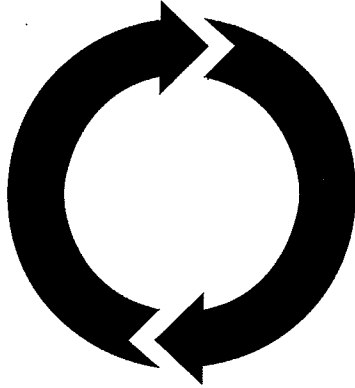


**CONNECTICUT RESOURCES  
RECOVERY AUTHORITY**

A Component Unit of the State of Connecticut  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2009



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**CONNECTICUT  
RESOURCES  
RECOVERY  
AUTHORITY**

A Component Unit of the State of Connecticut

**Comprehensive Annual  
Financial Report**

Fiscal Year Ended June 30, 2009

Submitted by:

James P. Bolduc  
Chief Financial Officer

Nhan T. Vo-Le  
Director of Accounting and Financial Reporting



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**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2009**

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# **Introductory Section**



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100 CONSTITUTION PLAZA • 6th FLOOR • HARTFORD • CONNECTICUT • 06103-1722 • TELEPHONE (860) 757-7700  
FAX (860) 757-7743

December 28, 2009

Board of Directors  
Connecticut Resources Recovery Authority  
100 Constitution Plaza, 6<sup>th</sup> Floor  
Hartford, CT 06103

We are pleased to present the Connecticut Resources Recovery Authority's (the "Authority") Comprehensive Annual Financial Report prepared for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority's financial statements have been audited by Bollam, Sheedy, Torani & Co. LLP, CPAs ("BST"), a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority as of and for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements as of and for the fiscal year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

## PROFILE OF THE AUTHORITY

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 resource 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 State loans pertaining to the Mid-Connecticut project (please see "State Loans" section in the MD&A), 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 resource recovery facilities. The Authority has executed contracts with the operators/contractors of the resource 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 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 tax-exempt 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, two divisions and a General Fund, which together serve 109 / 101<sup>1</sup> Connecticut cities and towns. Each of these systems 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; a regional recycling center composed of a paper and container processing facility; a network of four transfer stations; the Hartford Landfill<sup>2</sup>; and the Ellington Landfill, which has been closed. The Mid-Connecticut Project serves 70 Connecticut municipalities in the greater Hartford area and around the State. The initial contracts with the municipalities begin to expire in November 2012.

The Mid-Connecticut resource recovery facility began commercial operation in October 1988 and generated power at an annual hourly average rate of 45.27 megawatts of electrical energy (net of in-plant usage) in fiscal year 2009.

<sup>1</sup> The Authority served 109 Connecticut cities and towns through December 31, 2008 and currently serves 101 Connecticut cities and towns.

<sup>2</sup> The Hartford Landfill accepted the last shipment of solid waste on December 31, 2008. The closure construction activities at the Hartford Landfill will be completed by December 2010.

## Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn resource 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 resource recovery facility is disposed of at an in-state landfill under contract with a private operator. The Bridgeport Project serves 20 Connecticut municipalities in the southwest and south central part of the State. The Authority's contract with the Bridgeport Project's municipalities ended on December 31, 2008, as did the Authority's agreement with the Bridgeport Project's operator. As a result, the Bridgeport Project is no longer accepting solid waste and has effectively ceased operations. On January 1, 2009, the Authority transferred seven Bridgeport Project transfer stations to their host towns. The Authority has executed a new five-and-a-half-year service agreement with an operator, to commence on January 1, 2009, for the disposal of approximately 265,000 tons of municipal solid waste ("MSW") annually from 12 of the Project's municipalities. These Bridgeport Project municipalities have signed service agreements with the Authority's new SouthWest Division for waste deliveries beginning on January 1, 2009.

The Bridgeport resource recovery facility began commercial operation in July 1988 and generated power at an annual hourly average rate of 28.13 megawatts of electrical energy (net of in-plant usage) through December 31, 2008.

## SouthWest Division

The Authority's contracts with the towns that delivered solid waste to the former Bridgeport Project expired on December 31, 2008. The Authority had proposed a new solid waste agreement to commence on January 1, 2009 and 12 of the former Bridgeport Project towns accepted the Authority's terms and entered into a new five-and-a-half-year (with one-year extension) solid waste disposal contract with the Authority for disposal at the Wheelabrator facility located in Bridgeport. These 12 towns are collectively referred to as the SouthWest Division towns.

## Property Division

Following the expiration of the Bridgeport Project on December 31, 2008 and the simultaneous maturity of the Authority's bonds that had been issued to finance the construction of the Bridgeport Project, the Authority was the owner and holder of several funds and assets. These include numerous landfill post-closure reserves related to the former Bridgeport Project, the Shelton transfer station, and the Garbage Museum (located in Stratford). As these assets are no longer project-specific, the Authority has created the Property Division to reflect their status. In addition, other landfill post-closure reserves related to the Wallingford and Mid-Connecticut Projects are anticipated to be transferred to the Property Division following the culmination of these two projects expected in 2010 and 2012, respectively.

## Wallingford Project

The Wallingford Project consists of a 420 ton per day mass burn resource recovery facility located in Wallingford, Connecticut and the Wallingford Landfill, which has been closed. The ash residue from the resource recovery facility is disposed at a landfill under contract with a private operator. The Wallingford project serves five Connecticut municipalities in New Haven County. The operating contract between the Authority and the contractor will expire on June 30, 2010. The contract has a provision whereby the Authority can exercise an option to purchase the facility when the contract ends. The Authority did not exercise its option to purchase. The contractor will own the facility when the contract ends.

The Wallingford facility began commercial operation in May 1989 and generated power at an annual hourly average rate of 6.66 megawatts of electrical energy (net of in-plant usage) in fiscal year 2009.

## Southeast Project

The Southeast Project consists of a 690 ton per day mass burn resource recovery facility located in Preston, Connecticut and the Montville Landfill, which has been closed. The ash residue from the resource recovery facility is disposed of at an in-state landfill under contract with a private operator. The Southeast Project serves 14 Connecticut municipalities in the eastern portion of the State. The initial contracts with the municipalities begin to expire in November 2015.

The Southeast facility began commercial operation in February 1992 and generated power at an annual hourly average rate of 14.75 megawatts of electrical energy (net of in-plant usage) in fiscal year 2009.

## General Fund

In addition to the Authority's operating projects and divisions, the Authority maintains a General Fund in which the costs of central administration are accumulated.

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

## THE AUTHORITY'S ECONOMIC CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Authority operates.

### Local Economy

The Authority's "local economy" entails the entire State. The Authority's four solid waste management projects situated in Bridgeport<sup>3</sup>, Hartford, Preston, and Wallingford, serve the residents of 109 / 101 of the 169 municipalities of the State (please see footnote on page viii of the transmittal letter).

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. More than one-quarter of the total population of the United States and more than 50% of the Canadian population live within 500 miles of the State.

The population of Connecticut in mid-2008 was estimated at 3,501,252. The State's population growth has slowed during the past three decades. The 2008 population density was 723 persons per square mile, compared with 86 for the United States as a whole.

Connecticut has an extensive network of expressways and major arterial highways that provide access to local and regional markets. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electrical companies. Transmission lines connect Connecticut with New York, New England and Canada. All investor owned electric utilities in the State are members of the New England Power Pool (operated by ISO New England) and operate as part of the regional bulk power system.

Connecticut has a high level of personal income; the historic average per capita income has consistently been among the highest in the nation. This is due to a concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance and real estate as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. Per capita income in 2007 was \$55,180 for Connecticut compared with \$38,859 for the nation. Per capita income in 1997 was \$34,375 for Connecticut compared with \$25,331 for the nation.

Major industries in the State include Manufacturing; Finance, Insurance and Real Estate; Utilities; Retail Trade; Professional, Business and Personal Services; and Government. In 2007, three industries – Services; Manufacturing; and Finance, Insurance and Real Estate (FIRE) –

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<sup>3</sup> On December 31, 2008, the Authority's contracts with the Bridgeport Project towns expired. Many former Bridgeport Project towns entered into contracts with the Authority for disposal at the Bridgeport facility, which is now classified as the SouthWest Project.

accounted for 69.5% of total Gross State Product<sup>4</sup> in Connecticut compared to 58.7% for the nation and was little changed from 68.9% in 1998. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and this concentration has changed little in recent years.

One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one-quarter of the State's manufacturing employees are employed in defense-related businesses. This sector's significance in the State's economy has declined considerably since the early 1980s as there was a marked reduction in the amount of federal spending earmarked for defense related industries in the State. However, these amounts have been climbing since fiscal year 2001 and in fiscal year 2007, the State received \$8.6 billion of prime contract awards, which ranked the State ninth in total defense dollars awarded and third in per capita dollars awarded nationwide. These increases were primarily due to the procurement of helicopters and submarines.

The State's unemployment rate has mirrored the economic recession of the early 1990s, the economic boom of the late 1990s and the slowdown during the recession of the early 2000s. The unemployment rate in the State reached its low of 2.3% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to its recent high of 5.5% in 2003, the State's unemployment rate declined to 4.4% in 2006. The current recession brings the unemployment rate in Connecticut up to 5.1% for the first six months of 2008, compared with the New England average of 4.8% and the national average of 5.1% for the same time period.

Historically, as the State's economy has grown, so has the need for solid waste disposal capacity. The Connecticut Department of Environmental Protection ("CTDEP") adopted a revised State Solid Waste Management Plan ("SWMP") in December 2006 (please see "Solid Waste Management Plan" on page xv). The SWMP recognizes that there is currently insufficient disposal capacity within Connecticut to manage the municipal solid waste ("MSW") generated, but the SWMP does not explicitly propose that additional capacity be installed. Instead, the SWMP sets an aggressive twenty-year diversion (recycling) and source reduction goal of 58% that, if met, will theoretically maintain the in-state disposal rate, and out-of-state export rate, at current levels.

## Major Initiatives

- The Authority's mission is to act in the best interest of the towns that it serves. To that end, the Authority's Board of Directors reduced the fiscal year 2009 Mid-Connecticut Project budget by approximately \$4 million and reduced the municipal solid waste disposal fee by \$10 per ton effective January 1, 2009. In addition, the Authority's Board of Directors approved nearly \$26.7 million of the Wallingford Project surplus to be distributed to the Wallingford member towns during fiscal year 2009. The member towns received the distribution on April 27, 2009.
- As part of the Mid-Connecticut Project budget for fiscal year 2009, the Authority's Board of Directors adopted budgets that include funds to be rebated to member municipalities for the

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<sup>4</sup> Gross State Product is the current market value of all final goods and services produced by labor and property located within the State of Connecticut. Source: State of Connecticut Special Tax Obligation Bonds, 2009 Series A, B & C.

delivery of acceptable recycles and provide further economic incentive to maximize their local recycling programs. In August 2009, the Authority rebated \$405,000 to the Mid-Connecticut Project municipalities, which represents \$5 for every qualifying ton of recyclables they delivered to the Authority during the fiscal year ended June 30, 2009.

- Through the efforts of the Authority's Management and member town persistence, the State Legislature authorized \$13 million to be disbursed through the State Bond Commission to the Authority to assist with closure costs for the Hartford landfill, with \$3 million appropriated in fiscal year 2008 and \$10 million appropriated in fiscal year 2009. In March 2008, the State Bond Commission allocated \$3 million. The Authority submitted a reimbursement request to the State of Connecticut (through the CTDEP) in early September 2008 for reimbursement of the first \$3 million of expenditures, and received the \$3 million in January 2009.
- Miscellaneous revenue streams were sought in the form of landfill cover and generated approximately \$1.3 million in fiscal year 2009. This landfill cover consists of "Brownfields" soil which is used as daily landfill cover and grading and contouring material, replacing soil which the Authority would otherwise have to buy, and that has been approved by the DEP for this purpose.
- The Authority continues its efforts to recover funds from other companies that were involved in the failed Enron transaction. In April 2009, the Authority executed a \$550,000 Settlement Agreement and Mutual Release with a settling party in association with an Enron-related lawsuit. The Authority is continuing to pursue the potential recovery of additional settlement funds.
- Final closure of the Hartford landfill commenced in summer 2007. The closure construction activities associated with the Phase I ash area were completed in fiscal year 2009, and the closure construction activities associated with the MSW/Interim ash area will continue into fiscal year 2010. It is expected that these closure activities will be completed by December 2010. A contract to close the remaining unclosed section of the Phase I ash area was approved by the Authority's Board of Directors at its June 2009 meeting, the contract was executed in July 2009, and the construction activities are expected to be completed by December 2009. Upon closure of the Hartford landfill, the Mid-Connecticut Project incurs substantial cost increases to transport and dispose of the non-processible waste, process residue, and ash residue to other facilities. A new ash landfill in Connecticut would mitigate some of these costs.
- In March 2008, the Authority publically announced a site in Franklin, Connecticut as the primary site to be investigated to confirm that it is technically and environmentally amenable to permit and construct a landfill for the disposal of ash residue. The Authority began field investigations in April 2008 and continued the investigations through spring 2009. During its 2009 session, the Connecticut State Legislature passed a bill that prevented the Authority from acquiring certain properties necessary to develop the Franklin site; if the bill became law it would have removed this site from further consideration as an ash landfill. The Governor vetoed the legislation and the legislature chose to not attempt to override the veto at that time. Consequently, in August 2009, the Authority publically announced that based on its understanding of the directives received from State leaders, it will suspend its efforts to develop an ash landfill in the State of Connecticut. The Authority will focus on consideration of other environmentally sound options for long-term disposal of ash residue from its resource recovery facilities, including disposal at other in-state and out-of-state landfills.
- The Authority's contracts with the towns that delivered solid waste to the former Bridgeport Project expired on December 31, 2008, and the towns were free to execute new solid waste

disposal services agreements with other providers elsewhere. The Authority had proposed a new solid waste agreement to commence on January 1, 2009 and 12 of the former Bridgeport Project towns accepted the Authority's terms and entered into a new five-and-a-half-year (with one-year extension) solid waste disposal contract with the Authority for disposal at the Wheelabrator facility located in Bridgeport. These 12 towns are collectively referred to as the SouthWest Division towns. The Bridgeport Facility formerly operated under an operating agreement and site lease agreement between the Authority and Wheelabrator Bridgeport, both of which expired December 31, 2008. Subsequently, on December 31, 2008, the Authority and Wheelabrator Bridgeport entered into a First Amendment and Renewal of Site Lease whereby Wheelabrator Bridgeport purchased the Authority's nominal interest in the Facility and will make annual lease payment to the Authority.

### **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) started to expire in 2008. The Authority continues to evaluate how solid waste services will be provided to Connecticut municipalities beyond the term of the existing projects. The Authority's management has been conducting meetings with its member cities and towns to discuss long-term planning with regard to solid waste flow. As required by State Statute, Future Planning Committees were created for the Bridgeport, Mid-Connecticut, and Wallingford Projects to participate in the discussion of the future options for the member cities and towns. In addition, the Authority's Board is in the process of developing long-term strategic plans designed to determine the future course for the Authority's projects and, concurrently, plan ways to manage the State's solid waste disposal and recycling needs for decades to come in conjunction with the CTDEP's new SWMP (please see "Solid Waste Management Plan" on page xv).

The Authority executed a new agreement with twelve of the original Bridgeport Project's municipalities, which has been accounted for as the SouthWest Division, for waste deliveries beginning January 1, 2009. After June 30, 2010, the Wallingford Project municipalities will deliver their waste under a new contract with the Wallingford plant operator.

### **Long-Term Financial Planning**

In light of the upcoming expiration of the existing project contracts, the Authority is reviewing the financial condition of each of its projects to ensure adequate funds are set aside to cover each project's long-term obligations, which includes, but is not limited to, closure and post-closure costs associated with the landfills. During fiscal years 2008 and 2009, many of the landfill closure and post-closure cost estimates were increased due to Authority assumption for the responsibility of all closure and post-closure care costs and short-term global economic challenges which contributed to temporary interest rate decreases and unpredictable consumer price index changes. The Authority increased its contribution for several of the landfills for projected reserve shortfalls in administration costs, including estimated annual premiums for pollution liability insurance as well as post-closure monitoring and maintenance costs. In addition, the Authority is evaluating its financial plan in conjunction with its strategic plan and the CTDEP's new SWMP.



## **Market Competitive Tip Fees**

The Authority establishes tip fees at the Mid-Connecticut and Southeast facilities on a net cost of operations basis. In addition, the Authority has a set disposal and administrative fee at the SouthWest Division, which escalates based on set indices. Furthermore, it has to be cognizant of pressures on deliveries from competitive market tip fees. The Authority balances these by implementing cost control initiatives and enhancing revenue streams. Furthermore, the Authority has been successful in its efforts to defease outstanding bonds of its Mid-Connecticut Project.

The Authority expects the Mid-Connecticut Project operating costs to increase as a result of the closing of the Hartford landfill. Because of the new solid waste delivery agreement, which began January 1, 2009, between the Authority and Wheelabrator, the Authority anticipates the SouthWest Division to have stable tip fees for the upcoming year. The Authority along with the Southeastern Connecticut Regional Resources Recovery Authority and the Wallingford Policy Board have had stable tip fees at the Southeast Project and Wallingford Project, respectively.

## **Solid Waste Management Plan**

In December 2006, the CTDEP completed an amendment of the State's SWMP. It replaced the SWMP that was adopted in 1991. The CTDEP is required by statute to prepare and adopt the SWMP. In preparing the SWMP, the CTDEP adopted a twenty-year planning horizon for the SWMP. The SWMP sets out three goals: 1) significantly reduce the amount of Connecticut generated solid waste requiring disposal through increased source reduction, reuse, recycling, and composting; 2) manage the solid waste that ultimately must be disposed in an efficient, equitable, and environmentally protective manner, consistent with the statutory solid waste hierarchy; and 3) adopt stable, long-term funding mechanisms that provide sufficient revenue for state, regional, and local programs while providing incentives for increased waste reduction and diversion. The statutory hierarchy for managing solid waste, in descending order from the most to the least preferable, is as follows:

- Source reduction
- Recycling
- Composting of yard waste or vegetable matter
- Bulky waste recycling
- Resource recovery or waste-to-energy plants
- Incineration and landfilling

The SWMP establishes a target of 58 percent MSW disposal diversion by fiscal year 2024, an increase of approximately 28 percent from the current MSW diversion rate. The SWMP includes over 75 strategies to be implemented by a variety of entities to achieve that goal.

The Authority developed the Annual Plan of Operations in conjunction with the fiscal year 2009 budget development process during late fall/early winter 2007, incorporating certain components for the then current fiscal year 2008. In January 2008, the Board of Directors authorized Management to submit the Plan for fiscal years 2008 and 2009 to the CTDEP. By correspondence dated July 15, 2008, the Authority received a response from CTDEP. CTDEP advised the Authority that it cannot approve the Plan as submitted without further clarification by

the Authority of several matters discussed in the Plan. The Authority has responded to these questions and submitted the response to the DEP in December 2008. Upon receiving final DEP concurrence that the Plan is consistent with the SWMP, the Plan will then be brought before the Board of Directors for adoption. Currently, the Authority has not received a response from DEP to the Authority's December 2008 submittal.

## **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, 2008. This was the sixteenth 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.

## **ACKNOWLEDGEMENTS**

We would like to express our gratitude to the many employees whose dedication and support contributed to the production of this report. We also appreciate the assistance and dedication of the audit team from BST. Finally, we would like to thank the Authority's Board of Directors for their interest and support in planning and conducting the Authority's finances and operations.

Respectfully Submitted,

  
James P. Bolduc  
Chief Financial Officer



Nhan T. Vo-Le  
Director of Accounting and Financial Reporting

# 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, 2008

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.



President

Executive Director

# **Board of Directors As of June 30, 2009**

## **Directors**

The Honorable Michael A. Pace, Chairman  
The Honorable Timothy Griswold  
The Honorable Michael J. Jarjura  
The Honorable Mark A. Lauretti  
Alan Desmarais  
David B. Damer  
Theodore H. Martland  
The Honorable James R. Miron  
Raymond J. O'Brien  
Linda R. Savitsky  
Vacancy

## **Ad Hoc Directors**

### **Mid-Connecticut Project**

Vacancy  
Vacancy

### **Bridgeport Project**

Stephen Edwards  
Vacancy

### **Wallingford Project**

Warren C. Howe, Jr.  
Geno J. Zandri, Jr.

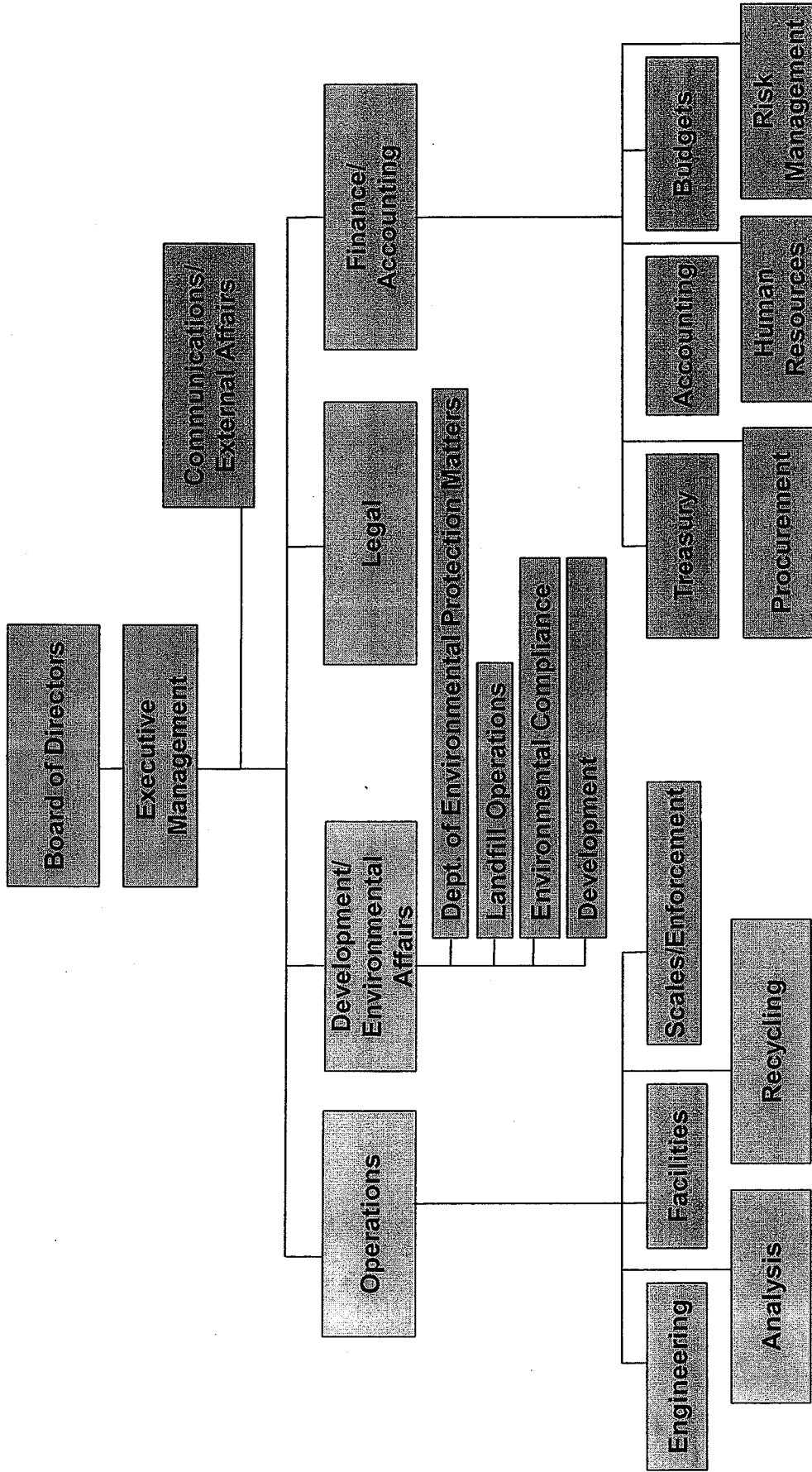
### **Southeast Project**

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## **President**

Thomas D. Kirk

# Connecticut Resources Recovery Authority - Organization Chart





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# Financial Section



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Connecticut Resources Recovery Authority  
Hartford, Connecticut

We have audited the accompanying balance sheet of the Connecticut Resources Recovery Authority (Authority), a component unit of the State of Connecticut, as of June 30, 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority for the year ended June 30, 2008, were audited by other auditors whose report, dated September 25, 2008, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and supplemental information on pages 3 through 22 and 52 through 58, respectively, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental 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, pages vii through xix, and the Statistical Section, pages 61 through 91 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, accordingly, we express no opinion on them.

*Bollam Sheedy Torani & Co LLP*

New York, New York  
September 24, 2009



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the Connecticut Resources Recovery Authority's (the "Authority") activities and financial performance provides an introduction to the audited financial statements for the fiscal years ended June 30, 2009 and 2008. 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 2009 total assets decreased by \$26.3 million or 7.3% from fiscal year 2008 and total liabilities decreased by \$3.4 million or 3.1%. Total assets exceeded total liabilities by \$226.7 million as of June 30, 2009 as compared to \$249.5 million as of June 30, 2008 or a net decrease of \$22.8 million.

The fiscal year 2008 total assets decreased by \$36.8 million or 9.3% from fiscal year 2007 and total liabilities decreased by \$47.5 million or 30.1%. Total assets exceeded total liabilities by \$249.5 million as of June 30, 2008 as compared to \$238.7 million as of June 30, 2007, or a net increase of \$10.7 million.

### BALANCE SHEETS As of June 30, (In Thousands)

	2009	2008	2007
<b>ASSETS</b>			
Current unrestricted assets	\$ 123,081	\$ 133,044	\$ 124,788
Current restricted assets	28,639	37,409	60,290
Total current assets	<u>151,720</u>	<u>170,453</u>	<u>185,078</u>
Non-current assets:			
Restricted cash and cash equivalents	33,390	36,472	49,642
Restricted investments	817	809	779
Capital assets, net	144,559	148,216	156,334
Development and bond issuance costs, net	3,190	3,978	4,921
Total non-current assets	<u>181,956</u>	<u>189,475</u>	<u>211,676</u>
<b>TOTAL ASSETS</b>	<u>\$ 333,676</u>	<u>\$ 359,928</u>	<u>\$ 396,754</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 37,659	\$ 40,607	\$ 72,270
Long-term liabilities	69,356	69,849	85,713
<b>TOTAL LIABILITIES</b>	<u>107,015</u>	<u>110,456</u>	<u>157,983</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	133,360	135,575	142,050
Restricted	36,646	45,876	43,324
Unrestricted	56,655	68,021	53,397
Total net assets	<u>226,661</u>	<u>249,472</u>	<u>238,771</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 333,676</u>	<u>\$ 359,928</u>	<u>\$ 396,754</u>



## FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2009 and 2008:

### ASSETS

**Current unrestricted assets** decreased by \$10.0 million or 7.5% from fiscal year 2008, which increased by \$8.3 million or 6.6% over fiscal year 2007. The fiscal year 2009 decrease is primarily due to:

- A \$26.7 million distribution of Wallingford Project reserves to the Wallingford Project member towns; and
- Payments of \$19.0 million for the design, upgrade, and retrofit of the Mid-Connecticut Regional Recycling Center, equipment purchases, and plant improvements at the Mid-Connecticut Waste Processing Facility and Power Block Facility, closure costs at the Hartford landfill, costs associated with the purchase option for the Wallingford plant, and landfill development; and
- Decreased accounts receivable, net of \$2.5 million at the Bridgeport Project due to the Bridgeport Project municipal service agreements (“MSA”) with the towns terminating on December 31, 2008; offset by:
- Contributions toward operating cash requirements for a total of \$22.7 million at the Bridgeport Project (\$1.6 million), Mid-Connecticut Project (\$17.5 million), and Wallingford Project (\$3.6 million) for specific purposes; and
- Increased operating cash balance of \$5.4 million mainly due to timely transfers of funds from the Mid-Connecticut restricted Revenue Fund for operating activities and an increase in tipping fees enacted at the Bridgeport, Mid-Connecticut, and Wallingford Projects; and
- Settlement funds of \$3.5 million (net of attorneys’ fees and costs of litigation) at the Mid-Connecticut Project as a result of a litigation-related settlement; and
- A \$3.0 million grant received from the Connecticut Department of Environmental Protection (“CTDEP”) in January 2009 as reimbursement of costs previously incurred by the Authority in the closure of the Hartford landfill; and
- Interest earned on current unrestricted cash and cash equivalents of \$1.8 million; and
- A \$1.2 million transfer of funds from the Bridgeport Project current restricted assets as a result of the bonds maturities in January 2009.

