Comprehensive Annual Financial Report

CONNECTICUT RESOURCES RECOVERY AUTHORITY

A Component Unit of the State of Connecticut

Fiscal Year Ended June 30, 2004

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Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Submitted by:

James P. Bolduc
Chief Financial Officer

Nhan Vo-Le
Director of Accounting

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2004

Table of Contents

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2004

Table of Contents
(Continued)

Introductory Section

December 22, 2004

Board of Directors
Connecticut Resources Recovery Authority
100 Constitution Plaza, 6th 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, 2004.

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 2004 and planned for fiscal year 2005. 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 required 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 its 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 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel resource recovery facility located in Hartford, Connecticut; the Hartford Landfill, which handles ash, receives process residue and other bulky and non-processible 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 continued to generate power at an annual hourly average rate of 50.10 megawatts of electrical energy (net of in-plant usage) in fiscal year 2004.

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 continued to generate power at an annual hourly average rate of 54.75 megawatts of electrical energy (net of in-plant usage) in fiscal year 2004. 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 continued to generate power at an annual hourly average rate of 7.44 megawatts of electrical energy (net of in-plant usage) in fiscal year 2004.

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 and continued to generate power at an annual hourly average rate of 15.80 megawatts of electrical energy (net of in-plant usage) in fiscal year 2004. Electric energy revenues and certain other service charges are accrued by a private vendor under the terms of a long-term lease arrangement.

General Fund

In addition to the Authority’s operating projects, the Authority maintains a General Fund in which the costs of central administration are accumulated. Substantially, all of these costs are allocated to the Authority’s projects based on time expended.

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 2004. On the whole, the Authority's combined net assets during the fiscal year increased by $1.3 million or 1.1% compared to a decrease of $11.3 million in fiscal 2003.

Mid-Connecticut Project and Enron Exposure

The Mid-Connecticut project had a decrease in net assets of $2.0 million in fiscal year 2004 versus a decrease of $16.8 million in fiscal year 2003. Improved results for fiscal 2004 were due to the increase of the tipping fee enacted for fiscal year 2004, increased recycling revenues, reductions in administrative and operating expenses and a transfer of funds from the General Fund. The Mid-Connecticut project received approximately 856,000 tons of municipal solid waste for fiscal year 2004, down 51,000 tons or 5.6% from fiscal year 2003.

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 though 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 four-year electricity sales agreement with Select Energy for increased electric rates on the output that would have been sold 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. As of June 30, 2004, the Authority had approximately $182.0 million of Mid-Connecticut bonds outstanding of which the State's Special Capital Reserve Fund secured approximately $168.8 million.

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 authorized 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. During August 2003, the General Assembly passed Public Act No. 03-05, which authorized a loan by the State to the Authority for $22 million of the $115 million through June 30, 2004. During March 2004, the State further approved a $20 million loan to the Authority for fiscal year 2005. Through December 1, 2004, the Authority has received $19.3 million in State loans in support of the Mid-Connecticut project debt service. The Authority will submit its request for the fiscal year 2006 State loan amount in January 2005.

In connection with the Enron bankruptcy, the Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover the losses sustained in the 2001 bankruptcy. On July 22, 2004, upon the recommendation of the State's Attorney General, the Authority's Board of Directors passed a resolution authorizing the settlement of the Enron litigation. The Authority's Board of Directors further authorized the initiation of a bidding process to sell the Enron settlement claim in the capital markets. On August 20, 2004, the Authority's Board of Directors passed a resolution approving the sale of the Enron claim to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of 34.4% over the projected bankruptcy courts' planned distribution. The Authority is expecting to realize approximately $111.2 million upon closing, which is scheduled for either late in calendar year 2004 or early 2005.

Other Projects

The remaining three projects posted increases in net assets for fiscal year 2004. The Bridgeport project posted an increase in net assets of $6.3 million in fiscal year 2004 compared to an increase of $2.1 million in fiscal year 2003. This was due primarily to the increase of the tipping fee enacted for fiscal year 2004, increased member waste tonnage deliveries, decreased solid waste operations expenses and a transfer of funds from the General Fund offset by a reduction in non-member waste tonnage deliveries and increased closure and postclosure care costs of landfill. The Bridgeport project received approximately 735,000 tons of municipal solid waste for fiscal year 2004, down 17,000 tons or 2.2% from fiscal year 2003.

The Wallingford project had an increase in net assets of $5.7 million in fiscal year 2004 as compared to an increase of $4.1 million in fiscal year 2003. This was due primarily to the decreased closure and postclosure care costs of landfill and a transfer of funds from the General Fund offset by a slight reduction in both electricity revenues and member waste tonnage deliveries. The Wallingford project received approximately 154,000 tons of municipal solid waste for fiscal year 2004, down 1,200 tons or 0.8% from fiscal year 2003.

