



**STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2003 AND 2002  
(In Thousands)**

**EXHIBIT I**

	<u>2003</u>	<u>2002</u> (Restated)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$55,023	\$67,486
Accounts receivable, net of allowance	21,268	19,474
Inventory	3,607	3,543
Prepaid expenses	1,446	1,519
<b>Total Unrestricted Assets</b>	<u>81,344</u>	<u>92,022</u>
Restricted Assets:		
Cash and cash equivalents	16,524	17,096
Investments	0	659
Accrued interest receivable	165	239
<b>Total Restricted Assets</b>	<u>16,689</u>	<u>17,994</u>
<b>Total Current Assets</b>	<u>98,033</u>	<u>110,016</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	73,878	69,564
Capital Assets:		
Depreciable, net	185,409	201,418
Nondepreciable	27,810	27,804
Development and Bond Issuance Costs, net	10,341	11,480
<b>Total Non-Current Assets</b>	<u>297,438</u>	<u>310,266</u>
<b>TOTAL ASSETS</b>	<u>\$395,471</u>	<u>\$420,282</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of bonds payable, net	\$17,997	\$18,373
Current portion of State loan payable	195	0
Current portion of closure and postclosure care of landfills	1,330	1,317
Accounts payable and accrued expenses	29,424	29,623
<b>Total Current Liabilities</b>	<u>48,946</u>	<u>49,313</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, net	202,609	220,606
State loan payable	1,805	0
Closure and postclosure care of landfills	24,622	21,548
<b>Total Long-term Liabilities</b>	<u>229,036</u>	<u>242,154</u>
<b>TOTAL LIABILITIES</b>	<u>277,982</u>	<u>291,467</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of Related Debt and Depreciation	26,456	27,108
Restricted	43,042	42,358
Unrestricted	47,991	59,349
<b>Total Restricted and Unrestricted</b>	<u>91,033</u>	<u>101,707</u>
<b>TOTAL NET ASSETS</b>	<u>117,489</u>	<u>128,815</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$395,471</u>	<u>\$420,282</u>

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



**Connecticut Resources Recovery Authority**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002  
(In Thousands)**

**EXHIBIT II**

	<u>2003</u>	<u>2002</u> (Restated)
<b>Operating Revenues</b>		
Service charges:		
Members	\$82,915	\$76,634
Others	27,927	27,389
Energy generation	34,639	43,246
Ash disposal fees	4,033	3,945
Other operating revenue	6,306	6,299
Total operating revenues	<u>155,820</u>	<u>157,513</u>
<b>Operating Expenses</b>		
Solid waste operations	127,873	129,930
Depreciation and amortization	18,188	16,976
Maintenance and utilities	1,076	3,562
Closure and postclosure care of landfills	4,118	846
Project administration	5,205	6,619
Total operating expenses	<u>156,460</u>	<u>157,933</u>
<b>Operating Loss</b>	(640)	(420)
<b>Non-Operating Income and (Expenses)</b>		
Other income (expenses), net	63	(521)
Investment income	2,386	4,388
Settlement income	375	0
Bond interest expense	(13,510)	(14,456)
Net Non-Operating Income and (Expenses)	<u>(10,686)</u>	<u>(10,589)</u>
<b>Net Assets</b>		
Decrease in Net Assets	(11,326)	(11,009)
Total Net Assets, beginning of year, as originally reported	128,815	142,053
Adjustment	0	(2,229)
Total Net Assets, beginning of year, as adjusted	<u>128,815</u>	<u>139,824</u>
<b>Total Net Assets, end of year</b>	<u>\$117,489</u>	<u>\$128,815</u>

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



**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**  
(In Thousands)

**EXHIBIT III**

	<u>2003</u>	<u>2002</u> (Restated)
<b>Cash Flows From Operating Activities</b>		
Payments received from providing services	\$157,066	\$161,953
Payments to suppliers for goods and services	(134,006)	(140,895)
Payments to municipalities for rebates	0	(559)
Payments to employees for services	(2,847)	(3,219)
Net Cash Provided by Operating Activities	<u>20,213</u>	<u>17,280</u>
<b>Cash Flows From Investing Activities</b>		
Interest on investments	2,568	4,842
Proceeds from maturities of investment securities	638	0
Purchase of investment securities	0	(677)
Net Cash Provided by Investing Activities	<u>3,206</u>	<u>4,165</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from State loan	2,000	0
Proceeds from sales of equipment	98	255
Payment for landfill closure and postclosure care liabilities	(1,032)	(2,140)
Acquisition and construction of capital assets	(1,074)	(7,555)
Interest paid on bonds	(13,018)	(13,970)
Principal paid on bonds	(19,024)	(21,498)
Net Cash Used for Capital and Related Financing Activities	<u>(32,050)</u>	<u>(44,908)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Other interest and fees	(90)	(96)
Net Cash Used for Non-Capital Financing Activities	<u>(90)</u>	<u>(96)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,721)</b>	<b>(23,559)</b>
Cash and cash equivalents, beginning of year	<u>154,146</u>	<u>177,705</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$145,425</b></u>	<u><b>\$154,146</b></u>
<b>Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:</b>		
Operating loss	(\$640)	(\$420)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Settlement income	375	0
Depreciation of capital assets	17,049	15,789
Amortization of development and bond issuance costs	1,139	1,187
Provision for closure and postclosure care of landfills	4,118	847
Rebate to municipalities	0	(559)
(Increase) decrease in:		
Accounts receivable, net of allowance	(1,795)	1,039
Inventory	(64)	(7)
Prepaid expenses	73	(611)
(Decrease) increase in:		
Accounts payable and accrued expenses	(42)	15
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$20,213</b></u>	<u><b>\$17,280</b></u>

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





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

#### 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, 2003, the Authority Board of Directors consists of thirteen full members and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. Eight full members are appointed by the State legislature and two full members are ex-officio. On August 15, 2003, the General Assembly passed Bill No. 2002, which reduced the Board of Directors from thirteen to eleven full members. This legislation deletes the two ex-officio members, the Secretary of the Office of Policy and Management and the State Treasurer, retroactive to May 31, 2002 and June 1, 2002, respectively.

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 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 2,500 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 Facilities, 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 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 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 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. 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 system 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.

**Administrative Pool**

The Authority has an Administrative Pool 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. Interest income is not allocated.

**B. Adoption of Governmental Accounting Standards Board Statement No. 34**

On July 1, 2001, the Authority adopted GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. The adoption of Statement No. 34, required the Authority to make several changes to the presentation of its basic financial statements in addition to requiring the presentation of the Authority's Management's Discussion and Analysis (MD&A). MD&A is considered to be required supplemental information and precedes the financial statements.

**C. 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, 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.



The 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, and the Authority follows (1) all GASB pronouncements and (2) all 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.

**D. 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.

**E. 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.

**F. 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 \$220,000 at June 30, 2003 and 2002.

**G. Inventory**

At June 30, 2003, the Authority's spare parts inventory is stated at the lower of cost or market. During fiscal 2003, certain operations (comprising approximately forty five percent of the Authority's inventory) changed from the first-in/first-out (FIFO) method of determining cost to the weighted-average method. The effect of this accounting change was not material to the financial statements, and accordingly, no retroactive restatement of prior years' financial statements was made. The Authority's coal inventory is stated at the lower of cost or market using the FIFO method.

Inventories at June 30, 2003 and 2002 are summarized as follows:

Inventories	2003 (\$000)	2002 (\$000)
Spare parts	\$3,285	\$3,224
Coal	<u>322</u>	<u>319</u>
Total	<u>\$3,607</u>	<u>\$3,543</u>

**H. 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.

**I. 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.

The estimated useful lives of other capital assets are as follows:

**J. 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, 2003 and 2002, accumulated amortization of development and bond issuance costs for the projects is as follows:

Project	2003 (\$000)	2002 (\$000)
<b>Development Costs:</b>		
Mid-Connecticut	\$ 2,493	\$ 2,336
Wallingford	3,967	3,683
Southeast	<u>4,908</u>	<u>4,516</u>
<b>Total</b>	<b><u>\$11,368</u></b>	<b><u>\$10,535</u></b>
<b>Bond Issuance Costs:</b>		
Mid-Connecticut	\$ 1,398	\$ 1,220
Bridgeport	369	338
Wallingford	433	392
Southeast	<u>280</u>	<u>224</u>
<b>Total</b>	<b><u>\$ 2,480</u></b>	<b><u>\$ 2,174</u></b>

**K. Capital Assets**

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

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.

**L. 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.

**M. 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. The Board of Directors of the Authority may designate unrestricted net assets for special purposes, as shown in Exhibit D.



