

**CONNECTICUT RESOURCES  
RECOVERY AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2002**

**TOGETHER WITH  
INDEPENDENT AUDITORS REPORT**





**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2002**

<b><u>TABLE OF CONTENTS</u></b>	<b><u>PAGE(S)</u></b>	<b><u>EXHIBIT</u></b>
Management's Discussion and Analysis	1-9	--
Independent Auditors Report	10-11	--
Financial Statements:		
Statements of Net Assets	12	I
Statements of Revenues, Expenses and Changes in Net Assets	13	II
Statements of Cash Flows	14	III
Notes to the Financial Statements	15-27	--
Supplementary Information:		
Combining Statements of Net Assets	28-29	A
Combining Statements of Revenues, Expenses and Changes in Net Assets	30	B
Combining Statements of Cash Flows	31-32	C

This document has been printed on recycled content paper.



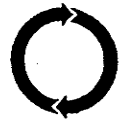
## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Authority has developed and helps oversee four regional waste-to-energy projects across the State. These facilities in Bridgeport, Hartford, Preston and Wallingford process over 80% of the State's waste and serve approximately two out of every three municipalities in the State. The Authority is also Connecticut's largest recycler, having developed two of the country's largest recycling facilities and a statewide transportation network.

The following Management Discussion and Analysis ("MD&A") of the Authority's activities and financial performance provide an introduction to the audited financial statements for the fiscal year ended June 30, 2002 as compared to June 30, 2001. 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.

The Authority's financial statements use propriety fund reporting and reports its financial position in three basic financial statements: (1) a statement of net assets; (2) a statement of revenues, expenses and changes in net assets; and (3) a statement of cash flows.



## FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2002 assets decreased by \$33.3 million or 7.4% over fiscal year 2001 and liabilities decreased by \$22.2 million or 7.1%. Total assets exceeded liabilities by \$130.9 million in 2002 as compared to \$142.0 million for 2001, or a net decrease of \$11.1 million.

	STATEMENTS OF NET ASSETS	
	(In Thousands)	
	Fiscal Years Ending June 30,	
	2002	2001
<b>ASSETS:</b>		
Current unrestricted assets	\$ 94,241	\$ 99,835
Current restricted assets	85,339	103,413
Total current assets	179,580	203,248
Capital assets	229,151	237,665
Other assets	11,480	12,665
Total assets	420,211	453,578
<b>LIABILITIES:</b>		
Current liabilities	47,137	51,201
Long-term debt outstanding	220,606	238,980
Landfill closure and post closure	21,548	21,344
Total liabilities	289,291	311,525
<b>NET ASSETS:</b>		
Invested in capital assets, net of debt	27,037	22,698
Restricted	20,786	21,514
Unrestricted	83,097	97,841
Total net assets	130,920	142,053

## FINANCIAL OPERATIONS HIGHLIGHTS

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

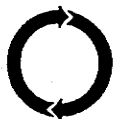
**Current unrestricted assets** decreased by \$5.5 million. This is due primarily to the drawdown of funds from reserves to cover Operating Expenses in the Mid-Connecticut project due to the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).

**Current restricted assets** decreased by \$18.0 million. This decrease was the result of:

- Cash and cash equivalents decreased by \$18.3 million due the drop in revenue related to the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).
- Investments increased by \$659,000 due to the purchase of a U.S. Treasury Bill.

**Non-Current assets** decreased by \$9.7 million. This was derived primarily by:

- Capital assets decreased by \$8.5 million primarily due to an increased accumulated depreciation expense of \$13.8 million, which was offset by a \$3 million land purchase.



- Other assets decreased by \$1.1 million due to an increased accumulated amortization expense for development and bond issuance costs.

**Current Liabilities** decreased by \$4.0 million. This was derived primarily by:

- Bonds payable decreased by \$2.4 million due to two bond issues maturing during fiscal year 2002: Bridgeport Subordinated Bonds 1991 Series A and Mid-Connecticut System Bonds 1991 Series A.
- Closure and postclosure care of landfills decreased by \$1.5 million due primarily to the closure of the Shelton and Wallingford Landfills during fiscal year 2002. Subsequent landfill costs are being funded from the postclosure reserve fund.

**Long-Term Liabilities** decreased by \$18.1 million. This was derived primarily by:

- Bonds payable decreased by \$18.3 million due to regular principal amortization on Authority bonds.

### SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

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

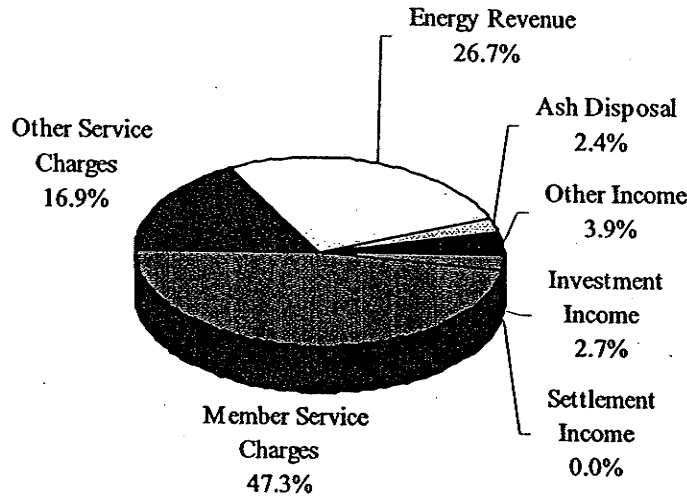
	STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	
	(In Thousands)	
	Fiscal Years Ending June 30, 2002	2001
Operating revenues	\$ 157,513	\$ 171,518
Operating expenses	141,082	137,056
Excess before depreciation and other non-operating income and expenses	16,431	34,462
Depreciation	16,975	16,710
Income before other non-operating income and expenses, net	(544)	17,752
Other non-operating income and expenses, net	(10,589)	58,313
Increase/(Decrease) in Net Assets	(11,133)	76,065

- Operating revenues decreased by \$14.0 million in fiscal year 2002 or 8.2% from fiscal year 2001 due primarily to the loss of revenue resulting from the Enron bankruptcy (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).
- Operating expenses, net of depreciation for the same period increased 2.9% due mainly to increased solid waste operations expenses.
- Other non-operating income and expenses, net decreased by \$68.9 million at June 30, 2002 from the same period due mainly to the one-time settlement income of \$59.9 million income received in fiscal year 2001 from the Enron energy contract (see Enron and Covanta Exposure section herein and Note 7 in the Notes to Financial Statements section).



