CONNECTICUT RESOURCES RECOVERY AUTHORITY

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2003

TOGETHER WITH

INDEPENDENT AUDITORS REPORT

CCR

CARLIN, CHARRON & ROSEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The following Management's Discussion and Analysis ("MD&A") of the Authority's activities and financial performance provide an introduction to the audited financial statements for the fiscal year ended June 30, 2003 as compared to June 30, 2002 restated (see Note 15 Restatement in the Notes to the Financial Statements). Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2003 assets decreased by $24.8 million or 5.9% over fiscal year 2002 and liabilities decreased by $13.5 million or 4.6%. Total assets exceeded liabilities by $117.5 million in 2003 as compared to $128.8 million for 2002, or a net decrease of $11.3 million.

STATEMENTS OF NET ASSETS
(In Thousands)

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

FINANCIAL HIGHLIGHTS

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

ASSETS

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

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

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

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

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

LIABILITIES

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

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

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

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

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

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

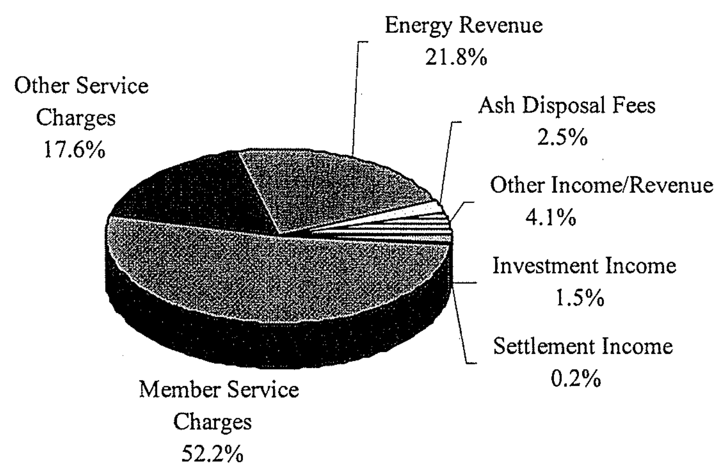
	2003	2002 (Restated)
Operating revenues	$ 155,820	$ 157,513
Operating expenses	138,274	140,958
Excess before depreciation and amortization and other non-operating income and expenses	17,546	16,555
Depreciation and amortization	18,186	16,975
Income before other non-operating income and expenses, net	(640)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

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

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

SUMMARY OF REVENUES

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



Percentages may not add due to rounding.

Solid Waste tipping fees (member and other service charges) and ash disposal fees account for nearly three-quarters of the Authority's revenues. Energy production makes up another 21.8% of revenues. A summary of revenues for the fiscal year ended June 30, 2003, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

SUMMARY OF REVENUES
(Dollars in Thousands)

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

Percentages may not add due to rounding.

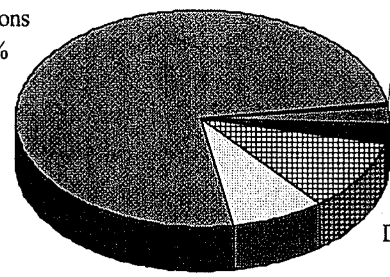
Overall, fiscal year 2003 revenues declined by 2.0% over fiscal year 2002. The following discusses the major changes in operating and non-operating revenues of the Authority:

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

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

SUMMARY OF EXPENSES

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



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

SUMMARY OF EXPENSES
(Dollars in Thousands)

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

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

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

ENRON and COVANTA EXPOSURE

As part of the deregulation of the energy industry in Connecticut and the resultant energy contract buy-downs, the Authority entered into agreements with Enron Power Marketing, Inc. ("Enron") and the Connecticut Light & Power Company ("CL&P") on December 22, 2000 that, among other obligations, required Enron to pay the Authority monthly charges for the purchase of steam and for electricity generated from such steam from its Mid-Connecticut facility. As part of these transactions, Enron received $220 million from the Authority and the Authority received approximately $60.0 million from CL&P during fiscal year 2001. Enron filed for bankruptcy on December 2, 2001 and has not made its monthly payments since that time.