The fiscal year 2008 increase was primarily due to:

- Increased unrestricted cash and cash equivalents of \$17.0 million primarily as a result of:
  - Contributions toward operating cash requirements of \$11.2 million and \$3.5 million at the Mid-Connecticut and Wallingford Projects for specific purposes, respectively; and
  - Settlement funds of \$4.3 million (net of attorneys’ fees and costs of litigation) at the Mid-Connecticut Project as a result of litigation-related settlements; and
  - The creation of the Non-Escrow Short-Term Investment Fund (“STIF”) account of \$2.0 million at the Mid-Connecticut Project, which was funded from the



Enron-related settlements, to provide for costs of paying expert witnesses and other legal fees relating to the Enron-related lawsuits; and

- An increase in the Shelton Landfill Post-closure account due to a \$3.0 million State grant-in-aid received from the Connecticut Department of Environmental Protection (“CTDEP”) in November 2007 as reimbursement for costs previously incurred by the Authority in the closure of the Shelton Landfill; and
- Interest earned on current unrestricted cash and cash equivalents of \$4.3 million; and
- A \$458,000 transfer of funds from the Mid-Connecticut Project current restricted assets as a result of a capital repair and replacement contract expiration; offset by:
- Payments of \$9.3 million for equipment purchases and plant improvements at the Mid-Connecticut Waste Processing Facility and Power Block Facility, closure costs at the Hartford landfill, and landfill development costs; and
- Decreased operating cash balance of \$3.2 million at the Mid-Connecticut Project primarily due to decrease in the transfer of funds from the Mid-Connecticut restricted Revenue Fund as a result of timing; and
- Decreased accounts receivable, net of \$6.2 million is a combination of decreased miscellaneous receivable and service payments receivable at the Bridgeport, Mid-Connecticut, and Wallingford Projects. The decrease at the Bridgeport Project is due to a decrease in miscellaneous receivable as a result of the State grant-in-aid received in November 2007. The decrease in service payments receivable at the Bridgeport, Mid-Connecticut, and Wallingford Projects is primarily as a result of decreased member and contract deliveries; and
- Decreased prepaid expenses and other current assets of \$2.7 million primarily due to:
  - Other current assets decreased by \$2.5 million due to payment to a private landowner in July 2007 pertaining to a settlement agreement at the Mid-Connecticut Project.

**Current restricted assets** decreased by \$8.8 million or 23.4% from fiscal year 2008, which decreased by \$22.9 million or 38.0% from fiscal year 2007. The fiscal year 2009 decrease is primarily due to:

- Revenue Fund balances at two projects decreased by a total of \$7.8 million; the Mid-Connecticut Project (\$5.7 million) and the Wallingford Project (\$2.1 million). The decrease at the Mid-Connecticut Project is mainly due to the timely transfers of funds to the Mid-Connecticut unrestricted assets for operating activities. The decrease at the Wallingford Project is due to decreases in electricity generation and contract rates; and
- The \$1.2 million transfer of funds to the Bridgeport Project current unrestricted assets as the result of the bonds maturities in January 2009; offset by:
- Interest earned on current restricted assets of \$0.7 million.



The fiscal year 2008 decrease was primarily due to:

- Escrow STIF account for the Mid-Connecticut Project decreased by \$37.9 million. This occurred due to a \$36.8 million distribution of funds pursuant to the Court Order (discussed on pages 19-20 of this report) in the New Hartford suit and the \$2.0 million transfer of funds to the Mid-Connecticut Project unrestricted assets for the creation of the Non-Escrow STIF account, which was partially offset by interest earned on the Escrow STIF account of \$864,000 during the period from July 1, 2007 through December 11, 2007; and
- Funds used of \$2.6 million to repay the outstanding State loans in February 2008; and
- The \$458,000 transfer of funds to the Mid-Connecticut Project current unrestricted assets as the result of the capital repair and replacement contract expiration; offset by:
- Revenue Fund balance at the Mid-Connecticut Project increased by \$15.6 million. This increase is primarily as a result of higher electric revenue received and the impact of decreases in funds used to defease bonds and the transfers of funds to current unrestricted assets; and
- A reclass of \$1.8 million from the non-current restricted Wallingford and Bridgeport Debt Service Reserve Funds as a result of the Wallingford 1998 Series A and the Bridgeport 1999 Series A Bond maturities scheduled in November 2008 and January 2009, respectively; and
- Interest earned on current restricted assets of \$1.4 million, excluding the \$864,000 in interest earned on the Escrow STIF account.

**Non-current assets** decreased by \$7.5 million or 4.0% from fiscal year 2008, which decreased by \$22.2 million or 10.5% from fiscal year 2007. The fiscal year 2009 decrease occurred primarily due to:

- Payments of \$3.3 million for two gas turbines and the rebuild of a turbine at the Energy Generating Facility; and
- Decreased capital assets, net of \$3.6 million due to \$16.6 million of depreciation expense and a \$2.4 million loss on a write-off of assets that were transferred to certain Bridgeport Project member towns on January 1, 2009; offset by \$15.7 million in plant improvements, equipment purchases, construction in progress, and deferred acquisition costs; and
- Decreased development and bond issuance costs, net of \$0.8 million due to amortization expense.

The fiscal year 2008 decrease was primarily due to:

- Decreased restricted cash and cash equivalents of \$13.2 million primarily as a result of:
  - Funds used of \$11.2 million for regular principal and interest payments on State loans and the repayment of the outstanding State loans principal balance including accrued interest due as of February 14, 2008; and



- The \$1.8 million reclass to the Bridgeport and Wallingford current restricted cash and cash equivalents as a result of the bond maturities scheduled in November 2008 and January 2009; and
- Payments of \$1.1 million for turbine repairs and miscellaneous improvements at the Energy Generating Facility; and
- \$0.7 million in transfers of the amount in excess of reserve requirements and debt service; offset by:
  - \$1.6 million in interest earned on non-current restricted cash and cash equivalents; and
- Decreased capital assets, net of \$8.1 million due to \$17.2 million in depreciation expense offset by \$9.1 million in plant improvements, equipment purchases, construction in progress, and deferred acquisition costs; and
- Decreased development and bond issuance costs, net of \$0.9 million due to amortization expense.

### **LIABILITIES**

**Current liabilities** decreased by \$2.9 million or 7.3% compared to fiscal year 2008, which decreased by \$31.7 million or 43.8% compared to fiscal year 2007. The fiscal year 2009 decrease from 2008 is primarily due to:

- A decrease in net current portion of closure and post-closure care of landfills of \$1.1 million as a result of lower costs anticipated to be incurred at the Hartford and Waterbury landfills within the next twelve months; and
- A decrease in accounts payable and accrued expenses of \$3.0 million due to lower accrued expenses balance at the Bridgeport Project as a result of the closure of the Bridgeport Project on December 31, 2008, partially offset by higher accrued expenses balance at the Southeast Project; offset by:
- An increase in current portion of bonds payable, net of \$1.1 million as a result of the resumption of principal payments for the Mid-Connecticut 1996 Series A Bonds scheduled in November 2009; partially offset by the three bond issues maturing during fiscal year 2009: Bridgeport Project Refinancing Bonds 1999 Series A, Bridgeport Refinancing Bonds 2000 Series A, and Wallingford Project Refinancing Bonds 1998 Series A.

The fiscal year 2008 decrease from 2007 was primarily due to:

- Decreased accounts payable and accrued expenses of \$30.5 million as a result of payment of accruals related to a ruling in the New Hartford suit and settlement costs at the Mid-Connecticut Project and lower accrued expenses, partially offset by higher accounts payable; and
- Decreased current portion of State loans payable of \$2.6 million due to the repayment of the outstanding State loans principal balance; offset by:
- A \$1.6 million increase in net current portion of closure and post-closure care of landfills as a result of higher costs anticipated to be incurred at the Hartford landfill within the next twelve months.



Long-term liabilities decreased by \$490,000 or 0.7% compared to fiscal year 2008, which decreased by \$15.9 million or 18.5% compared to fiscal year 2007. The fiscal year 2009 decrease is primarily due to:

- Decreased bonds payable, net of \$4.0 million due to regular principal payments on Authority bonds and the three bond issues maturing during fiscal year 2009: Bridgeport Project Refinancing Bonds 1999 Series A, Bridgeport Refinancing Bonds 2000 Series A, and Wallingford Project Refinancing Bonds 1998 Series A; offset by:
- Increased closure and post-closure care of landfills of \$3.7 million due to:
  - Increased projected costs of \$10.0 million. This increase is due to increased post-closure monitoring and maintenance costs at the Ellington, Hartford, Shelton, and Wallingford landfills and increased pollution legal liability insurance at the Shelton landfill; and
  - Increased estimated total current costs of \$1.3 million at the Hartford landfill due to an increase in the Hartford landfill capacity used; and
  - Lower current portion of closure and post-closure care costs of \$1.1 million; offset by:
  - A reduction of \$7.9 million in the long-term liability accounts as a result of payment for closure and post-closure care costs at the Ellington, Hartford, Shelton, Wallingford, and Waterbury landfills; and
  - Decreased projected costs of \$770,000 at the Waterbury landfill due to lower actual closure costs and a decrease in the estimated cost for pollution legal liability insurance.

The fiscal year 2008 decrease from 2007 was due to:

- Decreased bonds payable, net of \$2.9 million due to regular principal payments on Authority bonds; and
- Decreased long-term portion of State loans payable of \$10.7 million due to regular principal payments on State loans through February 1, 2008, plus the full repayment of the outstanding State loans principal due as of February 14, 2008 for the Mid-Connecticut Project; and
- Decreased closure and post-closure care of landfills of \$2.2 million. This occurred due to a \$5.7 million reduction in the long-term liability accounts as a result of payments for closure and post-closure care costs and a reclass of \$1.6 million to the current liabilities, which is offset by an increase in projected costs of \$5.1 million. This increase is a combination of the inclusion of estimated annual premiums for pollution liability insurance as well as increased post-closure monitoring and maintenance costs at the Ellington, Hartford, Shelton, Wallingford, and Waterbury landfills, an increase in the Hartford and Waterbury landfills capacity used, and a slight increase in the closure costs at the Hartford landfill.





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

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

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

	2009	2008	2007
Operating revenues	\$ 171,703	\$ 189,988	\$ 194,057
Operating expenses	183,553	170,954	202,625
Income (loss) before depreciation and amortization and other non-operating revenues and (expenses)	(11,850)	19,034	(8,568)
Depreciation and amortization	17,398	18,184	18,189
Income (loss) before other non-operating revenues and (expenses), net	(29,248)	850	(26,757)
Non-operating revenues, net	6,437	9,851	14,242
Income (loss) before special item	(22,811)	10,701	(12,515)
Special item:			
Defeasance of debt	-	-	(1,148)
Change in net assets	(22,811)	10,701	(13,663)
Total net assets, beginning of year	249,472	238,771	252,434
Total net assets, end of year	\$ 226,661	\$ 249,472	\$ 238,771

**Operating revenues** decreased by \$18.3 million or 9.6% during fiscal year 2009 from fiscal year 2008 and decreased by \$4.1 million or 2.1% during fiscal year 2008 from fiscal year 2007. The fiscal year 2009 decrease is primarily due to a \$15.7 million decrease in member and contract deliveries, a \$2.2 million decrease in ash disposal reimbursement, and a \$511,000 decrease in other operating revenues.

The fiscal year 2008 decrease is primarily due to a \$6.0 million decrease in member and contract deliveries and a \$1.3 million decrease in other operating revenues, partially offset by a \$3.1 million increase in energy sales.

**Operating expenses** increased by \$12.6 million or 7.4% during fiscal year 2009 primarily due to a \$26.7 million distribution to the Wallingford Project member towns and a \$5.4 million increase in landfill closure and post-closure costs, offset by a \$16.9 million decrease in solid waste operations and a \$2.7 million decrease in maintenance and utilities.

Operating expenses decreased by \$31.7 million or 15.6% during fiscal year 2008 primarily due to a \$29.5 million decrease in landfill closure and post-closure costs as a result of a settlement agreement executed in fiscal year 2007 in association with the Hartford landfill, and the impact of increased projected costs at all five landfills, decreased legal services-external of \$3.3 million offset by a \$1.5 million increase in maintenance and utilities.



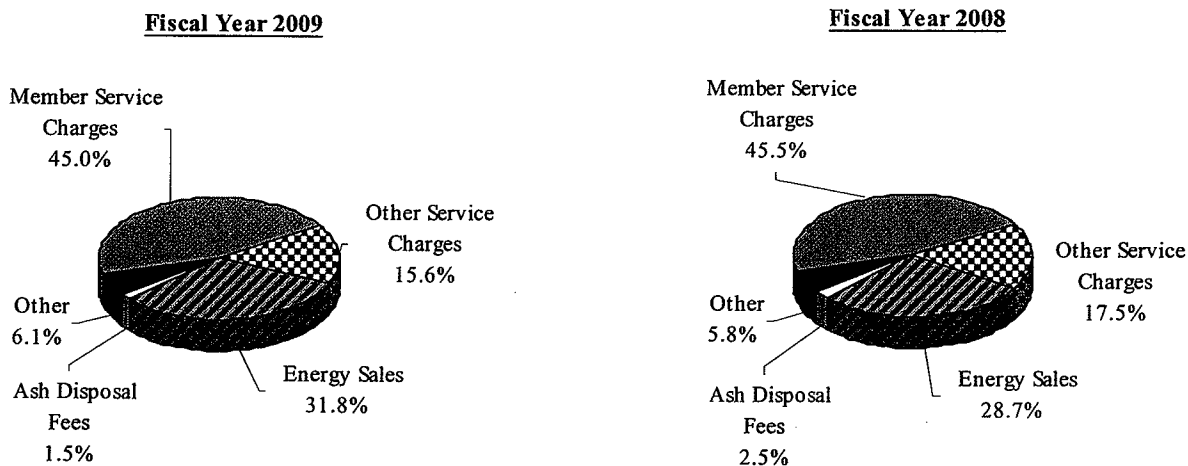
Depreciation and amortization decreased by \$786,000 or 4.3% from fiscal year 2008 and decreased by \$5,000 from fiscal year 2007. The fiscal year 2009 decrease is primarily due to the transfers of the Bridgeport Project assets to the towns on January 1, 2009, and other fully depreciated assets.

Non-operating revenues, net decreased by \$3.4 million during fiscal year 2009 primarily due to the loss on the transfers of the Bridgeport Project assets to the towns, and decreased investment income, which is partially offset by the \$3.0 million State grant as reimbursement of costs previously incurred by the Authority in the closure of the Hartford landfill. Non-operating revenues, net decreased by \$4.4 million during fiscal year 2008 primarily due to decreases in litigation-related settlements and the \$3.0 million State grant as reimbursement of costs previously incurred by the Authority in the closure of the Shelton landfill, investment income, and other income, offset by decreases in litigation related-judgment and settlement costs recorded during fiscal year 2007 as well as lower interest expense.

Special item – Defeasance of debt: There was no such special item during both fiscal years 2009 and 2008. The fiscal year 2007 special item is attributable to the write-off of unamortized amounts such as bond issuance costs and other deferred amounts related to the Mid-Connecticut 1996 Series A Bonds, which were partially defeased, during fiscal year 2007.

SUMMARY OF OPERATING REVENUES

The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2009 and 2008:



During fiscal year 2009, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 62.1% of the Authority’s operating revenues. Energy sales make up another 31.8% of operating revenues. During fiscal year 2008, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 65.5% of the Authority’s operating revenues. Energy sales make up another 28.7% of operating revenues.

A summary of operating revenues and non-operating revenues, and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:



**SUMMARY OF OPERATING AND NON-OPERATING REVENUES**  
**Fiscal Years Ended June 30,**  
**(In Thousands)**

	2009	2008	2009 Increase/ (Decrease) from 2008	2009 Percent Increase/ (Decrease)	2007	2008 Increase/ (Decrease) from 2007	2008 Percent Increase/ (Decrease)
<b>Operating Revenues:</b>							
Member service charges	\$ 77,236	\$ 86,455	\$ (9,219)	(10.7%)	\$ 91,848	\$ (5,393)	(5.9%)
Other service charges	26,838	33,308	(6,470)	(19.4%)	33,917	(609)	(1.8%)
Energy sales	54,568	54,460	108	0.2%	51,400	3,060	6.0%
Ash disposal reimbursement	2,511	4,704	(2,193)	(46.6%)	4,485	219	4.9%
Other operating revenues	10,550	11,061	(511)	(4.6%)	12,407	(1,346)	(10.8%)
<b>Total Operating Revenues</b>	<b>171,703</b>	<b>189,988</b>	<b>(18,285)</b>	<b>(9.6%)</b>	<b>194,057</b>	<b>(4,069)</b>	<b>(2.1%)</b>
<b>Non-Operating Revenues:</b>							
Litigation-related settlements	4,250	4,745	(495)	(10.4%)	40,225	(35,480)	(88.2%)
Investment income	2,818	7,208	(4,390)	(60.9%)	9,821	(2,613)	(26.6%)
Other income	3,871	292	3,579	1225.7%	4,073	(3,781)	(92.8%)
<b>Total Non-Operating Revenues</b>	<b>10,939</b>	<b>12,245</b>	<b>(1,306)</b>	<b>(10.7%)</b>	<b>54,119</b>	<b>(41,874)</b>	<b>(77.4%)</b>
<b>TOTAL</b>	<b>\$ 182,642</b>	<b>\$ 202,233</b>	<b>\$ (19,591)</b>	<b>(9.7%)</b>	<b>\$ 248,176</b>	<b>\$ (45,943)</b>	<b>(18.5%)</b>

Overall, fiscal year 2009 total revenues decreased by \$19.6 million or 9.7% from fiscal year 2008. Fiscal year 2008 total revenues decreased by \$45.9 million or 18.5% from fiscal year 2007. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Member service charges decreased by \$9.2 million in fiscal year 2009 and decreased by \$5.4 million in fiscal year 2008. The fiscal year 2009 decrease is primarily due to the closure of the Bridgeport Project as of December 31, 2008, lower member deliveries at the Mid-Connecticut and Southeast Projects, partially offset by increased waste deliveries at the SouthWest Division as a result of the commencement of operations at the Wheelabrator's Bridgeport facility. The fiscal year 2008 decrease reflects decreased member deliveries at all four operating projects.
- Other service charges to both contract towns and spot waste haulers decreased by \$6.5 million in fiscal year 2009 and decreased by \$0.6 million in fiscal year 2008. The fiscal year 2009 decrease is primarily due to the closure of the Bridgeport Project as of December 31, 2008, and lower contract deliveries at the Southeast Project, which is partially offset by increased contract deliveries at the Mid-Connecticut Project and increased spot waste deliveries at the Southeast Project. The fiscal year 2008 decrease is due to the impact of higher waste diverted to other projects from the Mid-Connecticut Project as a result of major unplanned outages at the Power Block Facility, which is partially offset by higher than expected spot waste deliveries at the Bridgeport Project.
- Energy sales increased slightly by \$108,000 during fiscal year 2009 and increased by \$3.1 million during fiscal year 2008. The fiscal years 2009 and 2008 increase is due to increased contract electricity rates received for the first 250 million kilowatts generated at



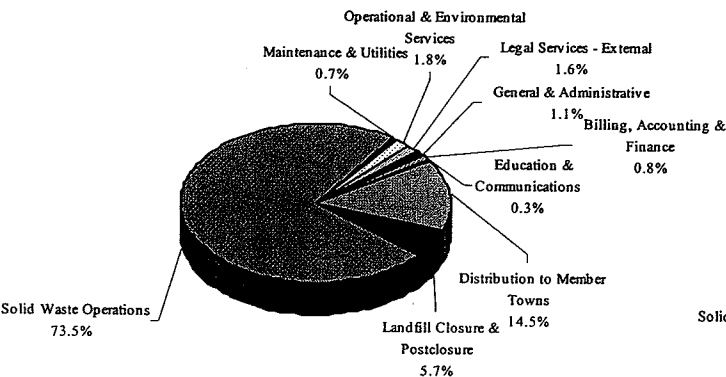
the Mid-Connecticut Project, partially offset by a decrease in electricity revenue received at the Wallingford Project due to decreases in electricity generation and contract rates.

- Ash disposal reimbursement decreased by \$2.2 million in fiscal year 2009 and increased by \$219,000 in fiscal year 2008. The fiscal year 2009 decrease is due to the closure of the Bridgeport Project as of December 31, 2008.
- Other operating revenues decreased by \$0.5 million in fiscal year 2009 and decreased by \$1.3 million in fiscal year 2008. The fiscal year 2009 decrease is due to decreased recycling sales. The fiscal year 2008 decrease is due to the decrease in the write-off of liabilities determined to be over-charges, offset by increased recycling sales as a result of favorable recycling sales markets.
- Litigation-related settlements of \$4.3 million and \$4.7 million represent settlements of various Enron-related lawsuits during fiscal year 2009 and 2008, respectively.
- Investment income decreased by \$4.4 million from fiscal year 2008 to 2009 and decreased by \$2.6 million from fiscal year 2007 to 2008. The fiscal year 2009 decrease is mainly due to the overall global recession and depressed market conditions. The fiscal year 2008 decrease is due to the distribution of the \$36.8 million by the Court Order (discussed on pages 19-20 of this report), utilization of certain reserves and lower interest rates.
- Other income of \$3.9 million for fiscal year 2009 represents the \$3.0 million State grant as reimbursement of costs previously incurred by the Authority in the closure of the Hartford landfill, gains on sales of equipment, and miscellaneous income. Other income of \$292,000 for fiscal year 2008 represents miscellaneous income and gains on sales of equipment.

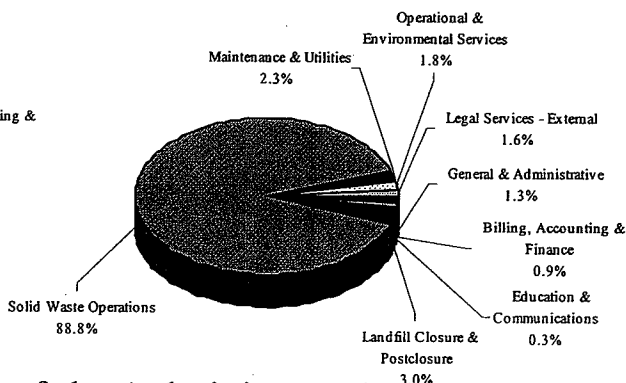
### SUMMARY OF OPERATING EXPENSES

The following charts show the major sources and the percentage of operating expenses for the fiscal years ended June 30, 2009 and 2008:

**Fiscal Year 2009**



**Fiscal Year 2008**



Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 73.5% of operating expenses in fiscal year 2009. During fiscal year 2008, Solid Waste Operations accounted for 88.8% of operating expenses.



A summary of operating expenses and non-operating expenses and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

**SUMMARY OF OPERATING, NON-OPERATING EXPENSES AND SPECIAL ITEM**  
**Fiscal Years Ended June 30,**  
**(In Thousands)**

	2009	2008	2009 Increase/ (Decrease) from 2008	2009 Percent Increase/ (Decrease)	2007	2008 Increase/ (Decrease) from 2007	2008 Percent Increase/ (Decrease)
<b>Operating Expenses:</b>							
Solid waste operations	\$ 134,944	\$ 151,887	\$ (16,943)	(11.2%)	\$ 152,243	\$ (356)	-0.2%
Maintenance and utilities	1,168	3,862	(2,694)	(69.8%)	2,401	1,461	60.8%
Landfill closure and post-closure	10,507	5,114	5,393	105.5%	34,639	(29,525)	-85.2%
Legal services - external	2,920	2,804	116	4.1%	6,095	(3,291)	-54.0%
Operational & Environ. services	3,307	3,118	189	6.1%	3,315	(197)	-5.9%
General & Administrative services	2,093	2,158	(65)	(3.0%)	1,936	222	11.5%
Billing, Accounting & Finance services	1,462	1,527	(65)	(4.3%)	1,513	14	0.9%
Education & Communications services	477	484	(7)	(1.4%)	483	1	0.2%
Distribution to member towns	26,675	-	26,675	0.0%	-	-	0.0%
<b>Total Operating Expenses</b>	<b>183,553</b>	<b>170,954</b>	<b>12,599</b>	<b>7.4%</b>	<b>202,625</b>	<b>(31,671)</b>	<b>-15.6%</b>
Depreciation and amortization	17,398	18,184	(786)	(4.3%)	18,189	(5)	0.0%
<b>Non-Operating Expenses:</b>							
Litigation-related judgment	-	-	-	0.0%	35,800	(35,800)	-100.0%
Litigation-related settlement	-	-	-	0.0%	1,150	(1,150)	-100.0%
Interest expense	1,284	1,863	(579)	(31.1%)	2,693	(830)	-30.8%
Other expenses	3,218	531	2,687	506.0%	234	297	126.9%
<b>Total Non-Operating Expenses</b>	<b>4,502</b>	<b>2,394</b>	<b>2,108</b>	<b>88.1%</b>	<b>39,877</b>	<b>(37,483)</b>	<b>-94.0%</b>
<b>Special Item:</b>							
Defeasance of debt	-	-	-	0.0%	1,148	(1,148)	-100.0%
<b>TOTAL</b>	<b>\$ 205,453</b>	<b>\$ 191,532</b>	<b>\$ 13,921</b>	<b>7.3%</b>	<b>\$ 261,839</b>	<b>\$ (70,307)</b>	<b>-26.9%</b>

The Authority's total expenses increased by \$14.0 million or 7.3% between fiscal years 2009 and 2008. Fiscal year 2008 total expenses decreased by \$70.3 million or 26.9% from fiscal year 2007. Notable differences between the fiscal years include:

- Solid waste operations decreased by \$16.9 million from fiscal year 2009 to 2008 primarily due to:
  - Operating expense at the Bridgeport Project decreased due to the closure of the project as of December 31, 2008; and
  - Operating expense at the Wallingford Project decreased due to lower operating contract charges; partially offset by:
  - Operating expense at the Mid-Connecticut Project increased due to an increase in ash disposal costs associated with the closing of the Hartford landfill including waste transportation; and



- Operating expense at the SouthWest Division increased due the commencement of operations at the Wheelabrator's Bridgeport facility; and
- Operating expense at the Southeast Project increased due to higher distribution of funds to the Southeastern Connecticut Regional Resources Recovery Authority for future expenses and an increase in the per ton processing fee as a result of a decrease in the project tonnage offset by savings in ash disposal.