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, 2003 and 2002 are summarized as follows:

Restricted Net Assets	2003 (\$000)	2002 (Restated) (\$000)
Energy generating facility	\$ 20,000	\$20,000
Debt principal payment	11,423	11,694
Tip fee stabilization	5,400	1,435
Regional recycling center equipment	2,241	1,871
Operating and maintenance	1,511	3,336
Equipment replacement	1,511	3,185
Landfill custodian accounts	699	679
Recycling education fund	237	137
Mercury public awareness	<u>20</u>	<u>21</u>
<b>Total</b>	<b><u>\$ 43,042</u></b>	<b><u>\$42,358</u></b>

**N. Reclassifications**

Certain reclassifications have been made to the 2002 financial statements to conform to the current year presentation.

**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

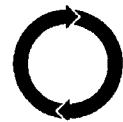
money market indices and are generally reset daily, monthly, quarterly and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares.

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 bank deposits. As of June 30, 2003 and 2002, the carrying amounts of the Authority's deposits were \$4,463,000 and \$2,586,000, respectively, and the bank balances were \$4,871,000 and \$5,401,000, respectively. As of June 30, 2003, \$100,000 was insured by the Federal Deposit Insurance Corporation (Category 1) and \$4,771,000 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 deposits reconciled to Total Cash and Cash Equivalents (unrestricted and restricted) at June 30, 2003 and 2002.

	2003 (\$000)	2002 (\$000)
Total Deposits	\$ 4,463	\$ 2,586
STIF	138,960	146,618
U. S. Treasury Open End Mutual Fund	<u>2,002</u>	<u>4,942</u>
Total Cash and Cash Equivalents (unrestricted and restricted)	<u>\$145,425</u>	<u>\$154,146</u>

**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, 2003, the Authority held no investments as defined by GASB Statement No. 3. At June 30, 2002, investments, so defined, consisted of U.S. Treasury Notes in the fair value amount of \$659,000 classified in Risk Category 3.

**3. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended June 30, 2002 and 2003:

	Balance at July 1, 2001 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2002 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2003 (\$000)
<b>Nondepreciable assets:</b>									
Land	\$ 24,833	\$ 2,941	\$ -	\$ -	\$ 27,774	\$ -	\$ -	\$ -	\$ 27,774
Construction-in-progress	10,314	30	(10,314)	-	30	47	(41)	-	36
<b>Total nondepreciable assets</b>	<u>\$ 35,147</u>	<u>\$ 2,971</u>	<u>\$ (10,314)</u>	<u>\$ -</u>	<u>\$ 27,804</u>	<u>\$ 47</u>	<u>\$ (41)</u>	<u>\$ -</u>	<u>\$ 27,810</u>
<b>Depreciable assets:</b>									
Plant	\$ 184,940	\$ 13,711	\$ -	\$ -	\$ 198,651	\$ 635	\$ (13,129)	\$ -	\$ 186,157
Equipment	193,903	1,261	-	(2,275)	192,889	458	13,112	(2,670)	203,789
<b>Total at cost</b>	<u>378,843</u>	<u>14,972</u>	<u>-</u>	<u>(2,275)</u>	<u>391,540</u>	<u>1,093</u>	<u>(17)</u>	<u>(2,670)</u>	<u>389,946</u>
<b>Less accumulated depreciation for:</b>									
Plant	(87,886)	(6,698)	-	-	(94,584)	(7,428)	-	-	(102,012)
Equipment	(88,440)	(9,091)	-	1,993	(95,538)	(9,621)	13	2,621	(102,525)
<b>Total accumulated depreciation</b>	<u>(176,326)</u>	<u>(15,789)</u>	<u>-</u>	<u>1,993</u>	<u>(190,122)</u>	<u>(17,049)</u>	<u>13</u>	<u>2,621</u>	<u>(204,537)</u>
<b>Total depreciable assets, net</b>	<u>\$ 202,517</u>	<u>\$ (817)</u>	<u>\$ -</u>	<u>\$ (282)</u>	<u>\$ 201,418</u>	<u>\$ (15,956)</u>	<u>\$ (4)</u>	<u>\$ (49)</u>	<u>\$ 185,409</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 2003 and 2002,

there was no capitalized interest as there was no external borrowing.



4. LONG-TERM DEBT

A. Bonds Payable

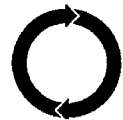
The principal long-term obligations of the Authority are special obligation revenue bonds issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations 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, 2002 and 2003.

	Balance at July 1, 2001 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2002 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2003 (\$000)	Amounts Due Within One Year (\$000)
Bonds payable - principal	\$264,534	\$ -	\$21,500	\$243,034	\$ -	\$19,024	\$224,010	\$18,601
Unamortized amounts:								
Premiums	1,707	-	195	1,512	-	188	1,324	179
Deferred amount on refunding	(6,459)	-	(892)	(\$5,567)	-	(839)	(4,728)	(783)
Total bonds payable	<u>\$259,782</u>	<u>\$ -</u>	<u>\$20,803</u>	<u>\$238,979</u>	<u>\$ -</u>	<u>\$18,373</u>	<u>\$220,606</u>	<u>\$17,997</u>

The long-term debt amounts for the projects in the table 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, 2003 and 2002, as follows:

Project	2003 (\$000)	2002 (\$000)
Deferred loss (gain):		
Mid-Connecticut	\$2,908	\$3,485
Bridgeport	(60)	(81)
Wallingford	38	52
Southeast	<u>1,842</u>	<u>2,111</u>
Subtotal	4,728	5,567
Reduced by unamortized premium:		
Mid-Connecticut	(453)	(504)
Bridgeport	(44)	(60)
Southeast	<u>(827)</u>	<u>(948)</u>
	<u>(1,324)</u>	<u>(1,512)</u>
Net Reduction	<u>\$3,404</u>	<u>\$4,055</u>



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

Year ending June 30	Mid-Connecticut		Bridgeport		Wallingford	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2004	\$14,995	\$10,651	\$1,620	\$525	\$1,339	\$252
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
2009-2013	113,865	17,014	1,705	86	712	14
2014-2017	-	-	-	-	-	-
	<u>\$196,985</u>	<u>\$60,533</u>	<u>\$10,535</u>	<u>\$1,882</u>	<u>\$5,886</u>	<u>\$667</u>
Interest Rates	4.25-6.25%		4.6-5.5%		3.63-6.85%	

Year ending June 30	Southeast		Total	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2004	\$647	\$607	\$18,601	\$12,035
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
2009-2013	4,559	1,279	120,841	18,393
2014-2017	2,380	187	2,380	187
	<u>\$10,604</u>	<u>\$4,060</u>	<u>\$224,010</u>	<u>\$67,142</u>
Interest Rates	5.125-7.7%			

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 must draw from the reserve fund. Bond principal amounts recorded as long-term debt at June 30, 2003 and 2002, which are backed by special capital reserve funds are as follows:

Project	2003 (\$000)	2002 (\$000)
Mid-Connecticut	\$183,775	\$198,050
Southeast	<u>10,604</u>	<u>11,215</u>
Total	<u>\$194,379</u>	<u>\$209,265</u>

**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. On June 30, 2003, the Authority drew down \$2 million from this State loan under a Master Loan Agreement entered into between the Authority, the Office of the State Treasurer and the Connecticut Office of Policy and Management. On July 29, 2003, the Authority received an additional \$2.1 million under a Supplemental Master Loan Agreement. It is anticipated that any future monthly debt service deficits will be funded in this manner. All loans received from the State must be repaid, with interest, by 2012. The interest rate will be determined by the Office of the State Treasurer on a monthly basis. The interest rate for the first payment made in August





2003 for the June 2003 draw was 1.49%. Maturities of the loan payable are as follows:

Year Ending June 30	Amount (\$000)
2004	\$195
2005	213
2006	213
2007	213
2008	213
2009 - 2012	<u>953</u>
Total	<u>\$2,000</u>

\* Interest rate to be adjusted monthly based on the State's base rate plus twenty-five basis points.

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 2002 and 2003 for the landfills, are presented in the following table:

Project/Landfill	Liability at July 1, 2001 (\$000)	Expense (\$000)	Paid or Accrued (\$000)	Liability at June 30, 2002 (\$000)	Expense (\$000)	Paid or Accrued (\$000)	Liability at June 30, 2003 (\$000)
Mid-Connecticut:							
Hartford	\$4,113	\$193	\$ -	\$4,306	\$2,030	\$ -	\$6,336
Ellington	3,199	393	(211)	3,381	(25)	(154)	3,202
Bridgeport:							
Shelton	11,815	404	(1,506)	10,713	181	(639)	10,255
Waterbury	516	(4)	-	512	444	-	956
Wallingford	<u>4,517</u>	<u>(140)</u>	<u>(424)</u>	<u>3,953</u>	<u>1,488</u>	<u>(238)</u>	<u>5,203</u>
Total	<u>\$24,160</u>	<u>\$846</u>	<u>(\$2,141)</u>	<u>\$22,865</u>	<u>\$4,118</u>	<u>(\$1,031)</u>	<u>\$25,952</u>

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, 2003, 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	\$1,452	50%	96%	4.9	2.8
Bridgeport-Waterbury	<u>118</u>	----	89%	----	5.0
Total	<u>\$1,570</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.