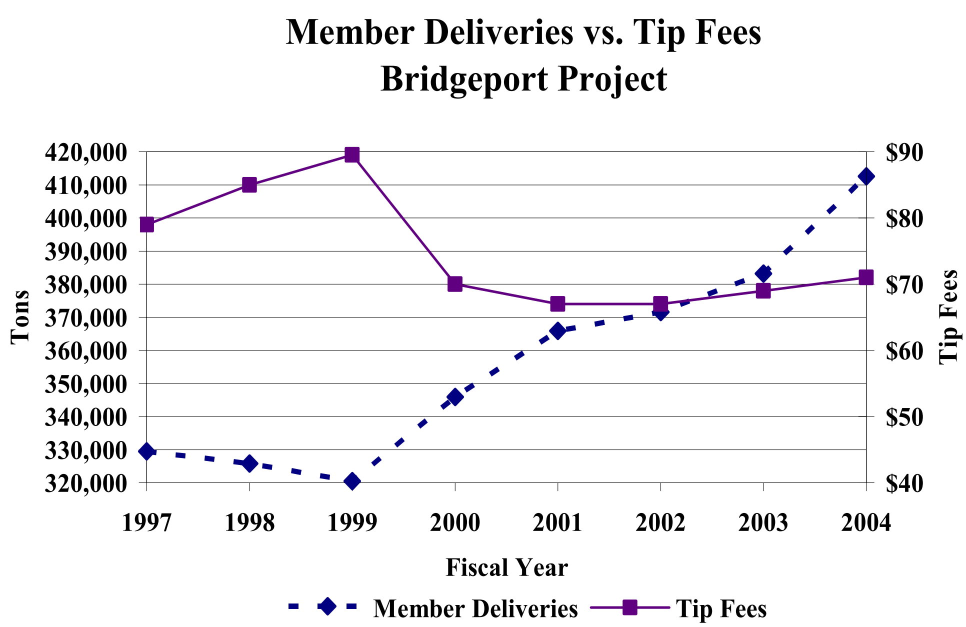
The Southeast project posted an increase in net assets of $0.3 million in fiscal year 2004 versus a decrease of $0.9 million in fiscal year 2003. Improved results for fiscal year

2004 were due to the increase of the tipping fee enacted for fiscal year 2004, increased member waste tonnage deliveries, a reduction in both solid waste operations and maintenance and utilities expenses and a transfer of funds from the General Fund. The Southeast project received approximately 261,000 tons of municipal solid waste for fiscal year 2004, up 1,100 tons or 0.4% from fiscal year 2003.

In total, the Authority projects received approximately 2.0 million tons of municipal solid waste for fiscal year 2004, down 68,000 tons or 3.3% from fiscal year 2003.

A primary Authority initiative is to 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

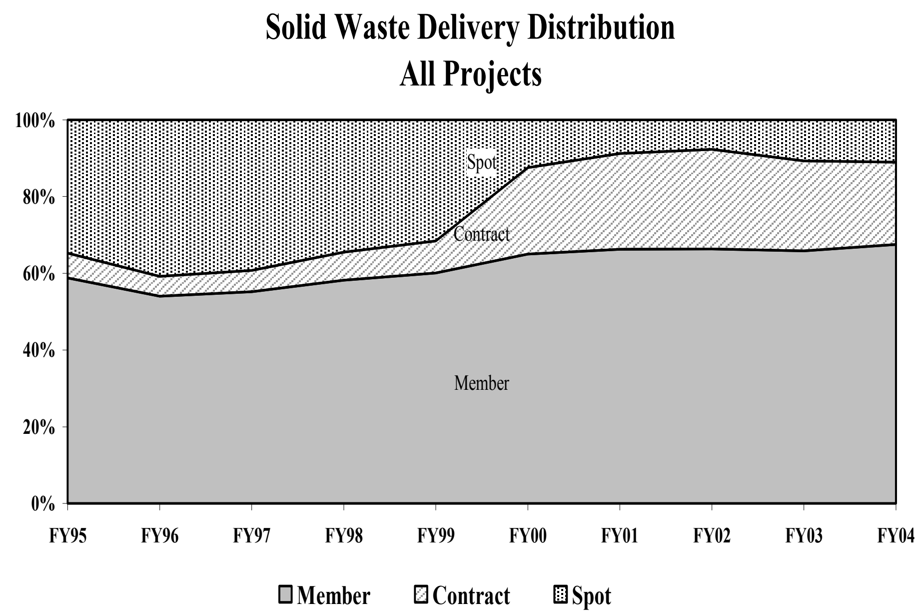


As illustrated, there is an inverse relationship between tipping fees and the amount of waste delivered to a project for disposal purposes. Member tipping fees were above marketplace levels in fiscal year 1997 through 1999, and during that time, deliveries of waste by the member towns declined. However,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

The Wallingford and Southeast projects tipping fees have been significantly reduced and stabilized since fiscal year 1995 enabling the Authority to deliver below market tipping fees to its members (see Exhibit 5 in the Statistical Section). Due to the Enron exposure discussed earlier in this section, the Mid-Connecticut has increased its tipping fees to market levels.

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



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 initiatives undertaken 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 2004, the Authority successfully undertook numerous steps to avoid substantially increasing the tip fees of Mid-Connecticut project member towns 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. A two-year extension of an energy agreement for the sale of the first 250 gigawatt hours of electricity produced at the Mid-Connecticut facility for fiscal years 2006 and 2007. This results in incremental revenues of $9.4 million over the two-year contract extension.
2. An agreement with the Town of Windsor for the diversion of excess municipal solid waste from the Mid-Connecticut project to the Windsor-Bloomfield Landfill during periods of peak waste deliveries and during plant outages. This agreement has provided the Mid-Connecticut project with a more cost-effective, in-state waste bypass alternative when compared to the costs associated with transporting and disposing of this waste at out-of-state disposal facilities.
3. A three-year Municipal Solid Waste Delivery Agreement with commercial haulers for the delivery of acceptable waste to the Mid-Connecticut project. Since a significant amount of acceptable waste from member towns is collected and transported by commercial haulers, such waste is contractually secured for the next three years. Additionally, the three-year agreements versus the historical annual hauler agreements reduce the Authority's administrative costs.
4. The fiscal year 2005 tip fee was increased to $70.00/ton from $63.75/ton recognizing that competitive market conditions allowed for a higher tip fees.
5. A Master Loan Agreement with the State of Connecticut was negotiated for $20.0 million to be available through June 30, 2005. These funds are required to be repaid by June 30, 2012. Current

projections are to utilize less than the $20.0 million available thereby mitigating the impact on future tip fees.