Solid waste operations from fiscal year 2008 to 2007 remained fairly constant, decreasing by \$356,000.

- Maintenance and utilities expenses decreased by \$2.7 million during fiscal year 2009 primarily due to lower closure costs at the Hartford landfill. During fiscal year 2008, maintenance and utilities increased by \$1.5 million primarily due to closure activities at the Hartford landfill, partially offset by lower maintenance and utilities at the Bridgeport Project.
- Landfill closure and post-closure costs increased by \$5.4 million between fiscal year 2008 and 2009 primarily due to the increase in post-closure monitoring and maintenance costs at the Ellington, Hartford, Shelton, and Wallingford landfills, the increase in pollution legal liability insurance at the Shelton landfill, and the increase in the Hartford landfill capacity used, which is offset by the decreases in closure costs and pollution legal liability insurance at the Waterbury landfill. Between fiscal years 2007 and 2008, landfill closure and post-closure care costs decreased by \$29.5 million primarily due to the decrease in the Hartford landfill closure and post-closure costs as a result of the 2007 impact of the settlement agreement that was executed in fiscal year 2007, partially offset by increased projected costs of \$5.1 million as a result of the inclusion of estimated annual premiums for pollution liability insurance, increased post-closure monitoring and maintenance costs at all five landfills, the increase in the Hartford and Waterbury landfills capacity used, and the slight increase in the closure costs at the Hartford landfill.
- Legal services - external remained relatively flat during fiscal year 2009 increasing by \$116,000. The fiscal year 2008 decrease of \$3.3 million is due to lower legal costs incurred in association with project negotiations at the Bridgeport Project and lower contingent fees incurred in association with the Enron litigation-related settlements at the Mid-Connecticut Project.
- Distribution to member towns of \$26.7 million represents the distribution of funds to the Wallingford Project member towns during fiscal year 2009. There was no such distribution during both fiscal years 2008 and 2007.
- Litigation-related judgment: There was no such expense incurred during both fiscal years 2009 and 2008. Litigation-related judgment of \$35.8 million during fiscal year 2007 represents the ruling in the New Hartford suit.
- Litigation-related settlement: There was no such expense incurred during both fiscal years 2009 and 2008. Litigation-related settlement of \$1.2 million incurred during fiscal year 2007 represents settlement costs at the Mid-Connecticut Project.
- Interest expense decreased by \$0.6 million during fiscal year 2009 and decreased by \$0.8 million during fiscal year 2008 due to decreases in the principal amount of bonds.



- Other expenses during fiscal year 2009 of \$3.2 million include the \$2.4 million loss on the write-off of the Bridgeport assets, costs associated with the purchase option for the Wallingford plant, plus trustee fees and letter of credit fees. Other expenses during fiscal year 2008 of \$531,000 represent trustee fees, letter of credit fees, and other miscellaneous expenses.
- Defeasance of debt occurred during fiscal year 2007 and is discussed on page 10 of this MD&A.

## CAPITAL ASSETS

The Authority's investment in capital assets for its activities as of June 30, 2009 and 2008 totaled \$144.6 million and \$148.2 million, respectively (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, equipment, gas and steam turbines, land, landfills, roadways, rolling stock and vehicles. The total fiscal year 2009 and 2008 decrease in the Authority's investment in capital assets was 2.5% and 5.2%, respectively. The decrease is due to depreciation expense and the loss on the transfers of the Bridgeport Project assets, offset by plant improvements, equipment purchases, construction in progress and deferred acquisition costs.

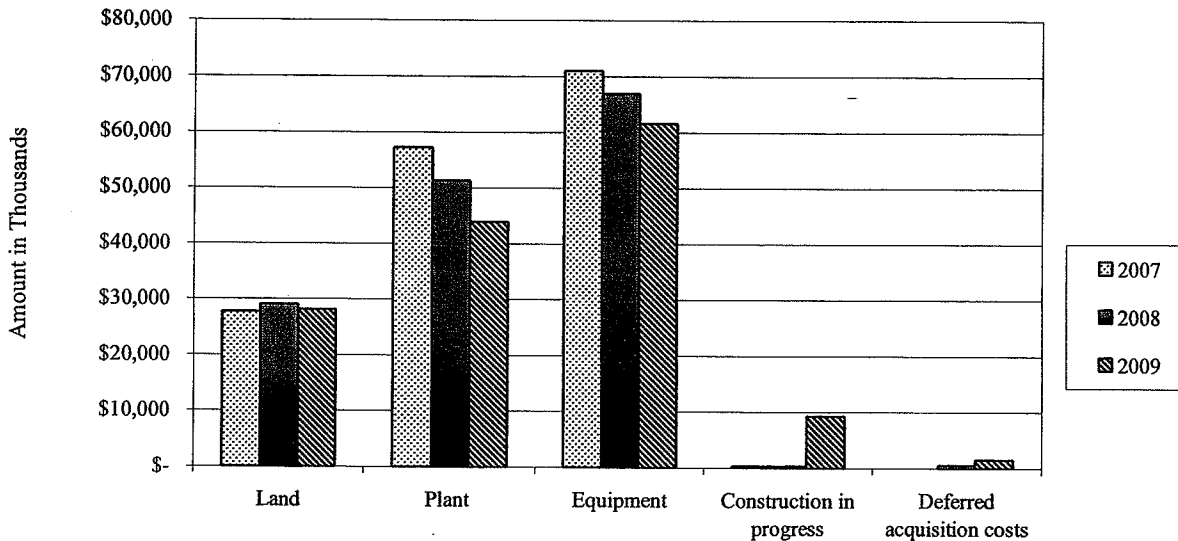
Major capital asset events during the current and immediate prior two fiscal years included building and plant improvements, conveyor rebuilds, equipment and vehicle purchases, jets repairs and overhaul, land purchase, landfill development costs, overhaul of turbines #5 and #6, and upgrade of the automation system.



The following table is a three year comparison of the Authority's investment in capital assets:

**Capital Assets  
(Net of Accumulated Depreciation)  
As of June 30,  
(In Thousands)**

	2007	2008	2009
Land	\$ 27,774	\$ 29,079	\$ 28,180
Plant	57,223	51,293	43,917
Equipment	70,980	66,958	61,566
Construction-in-progress	357	327	9,330
Deferred acquisition costs	-	559	1,566
<b>Totals</b>	<b>\$ 156,334</b>	<b>\$ 148,216</b>	<b>\$ 144,559</b>



Additional information on the Authority's capital assets can be found in Notes 1K, 1L, and 3 on pages 33 and 37 of this report.

**STATE LOANS**

On April 19, 2002, the Connecticut General Assembly passed Public Act No. 02-46 (the "Act"), 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 Project, in order to avoid potential default. This State support resulted in the authorization of a loan in the amount of \$22 million for the period June 30, 2003 through June 30, 2004, and the authorization of a subsequent loan in the amount of \$20 million for the period July 1, 2004 through June 30, 2005. During these periods, the Authority drew a total of \$21.5 million of the authorized State loans. The Authority has made no State loan requests since December 2004. On October 26, 2006, the Authority's Board of Director's authorized the full repayment of the State Loans from the escrow established for such purposes. On February 15, 2008, the Authority paid the State Loans in full.





## LANDFILL ACTIVITY

### New Ash Landfill Initiative

In 2004, the Authority embarked on a comprehensive landfill siting investigation for a new ash residue and/or bulky waste landfill. As an outcome of this search, a site in Franklin, Connecticut has been identified as the primary site to be investigated to confirm that it is technically and environmentally amenable to permitting and constructing a landfill. Although the actual "footprint" of the contemplated landfill will be approximately 100 acres, the area being investigated is approximately 450 acres.

The Authority publically announced the site in March 2008, and began field investigations in April 2008. Field investigations have occurred since that time and will continue through fall 2009. Field investigations include ecological studies (wetlands, threatened and endangered species, habitat assessment, etc.), subsurface geological and hydrogeological investigations, traffic analyses, surveying, hydrological studies of adjacent waterbodies, and cultural/archaeological investigations. The Authority held three public informational meetings in April and May 2008 to communicate its landfill siting initiative to the local community, as well as to answer questions and hear concerns from the local community. The Authority has continued to communicate with Franklin residents periodically with newsletters and through print media. During its 2009 session, the Connecticut State Legislature passed a bill that prevented the Authority from acquiring certain properties necessary to develop the Franklin site; if the bill became law it would have removed this site from further consideration as an ash landfill. The Governor vetoed the legislation and the legislature chose to not attempt to override the veto at that time. Consequently, in August 2009, the Authority publically announced that based on its understanding of the directives received from State leaders, it will suspend its efforts to develop an ash landfill in the State of Connecticut. The Authority will focus on consideration of other environmentally sound options for long-term disposal of ash residue from its resource recovery facilities, including disposal at other in-state and out-of-state landfills.

### Hartford Landfill

The Authority submitted a solid waste permit modification application to CTDEP in July 2006, associated with the Hartford landfill, to 1) revise the closure plan, prescribing a state-of-the-art synthetic cap; 2) revise the grading plan for a section of the east side of the landfill; 3) set a date certain for final delivery of waste of no later than December 31, 2008; and 4) discuss possible passive recreational future uses for the landfill and engage a landscape architect to provide a rendering of these possible activities. A favorable ruling on this permit modification was issued by CTDEP on March 29, 2007. The Authority accepted the last shipment of solid waste on December 31, 2008. (In anticipation of the cessation of waste deliveries at the end of 2008, the Authority solicited bids for transportation and disposal of ash residue and unburned process residuals generated at its Mid-Connecticut Resources Recovery Facility. The Authority awarded contracts to Wheelabrator Technologies and Waste Management of Massachusetts, Inc. to manage these wastestreams beginning January 1, 2009. A new ash landfill in Connecticut would mitigate some of these costs.)



On February 2, 2007, the Authority and the City of Hartford executed a Settlement Agreement which resolved a long standing disagreement regarding responsibility for costs associated with closure and post-closure activities at the Hartford landfill. The Settlement Agreement provided for the Authority to assume the liability, contingent upon certain conditions, for all of the Hartford landfill closure and post-closure costs. The Authority has estimated the latest total current costs for closure and post-closure care to be approximately \$49.5 million at June 30, 2009. The remaining liability for the Hartford landfill as of June 30, 2009 is approximately \$38.1 million.

The Connecticut State Legislature approved legislation which provides \$13.0 million, for the Authority, for costs associated with the closure of the Hartford landfill, with \$3.0 million allocated in fiscal year 2008, and \$10.0 million allocated in fiscal year 2009. In March 2008, the State Bond Commission appropriated \$3.0 million. In June and July 2007, the Authority awarded two closure construction contracts, together valued at approximately \$15.0 million. These construction activities proceeded during fiscal 2008 and continued into fiscal year 2009. The closure construction activities associated with the Phase I ash area were completed in fiscal year 2009, and the closure construction activities associated with the MSW/Interim ash area will continue into fiscal year 2010. It is expected that these closure activities will be completed by December 2010. A contract to close the remaining unclosed section of the Phase I ash area was approved by the Authority's Board of Directors at its June 2009 meeting, the contract was executed in July 2009, and the construction activities are expected to be completed by December 2009. The Authority submitted a reimbursement request to the State of Connecticut (through the CTDEP) in early September 2008 for reimbursement of the first \$3.0 million of expenditures, and received the \$3.0 million in January 2009.

#### Ellington Landfill

In May 2007, the Authority executed a settlement agreement with a private landowner, which settlement included a provision for the Authority to purchase approximately 57 acres of land in Ellington and East Windsor, Connecticut, and adjacent to the Authority's closed landfill in Ellington for the purpose of obtaining control of a subsurface landfill leachate plume. Conveyance of the property was completed in July 2007.

#### Waterbury Landfill

The Authority's Waterbury Bulky Waste Landfill, a small, 5.5 acre landfill, was permitted in the mid-1980's by Waterbury Landfill Associates to accept waste such as land clearing debris and construction and demolition debris. The landfill was subsequently purchased by the Authority in 1986 and made part of its Bridgeport Project. The Authority's contract with the Bridgeport Project ended at the end of calendar year 2008. The landfill reached the end of its economically useful life in fiscal year 2008 and the Authority has proceeded to initiate closure activities at the beginning of fiscal year 2009. Closure construction work, which consisted of site preparation, waste relocation and grading, installation of final cover soils, installation of erosion control measures and the establishment of vegetation over the entire landfill footprint was completed in November 2008. The Authority inspected the closure construction activities in summer 2009 and confirmed that the vegetative support layer of the landfill had been satisfactorily established. The Authority submitted a closure construction certification report on September 18, 2009, and



expects to receive a notice for CTDEP certifying compliant closure of the landfill sometime in fall 2009.

### Shelton and Wallingford Landfills

These two landfills are both closed and are being compliantly managed in accordance with CTDEP's regulations governing post-closure management of solid waste landfills and the specific environmental permits that govern post-closure requirements at these landfills. In January 2009, CTDEP advised the Authority that it was finally in a position to issue Stewardship permits to the Shelton and Wallingford landfills. (A Stewardship Permit is the state equivalent of a Resource Conservation and Recovery Act Part B Post-Closure permit under EPA's hazardous waste program). The Authority had submitted post-closure permit applications to the U.S. Environmental Protection Agency ("USEPA") under the federal hazardous waste program in December 1991 for both landfills (CTDEP did not have authority from USEPA to run this program at the time). Both of these permits were issued on September 16, 2009. Both landfills are subject to this permit program because both have metal hydroxide waste (hazardous waste) disposal areas. In general, these Stewardship permits will incorporate and subsume permit conditions and regulatory requirements currently found in the solid waste and groundwater discharge permits for the landfills, in addition to the requirements specified in the hazardous waste regulations. One change that CTDEP is requiring as part of issuance of these permits is that the Authority adds a 15% contingency to the post-closure cost estimate for each landfill (15% above the Authority's estimate).

### **METROPOLITAN DISTRICT COMMISSION**

The Metropolitan District Commission ("MDC"), which operates the Mid-Connecticut Project's Waste Processing Facility, has made claims that the Authority is responsible for MDC's "Contract Separation Costs" related to MDC employees employed at the Mid-Connecticut Project. The Authority believes that it is not responsible for any costs incurred by MDC after the expiration of the agreement between the parties.

### **NEW HARTFORD SUIT**

In December 2003, the Towns of New Hartford and Barkhamstead filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking alleged damages resulting from the failed Enron transaction as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority is defending and indemnifying its former President and board members. On August 10, 2005, the Motions to Dismiss all of the non-Authority defendants were granted; on August 30, 2005, plaintiffs filed an appeal, which is still pending. On March 21, 2006, the court granted the plaintiffs' motion for Class Certification. Trial began on November 13, 2006 and the parties rested on January 11, 2007. On June 19, 2007, the court issued its decision, imposing a constructive trust on the sum of \$35,873,732.25 (received by the Authority from various parties in settlement of various Enron-related lawsuits and held by the Treasurer of the State of Connecticut in the Short-Term Investment Fund account) and ordering that amount to be forwarded to the plaintiffs, in care of their attorneys, immediately. On December 7, 2007, the Court ordered the State Treasurer to issue one check for all monies held in the STIF account, together with accrued interest since June



19, 2007, to plaintiffs' attorneys for allocation of funds to the Mid-Connecticut Project municipalities and award of attorneys' fees and reimbursement of expenses. On December 11, 2007, in accordance with the Court order, \$36,775,720 was withdrawn from the STIF account. On December 10, the Authority filed a motion with the Connecticut Supreme Court for review of its motion for stay of orders of distribution and attorneys' fees. On January 11, 2008, the Supreme Court granted the motion with regard to the attorneys' fees, and on March 4, 2008, \$9,462,267.22 was returned by plaintiffs' counsel to the STIF account.

The court also enjoined the Authority from passing any costs of the failed Enron transaction to the towns, effective for fiscal year 2008 and all subsequent years. On June 20, 2007, the Authority filed an Application for a Stay of Injunction Pending Appeal. On July 6, 2007, the Authority appealed the trial court's decision to the Appellate Court; on July 23, 2007, the appeal was transferred to the Connecticut Supreme Court. On July 25, 2007, the trial judge denied the Authority's Application for a Stay of Injunction Pending Appeal. On August 6, 2007, the Authority filed a Motion for Review of that denial with the Connecticut Supreme Court. The trial court retained jurisdiction over the plaintiffs' application for an order enjoining the Authority's implementation of its fiscal year 2008 budget, and held a hearing on September 5-6, 2007. On October 25, 2007, the trial court directed the Authority to remove \$6.71 million in budgeted expenses from its fiscal year 2008 budget, and reduce its Mid-Connecticut Project tip fee accordingly; on November 21, the Authority appealed. Oral argument in connection with the appeals pending before the Connecticut Supreme Court was heard in October 2008. On May 8, 2009, the Supreme Court confirmed the lower court's rulings, and in June 2009, the remaining funds in STIF were transferred to plaintiffs' counsel.

On April 21, 2008, Plaintiffs filed a Motion to Enforce Judgment and Enjoin the Authority from Subverting Judgment, seeking an order enjoining implementation of the Authority's fiscal year 2009 Mid-Connecticut Project budget. On April 30, 2008, the Authority filed a Complaint in Superior Court in Hartford seeking a Declaratory Judgment that the adoption of its fiscal year 2009 budget was a proper exercise of the statutory discretion, exercised in good faith, of the Authority's Board of Directors. On June 12, 2008, the Declaratory Judgment action was transferred to the trial judge in the *New Hartford* matter. On June 13, 2008, Plaintiffs filed a Motion to Consolidate the Authority's Declaratory Judgment action with Plaintiffs' request for an order enjoining implementation of the fiscal year 2009 Mid-Connecticut Project budget. On August 11, 2008, the trial judge granted Plaintiffs' Motion to Consolidate with regard to the requested temporary injunction, but denied it with regard to the requested permanent injunction. An evidentiary hearing was begun in the fall of 2008, and was scheduled to resume on August 24, 2009, but the parties resolved their outstanding disputes, and on August 21, 2009, both Plaintiffs' Motion to Enforce Judgment and Defendants' Complaint seeking a Declaratory Judgment were withdrawn.



**AUTHORITY RATES AND CHARGES**

During the months of January and February each year, as required under the various project bond resolutions, 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. The following table presents a history of the tipping fees for each of the four projects:

<b>TIP FEE HISTORY BY PROJECT</b> (Dollars charged per ton of solid waste delivered)					
<b>Fiscal Year</b>	<b>Mid-Connecticut<sup>1,2</sup></b>	<b>Bridgeport<sup>3,4</sup></b>		<b>Wallingford</b>	<b>Southeast</b>
2000	\$49.00	\$60.00	\$10.00	\$57.00	\$59.00
2001	50.00	60.00	7.00	56.00	58.00
2002	51.00	60.00	7.00	55.00	57.00
2003	57.00	62.00	7.00	55.00	57.00
2004	63.75	63.00	8.00	55.00	60.00
2005	70.00	64.50	8.00	56.00	60.00
2006	70.00	66.00	8.00	57.00	60.00
2007	69.00	70.00	8.00	58.00	60.00
2008	69.00 / 61.25	76.00	5.00	59.00	60.00
2009	72.00 / 62.00	80.00	18.50	60.00	60.00

**LONG-TERM DEBT ISSUANCE, ADMINISTRATION AND CREDIT RATINGS**

As detailed in the table on page 22, as of the fiscal year ended June 30, 2009 the Authority had \$104.2 million of outstanding debt. Of this amount, \$43.5 million comprises debt issued by the Authority as a conduit issuer for the Southeast Project in connection with the Covanta Southeastern Connecticut Company and is not carried on the Authority’s books. In addition, \$40.4 million of the outstanding bonds pertaining to the Southeast Project do not appear on the books of the Authority as these bonds were issued to fund construction of waste processing facilities operated by independent contractors who have commitments to repay the debt that is not allocable to Authority purposes.

With the exception of the Southeast Project conduit bonds, the other bonds issued by the Authority are secured by credit enhancement in the form of municipal bond insurance and by the Special Capital Reserve Fund (“SCRF”) of the State of Connecticut. The SCRF is a contingent liability of the State of Connecticut available to replenish any debt service reserve fund draws on bonds that have the SCRF designation. The funds used to replenish a debt service reserve draw are provided by the State’s General Fund and are deemed appropriated by the Connecticut legislature.

<sup>1</sup> On October 25, 2007, per court order, the Authority reduced the Mid-Connecticut Project tip fee for municipalities for the remainder of fiscal year 2008. The hauler’s rate remained at \$69/ton for the entire year.  
<sup>2</sup> The Mid-Connecticut Project tip fee was reduced to \$62.00 per ton for the period January 1 – June 30, 2009.  
<sup>3</sup> The Bridgeport Project charges a split rate; the first rate is for actual tons delivered and the second rate is based on the minimum commitment tonnage.  
<sup>4</sup> Contracts with the towns within the Bridgeport Project terminated on December 31, 2008. Many former Bridgeport Project towns entered into contracts with the Authority for disposal at the Bridgeport facility at a rate of \$63.00 per ton for the period January 1 – June 30, 2009.



The current ratings of the Authority's outstanding bonds reflect the upheaval in the credit markets following the sub-prime mortgage crisis of 2007 and 2008. As a result, most of the major bond insurers suffered rating downgrades reflecting their sub-prime mortgage exposure.

The Authority did not issue long-term debt for any purpose during the fiscal year ended June 30, 2009.

Three of the Authority's outstanding bonds (two relating to the Bridgeport Project and one relating to the Wallingford Project) matured during the fiscal year ended June 30, 2009.

Additional information on the Authority's long-term debt can be found in Note 4 on pages 37-38 of this report.

**STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2009**

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhancement	X= SCRF-Backed <sup>1</sup>	Dated	Maturity Date	Original Principal (\$000)	Principal Outstanding (\$000)	On Authority's Books (\$000)
<b>MID-CONNECTICUT PROJECT</b>									
1996 Series A - Project Refinancing	A1	AA	MBIA	X	08/20/96	11/15/12	\$209,675	\$15,290	\$15,290
								15,290	15,290
<b>SOUTHEAST PROJECT</b>									
1998 Series A - Project Refinancing	A2	AA	MBIA	X	08/18/98	11/15/15	87,650	45,405	5,053
<b>CORPORATE CREDIT REVENUE BONDS</b>									
1992 Series A - Corporate Credit	Ba1	BB+	--	--	09/01/92	11/15/22	30,000	30,000	0
2001 Series A - Covanta Southeastern Connecticut Company-I	Ba1	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
2001 Series A - Covanta Southeastern Connecticut Company-II	Ba1	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
								88,905	5,053
<b>TOTAL PRINCIPAL BONDS OUTSTANDING</b>								<b>\$104,195</b>	<b>\$20,343</b>

<sup>1</sup> SCRF = Special Capital Reserve Fund of the State of Connecticut.

N/A = Not Applicable

NR = Not Rated

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Accounting and Financial Reporting, 100 Constitution Plaza - 6<sup>th</sup> Floor, Hartford, CT 06103.



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**BALANCE SHEETS**  
**AS OF JUNE 30, 2009 AND 2008**  
**(Dollars in Thousands)**

**EXHIBIT I**  
**Page 1 of 2**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 97,949	\$ 106,104
Accounts receivable, net of allowances	19,715	22,202
Inventory	3,628	3,610
Prepaid expenses	1,789	1,128
	<u>123,081</u>	<u>133,044</u>
Total Unrestricted Assets		
Restricted Assets:		
Cash and cash equivalents	28,406	37,033
Accrued interest receivable	233	376
	<u>28,639</u>	<u>37,409</u>
Total Restricted Assets		
Total Current Assets	<u>151,720</u>	<u>170,453</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	33,390	36,472
Restricted investments	817	809
Capital Assets:		
Depreciable, net	105,483	118,251
Nondepreciable	39,076	29,965
Development and bond issuance costs, net	3,190	3,978
	<u>181,956</u>	<u>189,475</u>
Total Non-Current Assets		
<b>TOTAL ASSETS</b>	<u>\$ 333,676</u>	<u>\$ 359,928</u>

The accompanying notes are an integral part of these financial statements





**BALANCE SHEETS (Continued)  
AS OF JUNE 30, 2009 AND 2008  
(Dollars in Thousands)**

**EXHIBIT I  
Page 2 of 2**

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of:		
Bonds payable, net	\$ 4,039	\$ 2,912
Closure and post-closure care of landfills	11,104	12,216
Accounts payable	4,867	6,938
Accrued expenses and other current liabilities	<u>17,649</u>	<u>18,541</u>
Total Current Liabilities	<u>37,659</u>	<u>40,607</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, net	15,944	19,956
Closure and post-closure care of landfills	52,285	48,602
Other liabilities	<u>1,127</u>	<u>1,291</u>
Total Long-Term Liabilities	<u>69,356</u>	<u>69,849</u>
<b>TOTAL LIABILITIES</b>	<u>107,015</u>	<u>110,456</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	<u>133,360</u>	<u>135,575</u>
Restricted for:		
Tip fee stabilization	16,154	15,915
Energy generating facility	7,566	9,971
Debt service reserve funds	4,037	5,265
Operating and maintenance	1,764	1,735
Equipment replacement	1,764	1,735
Debt service funds	1,525	886
Select Energy escrow	1,000	1,000
Shelton landfill future use	870	857
DEP trust - landfills	817	809
Montville landfill post-closure	719	478
Recycling education fund	201	514
Rebate fund	178	305
Other restricted net assets	51	97
Revenue fund	-	6,309
Total Restricted	<u>36,646</u>	<u>45,876</u>
Unrestricted	<u>56,655</u>	<u>68,021</u>
Total Net Assets	<u>226,661</u>	<u>249,472</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 333,676</u>	<u>\$ 359,928</u>



Connecticut Resources Recovery Authority

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008  
(Dollars in Thousands)

EXHIBIT II

	<u>2009</u>	<u>2008</u>
<b>Operating Revenues</b>		
Service charges:		
Members	\$ 77,236	\$ 86,455
Others	26,838	33,308
Energy sales	54,568	54,460
Ash disposal reimbursement	2,511	4,704
Other operating revenues	<u>10,550</u>	<u>11,061</u>
Total operating revenues	<u>171,703</u>	<u>189,988</u>
<b>Operating Expenses</b>		
Solid waste operations	134,944	151,887
Depreciation and amortization	17,398	18,184
Maintenance and utilities	1,168	3,862
Closure and post-closure care of landfills	10,507	5,114
Legal services - external	2,920	2,804
Operational & Environmental services	3,307	3,118
General & Administrative services	2,093	2,158
Billing, Accounting & Finance services	1,462	1,527
Education & Communication's services	477	484
Distribution to member towns	<u>26,675</u>	<u>-</u>
Total operating expenses	<u>200,951</u>	<u>189,138</u>
Operating (Loss) Income	(29,248)	850
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	2,818	7,208
Litigation-related settlements	4,250	4,745
Other income (expenses), net	653	(239)
Interest expense	<u>(1,284)</u>	<u>(1,863)</u>
Net Non-Operating Revenues	<u>6,437</u>	<u>9,851</u>
Change in Net Assets	(22,811)	10,701
Total Net Assets, beginning of year	<u>249,472</u>	<u>238,771</u>
Total Net Assets, end of year	<u>\$ 226,661</u>	<u>\$ 249,472</u>



**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008  
(Dollars in Thousands)**

**EXHIBIT III**

	<u>2009</u>	<u>2008</u>
<b>Cash Flows Provided (Used) by Operating Activities</b>		
Payments received from providing services	\$ 177,862	\$ 196,297
Proceeds from settlements	4,675	4,745
Payments to suppliers for goods and services	(146,079)	(153,650)
Payment of litigation-related judgment	-	(35,874)
Payments to employees for services	(4,522)	(4,301)
Distribution to member towns	(26,675)	-
Net Cash Provided by Operating Activities	<u>5,261</u>	<u>7,217</u>
<b>Cash Flows Provided (Used) by Investing Activities</b>		
Interest on investments	2,968	7,457
Purchases of investments	(9)	(29)
Net Cash Provided by Investing Activities	<u>2,959</u>	<u>7,428</u>
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities</b>		
Proceeds from sales of equipment	174	7
Payments for landfill closure and post-closure care liabilities	(7,936)	(5,661)
Acquisition and construction of capital assets	(15,575)	(9,266)
Interest paid on long-term debt	(1,216)	(1,853)
Principal paid on long-term debt	(3,003)	(16,515)
Net Cash Used by Capital and Related Financing Activities	<u>(27,556)</u>	<u>(33,288)</u>
<b>Cash Flows Used by Non-Capital Financing Activities</b>		
Other interest and fees	(528)	(163)
Net Cash Used by Non-Capital Financing Activities	<u>(528)</u>	<u>(163)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,864)</b>	<b>(18,806)</b>
Cash and cash equivalents, beginning of year	<u>179,609</u>	<u>198,415</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 159,745</u></b>	<b><u>\$ 179,609</u></b>
<b>Reconciliation of Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating (loss) income	\$ (29,248)	\$ 850
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:		
Depreciation of capital assets	16,611	17,239
Amortization of development and bond issuance costs	787	945
Provision for closure and post-closure care of landfills	10,507	5,114
Other income	3,622	67
Litigation-related settlements	4,250	4,745
(Increase) decrease in:		
Accounts receivable, net	2,487	6,248
Inventory	(18)	(261)
Prepaid expenses and other current assets	(661)	2,745
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	<u>(3,076)</u>	<u>(30,475)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 5,261</u></b>	<b><u>\$ 7,217</u></b>

The accompanying notes are an integral part of these financial statements



## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Entity and Services

The Connecticut Resources Recovery Authority (the "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 (the "State") and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2009, the Authority is authorized to have a board consisting of eleven directors and eight ad-hoc members. The Governor of the State appoints three directors and all eight ad-hoc members. The remaining eight directors are appointed by various state legislative leaders. All appointments require the advice and consent of both houses of the General Assembly.