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

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

STATE LOAN

On April 19, 2002, the Connecticut General Assembly passed Public Act No. 02-46 (the "Act"), which authorizes a loan by the State to the Authority of up to $115 million to support the repayment of the Authority's debt for the Mid-Connecticut facility, in order to avoid default. The Act also restructured the Authority's Board of Directors and required a Steering Committee Report and Financial Mitigation Plan to be filed with the State. On June 13, 2002, the reconstituted Board of Directors met for the first time; on December 31, 2002, the Steering Committee Report was filed with the State with a new strategic plan and recommendations for short, medium and long-term operating and financial solutions; and on May 5, 2003 the Financial Mitigation Plan was filed with the State Treasurer and the Secretary of the Office of Policy and Management. During the June 30, 2003 Special Session, the Authority's enabling statute was further amended to change the composition of the Board from thirteen members to eleven and thereby changed the quorum effective upon passage and effective retroactively. The legislation deleted the two ex-officio members of the Board, the State Treasurer and the Secretary of the Office of Policy and Management. Further, the newest amendment repealed Sections 22a-261 and 22a-268d of the Connecticut general statutes and replaced them and revised the structure of the loan by the State requiring collateral, an analysis of staffing levels, performance and qualifications of staff and the Board. It further requires quarterly mitigation reports and that the Authority discusses with member municipalities their interest in extending the contracts beyond June 20, 2012.

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

On June 27, 2003, the State Treasurer and the Secretary of the Office of Policy and Management certified that the Authority had met the requirements set forth in the Act in order for the loan drawdowns to commence. The terms of the loan were set as monthly repayments to the State of both principal and interest at a variable rate of interest to be set by the State Treasurer each month. The Financial Mitigation Plan filed anticipated that a total of $19.9 million would be drawn down from the $22.0 million authorized for the period ending June 30, 2004. On June 30, 2003 the State transferred $2.0 million to the Authority's trustee for deposit into the debt service account of the Mid-Connecticut System Bonds, fulfilling the legislation to support debt service payments due on the outstanding bonds and in accordance with the monthly cashflow projections filed by the Authority. On July 29, 2003, the State transferred $2.17 million to the trustee in accordance with the Authority's monthly cashflow projections. On August 1, 2003, the Authority made its first loan repayment of $20,348.01 to the State in fulfillment of the loan repayment requirements established by the State Treasurer.

SUMMARY OF CASH FLOW ACTIVITIES

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

STATEMENTS OF CASH FLOWS
(In Thousands)
Fiscal Years Ending June 30,

	2003	2002 (Restated)
Cash flow from operating activities	$ 20,213	$ 17,280
Cash flow from investing activities	3,206	4,165
Cash flow from capital and related financing activities	(32,050)	(44,908)
Cash flow from non-capital and related financing activities	(90)	(96)
Net increase (decrease) in cash and cash equivalents	(8,721)	(23,559)
Cash and cash equivalents:		
Beginning of year	154,146	177,705
End of year	$ 145,425	$ 154,146

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

- Cash flow from operating activities for the fiscal years as indicated above represents the net difference between cash received for services and cash paid to suppliers and to employees for goods and services. For the fiscal year 2003, this net figure was $3.0 million higher than fiscal year 2002 and was mainly due to increased tipping fees at the Mid-Connecticut and Bridgeport projects, collection of CL&P electricity payments from 12/3/01 – 12/11/02 offset by uncollected payments due from Enron (see Enron and Covanta Exposure section herein) and a settlement payment for $2.2 million to settle claims and disputes related to the Mid-Connecticut Air Processing System.