6. Miscellaneous revenue streams were sought in the form of landfill cover and generated approximately $498,000 in fiscal year 2004. This landfill cover consists of contaminated "Brownfields" soil which is used as daily landfill cover, replacing soil which the Authority would otherwise have to buy, and which has been approved by the Connecticut Department of Environmental Protection ("DEP") for this purpose.
7. Completion of a reorganization plan enabling the Authority to focus on greater internal effectiveness and efficiency.
8. A settlement of the Enron litigation and the sale of the Enron claim to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of 34.4% or $28.5 million over the projected bankruptcy courts' planned distribution.

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 Mid-Connecticut project business model post 2012 will be paramount in establishing the structure for dealing with Connecticut's solid waste as we continue into the 21st century. 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 2006 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. Continue 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.
5. Identify, develop and implement cost-effective solutions for the long-term disposal of residue and ash.
6. Maintain least cost strategies in administrative costs.
7. Continue to pursue the recovery of settlement funds arising from Enron-related litigation.

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, maximize recovery of outstanding Enron litigation and economically sight a new landfill in Connecticut.

Efforts To Increase Electricity 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 a conditioned electric supplier license from the Department of Public Utility Control ("DPUC"). The decision required a second DPUC approval for any retail sales from the South Meadows facility. This restriction is under appeal in Superior Court. Currently, the Authority has no intention to sell electricity at retail.

2. On June 2, 2003, the Authority was accepted by the Federal Energy Regulatory Commission ("FERC") as a member of the New England Power Pool, 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 gigawatt 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 in fiscal years 2004 and 2005 over the prior Enron electricity contract is approximately $4.2 million.

4. On August 5, 2004, the Authority further negotiated a two-year extension of the Energy Purchase Agreement for fiscal years 2006 and 2007 with the result being incremental revenues of $9.4 million over the two-year contract extension.

5. During August 2004, the Authority negotiated an extension of the Jet Turbine Power Sales Agreement to be co-terminus with the Energy Generating Facility Agreement providing a guaranteed electric revenue stream through fiscal year 2012.

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. In addition, the Authority has renegotiated its lease agreement which involved the Authority moving its corporate headquarters and renting less space at a lower cost. Other vendor contracts will be renegotiated as they expire.

Efforts To Reduce Administrative Costs

The Authority continues its efforts to evaluate and reduce operating costs. A major initiative to reduce the cost of insurance was successfully achieved in fiscal year 2004 resulting in an annualized premium reduction of approximately $204,000. The move of the Authority's headquarters has been projected to save the Authority $850,000 through 2012. Future efforts will focus on least cost strategies and continuance of vendor contract negotiations and/or renegotiations.

Landfill Activity

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

Solid Waste Management Plan

The State Solid Waste Management Plan ("SWMP") is currently 13 years old. DEP, which is responsible for updating the SWMP, recognizes the need to update the plan at this time and has proceeded with an initiative to do so. In November 2004, DEP issued a request for proposals intended to identify a private consultant to undertake a revision of the SWMP. DEP plans to have a revised SWMP completed and issued sometime during Fall 2005. The Authority intends to be intimately involved in DEP's initiative to redraft the SWMP; in fact, the Authority provided support to DEP in drafting the scope-of-work for the project. The SWMP serves to provide guidance and direction for the State of Connecticut regarding solid waste management, certain aspects of which the Authority is statutorily required to undertake, implement and/or oversee. Therefore, the Authority considers revision of the SWMP to be significant.

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. They were subsequently refinanced in the late 1990's at lower rates. There was no new bond financing or refinancing activity during fiscal year 2004.

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 due to the Enron exposure discussed earlier in this letter. The new Board delivered a Steering Committee Report to the Connecticut Legislature in December 2002. Since then, senior management has conducted 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 designed to determine the future course for the Authority and, concurrently, plan ways to manage the State's solid waste disposal and recycling needs for decades to come.

Market Competitive Tip Fees

The Authority's goal is to minimize tip fee increases in light of the sensitive fiscal conditions of our member communities and to provide a competitive market rate tip fee. To achieve this goal, the Authority has aggressively pursued cost control initiatives and implemented revenue enhancing opportunities. Some of these initiatives include the renegotiation of the office lease, execution of three-year delivery contracts with waste haulers, reduced legal activity, replacement of higher priced contractors and the extension of energy purchase contracts.

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 Enron bankruptcy (discussed previously) the Board of Directors passed a $6.75 per ton increase in the Mid-Connecticut project tip fee for fiscal year 2004 and a $6.25 per ton increase for fiscal year 2005. In addition, the Bridgeport, Southeast and Wallingford projects tip fees were also raised $2.00, $3.00 and $0.00 per ton, respectively, for fiscal year 2004 and $1.50, $0.00, and $1.00 per ton, respectively, for fiscal year 2005 due to anticipated increases in a variety of expense-related factors including solid waste tax, insurance, and a reduction in interest income.