**SUMMARY OF REVENUES**

The following chart shows the major sources and the percentage of operating revenues for the fiscal year ended June 30, 2002:



*Percentages may not add due to rounding.*

Solid Waste tipping fees (member and other service charges) and ash disposal fees account for two-thirds of the Authority's revenues. Energy production makes up another 26.7% of revenues. A summary of revenues for the fiscal year ended June 30, 2002, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

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

	<u>2002 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2001</u>	<u>Percent Increase/ (Decrease)</u>
<b>Operating:</b>				
Member Service Charges	76,634	47.3%	2,028	2.7
Other Service Charges	27,389	16.9%	(2,711)	(9.0)
Energy Revenue	43,246	26.7%	(11,864)	(21.5)
Ash Disposal	3,945	2.4%	224	6.0
Other Income	6,299	3.9%	(1,682)	(21.1)
<b>Total Operating Revenues</b>	<u>157,513</u>	<u>97.3%</u>	<u>(14,005)</u>	<u>(8.2)</u>
<b>Non-Operating:</b>				
Investment Income	4,388	2.7%	(3,934)	(47.3)
Settlement Income	0	0.0%	(66,841)	(100.0)
<b>Total Non-Operating Revenues</b>	<u>4,388</u>	<u>2.7%</u>	<u>(70,775)</u>	<u>(94.2)</u>
<b>TOTAL REVENUES</b>	<u>161,901</u>	<u>100.0%</u>	<u>(84,780)</u>	<u>(34.4)</u>

*Percentages may not add due to rounding.*

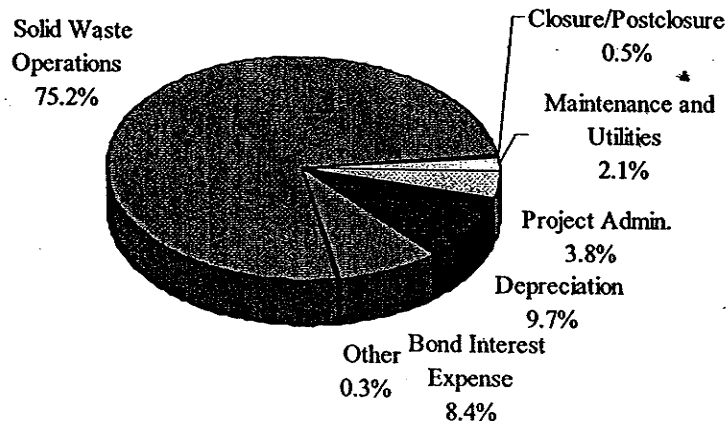


Overall, fiscal year 2002 revenues declined by 34.4% over fiscal year 2001. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Other service charges, which represent spot waste haulers, decreased by \$2.7 million or 9.0% from fiscal year 2001 to 2002. The decrease in spot hauler waste is offset to an increase of \$2.0 million of member service charges.
- Energy Revenue decreased by \$11.8 million or 21.5% from fiscal year 2001 due to the absence of capacity payments due the Authority under its contract with Enron (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section). This decrease was slightly offset by increased revenues realized from the Jet turbine engines purchased late in fiscal year 2001.
- Other Income decreased by 21.1% or \$1.6 million over the same period due to lower recycling sales caused by the declining recyclable commodities market and the general economic downturn.
- Investment income decreased \$3.9 million from fiscal 2001 to 2002 or 47.3% due to overall market declines and lower returns on the Authority's investments.
- Settlement income represents a one-time gain of \$59.9 million received in fiscal year 2001 from the Enron energy contract (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section).

### SUMMARY OF EXPENSES

The following chart shows the major sources and the percentage of operating expenses for the fiscal year ended June 30, 2002:



Day-to-day Solid Waste Operations is the major component of the Authority's expenses accounting for over 75% of the expenses in fiscal 2002. A summary of expenses for the fiscal year ended June 30, 2002, and the amount and percentage of change in relation to prior year amounts is as follows:





SUMMARY OF EXPENSES  
(Dollars in Thousands)

	2002 Amount	Percent of Total	Increase/ (Decrease) from 2001	Percent Increase/ (Decrease)
<b>Operating:</b>				
Solid Waste Operations	130,051	75.2%	5,427	4.4
Maintenance and Utilities	3,565	2.1%	(493)	(12.1)
Project Administration	6,619	3.8%	(577)	(8.0)
Closure and Postclosure	847	0.5%	(331)	(28.1)
<b>Total Operating Expenses</b>	<b>141,082</b>	<b>81.5%</b>	<b>4,026</b>	<b>2.9</b>
<b>Depreciation</b>	<b>16,975</b>	<b>9.8%</b>	<b>387</b>	<b>2.3</b>
<b>Non-Operating:</b>				
Bond Interest Expense	14,456	8.4%	(1,320)	(8.4)
Other (revenues) expenses	521	0.3%	(553)	(51.5)
<b>Total Non-Operating Expenses</b>	<b>14,977</b>	<b>8.7%</b>	<b>(1,873)</b>	<b>(11.1)</b>
<b>TOTAL EXPENSES</b>	<b>173,034</b>	<b>100.0%</b>	<b>2,540</b>	<b>1.5</b>