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 reserves 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 in order to cover the cost of fulfilling the Authority's mission.

The Authority is comprised of four comprehensive solid waste disposal systems, two divisions 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 and recycling services to 70 Connecticut municipalities through service contract arrangements. The initial contracts with the municipalities begin to expire in November 2012. The Authority owns the Resources Recovery Facility, the transfer stations, the Ellington Landfill, and the Regional Recycling Center. The Authority leases the land for the Essex transfer station. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. The Hartford landfill has been closed as of December 31, 2008. The Authority is shipping ash to Putnam Landfill. 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 from the Connecticut Light & Power Company ("CL&P") four Pratt & Whitney Twin-Pac peaking jet turbines, two steam turbines, and certain other assets and land. Operating and maintenance agreements were entered into with



Northeast Generation Services Company to operate the peaking jet 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 and recycling services to 20 Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities of the Project. The Resources Recovery Facility is leased to a private vendor under a long-term sales-type arrangement which ended on December 31, 2008, and the facility ownership was quick-claimed to owner trustee on the same date. 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.

The Authority's contract with the Bridgeport Project's municipalities ended on December 31, 2008, as did the Authority's agreement with the Bridgeport Project's operator. As a result, the Bridgeport Project is no longer accepting solid waste and has effectively ceased operations. On January 1, 2009, the Authority transferred seven Bridgeport Project transfer stations, which are included in the capital assets in the accompanying balance sheet, to their host towns. In addition, certain other capital assets included in the accompanying balance sheet will be transferred to the Authority and be used for payment of the Bridgeport Project's current and projected liabilities and future obligations for post-closure care of the Bridgeport Project's landfills. The Authority has executed a new five and a half year service agreement with an

operator, to commence on January 1, 2009, for the disposal of approximately 265,000 tons of municipal solid waste ("MSW") annually from 12 of the Project's municipalities. These Bridgeport Project municipalities have signed service agreements with the Authority's new SouthWest Division for waste deliveries beginning on January 1, 2009.

### **SouthWest Division**

The Authority's contracts with the towns that delivered solid waste to the former Bridgeport Project terminated on December 31, 2008, and the towns were free to execute new solid waste disposal services agreements with other providers elsewhere. The Authority had proposed a new solid waste agreement to commence on January 1, 2009 and 12 of the former Bridgeport Project towns accepted the Authority's terms and entered into a new five and a half year (with one year extension) solid waste disposal contract with the Authority for disposal at the Wheelabrator facility located in Bridgeport. These 12 towns are collectively referred to as the SouthWest Division towns. The Bridgeport Facility formerly operated under an operating agreement and site lease agreement between the Authority and Wheelabrator Bridgeport, both of which expired December 31, 2008. Subsequently, on December 31, 2008, the Authority and Wheelabrator Bridgeport entered into a First Amendment and Renewal of Site Lease whereby Wheelabrator Bridgeport purchased the Authority's nominal interest in the Facility and will make annual lease payment to the Authority.

### **Property Division**

Following the termination of the Bridgeport Project on December 31, 2008 and the simultaneous maturity of the Authority's bonds that had been issued to finance the construction of the Bridgeport Project, the Authority was the owner and holder of several funds and assets. These include numerous landfill post-closure reserves related to the former Bridgeport Project, the Shelton transfer station, and the Garbage Museum (located in Stratford). As these assets are no longer project-specific, the



Authority has created the Property Division to reflect their status. In addition, other landfill post-closure reserves related to the Wallingford and Mid-Connecticut Projects are anticipated to be transferred to the Property Division following the culmination of these two projects expected in 2010 and 2012, respectively.

### **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 participating municipalities and other system 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.

The operating contract between the Authority and the vendor will expire on June 30, 2010. The contract has a provision whereby the Authority can exercise an option to purchase the facility when the contract ends. The Authority did not exercise its option to purchase. The vendor will own the facility when the contract ends.

### **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 14

Connecticut municipalities in the eastern portion of the State through service contract arrangements. The initial contracts with the municipalities begin to expire in November 2015. 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 overall expenditures are accumulated. These costs have been historically allocated to the Authority's projects primarily based on time expended.

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

The Authority is considered to be an Enterprise Fund. The Authority's operations and balances are accounted for using 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 asset, 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 post-closure care of landfills, administrative expenses, distribution to member towns, 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.

The Authority has elected not to comply with authoritative pronouncements applicable to non-governmental entities (i.e., Financial Accounting Standards Board (FASB) statements), issued after November 30, 1989.

**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.

**E. Cash and Cash Equivalents**

All unrestricted and restricted highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

**F. Accounts Receivable, Net**

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 \$808,000 and \$165,000 at June 30, 2009 and 2008, respectively.

**G. 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, 2009 and 2008 are summarized as follows:

Inventories	2009 (\$000)	2008 (\$000)
Spare Parts	\$ 3,504	\$ 3,455
Coal	124	155
Total	<u>\$ 3,628</u>	<u>\$ 3,610</u>

**H. Investments**

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



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

**I. Restricted Assets**

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

**J. Development and Bonds Issuance Costs**

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

At June 30, 2009 and 2008, development and bond issuance costs for the projects are as follows:

Project	2009 (\$000)	2008 (\$000)
<b>Development Costs:</b>		
Mid-Connecticut	\$ 3,277	\$ 3,277
Wallingford	5,667	5,667
Southeast	10,006	10,006
	<u>18,950</u>	<u>18,950</u>
Less accumulated amortization:		
Mid-Connecticut	3,277	3,277
Wallingford	5,667	5,383
Southeast	7,261	6,869
	<u>16,205</u>	<u>15,529</u>
Total development costs, net	<u>\$ 2,745</u>	<u>\$ 3,421</u>
<b>Bond Issuance Costs:</b>		
Mid-Connecticut	239	239
Bridgeport	275	275
Wallingford	105	105
Southeast	1,008	1,008
	<u>1,627</u>	<u>1,627</u>
Less accumulated amortization:		
Mid-Connecticut	186	170
Bridgeport	275	244
Wallingford	105	96
Southeast	616	560
	<u>1,182</u>	<u>1,070</u>
Total bond issuance costs, net	<u>\$ 445</u>	<u>\$ 557</u>
Totals, net	<u>\$ 3,190</u>	<u>\$ 3,978</u>





**K. 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 for property, plant, and equipment and for office furniture and equipment is \$5,000 and \$1,000, respectively. Improvements, renewals, and significant repairs that extend the useful life of a capital asset are capitalized; other repairs and maintenance costs are expensed as incurred. When capital assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any related gains or losses are recorded.

**L. Deferred Acquisition Costs**

Deferred acquisition costs include legal fees and permitting and engineering costs associated with the licensing and development (siting) of additional landfills, and certain costs incurred to

ready additional landfill areas for use. These costs are deferred as they will be recoverable through future revenue or benefit future operations. If licensure or recoverability becomes doubtful, these costs are then charged to operations. Deferred acquisition costs of \$1,567,000 and \$559,000 as of June 30, 2009 and 2008, respectively, are classified as nondepreciable capital assets in the accompanying balance sheet.

**M. Accrued Compensation**

The Authority’s liability for vested accumulated unpaid vacation and other employee benefit amounts is included in accrued expenses and other current liabilities in the accompanying balance sheet.

**N. 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 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. Such designations totaled \$34.6 million and \$37.2 million as of June 30, 2009 and 2008, respectively. Designated net assets at June 30, 2009 and 2008 are summarized as follows:



Unrestricted Designated Net Assets	2009 (\$000)	2008 (\$000)
Non-closure and post-closure	\$ 10,354	\$ -
Future loss contingencies	8,991	7,993
Debt service stabilization	4,834	4,763
Landfill development	3,148	1,981
Rolling stock	2,950	3,081
Future use	2,349	9,904
Recycling	758	2,254
Post-litigation expense	659	1,440
Facility modifications	285	3,247
Benefit fund	217	217
South Meadows site remediation	103	143
Ash disposal	-	2,150
<b>Total</b>	<b>\$ 34,648</b>	<b>\$ 37,173</b>

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 totaled \$36.6 million and \$45.9 million as of June 30, 2009 and 2008, respectively.

**O. Reclassifications**

Approximately \$14.988 million has been reclassified from the Southeast Project solid waste expense to energy share (\$14.498 million) and investment income (\$490,000) for the fiscal year ended June 30, 2008 financial statements to conform to the current year presentation.

**2. CASH DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following as of June 30, 2009 and 2008:

Cash and Cash Equivalents	2009 (\$000)	2008 (\$000)
<b>Unrestricted:</b>		
Cash deposits	\$ 2,218	\$ 1,396
Cash equivalents:		
STIF *	95,731	104,708
	<u>97,949</u>	<u>106,104</u>
<b>Restricted – current:</b>		
Cash deposits	321	372
Cash equivalents:		
STIF *	25,086	34,418
Money Market Funds	2,999	2,243
	<u>28,406</u>	<u>37,033</u>
<b>Restricted – non-current:</b>		
Cash equivalents:		
STIF *	33,390	36,472
	<u>33,390</u>	<u>36,472</u>
<b>Total</b>	<b>\$159,745</b>	<b>\$179,609</b>

\* STIF = Short-Term Investment Fund of the State of Connecticut

**A. Cash Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority’s investment policy does not have a deposit policy for custodial credit risk.

As of June 30, 2009 and 2008, approximately \$3.2 million and \$2.9 million, respectively, of the Authority’s bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2009 (\$000)	2008 (\$000)
Uninsured and Uncollateralized	\$ 2,756	\$ 2,539
Uninsured but collateralized with securities held by the pledging bank’s trust department or agent but not in the Authority’s name	423	323
	<u>423</u>	<u>323</u>
<b>Total</b>	<b>\$3,179</b>	<b>\$2,862</b>



All of the Authority's 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 other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of 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 the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments in the Short-Term Investment Fund ("STIF") and Money Market Funds as of June 30, 2009 and 2008 are included in cash and cash equivalents in the accompanying balance sheet. For purposes of disclosure under GASB Statement No. 40, such amounts are considered investments and are included in the investment disclosures that follow.

**B. Investments**

**Interest Rate Risk**

As of June 30, 2009, the Authority's investments consisted of the following debt securities:

Investment Type	Fair Value (\$000)	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
STIF	\$154,207	\$154,207	\$ -	\$ -	\$ -
U.S. Treasuries	817	817	-	-	-
Money Market Funds	2,999	2,999	-	-	-
<b>Total</b>	<b>\$158,023</b>	<b>\$158,023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

As of June 30, 2008, the Authority's investments consisted of the following debt securities:

Investment Type	Fair Value (\$000)	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
STIF	\$175,598	\$175,598	\$ -	\$ -	\$ -
U.S. Treasuries	809	809	-	-	-
Money Market Funds	2,243	2,243	-	-	-
<b>Total</b>	<b>\$178,650</b>	<b>\$178,650</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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. As of June 30, 2009 and 2008, STIF had a weighted average maturity of nine days and 19 days, respectively. The U.S. Treasury Securities are U.S. Treasury Bills that had 90 day maturities as of both June 30, 2009 and 2008. The Money Market Funds invest exclusively in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. This fund complies with Securities and Exchange Commission regulations regarding money market fund maturities, which requires that the weighted average maturity be 90 days or less. As of June 30, 2009 and 2008, the weighted average maturity of these funds was 46 days and 19 days, respectively.

The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority is limited to investment maturities as required by specific bond resolutions or as needed for immediate use or disbursement. Those funds not included in the foregoing may be invested in longer-term securities as authorized in the Authority's investment policy. The primary objectives of the Authority's investment policy are the preservation of principal and the maintenance of liquidity.



**Credit Risk**

The Authority's investment policy delineates the investment of funds in securities as authorized and defined within the bond resolutions governing the Mid-Connecticut and Southeast Projects for those funds established under the bond resolution and held in trust by the Authority's trustee. For all other funds, Connecticut state statutes permit the Authority to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

As of June 30, 2009, the Authority's investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	\$154,207	AAAm	Not Rated	Not Rated
U.S. Treasuries	817	AAA	Aaa	AAA
Money Market Funds	2,999	AAAm	Aaa	AAA

As of June 30, 2008, the Authority's investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	\$175,598	AAAm	Not Rated	Not Rated
U.S. Treasuries	809	AAA	Aaa	AAA
Money Market Funds	2,243	AAAm	Aaa	AAA

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy does not include provisions for custodial credit risk, as the Authority does not invest in securities that are held by counterparties. In accordance with GASB Statement No. 40, none of the Authority's investments require custodial credit risk disclosures.

**Concentration of Credit Risk**

The Authority's investment policy places no limit on the amount of investment in any one issuer, but does require diversity of the investment portfolio if investments are made in non-U.S. government or U.S. agency securities to eliminate the risk of loss of over-concentration of assets in a specific class of security, a specific maturity and/or a specific issuer. The asset allocation of the investment portfolio should, however, be flexible enough to assure adequate liquidity for Authority and/or bond resolution needs. As of June 30, 2009 and 2008, approximately 97.6% and 98.3%, respectively, of the Authority's investments are in the STIF, which is rated in the highest rating category by Standard & Poor's and provides daily liquidity, thereby satisfying the primary objectives of the Authority's investment policy.



### 3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2008 and 2009:

	Balance at June 30, 2007 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2008 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2009 (\$000)
<b>Nondepreciable assets:</b>									
Land	\$ 27,774	\$ 1,305	\$ -	\$ -	\$ 29,079	\$ -	\$ -	\$ (899)	\$ 28,180
Construction-in-progress	357	163	(193)	-	327	11,236	(2,233)	-	9,330
Deferred acquisition costs	-	559	-	-	559	1,007	-	-	1,566
<b>Total nondepreciable assets</b>	<b>\$ 28,131</b>	<b>\$ 2,027</b>	<b>\$ (193)</b>	<b>\$ -</b>	<b>\$ 29,965</b>	<b>\$ 12,243</b>	<b>\$ (2,233)</b>	<b>\$ (899)</b>	<b>\$ 39,076</b>
<b>Depreciable assets:</b>									
Plant	\$ 189,329	\$ 1,509	\$ -	\$ (283)	\$ 190,555	383	\$ -	\$ (10,149)	\$ 180,789
Equipment	206,778	5,842	193	(444)	212,369	3,025	2,069	(2,266)	215,197
<b>Total at cost</b>	<b>396,107</b>	<b>7,351</b>	<b>193</b>	<b>(727)</b>	<b>402,924</b>	<b>3,408</b>	<b>2,069</b>	<b>(12,415)</b>	<b>395,986</b>
<b>Less accumulated depreciation for:</b>									
Plant	(132,106)	(7,374)	-	218	(139,262)	(6,370)	\$ -	\$ 8,760	(136,872)
Equipment	(135,798)	(9,865)	-	252	(145,411)	(10,245)	\$ -	\$ 2,025	(153,631)
<b>Total accumulated depreciation</b>	<b>(267,904)</b>	<b>(17,239)</b>	<b>-</b>	<b>470</b>	<b>(284,673)</b>	<b>(16,615)</b>	<b>-</b>	<b>10,785</b>	<b>(290,503)</b>
<b>Total depreciable assets, net</b>	<b>\$ 128,203</b>	<b>\$ (9,888)</b>	<b>\$ 193</b>	<b>\$ (257)</b>	<b>\$ 118,251</b>	<b>\$ (13,207)</b>	<b>\$ 2,069</b>	<b>\$ (1,630)</b>	<b>\$ 105,483</b>

Interest is capitalized on assets acquired with 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 debt proceeds over the same period. During fiscal 2009 and 2008, there was no capitalized interest as there was no new 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, 2008 and 2009:

Bonds Payable	Balance at July 1, 2007 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2008 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2009 (\$000)	Amounts Due Within One Year (\$000)
Bonds payable - principal	\$ 26,541	\$ -	\$ (3,195)	\$ 23,346	\$ -	\$ (3,003)	\$ 20,343	\$ 4,143
Unamortized amounts:								
Premiums	418	-	(88)	330	-	(77)	254	66
Deferred amount on refunding	(1,027)	-	219	(808)	-	195	(614)	(170)
<b>Total bonds payable</b>	<b>\$ 25,932</b>	<b>\$ -</b>	<b>\$ (3,064)</b>	<b>\$ 22,868</b>	<b>\$ -</b>	<b>\$ (2,885)</b>	<b>\$ 19,983</b>	<b>\$ 4,039</b>



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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, 2009 and 2008 as follows:

Project	2009 (\$000)	2008 (\$000)
Deferred amount on refunding:		
Mid-Connecticut	\$ 48	\$ 75
Bridgeport	-	(2)
Wallingford	-	1
Southeast	566	734
Subtotal	<u>614</u>	<u>808</u>
Reduced by unamortized premium:		
Bridgeport	-	(1)
Southeast	(254)	(329)
Subtotal	<u>(254)</u>	<u>(330)</u>
Net Reduction	<u>\$ 360</u>	<u>\$ 478</u>

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, 2009 and 2008, which are backed by special capital reserve funds, are as follows:

Project	2009 (\$000)	2008 (\$000)
Mid-Connecticut	\$ 15,290	\$ 15,290
Southeast	5,053	5,639
Total	<u>\$ 20,343</u>	<u>\$ 20,929</u>

These special capital reserve funds are presented as net assets, restricted for debt service reserve funds on the Authority's balance sheet.

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

Year ending June 30,	Mid-Connecticut		Southeast		Total	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2010	\$ 3,525	\$ 737	\$ 618	\$ 250	\$ 4,143	\$ 987
2011	3,715	542	650	215	4,365	757
2012	3,915	335	684	179	4,599	514
2013	4,135	114	720	141	4,855	255
2014	-	-	756	103	756	103
2015-2016	-	-	1,625	84	1,625	84
	<u>\$ 15,290</u>	<u>\$ 1,728</u>	<u>\$ 5,053</u>	<u>\$ 972</u>	<u>\$ 20,343</u>	<u>\$ 2,700</u>
Interest Rates	5.375-5.5%		5.125-5.5%			

**B. State Loans 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. 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 (STIF) plus twenty-five basis points and may not exceed six percent.

In total, the Authority borrowed \$21.5 million from the State. On February 15, 2008, the Authority fully paid the outstanding balance on the State Loans, which totaled \$11,590,518.



**5. LONG-TERM LIABILITIES FOR CLOSURE AND POST-CLOSURE 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 Post-Closure Care Costs," applies to closure and post-closure care costs that are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority estimates its liability for these closure

and post-closure care costs and records any increases or decreases to the liability as an operating expense. For landfills presently open, such estimate is based on landfill capacity used as of the balance sheet date. The liability for these costs is reduced when the costs are actually paid, which is generally after the landfill is closed.

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation. The closure and post-closure care liabilities including the amounts paid and accrued for fiscal 2008 and 2009 for the landfills, are presented in the following table:

Project/Landfill	Liability at July 1, 2007 (\$000)	Expense (\$000)	Paid (\$000)	Liability at June 30, 2008 (\$000)	Expense (\$000)	Paid (\$000)	Transfer in / (out) (\$000)	Liability at June 30, 2009 (\$000)	Amounts Due Within One Year (\$000)
Mid-Connecticut:									
Hartford	\$ 40,501	\$ 2,558	\$ (4,794)	\$ 38,265	\$ 6,481	\$ (6,633)	\$ -	\$ 38,113	\$ 9,855
Ellington	3,443	564	(202)	3,805	584	(173)	-	4,216	242
Bridgeport:									
Shelton	11,352	(210)	(473)	10,669	-	(223)	(10,446)	-	-
Waterbury	893	1,445	-	2,338	-	(559)	(1,779)	-	-
Property Division:									
Shelton	-	-	-	-	3,047	(191)	10,446	13,302	690
Waterbury	-	-	-	-	(771)	(1)	1,779	1,007	29
Wallingford:	5,176	757	(192)	5,741	1,166	(156)	-	6,751	288
<b>Total</b>	<b>\$ 61,365</b>	<b>\$ 5,114</b>	<b>\$ (5,661)</b>	<b>\$ 60,818</b>	<b>\$ 10,507</b>	<b>\$ (7,936)</b>	<b>\$ -</b>	<b>\$ 63,389</b>	<b>\$ 11,104</b>

The Connecticut Department of Environmental Protection ("CTDEP") requires that certain financial assurance mechanisms be maintained by the Authority to ensure payment of closure and post-closure costs related to certain landfills. Additionally, CTDEP 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 \$490,000 and \$485,000 at June 30,

2009 and 2008, respectively. The Bridgeport-Waterbury Landfill account is valued at \$174,000 and \$172,000 at June 30, 2009 and 2008, respectively. The Wallingford Landfill account is valued at \$153,000 and \$152,000 at June 30, 2009 and 2008, respectively. These trust accounts are reflected as restricted assets in the accompanying balance sheet.

At June 30, 2009, 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 2009.



## Connecticut Resources Recovery Authority

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The annual fee for this letter of credit is two percent, paid quarterly in advance.

In addition to the above trust accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2009 and 2008 by meeting specified criteria pursuant to Section 258.74 of the Federal Environmental Protection Agency Subtitle D regulations.

On February 2, 2007, the Authority and the City of Hartford executed a Settlement Agreement which resolved a long standing disagreement regarding responsibility for costs associated with closure and post-closure activities at the Hartford landfill. The Settlement Agreement provided for the Authority to assume the liability, contingent upon certain conditions, for all of the Hartford landfill closure and post-closure costs. The Authority has estimated the latest total current costs for closure and post-closure care to be approximately \$49.5 million at June 30, 2009. The remaining liability for the Hartford landfill as of June 30, 2009 is approximately \$38.1 million.

The Connecticut State Legislature approved legislation which provides \$13.0 million, for the Authority, for costs associated with the closure of the Hartford landfill, with \$3.0 million allocated in fiscal year 2008, and \$10.0 million allocated in fiscal year 2009. In March 2008, the State Bond Commission appropriated \$3.0 million. In June and July 2007, the Authority awarded two closure construction contracts, together valued at approximately \$15.0 million. These construction activities proceeded during fiscal 2008 and continued into fiscal year 2009. The closure construction activities associated with the Phase I ash area were completed in fiscal year 2009, and the closure construction activities associated with the MSW/Interim ash area will continue into fiscal year 2010. It is expected that these closure activities will be completed by December 2010. A contract to close the remaining unclosed section of the Phase I ash area was approved by the Authority's Board of Directors at its June 2009 meeting, the contract was executed in July 2009, and the construction activities are expected to be completed by December 2009.

The Authority submitted a reimbursement request to the State of Connecticut (through the CTDEP) in early September 2008 for reimbursement of the first \$3.0 million of expenditures, and received the \$3.0 million in January 2009.

The Authority's Waterbury Bulky Waste Landfill, a small, 5.5 acre landfill, was permitted in the mid-1980's by Waterbury Landfill Associates to accept waste such as land clearing debris and construction and demolition debris. The landfill was subsequently purchased by the Authority in 1986 and made part of its Bridgeport Project. The Authority's contract with the Bridgeport Project ended at the end of calendar year 2008. The landfill reached the end of its economically useful life in fiscal year 2008 and the Authority has proceeded to initiate closure activities at the beginning of fiscal year 2009. Closure construction work, which consisted of site preparation, waste relocation and grading, installation of final cover soils, installation of erosion control measures, and the establishment of vegetation over the entire landfill footprint was completed in November 2008. The Authority inspected the closure construction activities in summer 2009 and confirmed that the vegetative support layer of the landfill had been satisfactorily established. The Authority submitted a closure construction certification report on September 18, 2009, and expects to receive a notice for CTDEP certifying compliant closure of the landfill sometime in fall 2009.

In January 2009, CTDEP advised the Authority that it was finally in a position to issue Stewardship permits to the Shelton and Wallingford landfills. (A Stewardship Permit is the state equivalent of a Resource Conservation and Recovery Act Part B Post-Closure permit under EPA's hazardous waste program). The Authority had submitted post-closure permit applications to the U.S. Environmental Protection Agency ("USEPA") under the federal hazardous waste program in December 1991 for both landfills (CTDEP did not have authority from USEPA to run this program at the time). Both of these permits were issued on September 16, 2009. Both landfills are subject





to this permit program because both have metal hydroxide waste (hazardous waste) disposal areas. In general, these Stewardship permits will incorporate and subsume permit conditions and regulatory requirements currently found in the solid waste and groundwater discharge permits for the landfills, in addition to the requirements specified in the hazardous waste regulations. One change that CTDEP is requiring as part of issuance of these permits is that the Authority adds a 15% contingency to the post-closure cost estimate for each landfill (15% above the Authority's estimate).

Please see Note 12 for permit modification associated with the Hartford Landfill.

## 6. MAJOR CUSTOMERS

Energy sales to CL&P and Constellation totaled 16.6% and 11.6% of the Authority's operating revenues for the fiscal year ended June 30, 2009. Energy sales to CL&P and Constellation totaled 14.7% and 10.60% of the Authority's operating revenues for the fiscal year ended June 30, 2008.

Service charge revenues from All Waste, Inc. totaled 6% of the Authority's operating revenues for each of the fiscal years ended June 30, 2009 and 2008.

## 7. 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 an employee for six months.

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are five percent of payroll plus a dollar for dollar match of employees' contributions up to five percent of employee wages. Authority contributions for the years ended June 30, 2009 and 2008 amounted to \$431,000 and \$428,000, respectively. Employees contributed \$425,000 to the plan in fiscal year 2009 and \$387,000 in fiscal year 2008.