- Cash flow from investing activities represents the net difference between interest on investments of Authority funds plus any maturing investments versus the purchase of investment securities. For the fiscal year 2003, this net figure was $1.0 million less than fiscal year 2002 and was mainly due to a decrease of $2.3 million in investment income representing the steady decline in interest rates experienced in the market during the year and decreased reserves in the Mid-Connecticut project, which was offset by an increase of $638,000 for proceeds from maturities of U.S. Treasury Bills. These securities have been reinvested in U.S. Treasury Obligations with maturities of three months and are classified as cash and cash equivalents, which resulted in an increase of $677,000 in cash flow from investing activities as compared to fiscal year 2002.

- Cash flow from capital and related financing activities represents the net difference between total proceeds from the State loan, sales of equipment and total costs involved with landfill closure and postclosure, debt service expenses, and capital acquisition. For the fiscal year 2003, this net figure improved by $12.8 million over fiscal year 2002 and was mainly due to a combination of proceeds from the $2.0 million State loan received during 2003 and a $10.8 million decrease in acquisition and construction of capital assets ($6.3 million), payments of debt service ($3.4 million), and payments of landfill closure and postclosure care ($1.1 million).

AUTHORITY RATES AND CHARGES

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

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

LONG-TERM DEBT ISSUANCE, ADMINISTRATION and CREDIT RATINGS

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

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2003

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhance-ment *	X= SCRF-Backed**	Dated	Maturity Date	Original Principal ($000)	Principal Outstanding ($000)	On Authority's Books ($000)
MID-CONNECTICUT PROJECT									
1996 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/20/96	11/15/12	209,675	$179,775	$179,775
1997 Series A - Project Construction	Aaa	AAA	MBIA	X	07/15/97	11/15/06	8,000	4,000	4,000
2001 Series A - Project Construction (Subordinated)	Baa3	BBB			01/18/01	11/15/12	13,210	13,210	13,210
								196,985	196,985
BRIDGEPORT PROJECT									
1999 Series A - Project Refinancing	Aaa	AAA	MBIA		08/31/99	1/1/09	141,695	98,245	3,730
2000 Series A - Refinancing (partial insurance)	A3/Aaa	A+/AAA	MBIA		08/01/00	1/1/09	9,200	6,805	6,805
								105,050	10,535
WALLINGFORD PROJECT									
1991 Series One - Subordinated	A3	NR			08/01/91	11/15/05	7,000	2,000	2,000
1998 Series A - Project Refinancing	Aaa	AAA			10/23/98	11/15/08	33,790	25,385	3,886
								27,385	5,886
SOUTHEAST PROJECT									
1989 Series A - Project Refinancing	Aaa	AAA	MBIA	X	06/01/89	11/15/11	3,935	2,450	2,450
1998 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/18/98	11/15/15	87,650	73,280	8,154
CORPORATE CREDIT REVENUE BONDS									
1992 Series A - Corporate Credit	NR	NR			09/01/92	11/15/22	30,000	30,000	0
2001 Series A - American Ref-Fuel Company LLC-I	A3	NR			11/15/01	11/15/15	6,750	6,750	0
2001 Series A - American Ref-Fuel Company LLC-II	Baa2	NR			11/15/01	11/15/15	6,750	6,750	0
								119,230	10,604
TOTAL PRINCIPAL BONDS OUTSTANDING								$448,650	$224,010

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

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The basic financial statements of the Authority as of June 30, 2002, before the adjustment described in Note 15, were audited by other auditors whose report dated September 23, 2002, expressed an unqualified opinion on those statements.

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

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

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

The accompanying Management's Discussion and Analysis 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 consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to 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.

Carlin, Charron & Rosen, LLP

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

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

EXHIBIT I

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

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, 2003 AND 2002 (In Thousands)

EXHIBIT II

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

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

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

EXHIBIT III

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

The Connecticut Resources Recovery Authority (Authority) is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (State) and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2003, the Authority Board of Directors consists of thirteen full members and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. Eight full members are appointed by the State legislature and two full members are ex-officio. On August 15, 2003, the General Assembly passed Bill No. 2002, which reduced the Board of Directors from thirteen to eleven full members. This legislation deletes the two ex-officio members, the Secretary of the Office of Policy and Management and the State Treasurer, retroactive to May 31, 2002 and June 1, 2002, respectively.