The Authority has placed funds in trust accounts for financial assurance purposes. The Mid-Connecticut Ellington Landfill account is valued at \$419,000 and \$407,000 at June 30, 2003 and 2002, respectively. The Bridgeport Waterbury Landfill account is valued at \$149,000 and \$145,000 at June 30, 2003 and 2002, respectively. The Wallingford Landfill account is valued at \$131,000 and \$127,000 at June 30, 2003 and 2002, respectively. These trust accounts are reflected as restricted assets in the accompanying balance sheets.

At June 30, 2003, 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 2003.

In addition to the above accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2003 and 2002 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 17% and 12% of the Authority's operating revenues for the years ended June 30, 2003 and 2002, respectively.

Service charge revenues from Waste Management of Connecticut, Inc. totaled 12% and 11% of the Authority's operating revenues for the years ended June 30, 2003 and 2002, respectively.

## **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 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 plus a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2003 and 2002 amounted to \$254,000 and

\$299,000, respectively. Employees contributed \$211,000 to the plan in fiscal 2003 and \$252,000 in fiscal 2002.

## **9. RISK MANAGEMENT**

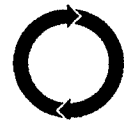
The Authority is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. The Authority endeavors to purchase commercial insurance for all insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. During fiscal year 2003, the Public Officials/Employers liability insurance coverage was reduced from \$5 million to \$3 million to reduce premium costs while still providing adequate insurance coverage.

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 \$35,029 and \$31,978 for the years ended June 30, 2003 and 2002, 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, 2003, the Authority had \$2.0 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, 2003 and 2002, operating lease payments totaled \$968,000 and \$949,000, 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, 2003 and 2002, the PILOT payments totaled \$5,598,000 and \$7,213,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2003 are as follows:



Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2004	\$934	\$7,450
2005	957	7,728
2006	950	8,024
2007	920	8,338
2008	925	8,673
Thereafter	<u>685</u>	<u>28,797</u>
Total	<u>\$5,371</u>	<u>\$69,010</u>

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 principal amounts of these bond issues outstanding at June 30, 2003 (excluding portions allocable to Authority purposes) are as follows.

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, 2003 and 2002 are as follows:

Project	2003 (\$000)	2002 (\$000)
Mid-Connecticut	\$43,184	\$42,685
Bridgeport	39,456	41,943
Wallingford	13,208	12,483
Southeast	<u>9,288</u>	<u>10,840</u>
Total	<u>\$105,136</u>	<u>\$107,951</u>

Project	Amount (\$000)
Bridgeport - 1999 Series A	\$94,515
Wallingford - 1998 Series A	<u>21,499</u>
Southeast -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	65,126
2001 Series A (American Ref-Fuel Company LLC - I)	6,750
2001 Series A (American Ref-Fuel Company LLC - II)	<u>6,750</u>
	<u>108,626</u>
Total	<u>\$224,640</u>

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.

**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



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, 2003.

	Mid-Connecticut (\$000)	Bridgeport (\$000)	Wallingford (\$000)	Southeast (\$000)
<b>Condensed Statements of Net Assets</b>				
Assets:				
Current unrestricted assets	\$30,936	\$9,229	\$23,021	\$8,647
Current restricted assets	11,953	1,075	993	2,668
Total current assets	42,889	10,304	24,014	11,315
Non-current assets:				
Cash and cash equivalents	61,038	2,050	8,379	2,391
Capital assets, net	189,442	21,510	1,979	-
Other assets, net	2,481	183	1,851	5,826
Total non-current assets	252,961	23,743	12,209	8,217
Total assets	\$295,850	\$34,047	\$36,223	\$19,532
Liabilities:				
Current liabilities	\$29,482	\$7,970	\$4,136	\$6,728
Long-term liabilities	191,180	19,253	9,520	9,083
Total liabilities	220,662	27,223	13,656	15,811
Net Assets:				
Invested in capital assets, net of debt	14,005	12,451	-	-
Restricted	35,291	959	6,368	404
Unrestricted	25,892	(6,586)	16,199	3,317
Total net assets	75,188	6,824	22,567	3,721
Total Liabilities and Net Assets	\$295,850	\$34,047	\$36,223	\$19,532
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>				
Operating revenues	\$77,194	\$48,463	\$21,643	\$11,185
Operating expenses	(67,931)	(44,701)	(17,316)	(10,980)
Depreciation and amortization expense	(16,284)	(929)	(324)	(448)
Operating income (loss)	(7,021)	2,833	4,003	(243)
Nonoperating income (expenses):				
Other income (expenses)	(8)	12	-	(16)
Investment income	1,581	100	442	98
Settlement income	375	-	-	-
Bond interest expense	(11,875)	(527)	(319)	(789)
Transfers in	113	-	18	32
Transfers out	-	(291)	-	-
Change in net assets	(16,835)	2,127	4,144	(918)
Total net assets, July 1, 2002	92,023	4,697	18,423	4,639
Total net assets, June 30, 2003	\$75,188	\$6,824	\$22,567	\$3,721
<b>Condensed Statement of Cash Flows</b>				
Net cash provided (used) by:				
Operating activities	\$11,302	\$3,727	\$5,485	\$793
Investing activities	2,000	242	585	127
Capital and related financing activities	(24,913)	(2,790)	(3,132)	(1,256)
Noncapital financing activities	98	(311)	18	17
Net increase (decrease)	(11,513)	868	2,956	(319)
Cash and cash equivalents, July 1, 2002	102,881	6,751	25,490	8,847
Cash and cash equivalents, June 30, 2003	\$91,368	\$7,619	\$28,446	\$8,528



### 13. 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 is responsible, management believes that the outcome of the claim will not have a material adverse effect on the Authority's financial position.

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 limited to \$100,000, but the Authority is indemnifying and defending its former president in his personal capacity for which there appears to be no insurance coverage. The Authority is also defending and indemnifying its former President pursuant to his separation agreement in civil matters only. Management believes that the outcome of this 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 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 Commission 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.

### 14. 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 a fiscal year to Enron and the balance to CL&P. With the bankruptcy filing of Enron on December 2, 2001, the Authority needed to remarket that portion of electricity sales to another party. The Authority solicited proposals for this purpose and on June 30, 2003, entered into an Energy Purchase Agreement with Select Energy to purchase the first 250,000 megawatt hours of electricity produced at the Mid-Connecticut facility. In addition, on June 2, 2003, the Authority was accepted by the Federal Energy Regulatory Commission (FERC) as a member of NEPOOL (the New England Power Pool) which provides the opportunity for the Authority to sell power directly to the New England electrical transmission system, effective July 1, 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. Thus far the bankruptcy has not affected Covanta's operation of the Mid-Connecticut facility.

### 15. RESTATEMENT

Net assets as of July 1, 2001 has been reduced by \$2,229,000 to properly reflect a custodial liability due to the Southeastern Connecticut Regional Resources Recovery Authority for the Southeast project landfill related postclosure costs. The effect of this restatement was to increase the change in net assets for the year ended June 30, 2002 by \$53,000.

During fiscal year 2003, the Authority discovered that its previously issued 2002 financial statements, excluded from capital assets certain additions that were classified at that time as operating expenses. The accompanying financial statements for 2002 have been restated to reflect the recording and classification of these costs as capital assets. The effect of the restatement was to increase the change in net assets for the year ended June 30, 2002 by \$71,000.



## 16. 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.

The Authority received \$2.0 million of the authorized loan amount on June 30, 2003 and \$2.1 million on July 29, 2003. Management has also negotiated with a CL&P affiliate a new power contract that is expected to increase electricity revenues in fiscal years 2004 and 2005. 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. The Board's fiscal year 2004 budget also contains a ten percent decrease in administrative expenses.

While the Authority was able to meet all of its debt service and operating expenses during fiscal years

2003 and 2002, the Authority may not have been in compliance with the revenue covenant in the Resolution securing Mid-Connecticut System bonds without utilizing its unrestricted reserves and proceeds of the State loan as contemplated by the Act. The Authority has adopted a supplemental resolution dated September 25, 2003, and plans to amend its current Master Loan Agreement with the State, in order to reclassify the State loans as subordinated indebtedness, backed by a pledge of net revenues of the Mid-Connecticut System, subordinate to all of its outstanding and future bonded indebtedness. Under the Resolution, proceeds of subordinated indebtedness are taken into account in determining the Authority's compliance with the revenue covenant in the Resolution. The Authority believes that with the adoption of the supplemental resolution, it should cure the noncompliance and will be in compliance with the revenue covenant under the Resolution.