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 Southeastern

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 2004 fiscal year financial operations showed an operating income of $12.0 million. The increase in net assets for fiscal year 2004 of $1.3 million represents an increase of $12.6 million from the $11.3 million decrease for fiscal year 2003. Please refer to Summary of Operations and Change 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 2004 were $165.4 million, an increase of 6.2% or $9.6 million as compared to fiscal year 2003. 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 2.0% or $3.1 million from fiscal year 2003 to fiscal year 2004. 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, 2004 approximately $205.4 million in outstanding revenue bond debt was recorded on the Authority's books as follows:

	($000)
Mid-Connecticut	$181,990
Bridgeport	8,915
Wallingford	4,547
Southeast	9,957
Total	$205,409

The Authority's outstanding bonds are rated by Moody's Investor Service, Inc., Standard & Poor's Corporation, and/or Fitch Ratings. 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 2004 was 1.16% compared to 1.64% in fiscal year 2003. This represents the overall steady decline in interest rates experienced in the market since fiscal year 2002. The Authority has revised its Investment Policy, which was adopted by the Board in January 2004. The Authority intends to maximize its fund earnings by utilizing more investment securities while maintaining prudent investment standards.

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 auditors' report on the financial statements and required 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, 2003. This was the eleventh consecutive year that the Authority has achieved 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. This 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. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it 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, 2003

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Board of Directors
as of June 30, 2004

Directors

The Honorable Michael A. Pace, Chairman
The Honorable Stephen T. Cassano
Benson R. Cohn
The Honorable Mark Cooper
James Francis
The Honorable Michael J. Jarjura
The Honorable Mark A. Lauretti
Theodore H. Martland
Raymond J. O'Brien
Andrew M. Sullivan, Jr.
Vacancy

Ad Hoc Directors

Mid-Connecticut Project
The Honorable Timothy G. Griswold
Vacancy

Bridgeport Project
Sherwood Lovejoy
Vacancy

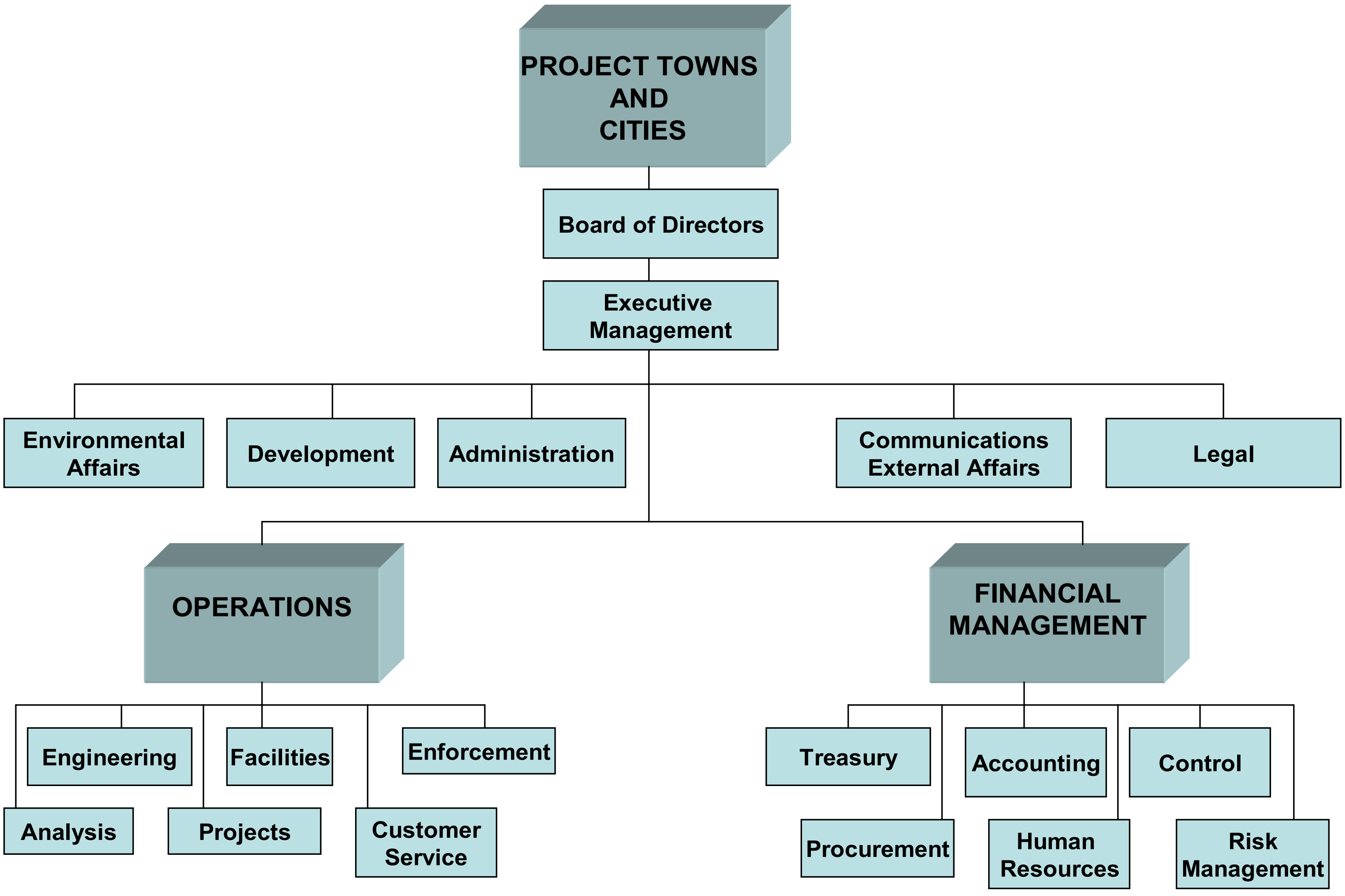
Wallingford Project
Vacancy
Vacancy

Southeast Project
Vacancy
Vacancy

President

Thomas D. Kirk

Connecticut Resources Recovery Authority
Organization Chart



Financial Section

CCR
CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors
628 Hebron Avenue | Building #3 | Glastonbury, CT 06033 | 860.659.1338 | 860.633.0712 fax | www.ccrgroup.com