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

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

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

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,710 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 Facilities, the transfer stations, the Ellington Landfill and the container-processing portion of the Regional Recycling Center. The Authority leases the land for the Essex transfer station and paper processing portion of the Regional Recycling Center. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. The Authority leases the paper processing facility of the Regional Recycling Center and subleases to a private vendor. Private vendors under various operating contracts conduct operation of the facilities. All revenue generated by the facilities accrues to the Authority. Certain operating contracts have provisions for revenue sharing with a vendor if prescribed operating parameters are achieved. The Authority has responsibility for all debt issued in the development of the Mid-Connecticut system.

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

Bridgeport Project

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

Wallingford Project

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

Southeast Project

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

Administrative Pool

The Authority has an Administrative Pool in which the costs of central administration are accumulated. Substantially all of these costs are allocated to the Authority's projects based on time expended. Interest income is not allocated.

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

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

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

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

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

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

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

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

D. Estimates

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

E. Cash and Cash Equivalents

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

F. Accounts Receivable

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not expected to be collected of $220,000 at June 30, 2003 and 2002.

G. Inventory

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

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

Inventories	2003 ($000)	2002 ($000)
Spare parts	$3,285	$3,224
Coal	322	319
Total	$3,607	$3,543

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, permitting and bond issuance costs, are capitalized. When the project begins commercial operation, the development costs are amortized using the straight-line method over the estimated life of the asset. Bond issuance costs are amortized over the life of the related bond issue using the straight-line method.

At June 30, 2003 and 2002, accumulated amortization of development and bond issuance costs for the projects is as follows:

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

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

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

L. Accrued Compensation

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

M. Net Assets

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

Unrestricted net assets represent the net assets available to finance future operations or available to be returned through reduced tip fees or rebates. The Board of Directors of the Authority may designate unrestricted net assets for special purposes, as shown in Exhibit D.

Restrictions of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Restricted net assets at June 30, 2003 and 2002 are summarized as follows:

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

N. Reclassifications

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

A. Cash Deposits

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

For purposes of this disclosure, cash deposits include bank deposits. As of June 30, 2003 and 2002, the carrying amounts of the Authority's deposits were $4,463,000 and $2,586,000, respectively, and the bank balances were $4,871,000 and $5,401,000, respectively. As of June 30, 2003, $100,000 was insured by the Federal Deposit Insurance Corporation (Category 1) and $4,771,000 was uninsured and uncollateralized (Category 3), as defined by Governmental Accounting Standards Board Statement No. 3. However, all bank deposits were in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of the public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of either the trust department of the pledging bank or in another bank in the name of the pledging bank.

The following table is a summary of GASB Statement No. 3 deposits reconciled to Total Cash and Cash Equivalents (unrestricted and restricted) at June 30, 2003 and 2002.

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

B. Investments

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

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

3. CAPITAL ASSETS

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

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

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested proceeds over the same period. During fiscal 2003 and 2002, there was no capitalized interest as there was no external borrowing.

4. LONG-TERM DEBT

A. Bonds Payable

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

The following is a summary of changes in bonds payable for the years ended June 30, 2002 and 2003.