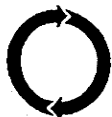
*Percentages may not add due to rounding.*

In general, the Authority's expenses remained fairly constant between fiscal year 2001 and 2002 increasing by 1.5% in total. Notable differences between the years include:

- Solid Waste Operations increased by \$5.4 million primarily due to annual contractual increases to the operators of the resource recovery facilities and plant upgrades to comply with stricter emission regulations.
- Maintenance and utilities expenses decreased \$493,000 from fiscal year 2001 to 2002 or 12.1% due to slightly less expended for construction projects in fiscal year 2002.
- Landfill closure and post-closure costs decreased 28.1% or \$331,000 due to the closure of the Shelton and Wallingford landfills.
- Other (revenues) expenses, shows the net difference between investment income, bond expense, property gains and losses, GAAP offsets and use of prior years retained earnings, among others. This amount decreased by \$553,000 from fiscal year 2001 to 2002 due primarily to a \$591,000 decrease in the use of prior years retained earnings for the Wallingford project.

### ENRON and COVANTA EXPOSURE

As part of the national deregulation of the energy industry and the resultant energy contract buy-downs, the Authority entered into agreements with Enron Power Marketing, Inc. ("Enron") and the Connecticut Light & Power Company ("CL&P") on April 30, 2001 that, among other obligations, required Enron to pay the Authority a monthly \$2.2 million "capacity charge" for the purchase of steam and an additional charge for conversion of steam into electricity from its Mid-



Connecticut facility. As part of this transaction, Enron received \$220 million and the Authority received \$59.972 million during fiscal year 2001. Enron filed for bankruptcy on December 2, 2001 and has not made its monthly capacity, electricity or other payments due since that time. The Authority, in an effort to generate adequate revenues to pay debt service on its bonds, has increased the Mid-Connecticut tipping fees, is pursuing remedies in bankruptcy court with the State's Attorney General, negotiating with CL&P and other parties for increased electric rates and has applied for licensure as an electric supplier in the State.

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

The State is obligated to maintain the minimum capital reserve for the Mid-Connecticut bonds to the extent the Authority uses monies in the special capital reserve fund to pay debt service on the Authority's outstanding bonds. It is unclear at this time whether there will be any need for the State to make payments to maintain the minimum capital reserve requirement. During April 2002, the General Assembly passed Public Act No. 02-46 which authorizes a loan by the State to the Authority of up to \$115 million to support the repayment of the Authority's debt for the Mid-Connecticut facility. No amounts were drawn down through June 30, 2002.

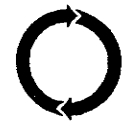
### SUMMARY OF CASH FLOW ACTIVITIES

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

	STATEMENTS OF CASH FLOWS	
	(In Thousands)	
	Fiscal Years Ending June 30,	
	2002	2001
Cash flow from operating activities	\$ 17,209	\$ 110,085
Cash flow from investing activities	4,165	8,994
Cash flow from capital and related financing activities	(44,933)	(73,192)
Net increase (decrease) in cash and cash equivalents	(23,559)	45,887
Cash and cash equivalents:		
Beginning of year	177,705	131,818
End of year	154,146	177,705

The Authority's available cash and cash equivalents decreased \$23.6 million from \$177.7 million at the end of fiscal year 2001 to \$154.1 million at the end of fiscal year 2002 due to the negative flow of funds used by operations and decreased investment income, as described below:

- Cash flow from operating activities for the fiscal years as indicated above represents the net difference between cash received for services and cash paid to suppliers. For the fiscal year 2002, this net figure was \$92.8 million less than 2001 and was mainly due to an \$81.3



million decrease in cash received from providing services representing the \$66.6 million settlement income received in fiscal year 2001 and approximately \$19.6 million in uncollected capacity and energy payments due from Enron (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section).

- Cash flow from investing activities represents the net difference between interest on investments of Authority funds and accounts plus any maturing investments versus the purchase of investment securities. For the fiscal year 2002, this net figure was \$4.8 million less than 2001 and was mainly due to a decrease of \$3.6 million in investment income representing the steady decline in interest rates experienced in the market during the year.
- Cash flow from capital and related financing activities represents the net difference between total proceeds from bond or equipment sales and total costs involved with bonding, landfill closure and postclosure, debt service expenses, and capital acquisition. For the fiscal year 2002, this net figure improved by \$28.2 million over 2001 and was mainly due to a combination of no proceeds from bond sales during 2002 and a \$43.1 million decrease in capital acquisition costs. During fiscal year 2001, capital acquisition costs were \$50.5 million and represented Mid-Connecticut purchases related to the Non-Project Venture generation equipment and buildings; the construction of an air processing system; and the construction of a maneuvering hall for delivering solid waste.

### LONG-TERM DEBT ISSUANCE, ADMINISTRATION and CREDIT RATINGS

The following table highlights the municipal bond issued and outstanding as of the fiscal year ending June 30, 2002. Also included is the outstanding credit rating for each issue.