# Connecticut Resources Recovery Authority

## COMBINING STATEMENTS OF NET ASSETS AS OF JUNE 30, 2003 (In Thousands)

EXHIBIT A  
Page 1 of 2

ASSETS	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Eliminations	Total 2003
<b>CURRENT ASSETS</b>							
Unrestricted Assets:							
Cash and cash equivalents	\$9,444	\$18,425	\$4,496	\$19,121	\$3,537	\$0	\$55,023
Accounts receivable, net of allowance	0	7,933	4,650	3,596	5,089	0	21,268
Inventory	0	3,607	0	0	0	0	3,607
Prepaid expenses	67	971	83	304	21	0	1,446
Due from other funds	102	0	0	0	0	(102)	0
<b>Total Unrestricted Assets</b>	<b>9,613</b>	<b>30,936</b>	<b>9,229</b>	<b>23,021</b>	<b>8,647</b>	<b>(102)</b>	<b>81,344</b>
Restricted Assets:							
Cash and cash equivalents	0	11,905	1,073	946	2,600	0	16,524
Accrued interest receivable	0	48	2	47	68	0	165
<b>Total Restricted Assets</b>	<b>0</b>	<b>11,953</b>	<b>1,075</b>	<b>993</b>	<b>2,668</b>	<b>0</b>	<b>16,689</b>
<b>Total Current Assets</b>	<b>9,613</b>	<b>42,889</b>	<b>10,304</b>	<b>24,014</b>	<b>11,315</b>	<b>(102)</b>	<b>98,033</b>
<b>NON-CURRENT ASSETS</b>							
Restricted cash and cash equivalents	20	61,038	2,050	8,379	2,391	0	73,878
Capital assets:							
Depreciable:							
Plant	342	160,687	25,128	0	0	0	186,157
Equipment	789	200,160	2,818	22	0	0	203,789
	1,131	360,847	27,946	22	0	0	389,946
Less accumulated depreciation	(843)	(182,036)	(21,636)	(22)	0	0	(204,537)
<b>Total Depreciable, net</b>	<b>288</b>	<b>178,811</b>	<b>6,310</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>185,409</b>
Nondepreciable:							
Land	0	10,595	15,200	1,979	0	0	27,774
Construction in progress	0	36	0	0	0	0	36
<b>Total Nondepreciable</b>	<b>0</b>	<b>10,631</b>	<b>15,200</b>	<b>1,979</b>	<b>0</b>	<b>0</b>	<b>27,810</b>
Development and Bond Issuance Costs	0	2,481	183	1,851	5,826	0	10,341
<b>Total Non-Current Assets</b>	<b>308</b>	<b>252,961</b>	<b>23,743</b>	<b>12,209</b>	<b>8,217</b>	<b>0</b>	<b>297,438</b>
<b>TOTAL ASSETS</b>	<b>\$9,921</b>	<b>\$295,850</b>	<b>\$34,047</b>	<b>\$36,223</b>	<b>\$19,532</b>	<b>(\$102)</b>	<b>\$395,471</b>





# Connecticut Resources Recovery Authority

## COMBINING STATEMENTS OF NET ASSETS AS OF JUNE 30, 2003 (In Thousands)

EXHIBIT A  
Page 2 of 2

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Eliminations	Total 2003
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Current portion of:							
Bonds payable, net	\$0	\$14,512	\$1,651	\$1,327	\$507	\$0	\$17,997
State loan payable	0	195	0	0	0	0	195
Closure and postclosure care of landfills	0	179	947	204	0	0	1,330
Accounts payable and accrued expenses	732	14,494	5,372	2,605	6,221	0	29,424
Due to other funds	0	102	0	0	0	(102)	0
<b>Total Current Liabilities</b>	<b>732</b>	<b>29,482</b>	<b>7,970</b>	<b>4,136</b>	<b>6,728</b>	<b>(102)</b>	<b>48,946</b>
<b>LONG-TERM LIABILITIES</b>							
Bonds payable, net	0	180,017	8,988	4,521	9,083	0	202,609
State loan payable	0	1,805	0	0	0	0	1,805
Closure and postclosure care of landfills	0	9,358	10,265	4,999	0	0	24,622
<b>Total Long-term Liabilities</b>	<b>0</b>	<b>191,180</b>	<b>19,253</b>	<b>9,520</b>	<b>9,083</b>	<b>0</b>	<b>229,036</b>
<b>TOTAL LIABILITIES</b>	<b>732</b>	<b>220,662</b>	<b>27,223</b>	<b>13,656</b>	<b>15,811</b>	<b>(102)</b>	<b>277,982</b>
<b>NET ASSETS</b>							
Invested in Capital Assets, net of Related Debt and Depreciation	0	14,005	12,451	0	0	0	26,456
Restricted:							
Energy generating facility	0	20,000	0	0	0	0	20,000
Debt principal payment	0	9,372	810	837	404	0	11,423
Tip fee stabilization	0	0	0	5,400	0	0	5,400
Regional recycling center equipment	0	2,241	0	0	0	0	2,241
Operating and maintenance	0	1,511	0	0	0	0	1,511
Equipment replacement	0	1,511	0	0	0	0	1,511
Landfill custodian accounts	0	419	149	131	0	0	699
Recycling education fund	0	237	0	0	0	0	237
Mercury public awareness	20	0	0	0	0	0	20
<b>Total Restricted</b>	<b>20</b>	<b>35,291</b>	<b>959</b>	<b>6,368</b>	<b>404</b>	<b>0</b>	<b>43,042</b>
Unrestricted	9,169	25,892	(6,586)	16,199	3,317	0	47,991
<b>Total Restricted and Unrestricted</b>	<b>9,189</b>	<b>61,183</b>	<b>(5,627)</b>	<b>22,567</b>	<b>3,721</b>	<b>0</b>	<b>91,033</b>
<b>TOTAL NET ASSETS</b>	<b>9,189</b>	<b>75,188</b>	<b>6,824</b>	<b>22,567</b>	<b>3,721</b>	<b>0</b>	<b>117,489</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$9,921</b>	<b>\$295,850</b>	<b>\$34,047</b>	<b>\$36,223</b>	<b>\$19,532</b>	<b>(\$102)</b>	<b>\$395,471</b>



## Connecticut Resources Recovery Authority

### COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2003

EXHIBIT B

(In Thousands)

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Eliminations	Total 2003
<b>Operating Revenues</b>							
Service charges:							
Members	\$0	\$37,703	\$27,016	\$8,387	\$9,809	\$0	\$82,915
Others	0	14,739	14,341	136	1,376	(2,665)	27,927
Energy generation	0	21,532	0	13,107	0	0	34,639
Ash disposal fees	0	0	4,033	0	0	0	4,033
Other operating revenue	0	3,220	3,073	13	0	0	6,306
Total operating revenues	<u>0</u>	<u>77,194</u>	<u>48,463</u>	<u>21,643</u>	<u>11,185</u>	<u>(2,665)</u>	<u>155,820</u>
<b>Operating Expenses</b>							
Solid waste operations	9	61,000	43,555	15,296	10,678	(2,665)	127,873
Depreciation and amortization	203	16,284	929	324	448	0	18,188
Maintenance and utilities	0	1,144	(280)	93	119	0	1,076
Closure and postclosure care of landfills	0	2,005	625	1,488	0	0	4,118
Project administration	0	3,782	801	439	183	0	5,205
Total operating expenses	<u>212</u>	<u>84,215</u>	<u>45,630</u>	<u>17,640</u>	<u>11,428</u>	<u>(2,665)</u>	<u>156,460</u>
<b>Operating Income (Loss)</b>	<u>(212)</u>	<u>(7,021)</u>	<u>2,833</u>	<u>4,003</u>	<u>(243)</u>	<u>0</u>	<u>(640)</u>
Non-Operating Income and (Expenses)							
Other income (expenses)	75	(8)	12	0	(16)	0	63
Investment income	165	1,581	100	442	98	0	2,386
Settlement income	0	375	0	0	0	0	375
Bond interest expense	0	(11,875)	(527)	(319)	(789)	0	(13,510)
Net Non-Operating Income and (Expenses)	<u>240</u>	<u>(9,927)</u>	<u>(415)</u>	<u>123</u>	<u>(707)</u>	<u>0</u>	<u>(10,686)</u>
Income (Loss) before operating transfers	28	(16,948)	2,418	4,126	(950)	0	(11,326)
Operating transfers in (out)	128	113	(291)	18	32	0	0
<b>Net Assets</b>							
Increase (Decrease) in Net Assets	156	(16,835)	2,127	4,144	(918)	0	(11,326)
Total Net Assets, beginning of year	9,033	92,023	4,697	18,423	4,639	0	128,815
<b>Total Net Assets, end of year</b>	<u>\$9,189</u>	<u>\$75,188</u>	<u>\$6,824</u>	<u>\$22,567</u>	<u>\$3,721</u>	<u>\$0</u>	<u>\$117,489</u>