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

The long-term debt amounts for the projects in the table above have been reduced by the deferred loss (gain) on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2003 and 2002, as follows:

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

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

Year ending June 30	Mid-Connecticut Principal ($000)	Mid-Connecticut Interest ($000)	Bridgeport Principal ($000)	Bridgeport Interest ($000)	Wallingford Principal ($000)	Wallingford Interest ($000)
2004	$14,995	$10,651	$1,620	$525	$1,339	$252
2005	15,755	9,758	1,670	446	1,360	178
2006	16,680	8,761	1,740	363	1,133	112
2007	17,790	7,703	1,845	277	658	69
2008	17,900	6,646	1,955	185	684	42
2009-2013	113,865	17,014	1,705	86	712	14
2014-2017	-	-	-	-	-	-
	$196,985	$60,533	$10,535	$1,882	$5,886	$667
Interest Rates	4.25-6.25%		4.6-5.5%		3.63-6.85%	

Year ending June 30	Southeast Principal ($000)	Southeast Interest ($000)	Total Principal ($000)	Total Interest ($000)
2004	$647	$607	$18,601	$12,035
2005	686	565	19,471	10,947
2006	732	522	20,285	9,758
2007	779	475	21,072	8,524
2008	821	425	21,360	7,298
2009-2013	4,559	1,279	120,841	18,393
2014-2017	2,380	187	2,380	187
	$10,604	$4,060	$224,010	$67,142
Interest Rates	5.125-7.7%			

Certain of the Authority's bonds are secured by special capital reserve funds. Each fund is equal to the highest annual amount of debt service remaining on the issue. The State is contingently liable to restore any deficiencies that exist in these funds in any one year in the event that the Authority must draw from the reserve fund. Bond principal amounts recorded as long-term debt at June 30, 2003 and 2002, which are backed by special capital reserve funds are as follows:

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

B. Loan Payable

During April 2002, the Connecticut General Assembly passed Public Act No. 02-46 authorizing a loan by the State to the Authority of up to $115 million in support of debt service payments on the Mid-Connecticut facility bonds. On June 30, 2003, the Authority drew down $2 million from this State loan under a Master Loan Agreement entered into between the Authority, the Office of the State Treasurer and the Connecticut Office of Policy and Management. On July 29, 2003, the Authority received an additional $2.1 million under a Supplemental Master Loan Agreement. It is anticipated that any future monthly debt service deficits will be funded in this manner. All loans received from the State must be repaid, with interest, by 2012. The interest rate will be determined by the Office of the State Treasurer on a monthly basis. The interest rate for the first payment made in August

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

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

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

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

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

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, applies to closure and postclosure care costs which are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. This amount increases the liability on the balance sheet for closure and postclosure care of landfills. These costs are generally paid when the landfill is closed and may continue for up to thirty years thereafter. The liability for these costs is reduced when these costs are actually incurred.

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

The closure and postclosure care expenses and the amounts paid or accrued for fiscal 2002 and 2003 for the landfills, are presented in the following table:

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

The estimated remaining costs to be recognized in the future as closure and postclosure care of landfill expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2003, are scheduled below:

Project/Landfill	Remaining Costs to be Recognized ($000)	Capacity Used Landfill Area		Estimated Years of Remaining Landfill Area Life	
		Ash	Other	Ash	Other
Mid-Connecticut-Hartford	$1,452	50%	96%	4.9	2.8
Bridgeport-Waterbury	118	----	89%	----	5.0
Total	$1,570				

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

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

At June 30, 2003, a letter of credit for $305,000 was outstanding for financial assurance of the Bridgeport Shelton Landfill. No funds were drawn on this letter during fiscal year 2003.

In addition to the above accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2003 and 2002 by meeting specified criteria pursuant to Section 258.74 of the federal Environmental Protection Agency Subtitle D regulations.

6. MAJOR CUSTOMERS

Energy generation revenues from CL&P totaled 17% and 12% of the Authority's operating revenues for the years ended June 30, 2003 and 2002, respectively.

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

7. SETTLEMENT INCOME

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

8. RETIREMENT PLAN

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

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are 5 percent of payroll plus a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2003 and 2002 amounted to $254,000 and $299,000, respectively. Employees contributed $211,000 to the plan in fiscal 2003 and $252,000 in fiscal 2002.