INDEPENDENT AUDITORS' REPORT

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

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Resources Recovery Authority as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis presented on pages 3 through 11 of the Financial Section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section, the Supplementary Information presented on pages 33 through 39 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 33 through 39 of the Financial Section has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Carlin, Charron & Rosen, LLP

Glastonbury, Connecticut
August 20, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL POSITION SUMMARY

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

BALANCE SHEETS
As of June 30,
(In Thousands)

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

FINANCIAL HIGHLIGHTS

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

ASSETS

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

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

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

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

LIABILITIES

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

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

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

SUMMARY OF OPERATIONS AND CHANGE IN NET ASSETS

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

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

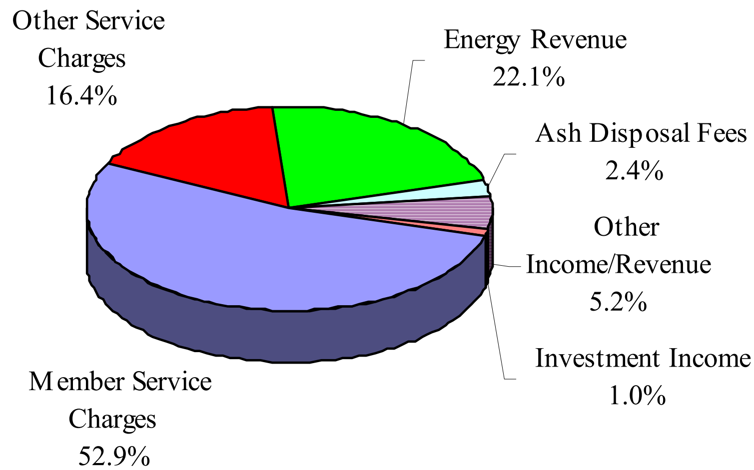
	2004	2003
Operating revenues	$ 165,418	$ 155,820
Operating expenses	135,482	138,272
Excess before depreciation and amortization and other non-operating income and expenses	29,936	17,548
Depreciation and amortization	17,887	18,188
Income before other non-operating revenues and expenses, net	12,049	(640)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

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

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

SUMMARY OF REVENUES

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



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

SUMMARY OF REVENUES
(Dollars in Thousands)

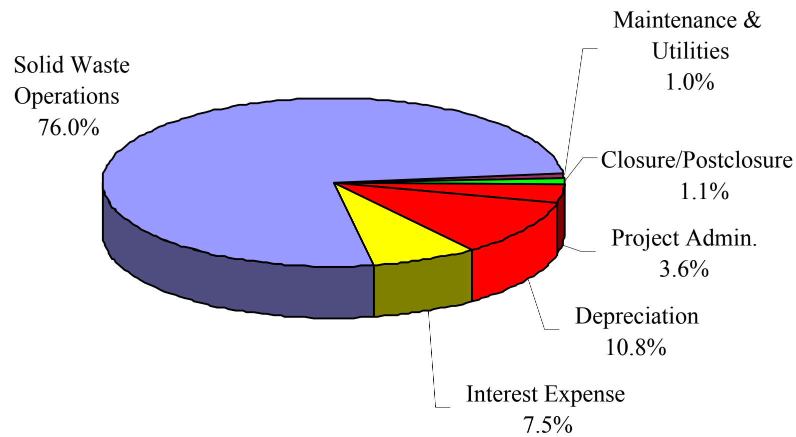
	2004	Percent of Total	2003	Increase/ (Decrease) from 2003	Percent Increase/ (Decrease)
Operating:					
Member Service Charges	$ 88,541	52.9%	$ 82,915	$ 5,626	6.8
Other Service Charges	27,384	16.4%	27,927	(543)	(1.9)
Energy Revenue	36,998	22.1%	34,639	2,359	6.8
Ash Disposal Fees	4,031	2.4%	4,033	(2)	(0.0)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

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

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

SUMMARY OF EXPENSES

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



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

SUMMARY OF EXPENSES
(Dollars in Thousands)

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

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

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

ENRON EXPOSURE

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

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

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

STATE LOAN

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

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

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

LANDFILL ACTIVITY

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

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

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

AUTHORITY RATES AND CHARGES

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

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

LONG-TERM DEBT ISSUANCE, ADMINISTRATION AND CREDIT RATINGS

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

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2004

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

[1] Municipal Bond insurance providers: MBIA = MBIA Insurance Corporation

[2] SCRF = Special Capital Reserve Fund of the State of Connecticut

NR = Not Rated

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

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

EXHIBIT I

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

The accompanying notes are an integral part of these financial statements

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

EXHIBIT II

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

The accompanying notes are an integral part of these financial statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

The Connecticut Resources Recovery Authority (Authority) is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (State) and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2004, the Authority Board of Directors consists of eleven full members and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. The remaining eight full members are appointed by the State legislature.

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

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

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

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal services to seventy Connecticut municipalities through service contract arrangements. The Authority owns the Resources Recovery Facility, the transfer stations, the Ellington Landfill and the container-processing portion of the Regional Recycling Center. The Authority leases the land for the Essex transfer station and paper processing portion of the Regional Recycling Center. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. The Authority leases the paper processing facility of the Regional Recycling Center and subleases to a private vendor. Private vendors under various operating contracts conduct operation of the facilities. All revenue generated by the facilities accrues to the Authority. Certain operating contracts have provisions for revenue sharing with a vendor if prescribed operating parameters are achieved. The Authority has responsibility for all debt issued in the development of the Mid-Connecticut system.