During fiscal year 2008, the Authority adopted the State of Connecticut's defined contribution 457(b) Plan, which allows its employees to participate in the State of Connecticut's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Authority holds no fiduciary responsibility for the plan; rather, fiduciary responsibility rests with the State Comptroller's office.

## 8. 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. In fiscal year 2007, the Authority increased its overall property insurance limit to reflect an increase in overall property values. This provides 100% of the replacement cost value 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 the Authority's highest valued single facility. The limit 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 premium for each



of the policy periods from July 1, 2009 through July 1, 2010 and July 1, 2008 through July 1, 2009 was \$59,000 and \$54,000, respectively.

**9. COMMITMENTS**

The Authority has various operating leases for office space, land, landfills, and office equipment. The following schedule shows the composition of total rental expense for all operating leases:

Fiscal year	2009 (\$000)	2008 (\$000)
Minimum rentals	\$ 379	\$ 628
Contingent rentals	326	234
<b>Total</b>	<b>\$ 705</b>	<b>\$ 862</b>

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, 2009 and 2008, the PILOT payments, which are included in the solid waste operations in the accompanying statements of revenues, expenses and changes in net assets, totaled \$7,697,000 and \$8,616,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2009 are as follows:

Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2010	\$ 114	\$ 6,435
2011	114	5,220
2012	112	5,443
2013	-	846
2014	-	885
2015-2017	-	2,911
<b>Total</b>	<b>\$ 340</b>	<b>\$ 21,740</b>

The Authority has executed contracts with the operators/contractors 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, 2009 and 2008 was as follows:

Project	2009 (\$000)	2008 (\$000)
Mid-Connecticut	\$ 55,313	\$ 49,682
Bridgeport	21,143	48,827
Property	1,062	-
SouthWest	6,458	-
Wallingford	10,961	13,763
Southeast	21,542	21,552
<b>Total</b>	<b>\$ 116,479</b>	<b>\$ 133,824</b>

As of June 30, 2009, the Authority has executed construction contracts totaling approximately \$18.0 million for construction activities at the Mid-Connecticut Hartford landfill and Regional Recycling Facility. Remaining commitments on construction contracts executed as of June 30, 2009 totaled approximately \$4.4 million.

**10. OTHER FINANCING**

The Authority has issued several bonds pursuant to bond resolutions 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 was not involved in the construction activities, and construction requisitions by the contractor were 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 on its financial statements. The principal amounts of these bond issues outstanding at June 30, 2009 (excluding portions allocable to Authority purposes) are as follows:

Project	Amount (\$000)
Southeast -	
1992 Series A - Corp. Credit	\$ 30,000
1998 Series A - Project	40,352
2001 Series A - Covanta Southeastern Connecticut Company - I	6,750
2001 Series A - Covanta Southeastern Connecticut Company - II	<u>6,750</u>
Total	<u>\$ 83,852</u>

The Southeast 1998 Series A Project bond issue is secured by a special capital reserve fund. The contractor/operator is responsible for accounting and administration of this special capital reserve fund. The State is contingently liable for any deficiencies in the special capital reserve fund for this bond issue.

**11. SEGMENT INFORMATION**

The Authority has four projects that operate resources recovery and recycling facilities and landfills throughout the State plus two divisions 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 these 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 years ended June 30, 2009 and 2008, respectively.



# Connecticut Resources Recovery Authority

Fiscal Year 2009	Mid-Connecticut (\$000)	Bridgeport (\$000)	Property (\$000)	SouthWest (\$000)	Wallingford (\$000)	Southeast (\$000)
<b>Condensed Balance Sheets</b>						
<b>Assets:</b>						
Current unrestricted assets	\$ 75,782	\$ 5,437	\$ 12,978	\$ 1,411	\$ 15,754	\$ 10,557
Current restricted assets	25,167	-	870	-	224	2,378
Total current assets	<u>100,949</u>	<u>5,437</u>	<u>13,848</u>	<u>1,411</u>	<u>15,978</u>	<u>12,935</u>
<b>Non-current assets:</b>						
Restricted cash and cash equivalents	16,168	-	-	-	16,154	1,068
Restricted investments	490	174	-	-	153	-
Capital assets, net	126,357	10	15,375	-	2,177	-
Other assets, net	53	-	-	-	-	3,137
Total non-current assets	<u>143,068</u>	<u>184</u>	<u>15,375</u>	<u>-</u>	<u>18,484</u>	<u>4,205</u>
Total assets	<u>\$ 244,017</u>	<u>\$ 5,621</u>	<u>\$ 29,223</u>	<u>\$ 1,411</u>	<u>\$ 34,462</u>	<u>\$ 17,140</u>
<b>Liabilities:</b>						
Current liabilities	\$ 25,851	\$ 688	\$ 960	\$ 1,260	\$ 2,033	\$ 6,069
Long-term liabilities	43,971	-	13,590	-	6,463	5,332
Total liabilities	<u>69,822</u>	<u>688</u>	<u>14,550</u>	<u>1,260</u>	<u>8,496</u>	<u>11,401</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	115,156	11	15,375	-	2,178	-
Restricted	18,340	174	870	-	16,307	955
Unrestricted	40,699	4,748	(1,572)	151	7,481	4,784
Total net assets	<u>174,195</u>	<u>4,933</u>	<u>14,673</u>	<u>151</u>	<u>25,966</u>	<u>5,739</u>
Total liabilities and net assets	<u>\$ 244,017</u>	<u>\$ 5,621</u>	<u>\$ 29,223</u>	<u>\$ 1,411</u>	<u>\$ 34,462</u>	<u>\$ 17,140</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>						
Operating revenues	\$ 90,732	\$ 31,412	\$ 1,324	\$ 6,632	\$ 16,979	\$ 24,774
Operating expenses	81,036	25,466	3,488	6,483	41,676	25,554
Depreciation and amortization expense	15,806	464	153	-	326	448
Operating (loss) income	<u>(6,110)</u>	<u>5,482</u>	<u>(2,317)</u>	<u>149</u>	<u>(25,023)</u>	<u>(1,228)</u>
<b>Non-operating revenues (expenses):</b>						
Litigation-related settlements	4,250	-	-	-	-	-
Investment income	1,533	212	60	2	778	226
Other income (expenses), net	3,064	(2,444)	-	-	(230)	-
Interest expense	(859)	(41)	-	-	(12)	(372)
Net non-operating revenues (expense)	<u>7,988</u>	<u>(2,273)</u>	<u>60</u>	<u>2</u>	<u>536</u>	<u>(146)</u>
Income (loss) before transfers	1,878	3,209	(2,257)	151	(24,487)	(1,374)
Transfers in (out)	-	(16,930)	16,930	-	-	-
Change in net assets	1,878	(13,721)	14,673	151	(24,487)	(1,374)
Total net assets, July 1, 2008	172,317	18,654	-	-	50,453	7,113
Total net assets, June 30, 2009	<u>\$ 174,195</u>	<u>\$ 4,933</u>	<u>\$ 14,673</u>	<u>\$ 151</u>	<u>\$ 25,966</u>	<u>\$ 5,739</u>
<b>Condensed Statements of Cash Flows</b>						
<b>Net cash provided (used) by:</b>						
Operating activities	\$ 23,965	\$ 5,069	\$ 208	\$ 23	\$ (24,252)	\$ 257
Investing activities	1,592	212	60	2	743	343
Capital and related financing activities	(22,926)	(2,686)	(192)	-	(883)	(869)
Non-capital financing activities	(10)	(13,645)	13,627	-	(500)	-
Net (decrease) increase	<u>2,621</u>	<u>(11,050)</u>	<u>13,703</u>	<u>25</u>	<u>(24,892)</u>	<u>(269)</u>
Cash and cash equivalents, July 1, 2008	99,573	16,349	-	-	55,063	7,288
Cash and cash equivalents, June 30, 2009	<u>\$ 102,194</u>	<u>\$ 5,299</u>	<u>\$ 13,703</u>	<u>\$ 25</u>	<u>\$ 30,171</u>	<u>\$ 7,019</u>



Fiscal Year 2008	Mid-Connecticut (\$000)	Bridgeport (\$000)	Wallingford (\$000)	Southeast (\$000)
<b>Condensed Balance Sheets</b>				
Assets:				
Current unrestricted assets	\$ 66,059	\$ 17,673	\$ 38,424	\$ 10,022
Current restricted assets	28,204	4,133	2,488	2,562
Total current assets	<u>94,263</u>	<u>21,806</u>	<u>40,912</u>	<u>12,584</u>
Non-current assets:				
Restricted cash and cash equivalents	19,480	-	15,915	1,077
Restricted investments	485	172	152	-
Capital assets, net	126,792	18,284	2,374	-
Other assets, net	69	31	293	3,585
Total non-current assets	<u>146,826</u>	<u>18,487</u>	<u>18,734</u>	<u>4,662</u>
Total assets	<u>\$ 241,089</u>	<u>\$ 40,293</u>	<u>\$ 59,646</u>	<u>\$ 17,246</u>
Liabilities:				
Current liabilities	\$ 22,207	\$ 9,912	\$ 3,668	\$ 4,101
Long-term liabilities	46,565	11,727	5,525	6,032
Total liabilities	<u>68,772</u>	<u>21,639</u>	<u>9,193</u>	<u>10,133</u>
Net Assets:				
Invested in capital assets, net of related debt	115,611	16,824	2,375	-
Restricted	25,879	2,979	16,273	723
Unrestricted	30,827	(1,149)	31,805	6,390
Total net assets	<u>172,317</u>	<u>18,654</u>	<u>50,453</u>	<u>7,113</u>
Total liabilities and net assets	<u>\$ 241,089</u>	<u>\$ 40,293</u>	<u>\$ 59,646</u>	<u>\$ 17,246</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>				
Operating revenues	\$ 89,411	\$ 56,416	\$ 20,054	\$ 24,107
Operating expenses	73,461	56,722	17,320	23,451
Depreciation and amortization expense	16,365	867	323	448
Operating (loss) income	<u>(415)</u>	<u>(1,173)</u>	<u>2,411</u>	<u>208</u>
Non-operating revenues (expenses):				
Litigation-related settlements	4,745	-	-	-
Investment income	3,891	605	2,048	626
Other income (expenses), net	(332)	(59)	(133)	-
Interest expense	(1,280)	(127)	(42)	(414)
Net non-operating revenues (expense)	<u>7,024</u>	<u>419</u>	<u>1,873</u>	<u>212</u>
Change in net assets	6,609	(754)	4,284	420
Total net assets, July 1, 2007	165,708	19,408	46,169	6,693
Total net assets, June 30, 2008	<u>\$ 172,317</u>	<u>\$ 18,654</u>	<u>\$ 50,453</u>	<u>\$ 7,113</u>
<b>Condensed Statements of Cash Flows</b>				
Net cash provided (used) by:				
Operating activities	\$ (4,443)	\$ 6,162	\$ 4,483	\$ 979
Investing activities	3,947	603	2,113	727
Capital and related financing activities	(28,307)	(3,159)	(951)	(871)
Non-capital financing activities	(11)	(19)	(133)	-
Net (decrease) increase	<u>(28,814)</u>	<u>3,587</u>	<u>5,512</u>	<u>835</u>
Cash and cash equivalents, July 1, 2007	128,387	12,762	49,551	6,453
Cash and cash equivalents, June 30, 2008	<u>\$ 99,573</u>	<u>\$ 16,349</u>	<u>\$ 55,063</u>	<u>\$ 7,288</u>



## 12. SIGNIFICANT EVENTS

During fiscal years 2009 and 2008, the Authority received a total of \$4.1 million and \$4.7 million, respectively, from settlements resulting from various Enron-related lawsuits. The Authority has reported such gains as non-operating revenues in the accompanying statement of revenues, expenses and changes in net assets. The \$4.1 million settlement is agreed upon a contingency, whereby if the Authority fails to settle with any other of a specified group of settling parties for more than \$4.1 million, the Authority shall rebate this settling party an amount equal to the sum of the difference between \$4.1 million and the next largest settling party and an additional \$50,000, but in no event shall the rebate amount exceed \$425,000. The Authority has reported the contingency as deferred revenue in the accompanying balance sheet for the fiscal year ended June 30, 2009.

On July 1, 2007, the Authority entered into an Energy Purchase Agreement ("EPA") with Constellation Energy Commodities Group, Inc., which replaced the agreement with Select. The new EPA provided for the purchase of the first 250,000 MWH of electric energy generated at the Mid-Connecticut Project facility through June 30, 2012. Over the five-year term of the contract, the estimated value of the contract is \$93,671,000.

In December 2003, the Towns of New Hartford and Barkhamstead filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking alleged damages resulting from the failed Enron transaction as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority is defending and indemnifying its former President and board members. On August 10, 2005, the Motions to Dismiss all of the non-Authority defendants were granted; on August 30, 2005, plaintiffs filed an appeal, which is still pending. On March 21, 2006, the court granted the plaintiffs' motion for Class Certification. Trial began on November 13, 2006 and the parties

rested on January 11, 2007. On June 19, 2007, the court issued its decision, imposing a constructive trust on the sum of \$35,873,732.25 (received by the Authority from various parties in settlement of various Enron-related lawsuits and held by the Treasurer of the State of Connecticut in the Short-Term Investment Fund account) and ordering that amount to be forwarded to the plaintiffs, in care of their attorneys, immediately. On December 7, 2007, the Court ordered the State Treasurer to issue one check for all monies held in the STIF account, together with accrued interest since June 19, 2007, to plaintiffs' attorneys for allocation of funds to the Mid-Connecticut Project municipalities and award of attorneys' fees and reimbursement of expenses. On December 11, 2007, in accordance with the Court order, \$36,775,720 was withdrawn from the STIF account. On December 10, the Authority filed a motion with the Connecticut Supreme Court for review of its motion for stay of orders of distribution and attorneys' fees. On January 11, 2008, the Supreme Court granted the motion with regard to the attorneys' fees, and on March 4, 2008, \$9,462,267.22 was returned by plaintiffs' counsel to the STIF account.

The court also enjoined the Authority from passing any costs of the failed Enron transaction to the towns, effective for fiscal year 2008 and all subsequent years. On June 20, 2007, the Authority filed an Application for a Stay of Injunction Pending Appeal. On July 6, 2007, the Authority appealed the trial court's decision to the Appellate Court; on July 23, 2007, the appeal was transferred to the Connecticut Supreme Court. On July 25, 2007, the trial judge denied the Authority's Application for a Stay of Injunction Pending Appeal. On August 6, 2007, the Authority filed a Motion for Review of that denial with the Connecticut Supreme Court. The trial court retained jurisdiction over the plaintiffs' application for an order enjoining the Authority's implementation of its fiscal year 2008 budget, and held a hearing on September 5-6, 2007. On October 25, 2007, the trial court directed the Authority to remove \$6.71 million in budgeted



expenses from its fiscal year 2008 budget, and reduce its Mid-Connecticut Project tip fee accordingly; on November 21, the Authority appealed. Oral argument in connection with the appeals pending before the Connecticut Supreme Court was heard in October 2008. On May 8, 2009, the Supreme Court confirmed the lower court's rulings, and in June 2009, the remaining funds in STIF were transferred to plaintiffs' counsel.

On April 21, 2008, Plaintiffs filed a Motion to Enforce Judgment and Enjoin the Authority from Subverting Judgment, seeking an order enjoining implementation of the Authority's fiscal year 2009 Mid-Connecticut Project budget. On April 30, 2008, the Authority filed a Complaint in Superior Court in Hartford seeking a Declaratory Judgment that the adoption of its fiscal year 2009 budget was a proper exercise of the statutory discretion, exercised in good faith, of the Authority's Board of Directors. On June 12, 2008, the Declaratory Judgment action was transferred to the trial judge in the New Hartford matter. On June 13, 2008, Plaintiffs filed a Motion to Consolidate the Authority's Declaratory Judgment action with Plaintiffs' request for an order enjoining implementation of the fiscal year 2009 Mid-Connecticut Project budget. On August 11, 2008, the trial judge granted Plaintiffs' Motion to Consolidate with regard to the requested temporary injunction, but denied it with regard to the requested permanent injunction. An evidentiary hearing was begun in the fall of 2008, and was scheduled to resume on August 24, 2009, but the parties resolved their outstanding disputes, and on August 21, 2009, both Plaintiffs' Motion to Enforce Judgment and Defendants' Complaint seeking a Declaratory Judgment were withdrawn.

The Authority submitted a solid waste permit modification application to CTDEP in July 2006, associated with the Hartford landfill, to 1) revise the closure plan, prescribing a state-of-the-art synthetic cap; 2) revise the grading plan for a section of the east side of the landfill; 3) set a date certain for final delivery of waste of no later than December 31, 2008; and 4) discuss possible passive recreational future uses for the

landfill and engage a landscape architect to provide a rendering of these possible activities. A favorable ruling on this permit modification was issued by CTDEP on March 29, 2007. The Authority accepted the last shipment of solid waste on December 31, 2008. (In anticipation of the cessation of waste deliveries at the end of 2008, the Authority solicited bids for transportation and disposal of ash residue and unburned process residuals generated at its Mid-Connecticut Resources Recovery Facility. The Authority awarded contracts to Wheelabrator Technologies and Waste Management of Massachusetts, Inc. to manage these wastestreams beginning January 1, 2009. A new ash landfill in Connecticut would mitigate some of these costs.)

During fiscal year 2008, a site in Franklin, Connecticut has been identified as the primary site to be investigated to confirm that it is technically and environmentally amenable to permitting and constructing a landfill. Although the actual "footprint" of the contemplated landfill will be approximately 125 acres, the area being investigated is approximately 450 acres. The Authority publically announced the site in March 2008, and began field investigations in April 2008. Field investigations have occurred since that time and will continue through fall 2009. Field investigations include ecological studies (wetlands, threatened and endangered species, habitat assessment, etc.), subsurface geological and hydrogeological investigations, traffic analyses, surveying, hydrological studies of adjacent waterbodies, and cultural/archaeological investigations. The Authority held three public informational meetings in April and May 2008 to communicate its landfill siting initiative to the local community, as well as to answer questions and hear concerns from the local community. The Authority has continued to communicate with Franklin residents periodically with newsletters and through print media. During its 2009 session, the Connecticut State Legislature passed a bill that prevented the Authority from acquiring certain properties necessary to develop the Franklin site; if the bill became law it would have removed this site from further



consideration as an ash landfill. The Governor vetoed the legislation and the legislature chose to not attempt to override the veto at that time. Consequently, in August 2009, the Authority publically announced that based on its understanding of the directives received from State leaders, it will suspend its efforts to develop an ash landfill in the State of Connecticut. The Authority will focus on consideration of other environmentally sound options for long-term disposal of ash residue from its resource recovery facilities, including disposal at other in-state and out-of-state landfills.

### 13. CONTINGENCIES

#### Mid-Connecticut Project:

In April 2009, the Authority executed a \$550,000 Settlement Agreement and Mutual Release with a settling party in association with an Enron-related lawsuit.

In January 2006, the Authority's pollution liability insurance carrier, American International Specialty Lines Insurance Company ("AISLIC") settled with numerous commercial and residential neighbors of the Hartford Landfill who had filed suit against the Authority in 2001, claiming diminution in the value of their real properties, loss of enjoyment of their properties, clean-up costs relative to bird droppings, and, in one case, loss of business income, as a result of noxious odors emanating from the landfill, bird excrement from birds attracted to the landfill, and an "unsightly 135 foot dirt mound" in the landfill. On May 4, 2006, AISLIC initiated a declaratory judgment action in federal district court seeking a declaration that AISLIC is not obligated to indemnify the Authority in connection with the settled lawsuit and that AISLIC should be awarded the amount it spent on defense and indemnification of the Authority. The Authority is defending against this action, and has counterclaimed, alleging bad faith and seeking recovery of attorneys' fees. Discovery is ongoing. The matter is too preliminary to estimate any potential exposure.

On May 6, 2008, a Trustee of the Chapter 7 Bankruptcy Estate of O.N.E./C.H.A.N.E., brought suit against the Authority in Superior Court, claiming that the Authority breached the October 6, 1999 Community Support Agreement between the Authority and O.N.E./C.H.A.N.E. and seeking damages of approximately \$20.0 million. At the Authority's request, the matter was transferred to the Complex Litigation docket in Hartford on June 30, 2008. Both parties have filed Motions for Summary Judgment; oral argument on the Motions is scheduled to be heard on October 5, 2009. The Authority is defending against this action. The matter is too preliminary to estimate any potential exposure.

In January 2009, the Authority brought suit against Dainty Rubbish Services, Inc., alleging that Dainty has diverted substantial amounts of municipal solid waste to waste disposal facilities other than Authority facilities, contrary to Dainty's contractual obligations to deliver the waste to Authority facilities. On September 2, 2009, Dainty filed a counterclaim against the Authority alleging, among other things, breach of contract, misrepresentation, and fraud, and seeking rescission of all contracts, damages, interest and costs, and an accounting. The case is in the early stages of discovery.

#### Bridgeport Project:

In the early 1990's, the Authority was named as a Potentially Responsible Party in the now-combined federal and State of New Jersey suits to recover the costs of remediation of the landfill known as Combe Fill South. The litigation has been on hold while allocation of responsibility among the hundreds of alleged defendants is assessed through Alternate Dispute Resolution ("ADR"). A preliminary allocation of liability was issued in April 2006, designed to guide the 250+ parties in developing and funding global settlement offers. As a result of a mediated global settlement, the settlement share allocated to the Authority was \$268,372.63. Pursuant to a Settlement Agreement dated March 21, 2000 between the Authority and its insurance carrier, the insurer agreed to pay 63.4 percent of the Authority's





obligation, leaving the Authority to pay 36.6 percent (\$98,224.39). In January 2009, the Authority paid its allocation amount into a settlement escrow. A Consent Decree resolving the settling parties' primary liabilities to the government plaintiffs was approved and entered by the Court on June 16, 2009. The settlement is also conditioned on the defendants' payment of ADR Process fees and Liaison Counsel fee assessments. One of the settling parties is pursuing a contribution action against several non-settling entities. The Authority may be subject to demands for discovery, and possibly, to third-party claims alleging liability.

On January 21, 2009, a Complaint was filed in Connecticut Superior Court, alleging injuries suffered by a Milford resident at the Milford Transfer Station as a result of the Authority's negligent and careless acts and/or omissions, and seeking monetary damages for such injuries as well as expenses for medical care and a new motor vehicle to accommodate Plaintiff's physical injuries, and a loss of earnings and earning capacity, and further alleging a loss of care and consortium by the resident's spouse and seeking monetary damages. The claim has been tendered to the Authority's insurer, which is defending, subject to a \$50,000 deductible.

In February 2008, a Complaint was filed in Connecticut Superior Court alleging injuries suffered by an employee of Enviro Express, the operator of the Norwalk Transfer Station, as a result of the Authority's negligent and careless acts and/or omissions, and seeking damages, including medical expenses and lost wages. The claim has been tendered to the insurer of Enviro Express, which is defending the Authority pursuant to a reservation of rights.

**Other Issues including Claims and Assessments:**

The Metropolitan District Commission ("MDC"), which operates the Mid-Connecticut Project's Waste Processing Facility, has made claims that the Authority is responsible for MDC's "Contract Separation Costs" related to MDC employees employed at the Mid-Connecticut Project. The Authority believes

that it is not responsible for any costs incurred by MDC after the expiration of the agreement between the parties.

One of the companies under contract for closure-related activities at the Mid-Connecticut Project's Hartford Landfill sent the Authority two requests, dated June 16, 2009 and June 17, 2009, respectively, for additional compensation. The Authority does not believe that the claims have merit. To date, no formal action has been taken.

In addition to the Dainty Rubbish litigation, the Authority is in discussions with four other waste hauling companies in response to the diversion of waste from the Authority's Mid-Connecticut Project. Should the ongoing discussions fail to produce a satisfactory resolution, the Authority plans to file suit seeking damages for breach of contract and other causes of action.

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.

**14. ACCOUNTING PRONOUNCEMENT:  
GASB STATEMENT NO. 49,  
"ACCOUNTING AND FINANCIAL  
REPORTING FOR POLLUTION  
REMEDiation OBLIGATIONS"**

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," is effective for financial statements for periods beginning after December 15, 2007. During fiscal year 2009, the Authority has evaluated if it is obligated to any clean up and remediate pollution. The Authority has determined that it has no such obligations or responsibilities at this time.

**15. ACCOUNTING PRONOUNCEMENTS  
ISSUED BUT NOT EFFECTIVE YET**

During June 2007, GASB issued Statement No 51, "Accounting and Financial Reporting for Intangible Assets" (GASB No. 51). This statement establishes accounting and financial



reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. GASB No. 51 is effective for the Authority as of January 1, 2010.

During November 2007, GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement is effective for the Authority as of July 1, 2009.

During June 2008, GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is effective for the Authority as of January 1, 2010.