9. RISK MANAGEMENT

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

The Authority is a member of the Connecticut Interlocal Risk Management Agency's (CIRMA) Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. The deposit contributions (premiums) paid were $35,029 and $31,978 for the years ended June 30, 2003 and 2002, respectively.

Under the Master Loan Agreement entered into between the State of Connecticut and the Authority, the Authority is obligated to pay principal and interest on any State loans advanced, on a monthly basis, until 2012. Each advance and all amounts outstanding will bear interest at a variable rate, as determined by the Office of the State Treasurer each month and may not exceed six percent. Principal repayments shall be made in consecutive equal monthly installments. As of June 30, 2003, the Authority had $2.0 million outstanding in State loans.

10. COMMITMENTS

The Authority has various operating leases for office space, land, landfills and office equipment. For the years ended June 30, 2003 and 2002, operating lease payments totaled $968,000 and $949,000, respectively. The Authority also has agreements with various municipalities for payments in lieu of taxes (PILOT) for personal and real property. For the years ended June 30, 2003 and 2002, the PILOT payments totaled $5,598,000 and $7,213,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2003 are as follows:

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

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

The approximate amount of contract operating charges included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2003 and 2002 are as follows:

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

11. OTHER FINANCING

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

The Authority does not become involved in the repayment of debt on these issues, except for the portion of the bonds allocable to Authority purposes. In the event of default, and except in cases where the State has a contingent liability discussed below, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues in its financial statements. The principal amounts of these bond issues outstanding at June 30, 2003 (excluding portions allocable to Authority purposes) are as follows.

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

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

12. SEGMENT INFORMATION

The Authority has four segments that operate resources recovery and recycling facilities and landfills throughout the State and are required to be self-supporting through user service fees and sales of electricity. The Authority has issued various revenue bonds to provide financing for the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the year ended June 30, 2003.

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

13. CONTINGENCIES

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

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

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

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

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

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

14. SIGNIFICANT EVENTS

During 2001, the Authority entered into an energy agreement with the Connecticut Light & Power Company (CL&P) and Enron Power Marketing, Inc. (Enron), which consisted of the sale of the first 250,000 megawatt hours of electricity produced at the Mid-Connecticut Facility in a fiscal year to Enron and the balance to CL&P. With the bankruptcy filing of Enron on December 2, 2001, the Authority needed to remarket that portion of electricity sales to another party. The Authority solicited proposals for this purpose and on June 30, 2003, entered into an Energy Purchase Agreement with Select Energy to purchase the first 250,000 megawatt hours of electricity produced at the Mid-Connecticut facility. In addition, on June 2, 2003, the Authority was accepted by the Federal Energy Regulatory Commission (FERC) as a member of NEPOOL (the New England Power Pool) which provides the opportunity for the Authority to sell power directly to the New England electrical transmission system, effective July 1, 2003.

Covanta Mid-Connecticut, Inc., (Covanta) operator of the steam and electricity production components of the Mid-Connecticut facility, filed for bankruptcy on April 1, 2002. Thus far the bankruptcy has not affected Covanta's operation of the Mid-Connecticut facility.

15. RESTATEMENT

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

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

16. OPERATIONS

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

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

The Authority received $2.0 million of the authorized loan amount on June 30, 2003 and $2.1 million on July 29, 2003. Management has also negotiated with a CL&P affiliate a new power contract that is expected to increase electricity revenues in fiscal years 2004 and 2005. For fiscal year 2004, the Board of Directors increased the tip fee at the Mid-Connecticut Project almost 12%, from $57.00 per ton to $63.75 per ton. The Board's fiscal year 2004 budget also contains a ten percent decrease in administrative expenses.

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

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

EXHIBIT A
Page 1 of 2

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

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

EXHIBIT A
Page 2 of 2

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

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS **EXHIBIT B**

FOR THE YEAR ENDED JUNE 30, 2003

(In Thousands)

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

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

EXHIBIT C
Page 1 of 2

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

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

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

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

EXHIBIT D

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