# Connecticut Resources Recovery Authority

## COMBINING STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2003

EXHIBIT C  
Page 1 of 2

(In Thousands)

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Eliminations	Total 2003
<b>Cash Flows From Operating Activities</b>							
Payments received from providing services	\$0	\$77,195	\$47,872	\$21,434	\$10,565	\$0	\$157,066
Payments received from other funds	0	102	0	0	0	(102)	0
Payments to suppliers for goods and services	(992)	(63,929)	(43,704)	(15,709)	(9,672)	0	(134,006)
Payments to employees for services	0	(2,066)	(441)	(240)	(100)	0	(2,847)
Payments to other funds	(102)	0	0	0	0	102	0
Net Cash Provided by (Used for) Operating Activities	(1,094)	11,302	3,727	5,485	793	0	20,213
<b>Cash Flows From Investing Activities</b>							
Interest on investments	252	1,617	106	466	127	0	2,568
Proceeds from maturities of investment securities	0	383	136	119	0	0	638
Net Cash Provided by Investing Activities	252	2,000	242	585	127	0	3,206
<b>Cash Flows From Capital and Related Financing Activities</b>							
Proceeds from State loan	0	2,000	0	0	0	0	2,000
Proceeds from sales of equipment	41	27	30	0	0	0	98
Payment for landfill closure and postclosure care liabilities	0	(155)	(639)	(238)	0	0	(1,032)
Acquisition and construction of capital assets	0	(1,063)	(11)	0	0	0	(1,074)
Interest paid on bonds	0	(11,447)	(600)	(325)	(646)	0	(13,018)
Principal paid on bonds	0	(14,275)	(1,570)	(2,569)	(610)	0	(19,024)
Net Cash Provided by (Used for) Capital and Related Financing Activities	41	(24,913)	(2,790)	(3,132)	(1,256)	0	(32,050)
<b>Cash Flows From Non-Capital Financing Activities</b>							
Operating transfers from other funds	128	113	0	18	32	(291)	0
Other interest and fees	(40)	(15)	(20)	0	(15)	0	(90)
Operating transfers to other funds	0	0	(291)	0	0	291	0
Net Cash Provided by (Used for) Non-Capital Financing Activities	88	98	(311)	18	17	0	(90)



**Connecticut Resources Recovery Authority**

**COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003  
(In Thousands)**

**EXHIBIT C  
Page 2 of 2**

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Eliminations	Total 2003
Net increase (decrease) in cash and cash equivalents	(\$713)	(\$11,513)	\$868	\$2,956	(\$319)	\$0	(\$8,721)
Cash and cash equivalents, beginning of year	10,177	102,881	6,751	25,490	8,847	0	154,146
Cash and cash equivalents, end of year	\$9,464	\$91,368	\$7,619	\$28,446	\$8,528	\$0	\$145,425
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>							
Operating income (loss)	(\$212)	(\$7,021)	\$2,833	\$4,003	(\$243)	\$0	(\$640)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Settlement Income	0	375	0	0	0	0	375
Depreciation of capital assets	203	15,947	899	0	0	0	17,049
Amortization of development and bond issuance costs	0	335	31	325	448	0	1,139
Provision for closure and postclosure care of landfills	0	2,005	625	1,488	0	0	4,118
(Increase) decrease in:							
Accounts receivable, net of allowance	0	(375)	(591)	(209)	(620)	0	(1,795)
Inventory	0	(64)	0	0	0	0	(64)
Prepaid expenses	76	(55)	47	1	4	0	73
Due from other funds	(102)	5,703	1,080	0	0	(6,681)	0
(Decrease) increase in:							
Accounts payable and accrued expenses	21	53	(1,197)	(123)	1,204	0	(42)
Due to other funds	(1,080)	(5,601)	0	0	0	6,681	0
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(\$1,094)</b>	<b>\$11,302</b>	<b>\$3,727</b>	<b>\$5,485</b>	<b>\$793</b>	<b>\$0</b>	<b>\$20,213</b>



# Connecticut Resources Recovery Authority

## SCHEDULE OF NET ASSETS AS OF JUNE 30, 2003 (In Thousands)

### EXHIBIT D

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Total 2003
Invested in Capital Assets, net of Related Debt and Depreciation	\$0	\$14,005	\$12,451	\$0	\$0	\$26,456
Restricted:						
Energy generating facility	0	20,000	0	0	0	20,000
Debt principal payment	0	9,372	810	837	404	11,423
Tip fee stabilization	0	0	0	5,400	0	5,400
Regional recycling center equipment	0	2,241	0	0	0	2,241
Operating and maintenance	0	1,511	0	0	0	1,511
Equipment replacement	0	1,511	0	0	0	1,511
Landfill custodian accounts	0	419	149	131	0	699
Recycling education fund	0	237	0	0	0	237
Mercury public awareness	20	0	0	0	0	20
Total restricted	20	35,291	959	6,368	404	43,042
Unrestricted:						
Designated for:						
Landfill closure and postclosure care of landfills	0	8,261	2,435	4,522	0	15,218
Future loss contingencies	9,078	0	0	0	0	9,078
Waste processing facility modifications	0	3,390	0	0	0	3,390
Landfill replacement	0	1,800	800	0	0	2,600
Rolling stock	0	2,443	0	0	0	2,443
Future use	0	0	633	0	0	633
Power block facility maintenance	0	500	0	0	0	500
Transfer station maintenance	0	464	0	0	0	464
Health fund	77	0	0	0	0	77
Recycling	0	0	50	0	0	50
Municipal share replacement	0	0	135	0	0	135
Undesignated	14	9,034	(10,639)	11,677	3,317	13,403
Total unrestricted	9,169	25,892	(6,586)	16,199	3,317	47,991
Total Net Assets	\$9,189	\$75,188	\$6,824	\$22,567	\$3,721	\$117,489

# Statistical Section



**Connecticut Resources Recovery Authority**

**Exhibit 1 - Historical Waste Summary**

Exhibit 1A Fiscal Year	Total Municipal Solid Waste Deliveries (tons)				Total
	Mid-Connecticut	Bridgeport	Wallingford	Southeast	
1994	800,486	772,854	147,462	237,997	1,958,799
1995	768,800	756,416	138,945	247,715	1,911,876
1996	743,289	773,399	140,007	249,327	1,906,022
1997	841,886	766,009	139,300	245,180	1,992,375
1998	832,033	752,120	147,756	251,634	1,983,543
1999	801,563	758,346	153,277	248,298	1,961,484
2000	826,577	711,536	152,610	245,638	1,936,361
2001	880,708	704,036	142,403	239,340	1,966,487
2002	887,764	722,574	154,722	246,859	2,011,919
2003	907,060	752,308	154,796	259,942	2,074,106

Exhibit 1B Fiscal Year	Member Municipal Solid Waste Deliveries (tons)				Total
	Mid-Connecticut	Bridgeport	Wallingford	Southeast	
1994	480,716	396,349	133,617	123,228	1,133,910
1995	458,202	400,526	127,721	137,640	1,124,089
1996	441,150	340,759	107,884	139,716	1,029,509
1997	524,799	329,428	105,912	140,567	1,100,706
1998	551,860	325,798	128,987	148,432	1,155,077
1999	555,123	320,517	138,704	163,242	1,177,586
2000	596,626	345,905	143,760	172,981	1,259,272
2001	622,837	365,921	136,367	177,200	1,302,325
2002	641,677	371,616	151,230	170,338	1,334,861
2003	656,959	383,196	152,497	172,097	1,364,749

Exhibit 1C Fiscal Year	Contract Solid Waste Deliveries (tons)			Total
	Mid-Connecticut	Bridgeport	Southeast	
1994	95,798	-----	2,109	97,907
1995	117,929	-----	4,854	122,783
1996	95,074	-----	4,695	99,769
1997	104,598	-----	4,561	109,159
1998	139,302	-----	4,672	143,974
1999	159,385	-----	5,290	164,675
2000	185,735	234,820	15,296	435,851
2001	222,021	250,177	18,936	491,134
2002	229,667	263,223	28,779	521,669
2003	237,096	228,358	22,955	488,409



**Connecticut Resources Recovery Authority**

**Exhibit 1 Continued - Historical Waste Summary**

Exhibit 1D Fiscal Year	Short-Term Waste Deliveries (tons)				Total
	Mid-Connecticut	Bridgeport	Wallingford	Southeast	
1994	223,972	376,505	13,845	112,660	726,982
1995	192,669	355,890	11,224	105,221	665,004
1996	207,065	432,640	32,123	104,916	776,744
1997	212,489	436,581	33,388	100,052	782,510
1998	140,871	426,322	18,769	98,530	684,492
1999	87,055	437,829	14,573	79,766	619,223
2000	44,216	130,811	8,850	57,361	241,238
2001	35,850	87,938	6,036	43,204	173,028
2002	16,421	87,735	3,492	47,742	155,390
2003	13,005	140,754	2,299	64,890	220,948