#### STATUS OF OUTSTANDING BONDS ISSUED AS OF FISCAL YEAR 2002

SERIES	Standard & Poor's Rating	Moody's Rating	X= SCRF BACKED	DATED	Maturity Date	ORIGINAL AMOUNT BONDED	PRINCIPAL OUTSTANDING
<b>MID-CONNECTICUT PROJECT</b>							
1991 Series A - Recycling	AA	A1	X	08/15/91	11/15/01	7,735,000	0
1996 Series A - Project Refinancing	AAA	Aaa	X	08/20/96	11/15/12	209,675,000	193,170,000
1997 Series A - Project Construction	AAA	Aaa	X	07/15/97	11/15/06	8,000,000	4,880,000
2001 Series A - Project Construction	A	Baa3		01/18/01	11/15/12	13,210,000	13,210,000
							<u>211,260,000</u>
<b>BRIDGEPORT PROJECT</b>							
1991 Series A - Recycling	AA	-	X	08/15/91	1/1/02	9,480,000	0
1999 Series A - Project Refinancing	AAA	Aaa		08/31/99	1/1/09	141,695,000	111,790,000
2000 Series A - Refinancing (Partial Insurance)	A+/AAA	A3/Aaa		08/01/00	1/1/09	9,200,000	7,875,000
							<u>119,665,000</u>
<b>WALLINGFORD PROJECT</b>							
1991 Series One - Subordinated	-	A3		08/01/91	11/15/05	7,000,000	4,000,000
1998 Series A - Project Refinancing	AAA	Aaa		10/23/98	11/15/08	33,790,000	29,100,000
							<u>33,100,000</u>
<b>SOUTHEAST PROJECT</b>							
1989 Series A - Project Refinancing	AA	A2	X	06/01/89	11/15/11	3,935,000	2,630,000
1998 Series A - Project Refinancing	AAA	Aaa	X	08/18/98	11/15/15	87,650,000	77,140,000
<b>CRRA-CORPORATE CREDIT REVENUE BONDS</b>							
1992 Series A - Corp. Credit	-	-		09/01/92	11/15/22	30,000,000	30,000,000
2001 Series A - American Ref-Fuel Company LLC-I	-	A3		11/15/01	11/15/15	6,750,000	6,750,000
2001 Series A - American Ref-Fuel Company LLC-II	-	Baa2		11/15/01	11/15/15	6,750,000	6,750,000
							<u>123,270,000</u>
<b>TOTAL BONDS OUTSTANDING</b>						<u>574,870,000</u>	<u>487,295,000</u>
<b>OUTSTANDING SCRF BONDS</b>							<u>\$277,820,000</u>



The ratings of the Authority's outstanding bonds were unchanged during fiscal year ending June 30, 2002 with one exception: the Mid-Connecticut System Subordinated Revenue Bonds, 2001 Series A. Of the three outstanding Mid-Connecticut system bond issues, the 2001 Series A bonds are subordinated debt that is not secured by the State's special capital reserve fund and do not carry municipal bond insurance. Moody's Investor Service downgraded this series of bonds twice, due to the Authority's Enron exposure at the Mid-Connecticut facility (see Enron and Covanta Exposure section and Note 7 in the Notes to Financial Statements section). The other major bond rating agency, Standard & Poor's, maintains its "A" rating on the bonds.

**Chronology of Mid-Connecticut 2001 Series A Bonds Downgrades by Moody's Investors Service**

Bond Series	Original Issue Par Amount (\$000)	Currently Outstanding Par Amount (\$000)	Original Moody's Rating	Downgrade Rating on March 11, 2002	Downgrade Rating on March 27, 2002
2001 Series A (Subordinated)	\$ 13,210	\$ 13,210	A2	Baa1	Baa3 with negative outlook

During the fiscal year ended June 30, 2002 the following bond issues were refinanced:

Project	Series	Purpose	Refinancing Issuance Date	Original Issue Par Amount (\$000)
Southeast	1998 Series A (Duke)	Refinance	November 15, 2001	\$6,750
Southeast	1998 Series A (BFI)	Refinance	November 15, 2001	\$6,750

These bonds represent a refinancing of two series of bonds for which the Authority serves as a conduit issuer. As such, they are not carried on the Authority books, nor does the Authority pay debt service on these bonds.

## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of net assets of Connecticut Resources Recovery Authority (a component unit of the State of Connecticut) as of June 30, 2002 and 2001, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with 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 also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

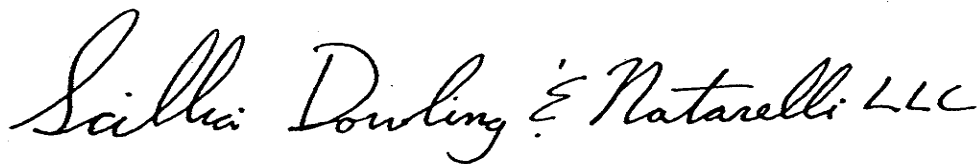
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Resources Recovery Authority as of June 30, 2002 and 2001, and the results of its operations and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the accompanying financial statements, in the year ended June 30, 2002, the Authority has adopted Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

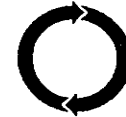
The accompanying Management’s Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2002, on our consideration of Connecticut Resources Recovery Authority’s internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Scilla Dowling & Natalelli LLC". The signature is written in black ink and is positioned above the typed name and date.

Hartford, Connecticut  
September 23, 2002



**STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2002 AND 2001  
(In Thousands)**

**EXHIBIT I**

ASSETS	<u>2002</u>	<u>2001</u>
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$69,705	\$74,879
Service payments receivable	11,683	13,876
Accounts receivable	7,411	6,086
Accrued interest and other receivables	380	550
Prepaid expenses	1,519	908
Inventory	3,543	3,536
<b>Total Unrestricted Assets</b>	<u>94,241</u>	<u>99,835</u>
Restricted Assets:		
Cash and cash equivalents	84,441	102,826
Investments	659	0
Accrued interest receivable	239	587
<b>Total Restricted Assets</b>	<u>85,339</u>	<u>103,413</u>
<b>Total Current Assets</b>	<u>179,580</u>	<u>203,248</u>
<b>NON-CURRENT ASSETS</b>		
Capital Assets, net	229,151	237,665
Development and Bond Issuance Costs	11,480	12,665
<b>Total Non-Current Assets</b>	<u>240,631</u>	<u>250,330</u>
<b>TOTAL ASSETS</b>	<u>\$420,211</u>	<u>\$453,578</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of bonds payable, net	\$18,373	\$20,802
Current portion of closure and postclosure care of landfills	1,317	2,816
Accounts payable and accrued expenses	27,447	27,583
<b>Total Current Liabilities</b>	<u>47,137</u>	<u>51,201</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, net	220,606	238,980
Closure and postclosure care of landfills	21,548	21,344
<b>Total Long-term Liabilities</b>	<u>242,154</u>	<u>260,324</u>
<b>Total Liabilities</b>	<u>289,291</u>	<u>311,525</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of Related Debt	27,037	22,698
Restricted	20,786	21,514
Unrestricted	83,097	97,841
<b>Total Restricted and Unrestricted</b>	<u>103,883</u>	<u>119,355</u>
<b>Total Net Assets</b>	<u>130,920</u>	<u>142,053</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$420,211</u>	<u>\$453,578</u>