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

Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn Resources Recovery Facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a Regional Recycling Center located in Stratford, Connecticut. The Bridgeport Project provides solid waste disposal services to eighteen Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities in the Bridgeport system. The Resources Recovery Facility is leased to a private vendor under a long-term sales-type arrangement until December 2008, with several renewal option provisions. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to pay for the costs of the facility including debt service (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to member municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor.

Wallingford Project

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

Southeast Project

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

General Fund

The Authority has a General Fund in which the costs of central administration are accumulated. Substantially, all of these costs are allocated to the Authority's projects based on time expended.

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

The accounts of the Authority are organized as an Enterprise Fund, which is considered a separate accounting entity. It is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

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

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

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

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

C. Estimates

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

D. Cash and Cash Equivalents

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

E. Accounts Receivable

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

F. Inventory

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

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

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

G. Investments

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

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

H. Restricted Assets

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

I. Development and Bonds Issuance Costs

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

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

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

J. Capital Assets

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

Capital assets	Years
Resources Recovery Buildings	30
Other Buildings	20
Resources Recovery Equipment	30
Gas and Steam Turbines	10-20
Recycling Equipment	10
Rolling Stock and Automobiles	5
Office and Other Equipment	3-5
Roadways	20

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

K. Accrued Compensation

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

L. Net Assets

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

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

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

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

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

M. Reclassifications

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

2. CASH DEPOSITS AND INVESTMENTS

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

STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares.

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

A. Cash Deposits

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

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

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

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

B. Investments

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

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

3. CAPITAL ASSETS

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

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

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested proceeds over the same period. During fiscal 2004 and 2003, there was no capitalized interest as there was no external borrowing.

4. LONG-TERM DEBT

A. Bonds Payable

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

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

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

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

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

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

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

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

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

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

B. Loan Payable

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

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

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

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

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

Interest rate is assumed @ 4.00%

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

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

GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", applies to closure and postclosure care costs which are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the

Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. This amount increases the liability on the balance sheet for closure and postclosure care of landfills. These costs are generally paid when the landfill is closed and may continue for up to thirty years thereafter. The liability for these costs is reduced when the costs are actually incurred.

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

The closure and postclosure care expenses and the amounts paid or accrued for fiscal 2003 and 2004 for the landfills, are presented in the following table:

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

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

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

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

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

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

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

6. MAJOR CUSTOMERS

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

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

7. SETTLEMENT INCOME

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

8. RETIREMENT PLAN

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

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are 5 percent of payroll plus a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2004 and 2003 amounted to $275,000 and $254,000, respectively. Employees contributed $252,000 to the plan in fiscal year 2004 and $211,000 in fiscal year 2003.

9. RISK MANAGEMENT

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

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

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

10. COMMITMENTS

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

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

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

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

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

11. OTHER FINANCING

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

The Authority is not involved in the repayment of debt on these issues except for the portion of the bonds allocable to Authority purposes. In the event of default, and except in cases where the State has a contingent liability discussed below, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues in its financial statements. The principal amounts of these bond issues outstanding at June 30, 2004 (excluding portions allocable to Authority purposes) are as follows:

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

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

12. SEGMENT INFORMATION

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

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

13. SIGNIFICANT EVENTS

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

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

14. CONTINGENCIES

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

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

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

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

In May 2001, Bridgeport Resco filed a demand for arbitration seeking a declaratory judgment that it is entitled to approximately $9,000,000 of savings from an August 1999 bond refinancing. The parties are continuing to attempt to settle this claim and management believes that the outcome of the claim will most probably not have a material adverse effect on the Authority's financial position.

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

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

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

15. OPERATIONS

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

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

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

16. SUBSEQUENT EVENTS

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

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

EXHIBIT A

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

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

EXHIBIT A
Page 2 of 2

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

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2004 (In Thousands)

EXHIBIT B

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

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

EXHIBIT C
Page 1 of 2

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

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

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

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

EXHIBIT D
Page 1 of 2

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

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

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

Exhibit 1 - Historical Waste Summary

Exhibit 1A **Total Municipal Solid Waste Deliveries (tons)**

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast	Total
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
2004	856,143	735,417	153,623	261,030	2,006,213

Exhibit 1B **Member Municipal Solid Waste Deliveries (tons)**

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast	Total
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
2004	614,229	412,607	151,151	176,725	1,354,712

Exhibit 1C **Contract Solid Waste Deliveries (tons)**

Fiscal Year	Mid-Connecticut	Bridgeport	Southeast	Total
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
2004	229,562	180,480	19,874	429,916

Exhibit 1 Continued - Historical Waste Summary

Exhibit 1D **Short-Term Waste Deliveries (tons)**

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast	Total
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
2004	12,352	142,330	2,472	64,431	221,585