# Supplementary Information

COMBINING SCHEDULE OF BALANCE SHEETS

AS OF JUNE 30, 2009

(Dollars in Thousands)

ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>CURRENT ASSETS</b>									
Unrestricted Assets:									
Cash and cash equivalents	\$ 1,334	\$ 60,874	\$ 5,299	\$ 12,833	\$ 25	\$ 13,956	\$ 3,628	\$ -	\$ 97,949
Accounts receivable, net of allowances	22	9,533	81	109	1,386	1,663	6,921	-	19,715
Inventory	-	3,628	-	-	-	-	-	-	3,628
Prepaid expenses	102	1,451	57	36	-	135	8	-	1,789
Due from other funds	-	296	-	-	-	-	-	(296)	-
Total Unrestricted Assets	1,458	75,782	5,437	12,978	1,411	15,754	10,557	(296)	123,081
Restricted Assets:									
Cash and cash equivalents	-	25,152	-	870	-	61	2,323	-	28,406
Accrued interest receivable	-	15	-	-	-	163	55	-	233
Total Restricted Assets	-	25,167	-	870	-	224	2,378	-	28,639
Total Current Assets	1,458	100,949	5,437	13,848	1,411	15,978	12,935	(296)	151,720
<b>NON-CURRENT ASSETS</b>									
Restricted cash and cash equivalents	-	16,168	-	-	-	16,154	1,068	-	33,390
Restricted investments	-	490	174	-	-	153	-	-	817
Capital Assets:									
Depreciable:									
Plant	864	164,482	616	14,827	-	-	-	-	180,789
Equipment	1,190	211,357	-	2,373	-	277	-	-	215,197
	2,054	375,839	616	17,200	-	277	-	-	395,986
Less: Accumulated depreciation	(1,414)	(272,278)	(606)	(16,126)	-	(79)	-	-	(290,503)
Total Depreciable, net	640	103,561	10	1,074	-	198	-	-	105,483
Nondepreciable:									
Land	-	11,900	-	14,301	-	1,979	-	-	28,180
Construction in progress	-	9,329	-	-	-	-	-	-	9,329
Deferred acquisition costs	-	1,567	-	-	-	-	-	-	1,567
Total Nondepreciable	-	22,796	-	14,301	-	1,979	-	-	39,076
Development and bond issuance costs, net	-	53	-	-	-	3,137	-	-	3,190
Total Non-Current Assets	640	143,068	184	15,375	-	18,484	4,205	-	181,956
<b>TOTAL ASSETS</b>	\$ 2,098	\$ 244,017	\$ 5,621	\$ 29,223	\$ 1,411	\$ 34,462	\$ 17,140	\$ (296)	\$ 333,676



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF BALANCE SHEETS (Continued)**  
**AS OF JUNE 30, 2009**  
(Dollars in Thousands)

**EXHIBIT A**  
**Page 2 of 2**

**LIABILITIES AND NET ASSETS**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>CURRENT LIABILITIES</b>									
Current portion of:									
Bonds payable, net	\$ -	\$ 3,503	\$ -	\$ -	\$ -	\$ -	\$ 536	\$ -	\$ 4,039
Closure and post-closure care of landfills	-	10,097	-	719	-	288	-	-	11,104
Accounts payable	100	4,391	29	67	-	67	213	-	4,867
Accrued expenses and other current liabilities	698	7,860	659	174	1,260	1,678	5,320	-	17,649
Due to other funds	296	-	-	-	-	-	-	(296)	-
Total Current Liabilities	1,094	25,851	688	960	1,260	2,033	6,069	(296)	37,659

**LONG-TERM LIABILITIES**

Bonds payable, net	-	11,739	-	-	-	-	4,205	-	15,944
Closure and post-closure care of landfills	-	32,232	-	13,590	-	6,463	-	-	52,285
Other liabilities	-	-	-	-	-	-	1,127	-	1,127
Total Long-Term Liabilities	-	43,971	-	13,590	-	6,463	5,332	-	69,356
<b>TOTAL LIABILITIES</b>	1,094	69,822	688	14,550	1,260	8,496	11,401	(296)	107,015

**NET ASSETS**

Invested in capital assets, net of related debt	640	115,156	11	15,375	-	2,178	-	-	133,360
Restricted:									
Tip fee stabilization	-	-	-	-	-	16,154	-	-	16,154
Energy generating facility	-	7,566	-	-	-	-	-	-	7,566
Debt service reserve funds	-	3,979	-	-	-	-	58	-	4,037
Operating and maintenance	-	1,764	-	-	-	-	-	-	1,764
Equipment replacement	-	1,764	-	-	-	-	-	-	1,764
Debt service funds	-	1,525	-	-	-	-	-	-	1,525
Select Energy escrow	-	1,000	-	-	-	-	-	-	1,000
Shelton landfill future use	-	-	-	870	-	-	-	-	870
DEP trust - landfills	-	490	174	-	-	153	-	-	817
Montville landfill post-closure	-	-	-	-	-	-	719	-	719
Recycling education fund	-	201	-	-	-	-	-	-	201
Rebate fund	-	-	-	-	-	-	178	-	178
Other restricted net assets	-	51	-	-	-	-	-	-	51
Total Restricted	-	18,340	174	870	-	16,307	955	-	36,646
Unrestricted	364	40,699	4,748	(1,572)	151	7,481	4,784	-	56,655
Total Net Assets	1,004	174,195	4,933	14,673	151	25,966	5,739	-	226,661
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,098	\$ 244,017	\$ 5,621	\$ 29,223	\$ 1,411	\$ 34,462	\$ 17,140	\$ (296)	\$ 333,676

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**  
(Dollars in Thousands)

**EXHIBIT B**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>Operating Revenues</b>									
Service charges:									
Members	\$ -	\$ 34,269	\$ 18,722	\$ -	\$ 6,632	\$ 8,439	\$ 9,174	\$ -	\$ 77,236
Others	-	19,094	7,558	-	-	255	81	(150)	26,838
Energy sales	-	30,773	-	-	-	8,276	15,519	-	54,568
Ash disposal reimbursement	-	-	2,511	-	-	-	-	-	2,511
Other operating revenues	-	6,596	2,621	1,324	-	9	-	-	10,550
Total operating revenues	-	90,732	31,412	1,324	6,632	16,979	24,774	(150)	171,703
<b>Operating Expenses</b>									
Solid waste operations	-	64,778	24,513	1,018	6,458	12,911	25,416	(150)	134,944
Depreciation and amortization	201	15,806	464	153	-	326	448	-	17,398
Maintenance and utilities	-	926	157	78	-	7	-	-	1,168
Closure and post-closure care of landfills	-	7,065	-	2,276	-	1,166	-	-	10,507
Legal services - external	-	2,387	199	2	12	315	5	-	2,920
Operational & Environmental services	-	2,723	171	55	6	288	64	-	3,307
General & Administrative services	-	1,723	108	35	4	182	41	-	2,093
Billing, Accounting & Finance services	-	1,204	76	24	3	127	28	-	1,462
Education & Communications services	-	230	242	-	-	5	-	-	477
Distribution to member towns	-	-	-	-	-	26,675	-	-	26,675
Total operating expenses	201	96,842	25,930	3,641	6,483	42,002	26,002	(150)	200,951
Operating (Loss) Income	(201)	(6,110)	5,482	(2,317)	149	(25,023)	(1,228)	-	(29,248)
<b>Non-Operating Revenues (Expenses)</b>									
Investment income	7	1,533	212	60	2	778	226	-	2,818
Litigation-related settlements	-	4,250	-	-	-	-	-	-	4,250
Other income (expenses)	263	3,064	(2,444)	-	-	(230)	-	-	653
Interest expense	-	(859)	(41)	-	-	(12)	(372)	-	(1,284)
Net Non-Operating Revenues (Expenses)	270	7,988	(2,273)	60	2	536	(146)	-	6,437
Income (Loss) before Transfers	69	1,878	3,209	(2,257)	151	(24,487)	(1,374)	-	(22,811)
Transfers in (out)	-	-	(16,930)	16,930	-	-	-	-	-
Change in Net Assets	69	1,878	(13,721)	14,673	151	(24,487)	(1,374)	-	(22,811)
Total Net Assets, beginning of year	935	172,317	18,654	-	-	50,453	7,113	-	249,472
Total Net Assets, end of year	1,004	174,195	4,933	14,673	151	25,966	5,739	-	226,661



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009  
(Dollars in Thousands)**

**EXHIBIT C  
Page 1 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>Cash Flows Provided (Used) by Operating Activities</b>									
Payments received from providing services	\$ 210	\$ 93,411	\$ 36,634	\$ 1,215	\$ 5,246	\$ 17,252	\$ 24,044	\$ (150)	\$ 177,862
Proceeds from settlements	-	4,675	-	-	-	-	-	-	4,675
Payments received from other funds	-	216	-	-	-	-	-	(216)	-
Payments to suppliers for goods and services	(3)	(70,687)	(31,195)	(953)	(5,216)	(14,468)	(23,707)	150	(146,079)
Payments to employees for services	-	(3,650)	(370)	(54)	(7)	(361)	(80)	-	(4,522)
Distribution to member towns	-	-	-	-	-	(26,675)	-	-	(26,675)
Payments to other funds	(216)	-	-	-	-	-	-	216	-
<b>Net Cash Provided (Used) by Operating Activities</b>	(9)	23,965	5,069	208	23	(24,252)	257	-	5,261
<b>Cash Flows Provided (Used) by Investing Activities</b>									
Interest on investments	7	1,597	214	60	2	745	343	-	2,968
Purchases of investments	-	(5)	(2)	-	-	(2)	-	-	(9)
<b>Net Cash Provided by Investing Activities</b>	7	1,592	212	60	2	743	343	-	2,959
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities</b>									
Proceeds from sales of equipment	-	174	-	-	-	-	-	-	174
Payments for landfill closure and post-closure care liabilities	-	(6,806)	(782)	(192)	-	(156)	-	-	(7,936)
Acquisition and construction of capital assets	-	(15,462)	(113)	-	-	-	-	-	(15,575)
Interest paid on long-term debt	-	(832)	(86)	-	-	(15)	(283)	-	(1,216)
Principal paid on long-term debt	-	-	(1,705)	-	-	(712)	(386)	-	(3,003)
<b>Net Cash Used by Capital and Related Financing Activities</b>	-	(22,926)	(2,686)	(192)	-	(883)	(869)	-	(27,556)
<b>Cash Flows Provided (Used) by Non-Capital Financing Activities</b>									
Other interest and fees	-	(10)	(18)	-	-	(500)	-	-	(528)
Cash inflow/(outflow)	-	-	(13,627)	13,627	-	-	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	-	(10)	(13,645)	13,627	-	(500)	-	-	(528)



COMBINING SCHEDULE OF CASH FLOWS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2009  
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
Net (decrease) increase in cash and cash equivalents	\$ (2)	\$ 2,621	\$ (11,050)	\$ 13,703	\$ 25	\$ (24,892)	\$ (269)	\$ -	\$ (19,864)
Cash and cash equivalents, beginning of year	1,336	99,573	16,349	-	-	55,063	7,288	-	179,609
Cash and cash equivalents, end of year	\$ 1,334	\$ 102,194	\$ 5,299	\$ 13,703	\$ 25	\$ 30,171	\$ 7,019	\$ -	\$ 159,745
Reconciliation of Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:									
Operating (loss) income	\$ (201)	\$ (6,110)	\$ 5,482	\$ (2,317)	\$ 149	\$ (25,023)	\$ (1,228)	\$ -	\$ (29,248)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:									
Depreciation of capital assets	201	15,791	433	153	-	33	-	-	16,611
Amortization of development and bond issuance costs	-	15	31	-	-	293	448	-	787
Provision for closure and post-closure care of landfills	-	7,065	-	2,276	-	1,166	-	-	10,507
Other income	188	3,000	-	-	-	434	-	-	3,622
Litigation-related settlements	-	4,250	-	-	-	-	-	-	4,250
Changes in assets and liabilities:									
(Increase) decrease in:									
Accounts receivable, net	-	(348)	5,221	(109)	(1,386)	(161)	(730)	-	2,487
Inventory	-	(18)	-	-	-	-	-	-	(18)
Prepaid expenses and other current assets	(60)	(659)	95	(36)	-	(2)	1	-	(661)
Due from other funds	-	216	-	-	-	-	-	(216)	-
(Decrease) increase in:									
Accounts payable, accrued expenses and other liabilities	79	763	(6,193)	241	1,260	(992)	1,766	-	(3,076)
Due to other funds	(216)	-	-	-	-	-	-	216	-
Net Cash Provided (Used) by Operating Activities	\$ (9)	\$ 23,965	\$ 5,069	\$ 208	\$ 23	\$ (24,252)	\$ 257	\$ -	\$ 5,261





**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF NET ASSETS  
AS OF JUNE 30, 2009  
(Dollars in Thousands)**

**EXHIBIT D  
Page 1 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	South West Division	Wallingford Project	Southeast Project	Total
<b>Net assets invested in capital assets, net of related debt</b>	\$ 640	\$ 115,156	\$ 11	\$ 15,375	\$ -	\$ 2,178	\$ -	\$ 133,360
<b>Restricted net assets:</b>								
Current restricted cash and cash equivalents:								
Revenue fund	-	18,319	-	-	-	-	1,053	19,372
Debt service funds	-	5,132	-	-	-	-	384	5,516
Select Energy escrow	-	1,000	-	-	-	-	-	1,000
Shelton landfill future use	-	-	-	870	-	-	-	870
Montville landfill post-closure	-	-	-	-	-	-	886	886
Recycling education fund	-	441	-	-	-	-	-	441
Customer guarantee of payment	-	212	-	-	-	61	-	273
Town of Ellington trust - pooled funds	-	48	-	-	-	-	-	48
Total current restricted cash and cash equivalents	-	25,152	-	870	-	61	2,323	28,406
Non-current restricted cash and cash equivalents and investments:								
Tip fee stabilization	-	-	-	-	-	16,154	-	16,154
Energy generating facility	-	7,565	-	-	-	-	-	7,565
Debt service reserve funds	-	5,075	-	-	-	-	890	5,965
Equipment replacement	-	1,764	-	-	-	-	-	1,764
Operating and maintenance	-	1,764	-	-	-	-	-	1,764
DEP trust - landfills	-	490	174	-	-	153	-	817
Rebate fund	-	-	-	-	-	-	178	178
Total non-current restricted cash and cash equivalents and investments	-	16,658	174	-	-	16,307	1,068	34,207
<b>Less liabilities to be paid with current restricted assets:</b>								
Bonds payable, net including accrued interest	-	3,607	-	-	-	-	384	3,991
Other liabilities	-	18,527	-	-	-	61	1,220	19,808
Total liabilities to be paid with current restricted assets	-	22,134	-	-	-	61	1,604	23,799
<b>Less liabilities to be paid with non-current restricted assets:</b>								
Bonds payable, net	-	1,096	-	-	-	-	832	1,928
Other liabilities	-	240	-	-	-	-	-	240
Total liabilities to be paid with non-current restricted assets	-	1,336	-	-	-	-	832	2,168
<b>Total restricted net assets</b>	-	18,340	174	870	-	16,307	955	36,646



COMBINING SCHEDULE OF NET ASSETS (Continued)  
 AS OF JUNE 30, 2009  
 (Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	South West Division	Wallingford Project	Southeast Project	Total
Unrestricted net assets:								
Designated for:								
Non-Closure and post-closure	\$ -	\$ 4,820	\$ -	\$ 3,754	\$ -	\$ 1,780	\$ -	\$ 10,354
Future loss contingencies	-	7,692	-	-	-	1,047	252	8,991
Debt service stabilization	-	4,834	-	-	-	-	-	4,834
Landfill development	-	3,148	-	-	-	-	-	3,148
Rolling stock	-	2,950	-	-	-	-	-	2,950
Future use	-	-	-	-	-	2,349	-	2,349
Recycling	-	-	758	-	-	-	-	758
Post-litigation expense	-	659	-	-	-	-	-	659
Facility modifications	-	285	-	-	-	-	-	285
Benefit fund	217	-	-	-	-	-	-	217
South Meadows site remediation	-	103	-	-	-	-	-	103
Undesignated	147	16,208	3,990	(5,326)	151	2,305	4,532	22,007
Total unrestricted net assets	364	40,699	4,748	(1,572)	151	7,481	4,784	56,655
Total Net Assets	\$ 1,004	\$ 174,195	\$ 4,933	\$ 14,673	\$ 151	\$ 25,966	\$ 5,739	\$ 226,661

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Connecticut Resources Recovery Authority  
Harford, Connecticut

We have audited the financial statements of the Connecticut Resources Recovery Authority (Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated September 24, 2009.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, the State of Connecticut and is not intended to be and should not be used by anyone other than these specified parties.

*Bollam Sheedy Torani & Co LLP*

New York, New York  
September 24, 2009

# Statistical Section

This Authority's Comprehensive Annual Financial Report – Statistical Section – presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b>	62 - 70
These schedules contain trend information to help the readers understand and assess how the Authority's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	71 - 80
These schedules contain information to help the readers understand and assess the Authority's significant revenue sources.	
<b>Debt Capacity</b>	81 - 84
These schedules present information to help the readers understand and assess the affordability of the Authority's current levels of outstanding debt and its ability to issue additional debt in the future.	
<b>Demographic Information</b>	85 - 86
The schedule offers demographic indicators to help the readers understand the environment within which the Authority's financial activities take place.	
<b>Operating Information</b>	87 - 91
The schedule contains information to help the readers understand and assess the Authority's significant expense sources.	

**Exhibit 1 - Net Assets**  
**Last Eight Fiscal Years (1)**  
(Dollars in Thousands)

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Fund</b>								
Invested in capital assets, net of related debt	\$ 503	\$ 288	\$ 986	\$ 895	\$ 927	\$ 836	\$ 765	\$ 640
Restricted	21	20	20	20	21	21	22	-
Unrestricted	8,509	8,881	(735)	(445)	(256)	(64)	148	364
Total Net Assets	<u>9,033</u>	<u>9,189</u>	<u>271</u>	<u>470</u>	<u>692</u>	<u>793</u>	<u>935</u>	<u>1,004</u>
<b>Mid-Connecticut Project</b>								
Invested in capital assets, net of related debt	14,865	14,005	13,030	86,710	75,294	123,358	115,611	115,156
Restricted	35,814	52,572	53,552	44,704	45,183	24,103	25,879	18,340
Unrestricted	41,273	8,611	6,561	45,362	68,109	18,247	30,827	40,699
Total Net Assets	<u>91,952</u>	<u>75,188</u>	<u>73,143</u>	<u>176,776 (2)</u>	<u>188,586</u>	<u>165,708</u>	<u>172,317</u>	<u>174,195</u>
<b>Wallingford Project</b>								
Invested in capital assets, net of related debt	1,979	1,979	1,979	1,979	2,091	2,370	2,375	2,178
Restricted	1,446	8,105	7,842	14,118	14,734	15,556	16,273	16,307
Unrestricted	14,998	12,483	18,489	17,563	22,408	28,243	31,805	7,481
Total Net Assets	<u>18,423</u>	<u>22,567</u>	<u>28,310</u>	<u>33,660</u>	<u>39,233</u>	<u>46,169</u>	<u>50,453</u>	<u>25,966</u>
<b>Southeast Project</b>								
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-
Restricted	1,280	1,271	147	260	1,104	649	723	955
Unrestricted	5,535	2,450	3,865	4,897	5,104	6,044	6,390	4,784
Total Net Assets	<u>6,815</u>	<u>3,721</u>	<u>4,012</u>	<u>5,157</u>	<u>6,208</u>	<u>6,693</u>	<u>7,113</u>	<u>5,739</u>

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Significantly higher total net assets for the Mid-Connecticut Project at the end of fiscal year 2005 due to the recognition of \$111.7 million received from the sale of the Authority's bankruptcy claim against Enron. The \$111.7 million sale proceeds were used to defease certain outstanding bonds issued for the Mid-Connecticut Project and to established an escrow account for future State loans repayments.



**Connecticut Resources Recovery Authority**

**Exhibit 1 Continued - Net Assets**  
**Last Eight Fiscal Years (1)**  
(Dollars in Thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Bridgeport Project (2)</b>								
Invested in capital assets, net of related debt	12,172	12,451	13,066	13,761	14,594	15,486	16,824	11
Restricted	1,416	1,417	2,464	2,534	2,865	2,995	2,979	174
Unrestricted	(8,891)	(7,044)	(2,433)	(1,590)	256	927	(1,149)	4,748
Total Net Assets	4,697	6,824	13,097	14,705	17,715	19,408	18,654	4,933
<b>Property Division (3)</b>								
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	15,375
Restricted	-	-	-	-	-	-	-	870
Unrestricted	-	-	-	-	-	-	-	(1,572)
Total Net Assets	-	-	-	-	-	-	-	14,673
<b>SouthWest Division (4)</b>								
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	151
Total Net Assets	-	-	-	-	-	-	-	151
<b>Total Net Assets</b>	<u>\$130,920</u>	<u>\$117,489</u>	<u>\$118,833</u>	<u>\$230,768 (5)</u>	<u>\$252,434</u>	<u>\$238,771</u>	<u>\$ 249,472</u>	<u>\$ 226,661</u>

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

(3) The Property Division is created on January 1, 2009 to reflect the former Bridgeport Project assets that are no longer project-specific.

(4) The SouthWest Division is formed on January 1, 2009 through a new five and a half year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities.

(5) Please see note (2) on page 62.

**Exhibit 2 - Changes in Net Assets**  
**Last Eight Fiscal Years (1)**  
(Dollars in Thousands)

General Fund	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenues	\$ 28	\$ 9	\$ 7	\$ 11	\$ 10	\$ -	\$ -	\$ -
Operating Expenses	237	203	180	169	182	187	181	201
Solid waste operations (2)	-	-	-	-	-	13	-	-
Depreciation and amortization	-	-	-	-	-	200	181	201
Other costs (3)	-	-	-	-	-	(200)	(181)	(201)
Total operating expenses	265	212	187	180	192	200	181	201
Operating Loss	(265)	(212)	(187)	(180)	(192)	(200)	(181)	(201)
Non-Operating Revenues and (Expenses)								
Investment income	270	165	32	18	44	56	38	7
Other income, net	158	75	316	361	370	245	285	263
Net Non-Operating Revenues	428	240	348	379	414	301	323	270
Income before Transfers	163	28	161	199	222	101	142	69
Transfers in (out)	(2,042)	128	(9,079)	-	-	-	-	-
(Decrease) Increase in Net Assets	\$ (1,879)	\$ 156	\$ (8,918)	\$ 199	\$ 222	\$ 101	\$ 142	\$ 69

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).  
(2) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Other costs.  
(3) Other costs for fiscal years 2002 - 2005 do not include legal expenses (see (1) above).





# Connecticut Resources Recovery Authority

## Exhibit 2 Continued - Changes in Net Assets

Last Eight Fiscal Years <sup>(1)</sup>  
(Dollars in Thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Mid-Connecticut Project</b>								
<b>Operating Revenues</b>								
Service charges:								
Members	\$ 33,041	\$ 37,703	\$ 39,466	\$ 42,133	\$ 42,691	\$ 40,221	\$ 36,552	\$ 34,269
Others	12,913	14,739	15,789	18,259	18,099	18,255	17,590	19,094
Energy generation	30,184	21,532	24,052	20,496	24,849	24,067	28,773	30,773
Other operating revenues	4,175	3,220	4,448	5,683	7,467	8,503	6,496	6,596
Total operating revenues	80,313	77,194	83,755	86,571	93,106	91,046	89,411	90,732
<b>Operating Expenses</b>								
Solid waste operations <sup>(2)</sup>	62,003	61,000	58,675	59,094	60,164	58,221	59,361	64,778
Depreciation and amortization	14,893	16,284	16,081	16,080	16,072	16,397	16,365	15,806
Maintenance and utilities	1,716	1,144	1,481	1,730	1,997	1,833	3,559	926
Closure and post-closure care of landfills	587	2,005	467	385	178	34,194	3,122	7,065
Other costs <sup>(3)</sup>	4,895	3,782	4,381	4,985	8,769	9,523	7,419	8,267
Total operating expenses	84,094	84,215	81,085	82,274	87,180	120,168	89,826	96,842
<b>Operating (Loss) Income</b>	(3,781)	(7,021)	2,670	4,297	5,926	(29,122)	(415)	(6,110)
<b>Non-Operating Revenues (Expenses)</b>								
Enron claims	-	-	-	82,760	-	-	-	-
Litigation-related settlements, net	-	375	-	-	-	39,075	4,745	4,250
Investment income	3,040	1,581	1,102	3,063	5,214	5,431	3,891	1,533
Other income (expenses), net	(75)	(8)	(122)	(89)	5,457	638	(332)	3,064
Litigation-related judgment	-	-	-	-	-	(35,800)	-	-
Interest expense	(12,660)	(11,875)	(11,032)	(8,819)	(4,787)	(1,952)	(1,280)	(859)
Net Non-Operating Revenues and (Expenses)	(9,695)	(9,927)	(10,052)	76,915	5,884	7,392	7,024	7,988
(Loss) Income before Special Items and Transfers	(13,476)	(16,948)	(7,382)	81,212	11,810	(21,730)	6,609	1,878
<b>Special Items:</b>								
Gain on sale of Enron claims	-	-	-	28,502	-	-	-	-
Defeasance of debt	-	-	-	(6,081)	-	(1,148)	-	-
Total Special Items	-	-	-	22,421	-	(1,148)	-	-
Transfers in	962	113	5,337	-	-	-	-	-
<b>(Decrease) Increase in Net Assets</b>	\$ (12,514)	\$ (16,835)	\$ (2,045)	\$ 103,633 (4)	\$ 11,810	\$ (22,878)	\$ 6,609	\$ 1,878

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Other costs.

(3) Other costs for fiscal years 2002 - 2005 do not include legal expenses (see (1) above). Starting FY2009, Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.

(4) Significantly higher increase in net assets for the Mid-Connecticut Project at the end of fiscal year 2005 due to the recognition of \$111.7 million received from the sale of the Authority's bankruptcy claim against Enron. Of the \$111.7 million, the Authority reported \$82.8 million, which represented a court approved estimated value of its Enron claim, as non-revenue operating, and \$28.5 million, which represented the gain on the sale of the Enron claim, as a special item in the statements of revenues, expenses and changes in net assets.



**Connecticut Resources Recovery Authority**

**Exhibit 2 Continued - Changes in Net Assets**

Last Eight Fiscal Years (1)  
(Dollars in Thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Bridgeport Project (2)</b>								
<b>Operating Revenues</b>								
Service charges:								
Members	\$ 25,558	\$ 27,016	\$ 30,098	\$ 30,535	\$ 31,280	\$ 32,267	\$ 31,330	\$ 18,722
Others	16,050	14,341	11,556	12,207	14,680	15,172	15,856	7,558
Ash disposal reimbursement	3,945	4,033	4,031	4,025	4,229	4,485	4,704	2,511
Other operating revenues	2,111	3,073	3,881	3,260	3,638	3,860	4,526	2,621
Total operating revenues	47,664	48,463	49,566	50,027	53,827	55,784	56,416	31,412
<b>Operating Expenses</b>								
Solid waste operations (3)	44,277	43,555	42,228	44,356	46,595	53,079	53,503	24,513
Depreciation and amortization	1,073	929	854	858	849	854	867	464
Maintenance and utilities	1,849	(280)	241	301	297	560	283	157
Closure and post-closure care of landfills	400	625	1,158	(180)	1,498	84	1,235	-
Other costs (4)	996	801	861	1,122	1,935	3,052	1,701	796
Total operating expenses	48,595	45,630	45,342	46,457	51,174	57,629	57,589	25,930
<b>Operating (Loss) Income</b>	(931)	2,833	4,224	3,570	2,653	(1,845)	(1,173)	5,482
<b>Non-Operating Revenues and (Expenses)</b>								
Investment income	219	100	100	286	591	775	605	212
Other income (expenses), net	(22)	12	(40)	(1,870)	65	2,979	(59)	(2,444)
Interest expense	(632)	(527)	(454)	(378)	(299)	(216)	(127)	(41)
Net Non-Operating Revenues and (Expenses)	(435)	(415)	(394)	(1,962)	357	3,538	419	(2,273)
(Loss) Income before Transfers	(1,366)	2,418	3,830	1,608	3,010	1,693	(754)	3,209
Transfers in (out)	1,080	(291)	2,443	-	-	-	-	(16,930)
<b>(Decrease) Increase in Net Assets</b>	\$ (286)	\$ 2,127	\$ 6,273	\$ 1,608	\$ 3,010	\$ 1,693	\$ (754)	\$ (13,721)

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

(3) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Other costs.

(4) Other costs for fiscal years 2002 - 2005 do not include legal expenses (see (1) above). Starting FY2009, Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.