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

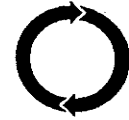


**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001  
(In Thousands)**

**EXHIBIT II**

	<u>2002</u>	<u>2001</u>
<b>Operating Revenues</b>		
Service charges:		
Members	\$76,634	\$74,606
Other	27,389	30,100
Energy generation	43,246	55,110
Ash disposal fees	3,945	3,721
Other income	6,299	7,981
Total operating revenues	<u>157,513</u>	<u>171,518</u>
<b>Operating Expenses</b>		
Solid waste operations	130,051	124,624
Depreciation and amortization	16,975	16,710
Maintenance and utilities	3,565	4,058
Closure and postclosure care of landfills	847	1,178
Project administration	6,619	7,196
Total operating expenses	<u>158,057</u>	<u>153,766</u>
<b>Operating (Loss) Income</b>	(544)	17,752
<b>Non-Operating (Expenses) and Income</b>		
Investment income	4,388	8,322
Settlement income	0	66,841
Bond interest expense	(14,456)	(15,776)
Other	(521)	(1,074)
Total Non-Operating (Expenses) and Income	<u>(10,589)</u>	<u>58,313</u>
<b>Net Assets</b>		
(Decrease) Increase in Net Assets	(11,133)	76,065
Total Net Assets, beginning of year	<u>142,053</u>	<u>65,988</u>
Total Net Assets, end of year	<u>\$130,920</u>	<u>\$142,053</u>





**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**  
(In Thousands)

EXHIBIT III

	<u>2002</u>	<u>2001</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from providing services	\$161,953	\$243,343
Cash paid to suppliers	(140,966)	(128,627)
Cash paid to municipalities for rebates	(559)	(1,150)
Cash paid to employees	(3,219)	(3,481)
Net Cash Provided by Operating Activities	<u>17,209</u>	<u>110,085</u>
<b>Cash Flows From Investing Activities</b>		
Interest on investments	4,842	8,461
Proceeds from sale and maturities of investment securities	0	889
Purchase of investment securities	(677)	(356)
Net Cash Provided by Investing Activities	<u>4,165</u>	<u>8,994</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from sale of bonds	0	23,084
Proceeds from disposal of equipment	255	58
Refunding of debt	0	(112)
Bond issuance costs incurred	0	(599)
Payment of landfill closure and postclosure care liabilities	(2,140)	(2,011)
Interest paid on bonds	(13,970)	(15,224)
Principal paid on bonds	(21,498)	(27,733)
Acquisition and construction of capital assets	(7,484)	(50,575)
Net Cash Used for Capital and Related Financing Activities	<u>(44,837)</u>	<u>(73,112)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Other interest and fees	(96)	(80)
Net Cash Used for Non-Capital Financing Activities	<u>(96)</u>	<u>(80)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(23,559)</b>	<b>45,887</b>
Cash and cash equivalents, beginning of year	<u>177,705</u>	<u>131,818</u>
Cash and cash equivalents, ending of year	<u><u>\$154,146</u></u>	<u><u>\$177,705</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b>		
Operating (loss) income	(\$544)	\$17,752
Adjustments to reconcile operating income to net cash provided by operating activities:		
Settlement income	0	66,841
Depreciation of property, plant and equipment	15,789	15,464
Amortization of development and bond issuance costs	1,187	1,246
Provision for closure and postclosure care of landfills	847	1,178
Other nonoperating revenues	0	43
Rebate to municipalities	(559)	(1,150)
(Increase) decrease in:		
Accounts receivable	(1,325)	4,419
Accrued interest and other receivables	171	794
Inventory	(7)	(533)
Service payments receivable	2,193	(68)
Prepaid expenses	(611)	229
(Decrease) Increase in:		
Accounts payable and accrued expenses	68	3,870
Net Cash Provided by Operating Activities	<u>\$17,209</u>	<u>\$110,085</u>

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



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Entity and Services

The Connecticut Resources Recovery Authority (Authority) is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (State) and is included as a component unit in the State's Comprehensive Annual Financial Report. The Authority Board of Directors consists of thirteen full members and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. Eight full members are appointed by the State legislature and two full members are ex-officio. The Treasurer of the State approves the issuance of all Authority bonds and notes. The State is contingently liable to restore deficiencies for certain Authority bonds. The Authority has no taxing power.

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

The Authority is comprised of four comprehensive solid waste disposal systems, a Non-Project Ventures group of accounts and an Administrative Pool. Each of the operating systems has a unique legal, contractual, financial and operational structure described as follows:

##### Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,710 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal services to seventy Connecticut municipalities through service contract arrangements. The Authority owns the Resources Recovery Facility, the transfer stations, the Ellington Landfill and the container-processing portion of the Regional Recycling Center. The Authority leases the land for the Essex transfer station and paper processing portion of the Regional Recycling Center. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. The Authority leases the paper processing facility of the Regional Recycling Center to a private vendor. Private vendors under various operating contracts conduct operation of the facilities. All revenue generated by the facilities accrues to the Authority. Certain operating contracts have provisions for revenue sharing with a vendor if prescribed operating parameters are achieved. The Authority has responsibility for all debt issued in the development of the Mid-Connecticut system.

##### Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn Resources Recovery Facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a Regional Recycling Center located in Stratford, Connecticut. The Bridgeport Project provides solid waste disposal services to eighteen Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities in the Bridgeport system. The Resources Recovery Facility is leased to a private vendor under a long-term sales-type arrangement until December 2008, with several renewal option provisions. The private vendor has beneficial ownership of the facility through this



arrangement. The vendor is obligated to pay for the costs of the facility including debt service (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to member municipalities and other system users. The Authority pays the vendor a contractually specified disposal fee. Energy and nonmember town revenues accrue to the vendor.

#### Wallingford Project

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

#### Southeastern Project

The Southeastern Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The system provides solid waste disposal services to sixteen Connecticut municipalities in the eastern portion of the State through service contract arrangements. The Authority owns the Resources Recovery Facility. It is leased to a private vendor under a long-term lease. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to operate and maintain the facility and service the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives revenues from service fees charged to participating municipalities and pays the vendor a service fee for the disposal service. Electric energy and nonmember town revenues accrue to the vendor with certain

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

#### Non-Project Ventures

In conjunction with the deregulation of the State's electric industry, the Authority currently owns four Pratt & Whitney Twin-Pac peaking gas turbines, and certain land and asset acquired from the Connecticut Light & Power Company ("CL&P"). An operating and license agreement was entered into with CL&P to operate the gas turbines. Operating and maintenance agreements were entered into with Northeast Generation Services Company to operate the gas turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines. Some or all of the Non-Project assets may be incorporated into the Mid-Connecticut Project.

#### Administrative Pool

The Authority has an Administrative Pool in which the costs of central administration are accumulated. These costs are allocated to the Authority's projects and non-project ventures group based on time expended.

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

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

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

The accounts of the Authority are organized as Enterprise Funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses.



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

Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Interest on revenue bonds, used to finance the construction of certain assets, is capitalized during the construction period net of interest earned on the investment of unexpended bond proceeds.

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

**D. Estimates**

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

**E. Cash and Cash Equivalents**

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

**F. Receivables**

Receivables are shown net of an allowance for the estimated portion that is not expected to be collected.

The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. Service payments receivable are stated net of an allowance for the estimated portion that is not expected to be collected of \$220,000 at June 30, 2002 and 2001.

**G. Inventory**

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

**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 Costs**

Costs incurred during the development stage of an Authority project, including, but not limited to, initial planning, permitting and bond administration costs, are capitalized. When the project begins commercial operation, the costs are amortized using the straight-line method over twenty to twenty-five year periods.

At June 30, 2002 and 2001, accumulated amortization of development costs for the projects is as follows:

Project (000's)	2002	2001
Mid-Connecticut	\$2,336	\$2,179
Wallingford	3,683	3,400
Southeastern	<u>4,516</u>	<u>4,124</u>
Total	<u>\$10,535</u>	<u>\$9,703</u>



**K. Capital Assets**

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

**L. Other Financing**

The Authority has issued several bonds pursuant to Indenture Agreements with a Trustee to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under Lease or Loan Agreements between the Authority and the operators.

The Authority does not become involved in the construction activities or the repayment of the debt related to the waste processing facilities (other than the portion allocable to Authority purposes). A Trustee administers debt service. The Authority has not guaranteed repayment of debt service in the event of default; therefore, the Authority does not record the debt or the related capital lease receivable in its financial statements.

The portion of all bond issues allocable to Authority purposes is recorded as long-term debt.

**M. Compensated Absences**

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

**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.

Unreserved net assets represent the net assets available to finance future operations or for distribution.

Reservations of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Reserved retained earnings at June 30, 2002 and 2001 are summarized as follows:

Reserved Net Assets (000's)	2002	2001
Debt principal payment	\$11,694	\$13,095
Operating and maintenance	3,336	3,245
Equipment replacement	3,185	3,098
Regional recycling center equipment	1,871	1,367
Landfill custodian accounts	679	671
Mercury Public Awareness	21	38
<b>Total</b>	<b>\$20,786</b>	<b>\$21,514</b>



**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

**A. Deposits**

At June 30, 2002 and 2001, the carrying amounts of the Authority's deposits were \$2,586,000 and \$1,439,000, respectively, and the bank balances were \$5,401,000 and \$3,075,000, respectively. Of the bank balances, Federal Depository Insurance covered at risk category 1, \$200,000 and \$100,000, at June 30, 2002 and 2001, respectively. The remaining bank balances of \$5,201,000 and \$2,975,000 at June 30, 2002 and 2001, respectively, were categorized at risk category 3.

Category 3 deposits are those bank balances which are uninsured and are either not collateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the name of the Authority. The minimum amounts of the Authority's category 3 bank balances collateralized at June 30, 2002 and 2001 were \$540,000 and \$308,000, respectively. The remaining category 3 bank balances of \$4,661,000 and \$2,668,000 at June 30, 2002 and 2001, respectively, were not collateralized.

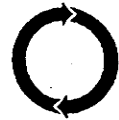
The following table is a summary of GASB Statement No. 3 deposits reconciled to Total Cash and Cash Equivalents (unrestricted and restricted) at June 30, 2002 and 2001.

(000's)	2002	2001
Total Deposits	\$2,586	\$1,439
STIF	146,618	172,959
U. S. Treasury Open End Mutual Fund	4,942	2,637
U.S. Treasury Bills (not classified as investments)	0	670
Total Cash and Cash Equivalents (unrestricted and restricted)	<u>\$154,146</u>	<u>\$177,705</u>

**B. Investments**

Investments, under GASB Statement No. 3, are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the Authority or its agent in the Authority's name holds securities. Category 2 includes uninsured and unregistered investments for which a counterparty holds the securities by a counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which the securities are held by a counterparty's trust department or agent, but not in the Authority's name.