Exhibit 1E Fiscal Year	Municipal Solid Waste Processed (tons)			Total
	Mid-Connecticut	Bridgeport	Wallingford	
1994	753,949	772,854	143,447	1,908,426
1995	734,515	756,416	127,094	1,864,966
1996	718,789	773,399	141,600	1,883,491
1997	803,123	766,009	138,550	1,953,293
1998	784,477	753,197	143,084	1,931,958
1999	777,201	758,346	142,335	1,925,438
2000	839,134	711,536	142,620	1,936,080
2001	852,372	719,472	138,526	1,951,736
2002	791,487	723,207	144,747	1,904,216
2003	820,692	742,602	149,337	1,971,308

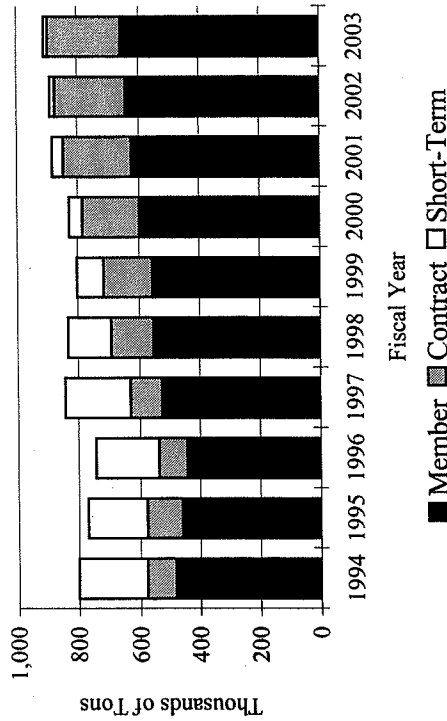
Exhibit 1F Fiscal Year	Recyclables Processed (tons)		Total
	Mid-Connecticut	Bridgeport	
1994	59,590	60,660	120,250
1995	60,928	65,741	126,669
1996	56,598	58,194	114,792
1997	59,677	60,320	119,997
1998	67,756	59,827	127,583
1999	76,735	57,415	134,150
2000	67,361	60,405	127,766
2001	75,709	63,849	139,558
2002	69,131	58,999	128,130
2003	79,476	60,991	140,467



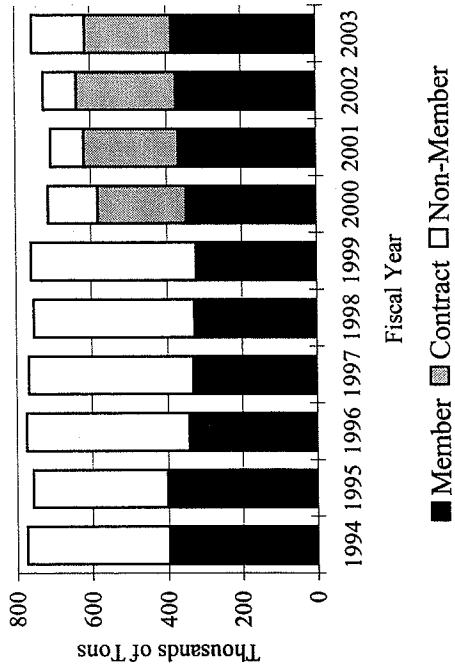


Exhibit 2 - Waste Delivery Summary

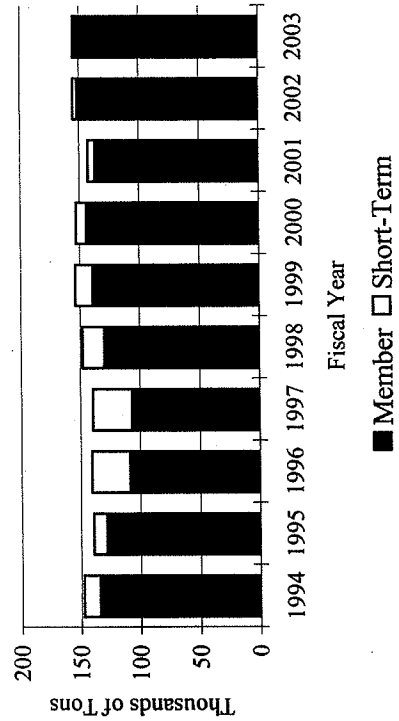
Mid-Connecticut Project



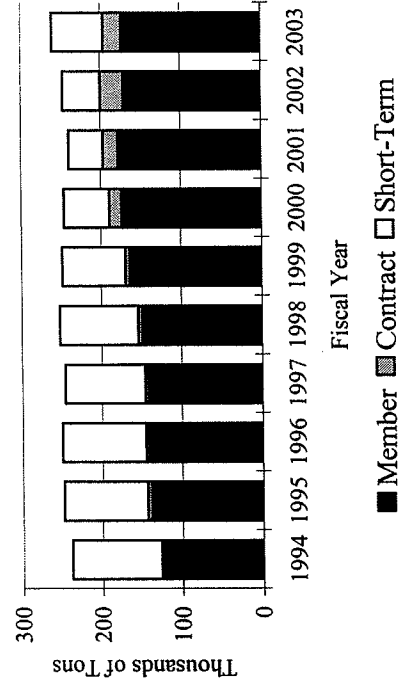
Bridgeport Project



Wallingford Project



Southeast Project





**Connecticut Resources Recovery Authority**

**Exhibit 3 - Energy Generation, Net of In-plant Usage  
(Total annual megawatts (1))**

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast
1994	434,754	472,414	57,335	117,623
1995	431,699	490,302	53,400	129,617
1996	428,339	499,210	56,672	126,226
1997	455,206	488,650	57,423	128,546
1998	450,381	435,517	58,862	128,677
1999	444,149	493,267	60,346	134,217
2000	469,385	472,565	60,183	131,059
2001	471,852	484,916	60,044	123,357
2002	453,745	480,673	66,326	134,773
2003	446,884	476,304	66,511	138,181

(1) Total annual megawatts / 365 days / 24 hours = Annual hourly average rate.

**Exhibit 4 - Top Five Sources of Member Waste (1)**

	Mid-Connecticut	Bridgeport	Wallingford	Southeast
Hartford	12.71%	8.40%	25.75%	12.80%
W. Hartford	5.44%	6.80%	22.06%	12.53%
E. Hartford	4.81%	5.72%	21.92%	9.56%
Enfield	4.11%	5.54%	15.51%	5.81%
Torrington	3.88%	5.12%	13.28%	5.41%
Total	30.95%	31.58%	98.52%	46.11%

(1) Percentage represents ratio of Member Deliveries / Total Project Deliveries.



**Connecticut Resources Recovery Authority**

**Exhibit 5 - Per Ton Service Charge for Member Waste**

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast
1994	\$51.00	\$72.00	\$73.00	\$98.00
1995	\$55.00	\$78.00	\$74.00	\$87.00
1996	\$55.00	\$79.00	\$75.00	\$86.00
1997	\$51.00	\$79.00	\$71.00	\$84.00
1998	\$48.00	\$85.00	\$62.00	\$79.00
1999	\$48.00	\$89.50	\$60.00	\$62.00
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

**Exhibit 6 - Average Per Ton Short-Term Rate (Combined) (1)**

Fiscal Year	Rate
1994	\$41.73
1995	\$46.73
1996	\$44.51
1997	\$46.24
1998	\$45.68
1999	\$46.26
2000	\$53.80
2001	\$47.84
2002	\$56.85
2003	\$60.73

(1) Average includes contract solid waste deliveries and excludes Bridgeport Project and Southeast Project Non-Member waste revenues which accrue to the facility operator.