# Connecticut Resources Recovery Authority

## Exhibit 2 Continued - Changes in Net Assets

Last Eight Fiscal Years (1)  
(Dollars in Thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Mid-Connecticut Project</b>								
<b>Operating Revenues</b>								
Service charges:								
Members	\$ 33,041	\$ 37,703	\$ 39,466	\$ 42,133	\$ 42,691	\$ 40,221	\$ 36,552	\$ 34,269
Others	12,913	14,739	15,789	18,259	18,099	18,255	17,590	19,094
Energy generation	30,184	21,532	24,052	20,496	24,849	24,067	28,773	30,773
Other operating revenues	4,175	3,220	4,448	5,683	7,467	8,503	6,496	6,596
Total operating revenues	80,313	77,194	83,755	86,571	93,106	91,046	89,411	90,732
<b>Operating Expenses</b>								
Solid waste operations (2)	62,003	61,000	58,675	59,094	60,164	58,221	59,361	64,778
Depreciation and amortization	14,893	16,284	16,081	16,080	16,072	16,397	16,365	15,806
Maintenance and utilities	1,716	1,144	1,481	1,730	1,997	1,833	3,559	926
Closure and post-closure care of landfills	587	2,005	467	385	178	34,194	3,122	7,065
Other costs (3)	4,895	3,782	4,381	4,985	8,769	9,523	7,419	8,267
Total operating expenses	84,094	84,215	81,085	82,274	87,180	120,168	89,826	96,842
<b>Operating (Loss) Income</b>	(3,781)	(7,021)	2,670	4,297	5,926	(29,122)	(415)	(6,110)
<b>Non-Operating Revenues (Expenses)</b>								
Enron claims	-	-	-	82,760	-	-	-	-
Litigation-related settlements, net	-	375	-	-	-	39,075	4,745	4,250
Investment income	3,040	1,581	1,102	3,063	5,214	5,431	3,891	1,533
Other income (expenses), net	(75)	(8)	(122)	(89)	5,457	638	(332)	3,064
Litigation-related judgment	-	-	-	-	-	(35,800)	-	-
Interest expense	(12,660)	(11,875)	(11,032)	(8,819)	(4,787)	(1,952)	(1,280)	(859)
Net Non-Operating Revenues and (Expenses)	(9,695)	(9,927)	(10,052)	76,915	5,884	7,392	7,024	7,988
(Loss) Income before Special Items and Transfers	(13,476)	(16,948)	(7,382)	81,212	11,810	(21,730)	6,609	1,878
<b>Special Items:</b>								
Gain on sale of Enron claims	-	-	-	28,502	-	-	-	-
Defeasance of debt	-	-	-	(6,081)	-	(1,148)	-	-
Total Special Items	-	-	-	22,421	-	(1,148)	-	-
Transfers in	962	113	5,337	-	-	-	-	-
<b>(Decrease) Increase in Net Assets</b>	\$ (12,514)	\$ (16,835)	\$ (2,045)	\$ 103,633	\$ 11,810	\$ (22,878)	\$ 6,609	\$ 1,878

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Other costs.

(3) Other costs for fiscal years 2002 - 2005 do not include legal expenses (see (1) above). Starting FY2009, Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.

(4) Significantly higher increase in net assets for the Mid-Connecticut Project at the end of fiscal year 2005 due to the recognition of \$111.7 million received from the sale of the Authority's bankruptcy claim against Enron. Of the \$111.7 million, the Authority reported \$82.8 million, which represented a court approved estimated value of its Enron claim, as non-revenue operating, and \$28.5 million, which represented the gain on the sale of the Enron claim, as a special item in the statements of revenues, expenses and changes in net assets.



**Connecticut Resources Recovery Authority**

**Exhibit 2 Continued - Changes in Net Assets**

**Fiscal Year 2009 (1)**

(Dollars in Thousands)

**Property Division**

2009

<b>Operating Revenues</b>	
Other operating revenues	\$ 1,324
Total operating revenues	<u>1,324</u>
<b>Operating Expenses</b>	
Solid waste operations	1,018
Depreciation and amortization	153
Maintenance and utilities	78
Closure and post-closure care of landfills	2,276
Other costs (2)	116
Total operating expenses	<u>3,641</u>
<b>Operating Loss</b>	<u>(2,317)</u>
<b>Non-Operating Revenues and (Expenses)</b>	
Investment income	60
Non-Operating Revenues	60
Loss before Transfers	<u>(2,257)</u>
Transfers in	16,930
<b>Increase in Net Assets</b>	<u>\$ 14,673</u>

(1) The Property Division is created on January 1, 2009 to reflect the former Bridgeport Project assets that are no longer project-specific.

(2) Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.



Exhibit 2 Continued - Changes in Net Assets

Fiscal Year 2009 (1)

(Dollars in Thousands)

South West Division

2009

Operating Revenues	
Service charges:	
Members	\$ 6,632
Total operating revenues	<u>6,632</u>
Operating Expenses	
Solid waste operations	6,458
Other costs (2)	25
Total operating expenses	<u>6,483</u>
Operating Income	<u>149</u>
Non-Operating Revenues and (Expenses)	
Investment income	2
Non-Operating Revenues	<u>2</u>
Income	<u>151</u>
Increase in Net Assets	<u>\$ 151</u>

(1) The South West Division is formed on January 1, 2009 through a new five-and-a-half-year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities.

(2) Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.



# Connecticut Resources Recovery Authority

## Exhibit 2 Continued - Changes in Net Assets

Last Eight Fiscal Years (1)  
(Dollars in Thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Operating Revenues</b>								
Service charges:								
Members	\$ 8,318	\$ 8,387	\$ 8,313	\$ 8,560	\$ 8,907	\$ 8,856	\$ 8,649	\$ 8,439
Others	210	136	142	53	24	59	177	255
Energy generation	13,062	13,107	12,946	13,302	13,096	13,790	11,189	8,276
Other operating revenues	13	13	86	58	115	44	39	9
Total operating revenues	21,603	21,643	21,487	21,973	22,142	22,749	20,054	16,979
<b>Operating Expenses</b>								
Solid waste operations (2)	14,753	15,296	15,864	16,196	17,249	16,887	15,732	12,911
Depreciation and amortization	324	324	324	309	299	303	323	326
Maintenance and utilities	-	93	(25)	6	19	8	20	7
Closure and post-closure care of landfills	(140)	1,488	264	(25)	(47)	361	757	1,166
Other costs (3)	459	439	469	542	641	650	811	917
Distribution to member towns	-	-	-	-	-	-	-	26,675
Total operating expenses	15,396	17,640	16,896	17,028	18,161	18,209	17,643	42,002
<b>Operating Income (Loss)</b>	6,207	4,003	4,591	4,945	3,981	4,540	2,411	(25,023)
<b>Non-Operating Revenues and (Expenses)</b>								
Investment income	676	442	359	796	1,698	2,492	2,048	778
Other income (expenses), net	(574)	-	-	(184)	(7)	(25)	(133)	(230)
Interest expense	(479)	(319)	(254)	(160)	(99)	(71)	(42)	(12)
Net Non-Operating Revenues and (Expenses)	(377)	123	105	452	1,592	2,396	1,873	536
Income before Special Item and Transfers	5,830	4,126	4,696	5,397	5,573	6,936	4,284	(24,487)
<b>Special Item:</b>								
Early retirement of debt	-	-	-	(47)	-	-	-	-
Total Special Item	-	-	-	(47)	-	-	-	-
Transfers in	-	18	1,047	-	-	-	-	-
<b>Increase in Net Assets</b>	\$ 5,830	\$ 4,144	\$ 5,743	\$ 5,350	\$ 5,573	\$ 6,936	\$ 4,284	\$ (24,487)

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Other costs.

(3) Other costs for fiscal years 2002 - 2005 do not include legal expenses (see (1) above). Starting FY2009, Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.

## Exhibit 2 Continued - Changes in Net Assets

Last Eight Fiscal Years (1)

(Dollars in Thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Southeast Project</b>								
<b>Operating Revenues</b>								
Service charges:								
Members	\$ 9,717	\$ 9,809	\$ 10,664	\$ 10,666	\$ 10,635	\$ 10,504	\$ 9,924	\$ 9,174
Others	1,617	1,376	1,225	1,143	856	720	1,031	81
Other operating revenues	-	-	49	-	-	-	-	15,519
Total operating revenues	11,334	11,185	11,938	11,809	11,491	11,224	10,955	24,774
<b>Operating Expenses</b>								
Solid waste operations (2)	12,391	10,678	10,570	10,176	9,481	9,869	9,649	25,416
Depreciation and amortization	448	448	448	448	448	448	448	448
Maintenance and utilities	-	119	-	-	-	-	-	-
Other costs (3)	269	183	169	183	136	104	160	138
Total operating expenses	13,108	11,428	11,187	10,807	10,065	10,421	10,257	26,002
<b>Operating (Loss) Income</b>	(1,774)	(243)	751	1,002	1,426	803	698	(1,228)
<b>Non-Operating Revenues and (Expenses)</b>								
Investment income	183	98	30	308	117	134	136	226
Other income (expenses), net	(8)	(16)	-	500	-	2	-	-
Interest expense	(685)	(789)	(742)	(665)	(492)	(454)	(414)	(372)
Net Non-Operating Revenues and (Expenses)	(510)	(707)	(712)	143	(375)	(318)	(278)	(146)
(Loss) income before Transfers	(2,284)	(950)	39	1,145	1,051	485	420	(1,374)
Transfers in	-	32	252	-	-	-	-	-
<b>(Decrease) Increase in Net Assets</b>	(2,284)	(918)	291	1,145	1,051	485	420	(1,374)
<b>TOTAL (DECREASE) INCREASE IN NET ASSETS</b>	\$ (11,133)	\$ (11,326)	\$ 1,344	\$ 111,935	\$ 21,666	\$ (13,663)	\$ 10,701	\$ (22,811)

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Other costs.

(3) Other costs for fiscal years 2002 - 2005 do not include legal expenses (see (1) above). Starting FY2009, Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational &amp; environmental services; general &amp; administrative services; billing, accounting &amp; finance services; and education &amp; communications services.

(4) Please see note (4) on page 65.



# Connecticut Resources Recovery Authority

## Exhibit 3 - Historical Waste Summary Last Ten Fiscal Years

Exhibit 3A Fiscal Year	Total Municipal Solid Waste Deliveries (tons)				Total
	Mid-Connecticut	Bridgeport	SouthWest	Wallingford	
2000	826,577	711,536	-	152,610	1,936,361
2001	880,708	704,036	-	142,403	1,966,487
2002	887,764	722,574	-	154,722	2,011,919
2003	907,060	752,308	-	154,796	2,074,106
2004	856,143	735,417	-	153,623	2,006,213
2005	854,570	724,432	-	153,809	1,994,290
2006	860,252	773,707	-	156,754	2,051,530
2007	830,859	758,419	-	153,727	2,012,025
2008	800,409	753,500	-	149,809	1,966,892
2009	803,589	367,130 (1)	103,593 (2)	146,455	1,691,171

Exhibit 3B Fiscal Year	Member Municipal Solid Waste Deliveries (tons)				Total
	Mid-Connecticut	Bridgeport	SouthWest	Wallingford	
2000	596,626	345,905	-	143,760	1,259,272
2001	622,837	365,921	-	136,367	1,302,325
2002	641,677	371,616	-	151,230	1,334,861
2003	656,959	383,196	-	152,497	1,364,749
2004	614,229	412,607	-	151,151	1,354,712
2005	598,449	419,176	-	152,871	1,348,251
2006	605,998	417,753	-	156,341	1,357,299
2007	578,543	405,322	-	152,715	1,310,492
2008	542,084	381,997	-	146,649	1,236,135
2009	504,421	178,277 (1)	103,593 (2)	140,673	1,079,858

Exhibit 3C Fiscal Year	Contract Solid Waste Deliveries (tons)				Total
	Mid-Connecticut	Bridgeport	SouthWest	Wallingford	
2000	185,735	234,820	15,296	435,851	435,851
2001	222,021	250,177	18,936	491,134	491,134
2002	229,667	263,223	28,779	521,669	521,669
2003	237,096	228,358	22,955	488,409	488,409
2004	229,562	180,480	19,874	429,916	429,916
2005	243,384	196,704	18,168	458,256	458,256
2006	247,055	230,596	13,214	490,865	490,865
2007	244,120	234,412	10,801	489,333	489,333
2008	228,783	238,331	14,725	481,839	481,839
2009	249,154	111,094 (1)	1,455	361,703	361,703

(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.  
 (2) The SouthWest Division is formed on January 1, 2009 through a new five-and-a-half-year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities.



### Exhibit 3 Continued - Historical Waste Summary

#### Last Ten Fiscal Years

Exhibit 3D Fiscal Year	Short-Term Waste Deliveries (tons)				Total
	Mid-Connecticut	Bridgeport	Wallingford	Southeast	
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
2005	12,737	108,552	938	65,556	187,783
2006	7,199	125,358	413	70,396	203,366
2007	8,196	118,685	1,012	84,307	212,200
2008	29,542	133,172	3,160	83,044	248,918
2009	50,014	77,759 (1)	5,782	116,055	249,610

#### Municipal Solid Waste Processed (tons)

Exhibit 3E Fiscal Year	Municipal Solid Waste Processed (tons)			Total
	Mid-Connecticut	Bridgeport	Wallingford	
2000	839,134	711,536	142,620	1,936,080
2001	852,372	719,472	138,526	1,951,736
2002	791,487	723,207	144,747	1,904,216
2003	820,692	742,602	149,337	1,971,308
2004	809,215	733,771	142,083	1,944,891
2005	797,644	717,704	149,279	1,923,095
2006	809,046	728,553	139,570	1,932,866
2007	794,027	733,669	142,178	1,935,058
2008	734,656	742,073	143,326	1,879,270
2009	800,895	368,314 (1)	146,855	1,578,323

#### Exhibit 3F

#### Recyclables Processed (tons)

Fiscal Year	Recyclables Processed (tons)		Total
	Mid-Connecticut	South West	
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
2005	78,485	61,467	139,952
2006	76,461	59,604	136,065
2007	76,659	57,655	134,314
2008	88,183	59,713	147,896
2009	82,916	28,620 (1)	130,796

(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

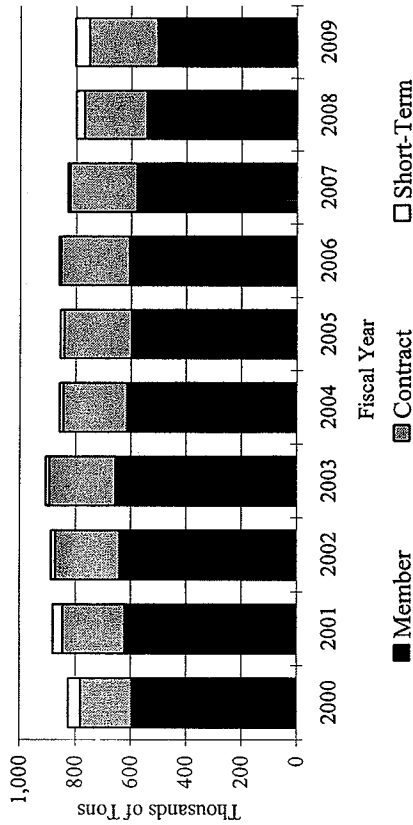
(2) The South West Division is formed on January 1, 2009 through a new five-and-a-half-year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities.



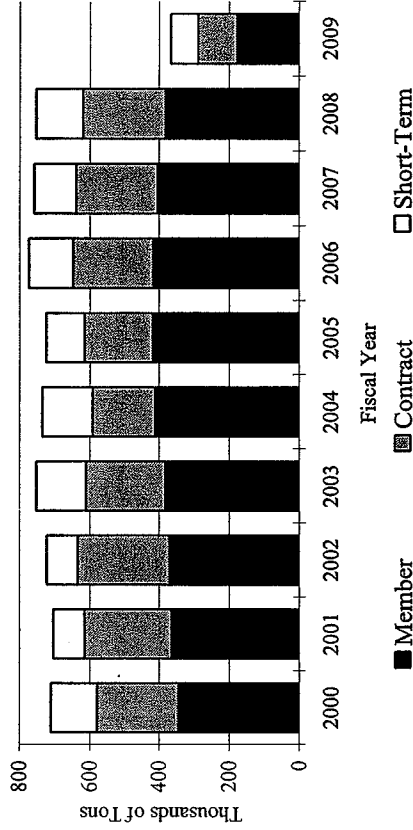
Connecticut Resources Recovery Authority

Exhibit 4 - Waste Delivery Summary  
Last Ten Fiscal Years

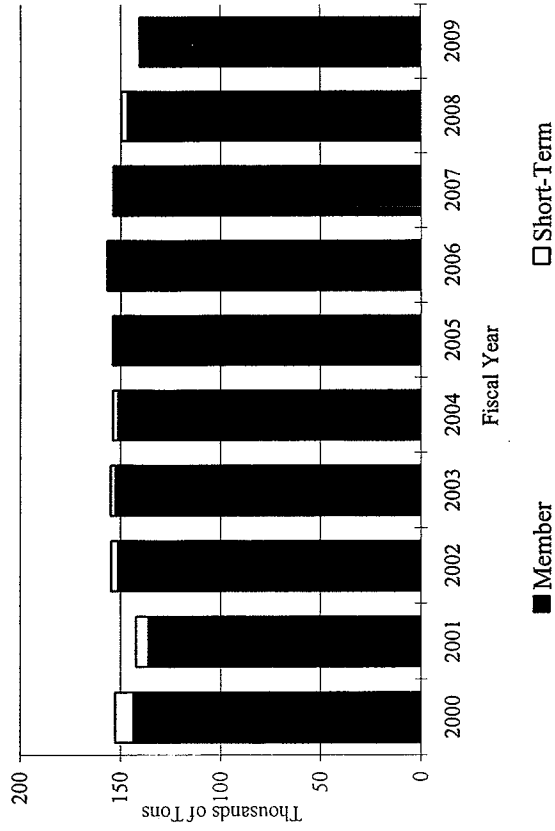
Mid-Connecticut Project



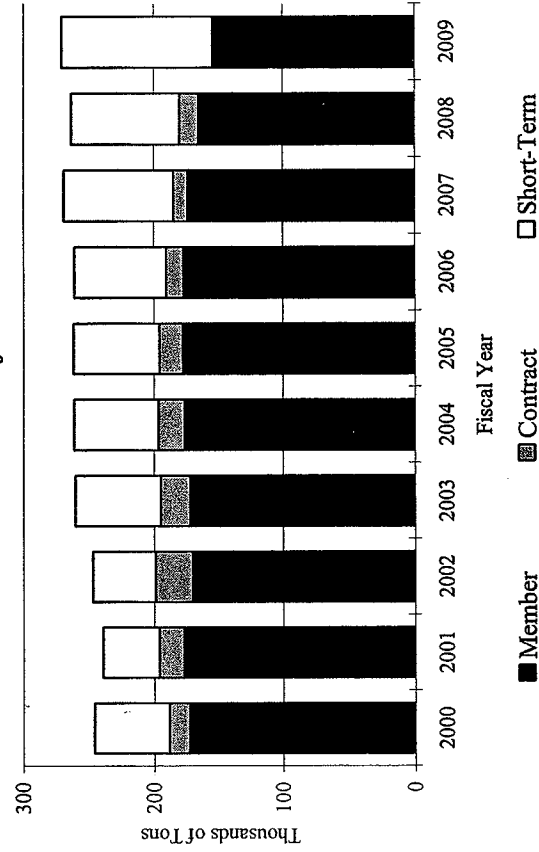
Bridgeport Project (1)



Wallingford Project



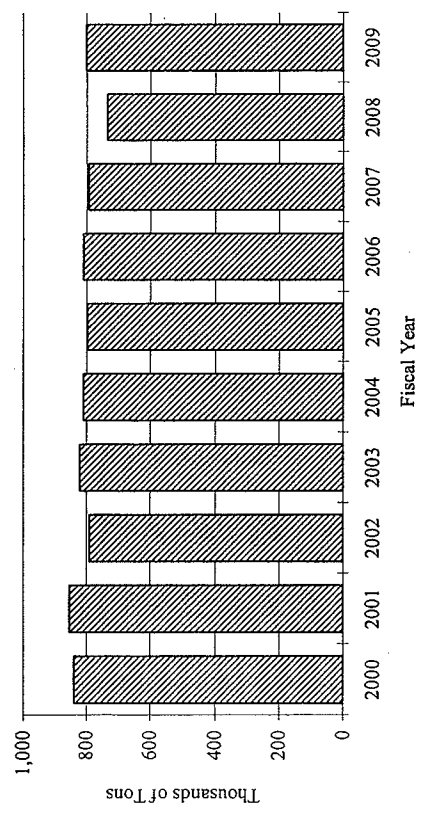
Southeast Project



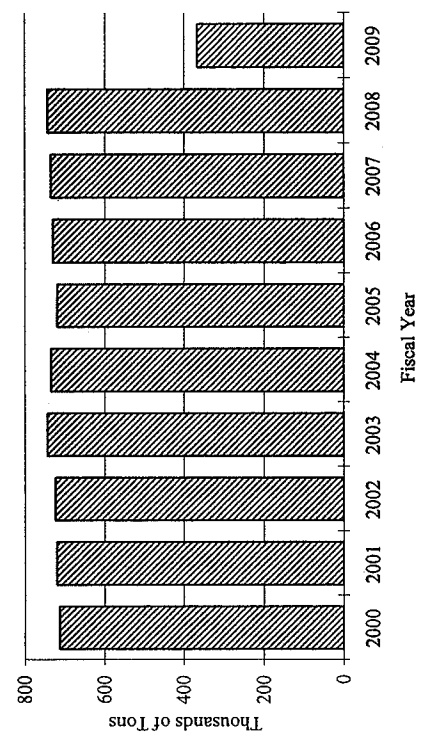
(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

**Exhibit 4 Continued - Waste Processed Summary  
Last Ten Fiscal Years**

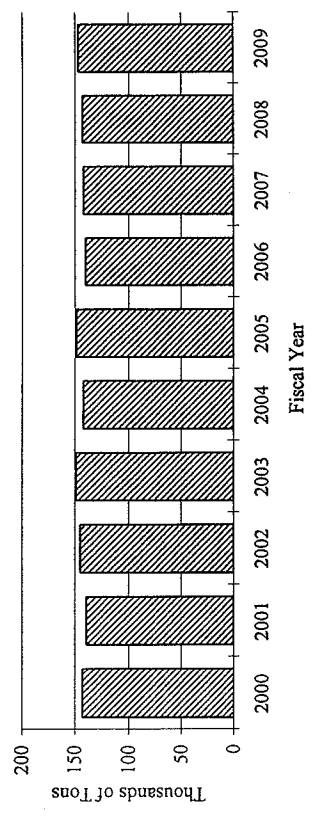
**Mid-Connecticut Project**



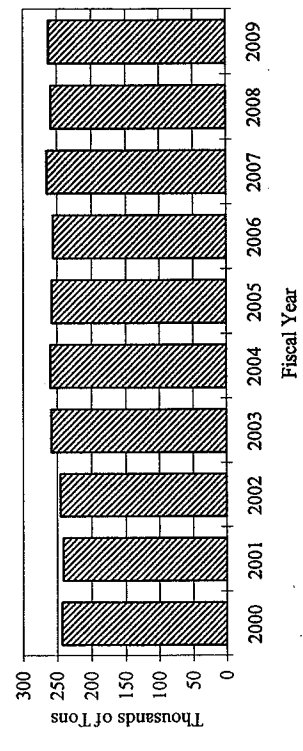
**Bridgeport Project (1)**



**Wallingford Project**



**Southeast Project**

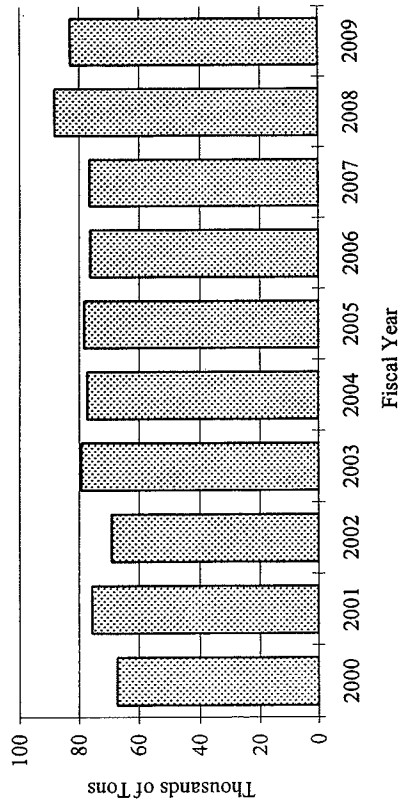


(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

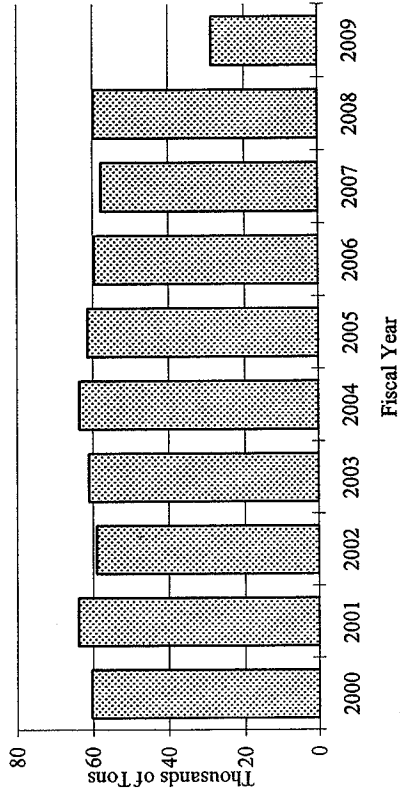


Exhibit 4 Continued - Recyclables Processed Summary  
Last Ten Fiscal Years

Mid-Connecticut Project



Bridgeport Project (1)



(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

**Exhibit 5 - Energy Generation, Net of In-plant Usage  
Last Ten Fiscal Years**  
(Total annual megawatts) (1)

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast
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
2005	413,654	454,600	67,248	131,884
2006	409,407	491,567	61,788	130,491
2007	402,991	486,135	62,495	130,988
2008	358,380	495,581	59,714	133,765
2009	396,643	246,436	58,415	129,266

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

**Exhibit 6 - Top Five Sources of Member Waste - 2009 (1)**

Mid-Connecticut	Bridgeport (2)	South West (3)	Wallingford	Southeast
Hartford	19.22%	16.98%	27.29%	26.95%
Waterbury	14.40%	14.33%	14.24%	22.92%
West Hartford	7.53%	10.91%	13.25%	22.08%
Manchester	6.88%	10.71%	11.94%	14.16%
East Hartford	5.82%	9.78%	8.58%	13.89%
	<u>53.85%</u>	<u>62.71%</u>	<u>75.30%</u>	<u>100.00%</u>
			Wallingford	Groton
			Hamden	Norwich
			Meriden	New London
			Cheshire	Montville
			North Haven	Waterford
				<u>72.81%</u>

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

(2) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

(3) The South West Division is formed on January 1, 2009 through a new five-and-a-half-year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities.



**Connecticut Resources Recovery Authority**

**Exhibit 7 - Per Ton Service Charge for Member Waste  
Last Ten Fiscal Years**

Fiscal Year	Mid-Connecticut	Bridgeport	South West	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
2005	\$70.00	\$72.50	\$ -	\$56.00	\$60.00
2006	\$70.00	\$74.00	\$ -	\$57.00	\$60.00
2007	\$69.00	\$78.00	\$ -	\$58.00	\$60.00
2008	\$69.00	\$81.00	\$ -	\$59.00	\$60.00
2009	\$72.00	\$98.50 (1)	\$63.00 (2)	\$60.00	\$60.00

(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.

(2) The South West Division is formed on January 1, 2009 through a new five-and-a-half-year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities.