Exhibit 1E **Municipal Solid Waste Processed (tons)**

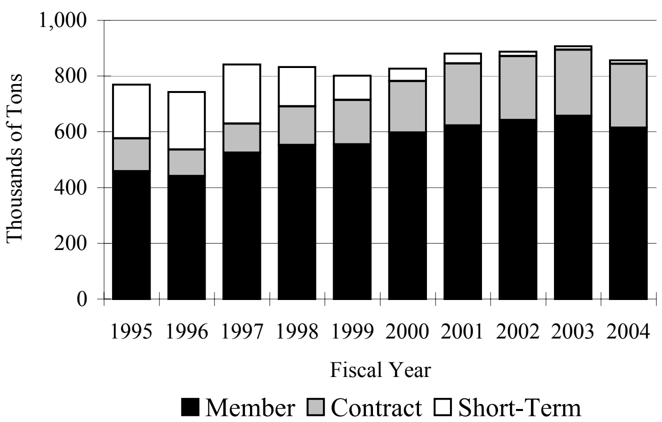
Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast	Total
1995	734,515	756,416	127,094	246,941	1,864,966
1996	718,789	773,399	141,600	249,703	1,883,491
1997	803,123	766,009	138,550	245,611	1,953,293
1998	784,477	753,197	143,084	251,200	1,931,958
1999	777,201	758,346	142,335	247,556	1,925,438
2000	839,134	711,536	142,620	242,790	1,936,080
2001	852,372	719,472	138,526	241,366	1,951,736
2002	791,487	723,207	144,747	244,775	1,904,216
2003	820,692	742,602	149,337	258,677	1,971,308
2004	809,215	733,771	142,083	259,822	1,944,891

Exhibit 1F **Recyclables Processed (tons)**

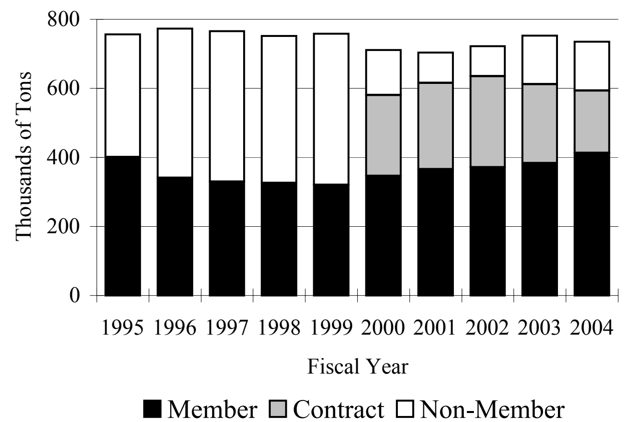
Fiscal Year	Mid-Connecticut	Bridgeport	Total
1995	60,928	65,741	126,669
1996	56,598	58,194	114,792
1997	59,677	60,320	119,997
1998	67,756	59,827	127,583
1999	76,735	57,415	134,150
2000	67,361	60,405	127,766
2001	75,709	63,849	139,558
2002	69,131	58,999	128,130
2003	79,476	60,991	140,467
2004	77,406	63,490	140,896

Exhibit 2 - Waste Delivery Summary

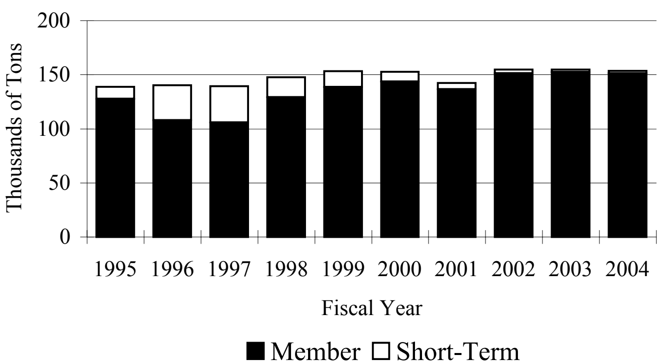
Mid-Connecticut Project



Bridgeport Project



Wallingford Project



Southeast Project

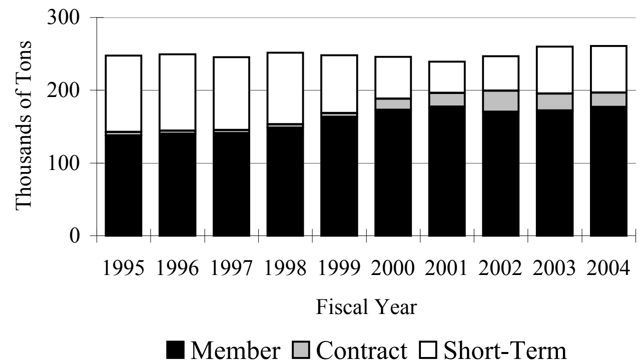


Exhibit 3 - Energy Generation, Net of In-plant Usage
(Total annual megawatts) (1)

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast
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
2004	438,887	479,671	65,178	138,407

(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%	Bridgeport	8.40%	Wallingford	25.75%	Groton	12.80%
W. Hartford	5.44%	Greenwich	6.80%	Hamden	22.06%	Norwich	12.53%
E. Hartford	4.81%	Milford	5.72%	Meriden	21.92%	New London	9.56%
Enfield	4.11%	Fairfield	5.54%	North Haven	15.51%	Waterford	5.81%
Torrington	3.88%	Norwalk	5.12%	Cheshire	13.28%	Stonington	5.41%
	30.95%		31.58%		98.52%		46.11%

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

Exhibit 5 - Per Ton Service Charge for Member Waste

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast
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
2004	$63.75	$71.00	$55.00	$60.00

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

Fiscal Year	Rate
1995	$46.73
1996	$44.51
1997	$46.24
1998	$45.68
1999	$46.26
2000	$59.93
2001	$56.47
2002	$56.85
2003	$60.73
2004	$64.56

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

Exhibit 7 - Revenues by Source (1)

(Dollars in Thousands)