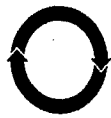
# Connecticut Resources Recovery Authority

**Exhibit 7 - Revenues by Source (1)**  
(Dollars in Thousands)

Mid-Connecticut Project		Member and Other		Energy		% of Annual		Landfill		% of Annual		Recycling		% of Annual		Interest & Other	
Fiscal Year	Total Revenue	Service Charges	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Income	% of Annual	Income	% of Annual
1994	\$80,866	\$36,766	45.47%	\$36,509	45.15%	\$2,462	3.04%	\$1,192	1.47%	\$3,937	4.87%	\$1,192	1.47%	\$3,937	4.87%	\$3,937	4.87%
1995	\$85,487	\$39,114	45.75%	\$36,689	42.92%	\$2,641	3.09%	\$2,498	2.92%	\$4,545	5.32%	\$2,498	2.92%	\$4,545	5.32%	\$4,545	5.32%
1996	\$83,126	\$37,578	45.21%	\$36,410	43.80%	\$2,099	2.53%	\$2,113	2.54%	\$4,926	5.93%	\$2,113	2.54%	\$4,926	5.93%	\$4,926	5.93%
1997	\$89,157	\$41,472	46.52%	\$38,707	43.41%	\$2,005	2.25%	\$1,523	1.71%	\$5,450	6.11%	\$1,523	1.71%	\$5,450	6.11%	\$5,450	6.11%
1998	\$87,666	\$40,029	45.66%	\$38,279	43.66%	\$2,088	2.38%	\$1,527	1.74%	\$5,743	6.55%	\$1,527	1.74%	\$5,743	6.55%	\$5,743	6.55%
1999	\$85,366	\$38,918	45.59%	\$37,738	44.21%	\$1,836	2.15%	\$1,394	1.63%	\$5,480	6.42%	\$1,394	1.63%	\$5,480	6.42%	\$5,480	6.42%
2000	\$91,518	\$42,892	46.87%	\$39,908	43.61%	\$1,621	1.77%	\$2,248	2.46%	\$4,849	5.30%	\$2,248	2.46%	\$4,849	5.30%	\$4,849	5.30%
2001	\$94,266	\$44,891	47.62%	\$39,828	42.25%	\$1,320	1.40%	\$2,232	2.37%	\$5,995	6.36%	\$2,232	2.37%	\$5,995	6.36%	\$5,995	6.36%
2002	\$73,958	\$45,954	62.14%	\$21,670	29.30%	\$1,665	2.25%	\$1,135	1.53%	\$3,534	4.78%	\$1,135	1.53%	\$3,534	4.78%	\$3,534	4.78%
2003	\$79,150	\$52,442	66.26%	\$21,532	27.20%	\$1,139	1.44%	\$1,480	1.87%	\$2,557	3.23%	\$1,480	1.87%	\$2,557	3.23%	\$2,557	3.23%

Bridgeport Project		Member and Other		Ash		% of Annual		Landfill		% of Annual		Recycling		% of Annual		Interest & Other	
Fiscal Year	Total Revenue	Service Charges	% of Annual	Disposal Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Income	% of Annual	Income	% of Annual
1994	\$35,885	\$28,288	78.83%	\$4,311	12.01%	\$77	0.21%	\$921	2.57%	\$2,288	6.38%	\$921	2.57%	\$2,288	6.38%	\$2,288	6.38%
1995	\$39,321	\$30,903	78.59%	\$4,423	11.25%	\$58	0.15%	\$1,985	5.05%	\$1,952	4.96%	\$1,985	5.05%	\$1,952	4.96%	\$1,952	4.96%
1996	\$35,238	\$26,667	75.68%	\$4,602	13.06%	\$55	0.16%	\$2,074	5.89%	\$1,840	5.22%	\$2,074	5.89%	\$1,840	5.22%	\$1,840	5.22%
1997	\$33,615	\$25,735	76.56%	\$4,799	14.28%	\$58	0.17%	\$1,111	3.31%	\$1,912	5.69%	\$1,111	3.31%	\$1,912	5.69%	\$1,912	5.69%
1998	\$34,540	\$27,307	79.06%	\$4,263	12.34%	\$23	0.07%	\$1,083	3.14%	\$1,864	5.40%	\$1,083	3.14%	\$1,864	5.40%	\$1,864	5.40%
1999	\$35,144	\$28,249	80.38%	\$3,955	11.25%	\$34	0.10%	\$975	2.77%	\$1,931	5.49%	\$975	2.77%	\$1,931	5.49%	\$1,931	5.49%
2000	\$46,846	\$39,634	84.60%	\$3,670	7.83%	\$0	0.00%	\$1,700	3.63%	\$1,842	3.93%	\$1,700	3.63%	\$1,842	3.93%	\$1,842	3.93%
2001	\$47,492	\$40,377	85.02%	\$3,721	7.84%	\$0	0.00%	\$1,576	3.32%	\$1,818	3.83%	\$1,576	3.32%	\$1,818	3.83%	\$1,818	3.83%
2002	\$47,883	\$41,608	86.90%	\$3,945	8.24%	\$0	0.00%	\$1,003	2.09%	\$1,327	2.77%	\$1,003	2.09%	\$1,327	2.77%	\$1,327	2.77%
2003	\$48,575	\$41,357	85.14%	\$4,033	8.30%	\$0	0.00%	\$1,941	4.00%	\$1,244	2.56%	\$1,941	4.00%	\$1,244	2.56%	\$1,244	2.56%

(1) Includes Interest Income.



**Connecticut Resources Recovery Authority**

**Exhibit 7 Continued - Revenues by Source (1)**  
(Dollars in Thousands)

Wallingford Project		Member and Other Service Charges	% of Annual	Energy Revenue	% of Annual	Interest & Other Income	% of Annual
Fiscal Year	Total Revenue						
1994	\$15,892	\$10,474	65.91%	\$5,035	31.68%	\$383	2.41%
1995	\$17,064	\$10,113	59.27%	\$6,386	37.42%	\$565	3.31%
1996	\$17,180	\$9,620	56.00%	\$6,907	40.20%	\$653	3.80%
1997	\$16,707	\$9,092	54.42%	\$6,807	40.74%	\$808	4.84%
1998	\$17,325	\$9,073	52.37%	\$7,468	43.11%	\$784	4.53%
1999	\$20,476	\$9,148	44.68%	\$10,596	51.75%	\$732	3.57%
2000	\$22,683	\$8,723	38.46%	\$12,862	56.70%	\$1,098	7.25%
2001	\$22,275	\$7,993	35.88%	\$12,813	57.52%	\$1,469	7.25%
2002	\$22,279	\$8,528	38.28%	\$13,062	58.63%	\$689	3.09%
2003	\$22,085	\$8,523	38.59%	\$13,107	59.35%	\$455	2.06%

Southeast Project		Member and Other Service Charges	% of Annual	Energy Revenue	% of Annual	Interest & Other Income	% of Annual
Fiscal Year	Total Revenue						
1994	\$14,953	\$14,583	97.53%	\$0	0.00%	\$370	2.47%
1995	\$18,466	\$17,983	97.38%	\$0	0.00%	\$483	2.62%
1996	\$15,404	\$15,055	97.73%	\$0	0.00%	\$349	2.27%
1997	\$14,987	\$14,765	98.52%	\$0	0.00%	\$222	1.48%
1998	\$14,367	\$13,902	96.76%	\$0	0.00%	\$465	3.24%
1999	\$12,977	\$12,521	96.49%	\$0	0.00%	\$456	3.51%
2000	\$11,625	\$11,042	94.98%	\$0	0.00%	\$583	5.02%
2001	\$11,959	\$11,445	95.70%	\$0	0.00%	\$514	4.30%
2002	\$11,517	\$11,334	98.41%	\$0	0.00%	\$183	1.59%
2003	\$11,283	\$11,185	99.13%	\$0	0.00%	\$98	0.87%

(1) Includes Interest Income.



**Connecticut Resources Recovery Authority**

**Exhibit 8 - Expenses by Function (1)**

(Dollars in Thousands)

**Mid-Connecticut Project**

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Closure & Postclosure	% of Annual	Debt Service	% of Annual
1994	\$81,281	\$33,713	41.48%	\$7,480	9.20%	\$2,733	3.36%	\$96	0.12%	\$37,259	45.84%
1995	\$84,902	\$36,448	42.93%	\$8,279	9.75%	\$2,912	3.43%	\$512	0.60%	\$36,751	43.29%
1996	\$84,173	\$35,056	41.65%	\$8,065	9.58%	\$2,635	3.13%	\$367	0.44%	\$38,050	45.20%
1997	\$89,675	\$38,315	42.73%	\$7,555	8.42%	\$2,707	3.02%	\$4,510	5.03%	\$36,588	40.80%
1998	\$82,375	\$41,251	50.08%	\$6,983	8.48%	\$2,999	3.64%	(\$1,188)	-1.44%	\$32,330	39.25%
1999	\$80,041	\$41,538	51.90%	\$6,973	8.71%	\$4,032	5.04%	\$328	0.41%	\$27,170	33.94%
2000	\$84,204	\$49,829	59.18%	\$2,075	2.46%	\$4,693	5.57%	\$218	0.26%	\$27,389	32.53%
2001	\$88,073	\$53,733	61.01%	\$1,651	1.87%	\$5,213	5.92%	(\$85)	-0.10%	\$27,561	31.29%
2002	\$90,813	\$56,914	62.67%	\$1,289	1.42%	\$4,733	5.21%	\$587	0.65%	\$27,290	30.05%
2003	\$94,081	\$61,000	64.84%	\$1,144	1.22%	\$3,782	4.02%	\$2,005	2.13%	\$26,150	27.80%