At June 30, 2002, investments as defined by GASB Statement No. 3 were U. S. Treasury Notes in the fair value amount of \$659,000 classified in Risk Category 3. At June 30, 2001, investments, so defined, were U.S. Treasury Bills in the amount of \$670,000 (with maturities less than 90 days classified as cash equivalents) classified in Risk Category 3.



**3. CAPITAL ASSETS**

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

A summary of capital assets at June 30, 2002 and 2001 is presented as follows:

Classification (000's)	2002	2001
Land	\$27,774	\$24,833
Plant	198,651	184,941
Equipment	192,818	193,903
Construction in progress	30	10,314
Subtotal	419,273	413,991
Less accumulated depreciation	(190,122)	(176,326)
Capital assets, net	<u>\$229,151</u>	<u>\$237,665</u>

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested proceeds over the same period. During fiscal 2002 and 2001, there was no interest capitalized in capital assets.

**4. LONG-TERM DEBT**

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

and monies pledged in the respective bond indentures.

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

In August 2000, the Authority issued \$9,200,000 Bridgeport 2000 Series A bonds with an average interest rate of 5.0%. The proceeds of the 2000 bonds, together with \$1,268,000 of other Authority funds (\$1,145,000 restricted) were deposited into an irrevocable trust. These amounts were used to refund \$10,260,000 of Bridgeport 1989 Series A bonds which had an average interest rate of 7.5%.

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

As of June 30, 2002, the Authority has no outstanding balance of the defeased Bridgeport 1985 Series A and B bonds.

In January 1999, the Authority defeased the Southeastern 1988 Landfill bonds which had an outstanding principal balance of \$2,445,000, by depositing \$2,573,000 (\$1,689,000 of restricted funds) into an irrevocable trust. Debt service payments for the defeased bonds were made from this trust through the final maturity date of November 15, 2000.



Connecticut Resources Recovery Authority

EXHIBIT A  
Page 2 of 2

COMBINING STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2002  
(In Thousands)

LIABILITIES AND NET ASSETS	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
<b>CURRENT LIABILITIES</b>								
Current portion of:								
Bonds payable, net	\$0	\$13,750	\$1,605	\$2,556	\$462	\$0	\$0	\$18,373
Closure and postclosure care of landfills	0	179	978	160	0	0	0	1,317
Accounts payable and accrued expenses	711	13,834	6,606	2,747	2,846	703	0	27,447
Due to other funds	1,080	5,703	0	0	0	0	(6,783)	0
<b>Total Current Liabilities</b>	<b>1,791</b>	<b>33,466</b>	<b>9,189</b>	<b>5,463</b>	<b>3,308</b>	<b>703</b>	<b>(6,783)</b>	<b>47,137</b>
<b>LONG-TERM LIABILITIES</b>								
Bonds payable, net	0	194,529	10,640	5,848	9,589	0	0	220,606
Closure and postclosure care of landfills	0	7,507	10,248	3,793	0	0	0	21,548
<b>Total Long-term Liabilities</b>	<b>0</b>	<b>202,036</b>	<b>20,888</b>	<b>9,641</b>	<b>9,589</b>	<b>0</b>	<b>0</b>	<b>242,154</b>
<b>Total Liabilities</b>	<b>1,791</b>	<b>235,502</b>	<b>30,077</b>	<b>15,104</b>	<b>12,897</b>	<b>703</b>	<b>(6,783)</b>	<b>289,291</b>
<b>NET ASSETS</b>								
Invested in Capital Assets, net of Related Debt	0	14,865	12,172	0	0	0	0	27,037
Restricted:								
Debt principal payment	0	8,922	785	1,606	381	0	0	11,694
Operating and maintenance	0	3,336	0	0	0	0	0	3,336
Equipment replacement	0	3,185	0	0	0	0	0	3,185
Regional recycling center equipment	0	1,871	0	0	0	0	0	1,871
Landfill custodian accounts	0	407	145	127	0	0	0	679
Mercury Public Awareness Account	21	0	0	0	0	0	0	21
<b>Total Restricted</b>	<b>21</b>	<b>17,721</b>	<b>930</b>	<b>1,733</b>	<b>381</b>	<b>0</b>	<b>0</b>	<b>20,786</b>
Unrestricted	9,012	(8,657)	(8,405)	16,690	6,434	68,023	0	83,097
<b>Total Restricted and Unrestricted</b>	<b>9,033</b>	<b>9,064</b>	<b>(7,475)</b>	<b>18,423</b>	<b>6,815</b>	<b>68,023</b>	<b>0</b>	<b>103,883</b>
<b>Total Net Assets</b>	<b>9,033</b>	<b>23,929</b>	<b>4,697</b>	<b>18,423</b>	<b>6,815</b>	<b>68,023</b>	<b>0</b>	<b>130,920</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$10,824</b>	<b>\$259,431</b>	<b>\$34,774</b>	<b>\$33,527</b>	<b>\$19,712</b>	<b>\$68,726</b>	<b>(\$6,783)</b>	<b>\$420,211</b>





Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2002

EXHIBIT B

Operating Revenues	(In Thousands)							Total 2002
	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	
Service charges:								
Members	\$0	\$33,041	\$25,558	\$8,318	\$9,717	\$0	\$0	\$76,634
Others	0	12,913	16,050	210	1,617	0	(3,401)	27,389
Energy generation	0	21,670	0	13,062	0	8,514	0	43,246
Ash disposal fees	0	0	3,945	0	0	0	0	3,945
Other income	0	4,175	2,111	13	0	0	0	6,299
Total operating revenues	0	71,799	47,664	21,603	11,334	8,514	(3,401)	157,513
Operating Expenses								
Solid waste operations	28	56,914	44,277	14,753	12,391	5,089	(3,401)	130,051
Depreciation and amortization	237	12,330	1,073	324	448	2,563	0	16,975
Maintenance and utilities	0	1,289	1,849	0	0	427	0	3,565
Closure and postclosure care of landfills	0	587	400	(140)	0	0	0	847
Project administration	0	4,733	996	459	269	162	0	6,619
Total operating expenses	265	75,853	48,595	15,396	13,108	8,241	(3,401)	158,057
Operating (Loss) Income	(265)	(4,054)	(931)	6,207	(1,774)	273	0	(544)
Non-Operating (Expenses) and Income								
Investment income	270	2,159	219	676	183	881	0	4,388
Bond interest expense	0	(12,660)	(632)	(479)	(685)	0	0	(14,456)
Other	158	(77)	(22)	(574)	(8)	2	0	(521)
Total Non-Operating (Expenses) and Income	428	(10,578)	(435)	(377)	(510)	883	0	(10,589)
(Loss) Income before operating transfers	163	(14,632)	(1,366)	5,830	(2,284)	1,156	0	(11,133)
Operating transfers in (out)	(2,042)	962	1,080	0	0	0	0	0
Net Assets								
(Decrease) Increase in Net Assets	(1,879)	(13,670)	(286)	5,830	(2,284)	1,156	0	(11,133)
Total Net Assets, beginning of year	10,912	37,599	4,983	12,593	9,099	66,867	0	142,053
Total Net Assets, end of year	\$9,033	\$23,929	\$4,697	\$18,423	\$6,815	\$68,023	\$0	\$130,920



Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002

EXHIBIT C  
Page 1 of 2

(In Thousands)

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
<b>Cash Flows From Operating Activities</b>								
Cash received from providing services	\$1,080	\$72,387	\$49,027	\$20,451	\$11,614	\$8,474	(\$1,080)	\$161,953
Cash received from other funds	0	5,703	0	0	0	0	(5,703)	0
Cash paid to suppliers	(249)	(60,482)	(46,425)	(15,760)	(12,881)	(6,249)	1,080	(140,966)
Cash paid to municipalities for rebates	0	0	0	(559)	0	0	0	(559)
Cash paid to employees	0	(2,298)	(488)	(221)	(131)	(81)	0	(3,219)
Cash paid to other funds	0	0	0	0	0	(5,703)	5,703	0
Net Cash Provided by (Used for) Operating Activities	831	15,310	2,114	3,911	(1,398)	(3,559)	0	17,209
<b>Cash Flows From Investing Activities</b>								
Interest on investments	361	2,307	231	683	379	881	0	4,842
Purchase of investment securities	0	(406)	(144)	(127)	0	0	0	(677)
Net Cash Provided by Investing Activities	361	1,901	87	556	379	881	0	4,165
<b>Cash Flows From Capital and Related Financing Activities</b>								
Proceeds from disposal of equipment	2	7	0	0	0	246	0	255
Payment of landfill closure and postclosure care liabilities	0	(211)	(1,506)	(423)	0	0	0	(2,140)
Interest paid on bonds	0	(12,198)	(747)	(491)	(534)	0	0	(13,970)
Principal paid on bonds	0	(14,630)	(2,740)	(3,550)	(578)	0	0	(21,498)
Acquisition and construction of capital assets	0	(5,407)	(97)	(1,980)	0	0	0	(7,484)
Net Cash Provided by (Used for) Capital and Related Financing Activities	2	(32,439)	(5,090)	(6,444)	(1,112)	246	0	(44,837)
<b>Cash Flows From Non-Capital and Related Financing Activities</b>								
Operating transfers from other funds	0	962	1,080	0	0	0	(2,042)	0
Other interest and fees	0	(51)	(22)	(15)	(8)	0	0	(96)
Operating transfers to other funds	(2,042)	0	0	0	0	0	2,042	0
Net Cash (Used for) Provided by Non-Capital Financing Activities	(2,042)	911	1,058	(15)	(8)	0	0	(96)

COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002

(In Thousands)

EXHIBIT C  
Page 2 of 2

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeastern Project	Non-Project Ventures	Eliminations	Total 2002
Net decrease in cash and cash equivalents	(\$848)	(\$14,317)	(\$1,831)	(\$1,992)	(\$2,139)	(\$2,432)	\$0	(\$23,559)
Cash and cash equivalents, beginning of year	11,025	88,632	8,582	27,482	10,986	30,998	0	177,705
Cash and cash equivalents, ending of year	\$10,177	\$74,315	\$6,751	\$25,490	\$8,847	\$28,566	\$0	\$154,146
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:								
Operating (loss) income	(\$265)	(\$4,054)	(\$931)	\$6,207	(\$1,774)	\$273	\$0	(\$544)
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:								
Depreciation of property, plant and equipment	237	11,971	1,018	0	0	2,563	0	15,789
Amortization of development and bond issuance costs	0	359	56	324	448	0	0	1,187
Provision for closure and postclosure care of landfills	0	586	400	(139)	0	0	0	847
Rebate to municipalities	0	0	0	(559)	0	0	0	(559)
(Increase) decrease in:								
Accounts receivable	0	(25)	0	(1,283)	(223)	206	0	(1,325)
Accrued interest and other receivables	0	306	(17)	0	128	(246)	0	171
Inventory	0	20	0	0	0	(27)	0	(7)
Service payments receivable	0	307	1,380	131	375	0	0	2,193
Prepaid expenses	(112)	(125)	(106)	(64)	(16)	(188)	0	(611)
Due from other funds	0	0	(1,080)	0	0	(5,703)	6,783	0
(Decrease) Increase in:								
Accounts payable and accrued expenses	(109)	262	1,394	(706)	(336)	(437)	0	68
Due to other funds	1,080	5,703	0	0	0	0	(6,783)	0
Net Cash Provided by (Used for) Operating Activities	\$831	\$15,310	\$2,114	\$3,911	(\$1,398)	(\$3,559)	\$0	\$17,209



**THIS PAGE LEFT  
INTENTIONALLY BLANK**

---