Mid-Connecticut Project

Fiscal Year	Total Revenue	Member and Other Service Charges	% of Annual	Energy Revenue	% of Annual	Landfill Revenue	% of Annual	Recycling Revenue	% of Annual	Interest & Other Income	% of Annual
1995	$85,487	$39,114	45.75%	$36,689	42.92%	$2,641	3.09%	$2,498	2.92%	$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%
1997	$89,157	$41,472	46.52%	$38,707	43.41%	$2,005	2.25%	$1,523	1.71%	$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%
1999	$85,366	$38,918	45.59%	$37,738	44.21%	$1,836	2.15%	$1,394	1.63%	$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%
2001	$94,266	$44,891	47.62%	$39,828	42.25%	$1,320	1.40%	$2,232	2.37%	$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%
2003	$79,150	$52,442	66.26%	$21,532	27.20%	$1,139	1.44%	$1,480	1.87%	$2,557	3.23%
2004	$84,857	$55,255	65.12%	$24,052	28.34%	$1,133	1.34%	$1,844	2.17%	$2,573	3.03%

Bridgeport Project

Fiscal Year	Total Revenue	Member and Other Service Charges	% of Annual	Ash Disposal Revenue	% of Annual	Landfill Revenue	% of Annual	Recycling Revenue	% of Annual	Interest & Other Income	% of Annual
1995	$39,321	$30,903	78.59%	$4,423	11.25%	$58	0.15%	$1,985	5.05%	$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%
1997	$33,615	$25,735	76.56%	$4,799	14.28%	$58	0.17%	$1,111	3.31%	$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%
1999	$35,144	$28,249	80.38%	$3,955	11.25%	$34	0.10%	$975	2.77%	$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%
2001	$47,492	$40,377	85.02%	$3,721	7.84%	$0	0.00%	$1,576	3.32%	$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%
2003	$48,575	$41,357	85.14%	$4,033	8.30%	$0	0.00%	$1,941	4.00%	$1,244	2.56%
2004	$49,666	$41,654	83.87%	$4,031	8.12%	$0	0.00%	$2,607	5.25%	$1,374	2.77%

(1) Includes investment income; excludes non-operating income

Exhibit 7 Continued - Revenues by Source (1)

(Dollars in Thousands)

Wallingford Project

Fiscal Year	Total Revenue	Member and Other Service Charges	% of Annual	Energy Revenue	% of Annual	Interest & Other Income	% of Annual
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%
2004	$21,846	$8,455	38.70%	$12,946	59.26%	$445	2.04%

Southeast Project

Fiscal Year	Total Revenue	Member and Other Service Charges	% of Annual	Interest & Other Income	% of Annual
1995	$18,466	$17,983	97.38%	$483	2.62%
1996	$15,404	$15,055	97.73%	$349	2.27%
1997	$14,987	$14,765	98.52%	$222	1.48%
1998	$14,367	$13,902	96.76%	$465	3.24%
1999	$12,977	$12,521	96.49%	$456	3.51%
2000	$11,625	$11,042	94.98%	$583	5.02%
2001	$11,959	$11,445	95.70%	$514	4.30%
2002	$11,517	$11,334	98.41%	$183	1.59%
2003	$11,283	$11,185	99.13%	$98	0.87%
2004	$11,968	$11,889	99.34%	$79	0.66%

(1) Includes investment income; excludes non-operating income

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	Landfill Closure & Postclosure	% of Annual	Debt Service	% of Annual
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%
2004	$91,783	$58,675	63.93%	$1,481	1.61%	$4,381	4.77%	$467	0.51%	$26,779	29.18%

Bridgeport Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Landfill Closure & Postclosure	% of Annual	Debt Service	% of Annual
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%
2004	$46,562	$42,228	90.69%	$241	0.52%	$861	1.85%	$1,158	2.49%	$2,074	4.45%

(1) Excludes depreciation and amortization and non-operating expenses; debt service includes principal.

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	Landfill Closure & Postclosure	% of Annual	Debt Service	% of Annual
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%
2004	$18,165	$15,864	87.33%	($25)	-0.14%	$469	2.58%	$264	1.45%	$1,593	8.77%

Southeast Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Debt Service	% of Annual
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%
2004	$12,128	$10,570	87.15%	$0	0.00%	$169	1.39%	$1,389	11.45%

(1) Excludes depreciation and amortization and non-operating expenses; debt service includes principal.

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 Principal	Interest	Total	Coverage (3)
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
2004	$ 167,195	$ 135,482	$ 31,713	$ 19,353	$ 12,482	$ 31,835	1.00

(1) Includes operating revenues, investment income and other income, net.
(2) Excludes depreciation and amortization, write off of development costs and interest expense.
(3) Does not include transfers from reserves and other sources to maintain coverage requirements.

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	AAA	MBIA
	2000 Series A	Aaa	AAA	AAA	MBIA
Wallingford	1991 Series One - Subordinated	A3	NR	NR	None
	1998 Series A	Aaa	AAA	AAA	AMBAC
Southeast	1989 Series A	Aaa	AAA	AAA	MBIA
	1998 Series A	Aaa	AAA	AAA	MBIA
	CORPORATE CREDIT REVENUE BONDS: *				
	1992 Series A - Corporate Credit	Baa2	BBB	NR	None
	2001 Series A - Corporate Credit (American Ref-Fuel Company, LLC - I)	Baa2	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: www2.standardandpoors.com
www.moodys.com
www.fitchratings.com

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
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)
2003	1,184,419	70	678,550	18	212,984	5	258,382	15
(1) 2004	1,193,139	70	680,745	18	214,584	5	261,260	15

Source: Department of Health Services
(1) Estimated populations as of July 1, 2003
(2) Includes Fisher Island of New York