**Bridgeport Project**

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Closure & Postclosure	% of Annual	Debt Service	% of Annual
1994	\$33,483	\$27,122	81.00%	\$379	1.13%	\$1,671	4.99%	\$120	0.36%	\$4,191	12.52%
1995	\$37,429	\$27,001	72.14%	\$222	0.59%	\$1,764	4.71%	\$2,522	6.74%	\$5,920	15.82%
1996	\$35,462	\$24,993	70.48%	\$289	0.81%	\$1,267	3.57%	\$2,740	7.73%	\$6,173	17.41%
1997	\$37,101	\$25,159	67.81%	\$400	1.08%	\$1,320	3.56%	\$4,048	10.91%	\$6,174	16.64%
1998	\$35,634	\$26,830	75.29%	\$179	0.50%	\$1,144	3.21%	\$572	1.61%	\$6,909	19.39%
1999	\$34,334	\$28,700	83.59%	\$89	0.26%	\$778	2.27%	\$489	1.42%	\$4,278	12.46%
2000	\$49,112	\$38,117	77.61%	\$262	0.53%	\$1,101	2.24%	\$5,685	11.58%	\$3,947	8.04%
2001	\$49,205	\$42,341	86.05%	\$926	1.88%	\$1,136	2.31%	\$1,894	3.85%	\$2,908	5.91%
2002	\$50,894	\$44,277	87.00%	\$1,849	3.63%	\$996	1.96%	\$400	0.79%	\$3,372	6.63%
2003	\$46,798	\$43,555	93.07%	(\$280)	-0.60%	\$801	1.71%	\$625	1.34%	\$2,097	4.48%

(1) Excludes depreciation and amortization, debt service includes principal.



**Connecticut Resources Recovery Authority**

**Exhibit 8 Continued - Expenses by Function (1)**

(Dollars in Thousands)

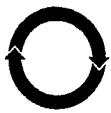
**Wallingford Project**

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Closure & Postclosure	% of Annual	Debt Service	% of Annual
1994	\$14,283	\$12,494	87.47%	\$11	0.08%	\$595	4.17%	\$197	1.38%	\$986	6.90%
1995	\$14,365	\$12,877	89.64%	\$17	0.12%	\$621	4.32%	(\$223)	-1.55%	\$1,073	7.47%
1996	\$14,914	\$13,226	88.68%	\$48	0.32%	\$547	3.67%	(\$17)	-0.11%	\$1,110	7.44%
1997	\$18,140	\$14,584	80.40%	\$16	0.09%	\$552	3.04%	\$1,872	10.32%	\$1,116	6.15%
1998	\$15,485	\$14,395	92.96%	\$5	0.03%	\$545	3.52%	(\$572)	-3.69%	\$1,112	7.18%
1999	\$16,458	\$14,313	86.97%	\$5	0.03%	\$462	2.81%	\$607	3.69%	\$1,071	6.51%
2000	\$15,538	\$13,914	89.55%	\$3	0.02%	\$564	3.63%	\$286	1.84%	\$771	4.96%
2001	\$16,208	\$13,916	85.86%	\$1,480	9.13%	\$538	3.32%	(\$631)	-3.89%	\$905	5.58%
2002	\$19,101	\$14,753	77.24%	\$0	0.00%	\$459	2.40%	(\$140)	-0.73%	\$4,029	21.09%
2003	\$20,204	\$15,296	75.71%	\$93	0.46%	\$439	2.17%	\$1,488	7.36%	\$2,888	14.29%

**Southeast Project**

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Debt Service	% of Annual
1994	\$14,513	\$10,303	70.99%	\$1	0.01%	\$872	6.01%	\$3,337	22.99%
1995	\$23,141	\$11,247	48.60%	\$2	0.01%	\$716	3.09%	\$11,176	48.30%
1996	\$15,088	\$11,822	78.35%	\$1	0.01%	\$343	2.27%	\$2,922	19.37%
1997	\$15,291	\$10,937	71.53%	\$0	0.00%	\$293	1.92%	\$4,061	26.56%
1998	\$15,062	\$11,945	79.31%	\$0	0.00%	\$327	2.17%	\$2,790	18.52%
1999	\$15,672	\$10,485	66.90%	\$0	0.00%	\$221	1.41%	\$4,966	31.69%
2000	\$13,176	\$11,643	88.37%	\$0	0.00%	\$190	1.44%	\$1,343	10.19%
2001	\$13,299	\$11,721	88.13%	\$0	0.00%	\$255	1.92%	\$1,323	9.95%
2002	\$13,923	\$12,391	89.00%	\$0	0.00%	\$269	1.93%	\$1,263	9.07%
2003	\$12,379	\$10,678	86.26%	\$119	0.96%	\$183	1.48%	\$1,399	11.30%

(1) Excludes depreciation and amortization, debt service includes principal.



**Connecticut Resources Recovery Authority**

**Exhibit 9 - Revenue Bond Coverage Ratios (Combined)**

(Dollars in Thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage (3)
				Principal	Interest		
1994	\$ 147,753	\$ 97,787	\$ 49,966	\$ 19,108	\$ 26,665	\$ 45,773	1.09
1995	\$ 160,645	\$ 104,917	\$ 55,728	\$ 28,983	\$ 25,937	\$ 54,920	1.01
1996	\$ 151,468	\$ 101,592	\$ 49,876	\$ 23,473	\$ 24,782	\$ 48,255	1.03
1997	\$ 155,036	\$ 112,458	\$ 42,578	\$ 27,387	\$ 20,552	\$ 47,939	0.89
1998	\$ 154,537	\$ 107,328	\$ 47,209	\$ 24,173	\$ 18,968	\$ 43,141	1.09
1999	\$ 154,480	\$ 109,065	\$ 45,415	\$ 19,943	\$ 17,542	\$ 37,485	1.21
2000	\$ 173,257	\$ 128,593	\$ 44,664	\$ 17,172	\$ 16,278	\$ 33,450	1.34
2001	\$ 179,840	\$ 137,056	\$ 42,784	\$ 17,234	\$ 15,776	\$ 33,010	1.30
2002	\$ 161,901	\$ 141,082	\$ 20,819	\$ 21,498	\$ 13,970	\$ 35,468	0.59
2003	\$ 158,206	\$ 138,272	\$ 19,934	\$ 19,024	\$ 13,018	\$ 32,042	0.62

(1) Operating revenues and interest income.

(2) Excludes depreciation and amortization and write off of development costs.

(3) Does not include transfers from reserves and other sources to maintain coverage requirements.





**Connecticut Resources Recovery Authority**

**Exhibit 10 - Revenue Bond Ratings**

PROJECT	OUTSTANDING SERIES	MOODYS RATING	STANDARD & POORS RATING	FITCH RATING	BOND INSURER
Mid-Connecticut	1996 Series A	Aaa	AAA	AAA	MBIA
	1997 Series A	NR	AAA	AAA	MBIA
	2001 Series A - Subordinated	Baa3	BBB	NR	None
Bridgeport	1999 Series A	Aaa	AAA	NR	MBIA
	2000 Series A - Partial Insurance	A3/Aaa	A+/AAA	NR	MBIA
Wallingford	1991 Series One - Subordinated	A3	NR	NR	None
	1998 Series A	Aaa	AAA	NR	AMBAC
Southeast	1989 Series A	Aaa	AAA	NR	MBIA
	1998 Series A	Aaa	AAA	NR	MBIA
	<b>CORPORATE CREDIT REVENUE BONDS: *</b>				
	1992 Series A - Corporate Credit	NR	NR	NR	None
	2001 Series A - Corporate Credit (American Ref-Fuel Company, LLC - I)	A3	NR	NR	None
2001 Series A - Corporate Credit (American Ref-Fuel Company, LLC - II)	Baa2	NR	NR	None	

\* These Bonds are not carried on the Authority's books.

NR = Not Rated

Source: S & P'S Municipal Ratings Handbook  
Moody's Municipal Credit Research Report  
Official Statements



## Connecticut Resources Recovery Authority

### Exhibit 11 - Demographic Information

Fiscal Year	Mid-Connecticut		Bridgeport		Wallingford		Southeast	
	Population Served	# of Towns	Population Served	# of Towns	Population Served	# of Towns	Population Served	# of Towns
1994	1,052,066	64	636,829	18	198,525	5	271,712	17
1995	1,051,197	64	635,384	18	198,870	5	276,605	17
1996	1,049,516	64	636,438	18	198,760	5	277,022	17
1997	1,005,714	63	636,438	18	198,760	5	277,022	17
1998	1,018,728	63	640,525	18	198,851	5	269,866	16
1999	1,088,026	67	643,194	18	199,295	5	263,715	16
2000	1,137,468	66	627,153	18	209,877	5	294,111	17
2001	1,177,063	66	633,372	18	208,360	5	254,715	17
2002	1,184,419	70	678,550	18	212,984	5	258,382	16 (2)
(1) 2003	1,184,419	70	678,550	18	212,984	5	258,382	15

Source: Department of Health Services  
(1) Estimated populations as of July 1, 2002  
(2) Includes Fisher Island of New York