**Exhibit 8 - Average Per Ton Short-Term Rate (Combined) (1)  
Last Ten Fiscal Years**

Fiscal Year	Rate
2000	\$59.93
2001	\$56.47
2002	\$56.85
2003	\$60.73
2004	\$64.56
2005	\$67.09
2006	\$67.52
2007	\$68.61
2008	\$67.35
2009	\$64.64

(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 9 - Revenues by Source (1)**  
**Last Ten Fiscal Years**  
(Dollars in Thousands)

**Mid-Connecticut Project**

Fiscal Year	Total Revenues	Member and Other Service Charges	% of Annual	Energy Sales	% of Annual	Landfill Revenue	% of Annual	Recycling Revenue	% of Annual	Investment Income & Other Operating Revenues	% of Annual
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%
2005	\$89,634	\$60,392	67.38%	\$20,496	22.87%	\$1,241	1.38%	\$3,061	3.41%	\$4,444	4.96%
2006	\$98,320	\$60,790	61.83%	\$24,849	25.27%	\$1,101	1.12%	\$4,507	4.58%	\$7,073	7.19%
2007	\$96,477	\$58,476	60.61%	\$24,067	24.95%	\$778	0.80%	\$3,247	3.37%	\$9,909	10.27%
2008	\$93,302	\$54,142	58.03%	\$28,773	30.84%	\$569	0.61%	\$3,621	3.88%	\$6,197	6.64%
2009	\$92,265	\$53,363	57.85%	\$30,773	33.35%	\$2,532	2.74%	\$2,105	2.28%	\$3,492	3.78%

**Bridgeport Project**

Fiscal Year	Total Revenues	Member and Other Service Charges	% of Annual	Ash Disposal Revenue	% of Annual	Recycling Revenue	% of Annual	Investment Income & Other Operating Revenues	% of Annual
2000	\$46,846	\$39,634	84.60%	\$3,670	7.83%	\$1,700	3.63%	\$1,842	3.93%
2001	\$47,492	\$40,377	85.02%	\$3,721	7.84%	\$1,576	3.32%	\$1,818	3.83%
2002	\$47,883	\$41,608	86.90%	\$3,945	8.24%	\$1,003	2.09%	\$1,327	2.77%
2003	\$48,575	\$41,357	85.14%	\$4,033	8.30%	\$1,941	4.00%	\$1,244	2.56%
2004	\$49,666	\$41,654	83.87%	\$4,031	8.12%	\$2,607	5.25%	\$1,374	2.77%
2005	\$50,313	\$42,742	84.95%	\$4,025	8.00%	\$2,089	4.15%	\$1,457	2.90%
2006	\$54,418	\$45,960	84.46%	\$4,229	7.77%	\$2,443	4.49%	\$1,786	3.28%
2007	\$56,558	\$47,439	83.88%	\$4,485	7.93%	\$2,647	4.68%	\$1,987	3.51%
2008	\$57,021	\$47,186	82.75%	\$4,704	8.25%	\$3,256	5.71%	\$1,875	3.29%
2009	\$31,624 (2)	\$26,280	83.10%	\$2,511	7.94%	\$1,752	5.54%	\$1,081	3.42%

(1) Excludes non-operating revenues except investment income.

(2) Lower total revenues due to the closure of the Bridgeport Project as of December 31, 2008.



**Connecticut Resources Recovery Authority**

**Exhibit 9 - Revenues by Source (1)  
Fiscal Year 2009 (2)**  
(Dollars in Thousands)

Property Division		Total Recycling Revenue	% of Annual	Investment Income & Other Operating Revenues	% of Annual
Fiscal Year	2009	\$1,384	48.05%	\$719	51.95%

South West Division		Member and Other Service Charges	% of Annual	Investment Income & Other Operating Revenues	% of Annual
Fiscal Year	2009	\$6,634	99.97%	\$2	0.03%

(1) Excludes non-operating revenues except investment income.

(2) The Property Division is created on January 1, 2009 to reflect the former Bridgeport Project assets that are no longer project-specific. The South West Division is formed on January 1, 2009 through a new five-and-a-half-year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities.



## Exhibit 9 - Revenues by Source (1)

### Last Ten Fiscal Years

(Dollars in Thousands)

Wallingford Project		Fiscal Year	Total Revenues	Member and Other Service Charges	% of Annual	Energy Sales	% of Annual	Investment Income & Other Revenues	% of Annual
	2000	\$22,683	\$8,723	38.46%	\$12,862	56.70%	\$1,098	4.84%	
	2001	\$22,275	\$7,993	35.88%	\$12,813	57.52%	\$1,469	6.59%	
	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%	
	2005	\$22,769	\$8,613	37.83%	\$13,302	58.42%	\$854	3.75%	
	2006	\$23,840	\$8,931	37.46%	\$13,096	54.93%	\$1,813	7.60%	
	2007	\$25,241	\$8,915	35.32%	\$13,790	54.63%	\$2,536	10.05%	
	2008	\$22,102	\$8,826	39.93%	\$11,189	50.62%	\$2,087	9.45%	
	2009	\$17,757	\$8,694	48.96%	\$8,276	46.61%	\$787	4.43%	

### Southeast Project

Southeast Project		Fiscal Year	Total Revenues	Member and Other Service Charges	% of Annual	Energy Sales (2)	% of Annual	Investment Income & Other Revenues	% of Annual
	2000	\$11,625	\$11,042	94.98%	\$	0.00%	\$583	5.02%	
	2001	\$11,959	\$11,445	95.70%	\$	0.00%	\$514	4.30%	
	2002	\$11,517	\$11,334	98.41%	\$	0.00%	\$183	1.59%	
	2003	\$11,283	\$11,185	99.13%	\$	0.00%	\$98	0.87%	
	2004	\$11,968	\$11,889	99.34%	\$	0.00%	\$79	0.66%	
	2005	\$12,117	\$11,809	97.46%	\$	0.00%	\$308	2.54%	
	2006	\$11,608	\$11,491	98.99%	\$	0.00%	\$117	1.01%	
	2007	\$11,358	\$11,224	98.82%	\$	0.00%	\$134	1.18%	
	2008	\$11,091	\$10,955	98.77%	\$	0.00%	\$136	1.23%	
	2009	\$25,000	\$9,255	37.02%	\$15,519 (2)	62.08%	\$226	0.90%	

(1) Excludes non-operating revenues except investment income.

(2) Higher revenue as a result of energy sales reflected on the statements of revenues, expenses and changes in net assets as operating revenues. Prior to FY2009, energy sales are reported on the statements of revenues, expenses and changes in net assets as net from Operating Expenses - Solid Waste Operations.



**Connecticut Resources Recovery Authority**

**Exhibit 10 - Revenue Bond Coverage Ratios (Combined)**

**Last Ten Fiscal Years**

(Dollars in Thousands)

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Requirements			Coverage (3)
				Principal	Interest	Total	
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	\$ 12,126	\$ 31,479	1.01
2005	\$ 173,412	\$ 137,443	\$ 35,969	\$ 21,660 (4)	\$ 10,373	\$ 32,033	1.12
2006	\$ 187,757	\$ 148,449	\$ 39,308	\$ 5,494	\$ 5,399	\$ 10,893 (6)	3.61
2007	\$ 189,402	\$ 188,149 (5)	\$ 1,253	\$ 5,653 (4)	\$ 2,981	\$ 8,634 (6)	0.15 (5)
2008	\$ 182,208	\$ 155,966	\$ 26,242	\$ 4,941 (7)	\$ 1,836 (7)	\$ 6,777	3.87
2009	\$ 174,521 (8)	\$ 156,878 (9)	\$ 17,643	\$ 3,003	\$ 1,216	\$ 4,219	4.18

(1) Includes operating revenues and investment income, excludes non-operating revenues.

(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.

(4) Excludes early retirement/defeasance of debt.

(5) Significantly higher operating expenses for fiscal year 2007 primarily due to Authority assuming responsibility for all closure and post-closure care costs at the Hartford Landfill (approximately \$31.0 million) and increased administration costs at all five landfills (approximately \$3.6 million).

(6) Lower debt service requirements for fiscal years 2006 and 2007 primarily as a result of the Mid-Connecticut Project bond defeasance in March 2005 and July 2006.

(7) Excludes Mid-Connecticut Project State Loans pay-off of \$11,574 and \$17 for principal and interest, respectively.

(8) Lower gross revenues primarily due to the closure of the Bridgeport Project as of December 31, 2008.

(9) Excludes distribution to Wallingford member towns of \$26,675.

Exhibit 11 - Revenue Bond Ratings  
As of June 30, 2009

PROJECT	OUTSTANDING SERIES	MOODYS RATING	STANDARD & POORS RATING	FITCH ** RATING	BOND INSURER
Mid-Connecticut	1996 Series A	A1	AA	Withdrawn	MBIA
Southeast	1998 Series A	A2	AA	Withdrawn	MBIA
	CORPORATE CREDIT REVENUE BONDS: *				
	1992 Series A - Corporate Credit Bonds	Ba1	BB+	Not Rated	None
	2001 Series A - Corporate Credit Bonds	Ba1	Not Rated	Not Rated	None
	Covanta Southeastern Connecticut Company-I				
	2001 Series A - Corporate Credit Bonds	Ba1	Not Rated	Not Rated	None
	Covanta Southeastern Connecticut Company-II				

\* The Authority was a conduit issuer for these Bonds. They are not carried on the Authority's books.  
 \*\* On June 26, 2008 Fitch withdrew their ratings of MBIA and AMBAC insured bonds.

Source: [www2.standardandpoors.com](http://www2.standardandpoors.com)  
[www.moody.com](http://www.moody.com)  
[www.fitchratings.com](http://www.fitchratings.com)



## Connecticut Resources Recovery Authority

### Exhibit 12 - Outstanding Debt by Type

#### Last Eight Fiscal Years (1)

(Dollars in Thousands)

Fiscal Year	Mid-Connecticut		Bridgeport		Wallingford		Southeast		Total Outstanding Debt	Per Capita (8)
	Special Obligation Bonds	Subordinate Bonds (2)	Special Obligation Bonds (3)	Subordinate Bonds	Special Obligation Bonds (4)	Subordinate Bonds	Special Obligation Bonds (5)	Subordinate Bonds		
2002	\$ 198,050	\$ 13,210	\$ 4,230	\$ 7,875	\$ 4,456	\$ 4,000	\$ 11,215	\$ -	\$ 243,036	104
2003	\$ 183,775	\$ 15,210	\$ 3,730	\$ 6,805	\$ 3,886	\$ 2,000	\$ 10,604	\$ -	\$ 226,010	97
2004	\$ 168,780	\$ 25,299	\$ 3,190	\$ 5,725	\$ 3,297	\$ 1,250	\$ 9,957	\$ -	\$ 217,498	93
2005	\$ 69,415 (6)	\$ 18,558	\$ 2,605	\$ 4,640	\$ 2,688	\$ -	\$ 7,227	\$ -	\$ 105,133	44
2006	\$ 69,415	\$ 15,939	\$ 1,970	\$ 3,535	\$ 2,055	\$ -	\$ 6,725	\$ -	\$ 99,639	40
2007	\$ 15,290 (7)	\$ 13,320	\$ 1,280	\$ 2,380	\$ 1,397	\$ -	\$ 6,194	\$ -	\$ 39,861	16
2008	\$ 15,290	\$ -	\$ 535	\$ 1,170	\$ 712	\$ -	\$ 5,639	\$ -	\$ 23,346	9
2009	\$ 15,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,053	\$ -	\$ 20,343	9

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Commencing in Fiscal Year 2003, Mid-Connecticut Project Subordinated Bonds also includes the principal balances due on State Loans received.

(3) Represents Authority's on-book portion of approximately 3.7%. Approximately 96.3% of these bonds are on the books of Wheelabrator Bridgeport.

(4) Represents Authority's on-book portion of 15.313%. 84.687% of these bonds are on the books of Covanta Projects of Wallingford.

(5) Represents Authority's on-book portion of 11.129%. 88.871% of these bonds are on the books of Covanta Southeastern Connecticut Company.

(6) In March 2005, the Authority fully defeased its outstanding Mid-Connecticut Project Bonds 1997 Series A (\$2.1 million) and 2001 Series A (\$13.2 million) and partially defeased its outstanding Mid-Connecticut Project bonds 1996A (\$81.5 million).

(7) In July 2006, the Authority defeased its outstanding Mid-Connecticut Project Bonds 1996 Series A (\$54.125 million).

(8) Please see Exhibit 14 Demographic Information for population data.

**Exhibit 13 - Special Capital Reserve Fund Debt Limit Information**  
**Last Eight Fiscal Years (1)**  
(Dollars in Thousands)

Project:	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Special Capital Reserve Funds (SCRF) limit (2)</b>	<b>\$725,000</b>	<b>\$725,000</b>	<b>\$ 725,000</b>	<b>\$ 725,000</b>	<b>\$ 725,000</b>	<b>\$ 725,000</b>	<b>\$ 725,000</b>	<b>\$ 725,000</b>
Mid-Connecticut Project								
1996 Series A	\$ 193,170	\$ 179,775	\$ 165,705	\$ 69,415	\$ 69,415	\$ 15,290	\$ 15,290	\$ 15,290
1997 Series A	4,880	4,000	3,075	-	-	-	-	-
Bridgeport Project (3)	-	-	-	-	-	-	-	-
Wallingford Project (3)	-	-	-	-	-	-	-	-
Southeast Project								
1998 Series A (4)	77,140	73,280	69,220	64,940	60,430	55,675	50,675	45,405
1989 Series A	2,630	2,450	2,255	-	-	-	-	-
<b>TOTAL SCRF-BACKED DEBT</b>	<b>277,820</b>	<b>259,505</b>	<b>240,255</b>	<b>134,355</b>	<b>129,845</b>	<b>70,965</b>	<b>65,965</b>	<b>60,695</b>
Legal debt margin	\$ 447,180	\$ 465,495	\$ 484,745	\$ 590,645	\$ 595,155	\$ 654,035	\$ 659,035	\$ 664,305
Total outstanding as a percentage of SCRF limit	38.32%	35.79%	33.14%	18.53%	17.91%	9.79%	9.10%	8.37%

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).

(2) Per Connecticut General Statutes Section 22a-272(b), the aggregate amount of bonds outstanding at any time secured by Special Capital Reserve Funds shall not exceed \$725 million dollars.

(3) These projects do not have bonds backed by the Special Capital Reserve Fund.

(4) Includes both on-book and off-book portions of principal outstanding.



**Connecticut Resources Recovery Authority**

**Exhibit 14 - Demographic Information  
Last Ten Fiscal Years**

Fiscal Year	Mid-Connecticut			Bridgeport / SouthWest (2)			Wallingford			Southeast		
	Population Served	Average Unemployment Rate	# of Towns	Population Served	Average Unemployment Rate	# of Towns	Population Served	Average Unemployment Rate	# of Towns	Population Served	Average Unemployment Rate	# of Towns
2000	1,137,468	1.9	66	627,153	1.8	18	209,877	2.1	5	294,111	2.2	17
2001	1,177,063	2.6	66	633,372	2.7	18	208,360	2.9	5	254,715	2.7	17
2002	1,184,419	3.8	70	678,550	3.7	18	212,984	3.9	5	258,382	3.9	15
2003	1,184,419	4.7	70	678,550	4.4	18	212,984	5.0	5	258,382	4.9	15
2004	1,193,139	4.3	70	680,745	4.0	18	214,584	4.5	5	261,260	4.5	15
2005	1,199,845	4.2	70	683,657	4.0	18	215,195	4.6	5	264,468	4.5	15
2006	1,203,325	3.8	70	822,947	3.5	20	215,574	4.2	5	265,026	4.2	15
2007	1,205,963	3.9	70	821,740	3.7	20	215,282	4.3	5	245,291	4.3	14
2008	1,219,637	5.1	70	815,807	5.2	20	214,437	5.8	5	248,799	5.9	14
(1) 2009	1,204,329	7.1	70	816,014 / 455,029	7.0 / 6.8	20 / 12	214,934	7.6	5	245,597	7.4	14

(1) Population provided by the State Department of Health Services and based on estimates as of July 1, 2008. Unemployment data provided by the State Department of Labor for September 2009.  
 (2) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008. The Authority executed a new agreement with twelve of the original Bridgeport Project's municipalities, which has been accounted for as the South West Division, for waste deliveries beginning January 1, 2009.

Exhibit 15 - Principal Employers,  
Current Year and Nine Years Ago

Employer	2009			2000		
	Employees (1)	Rank	Percentage of Total Authority Employment	Employees (2)	Rank	Percentage of Total Authority Employment
United Technologies Corp.	27,050	1	0.19%	20,200	1	0.25%
The Hartford Financial Services Group, Inc.	12,500	2	0.42%	11,000	2	0.45%
Mohegan Sun	9,800	3	0.53%	-		
Foxwoods Resort Casino	9,276	4	0.56%	-		
General Electric Boat	8,200	5	0.63%	7,700	6	0.65%
Aetna Inc.	7,206	6	0.72%	7,800	5	0.64%
Pfizer Global Research & Development	7,000	7	0.74%	6,400	8	0.78%
The Travelers Cos Inc.	7,000	8	0.74%	9,000	3	0.56%
Hartford Hospital	-			8,507	4	0.59%
Electric Boat	-			7,300	7	0.68%
Total	88,032		4.54%	77,907		4.60%

(1) Hartford Business Journal - June 22, 2009.

(2) State of Connecticut Comprehensive Annual Financial Report - Fiscal Year Ending June 30, 2001.



# Connecticut Resources Recovery Authority

## Exhibit 16 - Expenses by Function (1)

### Last Ten Fiscal Years (Dollars in Thousands)

#### Mid-Connecticut Project

Fiscal Year	Total Expenses	Solid Waste Operations (2)	% of Maintenance & Utilities		Other Costs (3)	% of Annual		Landfill Closure & Post-closure	% of Annual		Debt Service	% of Annual
			Annual	Annual		Annual	Annual					
2000	\$ 84,204	\$ 49,829	59.18%	2.46%	\$ 4,693	5.57%	\$ 218	0.26%	\$ 27,389	32.53%		
2001	\$ 88,073	\$ 53,733	61.02%	1.87%	\$ 5,213	5.92%	(85)	-0.10%	\$ 27,561	31.29%		
2002	\$ 90,813	\$ 56,914	62.67%	1.42%	\$ 4,733	5.21%	587	0.65%	\$ 27,290	30.05%		
2003	\$ 94,081	\$ 61,000	64.84%	1.22%	\$ 3,782	4.02%	2,005	2.13%	\$ 26,150	27.80%		
2004	\$ 91,783	\$ 58,675	63.93%	1.61%	\$ 4,381	4.77%	467	0.51%	\$ 26,779	29.18%		
2005	\$ 92,957	\$ 59,094	63.57%	1.86%	\$ 4,985	5.36%	385	0.41%	\$ 26,763	28.79%		
2006	\$ 78,514	\$ 60,164	76.63%	2.54%	\$ 8,769	11.17%	178	0.23%	\$ 7,406	9.43%		
2007	\$ 108,344 (4)	\$ 58,221	53.74%	1.69%	\$ 9,523	8.79%	34,194	31.56%	\$ 4,573	4.22%		
2008	\$ 88,061	\$ 59,361	67.41%	4.04%	\$ 7,419	8.42%	3,122	3.55%	\$ 14,600	16.58%		
2009	\$ 81,895	\$ 64,778	79.10%	1.13%	\$ 8,267	10.09%	7,065	8.63%	\$ 859	1.05%		

#### Bridgeport Project

Fiscal Year	Total Expenses	Solid Waste Operations (2)	% of Maintenance & Utilities		Other Costs (3)	% of Annual		Landfill Closure & Post-closure	% of Annual		Debt Service	% of Annual
			Annual	Annual		Annual	Annual					
2000	\$ 49,112	\$ 38,117	77.61%	0.53%	\$ 1,101	2.24%	\$ 5,685	11.58%	\$ 3,947	8.04%		
2001	\$ 49,205	\$ 42,341	86.05%	1.88%	\$ 1,136	2.31%	1,894	3.85%	\$ 2,908	5.91%		
2002	\$ 50,894	\$ 44,277	87.00%	3.63%	\$ 996	1.96%	400	0.79%	\$ 3,372	6.63%		
2003	\$ 46,798	\$ 43,555	93.07%	-0.60%	\$ 801	1.71%	625	1.34%	\$ 2,097	4.48%		
2004	\$ 46,562	\$ 42,228	90.69%	0.52%	\$ 861	1.85%	1,158	2.49%	\$ 2,074	4.45%		
2005	\$ 47,647	\$ 44,356	93.09%	0.63%	\$ 1,122	2.35%	(180)	-0.38%	\$ 2,048	4.30%		
2006	\$ 52,364	\$ 46,595	88.98%	0.57%	\$ 1,935	3.70%	1,498	2.86%	\$ 2,039	3.89%		
2007	\$ 58,836	\$ 53,079	90.22%	0.95%	\$ 3,052	5.19%	84	0.14%	\$ 2,061	3.50%		
2008	\$ 58,804	\$ 53,503	90.99%	0.48%	\$ 1,701	2.89%	1,235	2.10%	\$ 2,082	3.54%		
2009	\$ 27,212 (5)	\$ 24,513	90.07%	0.58%	\$ 796	2.93%	-	0.00%	\$ 1,746	6.42%		

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

(2) Solid Waste Operations for fiscal years 1998 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Project administration.

(3) Other costs for fiscal years 1998 - 2005 do not include legal expenses (see (2) above). Starting FY2009, Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.

(4) Significantly higher total expenses due to increased landfill closure and post-closure costs as a result of Authority assuming responsibility for all closure and post-closure care costs at the Hartford Landfill (approximately \$31.0 million) and increased administration costs at all five landfills (approximately \$3.6 million).

(5) Lower total expenses due to the closure of the Bridgeport Project as of December 31, 2008.



**Exhibit 16 Continued - Expenses by Function (1)**

**Fiscal Year 2009 (2)**  
(Dollars in Thousands)

Property Division	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Other Costs (3)	% of Annual	Landfill Closure & Post-closure	% of Annual
2009	\$ 3,488	\$ 1,018	29.18%	78	2.24%	116	3.33%	\$ 2,276	65.25%

**South West Division**

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Other Costs (3)	% of Annual
2009	\$ 6,483	\$ 6,458	99.61%	25	0.39%

- (1) Excludes depreciation and amortization and non-operating expenses; debt service includes principal repayments.
- (2) The Property Division is created on January 1, 2009 to reflect the former Bridgeport Project assets that are no longer project-specific. The South West Division is formed on January 1, 2009 through a new five-and-a-half-year solid waste disposal contract with twelve of the former Bridgeport Project's municipalities.
- (3) Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.



# Connecticut Resources Recovery Authority

## Exhibit 16 Continued - Expenses by Function (1)

### Last Ten Fiscal Years

(Dollars in Thousands)

Fiscal Year	Total Expenses	Solid Waste Operations (2)		Maintenance & Utilities		Other Costs (3)	Landfill Closure & Post-closure		Debt Service	Distribution to Town Members	
		Annual	% of Annual	Annual	% of Annual		Annual	% of Annual		Annual	% of Annual
2000	\$ 15,538	\$ 13,914	89.55%	\$ 3	0.02%	\$ 564	\$ 286	3.63%	\$ 771	\$ -	4.96%
2001	\$ 16,208	\$ 13,916	85.86%	\$ 1,480	9.13%	\$ 538	\$ (631)	3.32%	\$ 905	\$ -	5.58%
2002	\$ 19,101	\$ 14,753	77.24%	-	0.00%	\$ 459	\$ (140)	2.40%	\$ 4,029	\$ -	21.09%
2003	\$ 20,204	\$ 15,296	75.71%	\$ 93	0.46%	\$ 439	\$ 1,488	2.17%	\$ 2,888	\$ -	14.29%
2004	\$ 18,165	\$ 15,864	87.33%	\$ (25)	-0.14%	\$ 469	\$ 264	2.58%	\$ 1,593	\$ -	8.77%
2005	\$ 18,239	\$ 16,196	88.80%	\$ 6	0.03%	\$ 542	\$ (25)	2.97%	\$ 1,520	\$ -	8.33%
2006	\$ 18,594	\$ 17,249	92.77%	\$ 19	0.10%	\$ 641	\$ (47)	3.45%	\$ 732	\$ -	3.94%
2007	\$ 18,635	\$ 16,887	90.62%	\$ 8	0.04%	\$ 650	\$ 361	3.49%	\$ 729	\$ -	3.91%
2008	\$ 18,046	\$ 15,732	87.19%	\$ 20	0.11%	\$ 811	\$ 757	4.49%	\$ 726	\$ -	4.02%
2009	\$ 42,400 (4)	\$ 12,911	30.45%	\$ 7	0.02%	\$ 917	\$ 1,166	2.16%	\$ 724	\$ 26,675	1.71%

### Southeast Project

Fiscal Year	Total Expenses	Solid Waste Operations (2)		Maintenance & Utilities		Other Costs (3)	Debt Service		Debt Service	% of Annual	
		Annual	% of Annual	Annual	% of Annual		Annual	% of Annual			
2000	\$ 13,176	\$ 11,643	88.37%	\$ -	0.00%	\$ 190	\$ 1,343	1.44%	\$ -	10.19%	
2001	\$ 13,299	\$ 11,721	88.13%	\$ -	0.00%	\$ 255	\$ 1,323	1.92%	\$ -	9.95%	
2002	\$ 13,923	\$ 12,391	89.00%	\$ -	0.00%	\$ 269	\$ 1,263	1.93%	\$ -	9.07%	
2003	\$ 12,379	\$ 10,678	86.26%	\$ 119	0.96%	\$ 183	\$ 1,399	1.48%	\$ -	11.30%	
2004	\$ 12,128	\$ 10,570	87.15%	\$ -	0.00%	\$ 169	\$ 1,389	1.39%	\$ -	11.45%	
2005	\$ 11,710	\$ 10,176	86.90%	\$ -	0.00%	\$ 183	\$ 1,351	1.56%	\$ -	11.54%	
2006	\$ 10,611	\$ 9,481	89.35%	\$ -	0.00%	\$ 136	\$ 994	1.28%	\$ -	9.37%	
2007	\$ 10,956	\$ 9,869	90.08%	\$ -	0.00%	\$ 104	\$ 983	0.95%	\$ -	8.97%	
2008	\$ 10,779	\$ 9,649	89.52%	\$ -	0.00%	\$ 160	\$ 970	1.48%	\$ -	9.00%	
2009	\$ 26,512	\$ 25,416 (5)	95.87%	\$ -	0.00%	\$ 138	\$ 958	0.52%	\$ -	3.61%	

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

(2) Solid Waste Operations for fiscal years 1998 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Project administration.

(3) Other costs for fiscal years 1998 - 2005 do not include legal expenses (see (2) above). Starting FY2009, Other costs are classified on the statements of revenues, expenses and changes in net assets as legal services - external; operational & environmental services; general & administrative services; billing, accounting & finance services; and education & communications services.

(4) Higher expenses due to the distribution to the Wallingford town members of \$26,675 during fiscal year 2009.

(5) Higher Solid Waste Operations expense as a result of energy sales reflected on the statements of revenues, expenses and changes in net assets as operating revenues. Prior to FY2009, energy sales are reported on the statements of revenues, expenses and changes in net assets as net from Operating Expenses - Solid Waste Operations.

**Exhibit 17 - Full-Time Employees by Function  
Last Eight Fiscal Years (1)**

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Administration	3	3	4	5	5	3	3	4
Communications External Affairs	3	2	2	3	3	3	3	3
Environmental Affairs	4	6	6	6	6	6	6	7
Finance and Accounting	9	11	12	13	13	15	16	13
Legal	3	2	3	3	3	4	4	3
Operations	13	20	22	22	24	23	21	23
<b>Total</b>	<u>35</u>	<u>44</u>	<u>49</u>	<u>52</u>	<u>54</u>	<u>54</u>	<u>53</u>	<u>53</u>

(1) Data is presented retroactively to the year the Authority implemented GASB No. 34 (FY 2002).



**Exhibit 18 - Capital Asset Statistics by Operating Units  
Last Ten Fiscal Years**

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Resources Recovery Facilities	4	4	4	4	4	4	4	4	4	3
Energy Generating Facility	0	1	1	1	1	1	1	1	1	1
Regional Recycling Centers	2	2	2	2	2	2	2	2	2	2
Transfer Stations	12	12	12	12	12	12	12	12	12	5
Landfills	5	5	5	5	5	5	5	5	5	5
Jet Turbines	0	4	4	4	4	4	4	4	4	4
Steam Turbines	0	2	2	2	2	2	2	2	2	2



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