

**CONNECTICUT RESOURCES  
RECOVERY AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2008**

**TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT**



*Certified Public Accountants & Business Advisors*



# ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2008

<u>TABLE OF CONTENTS</u>	<u>PAGE(S)</u>	<u>EXHIBIT</u>
Report of Independent Auditors	1	--
Management's Discussion and Analysis	3 - 21	--
Basic Financial Statements:		
Balance Sheets	22 - 23	I
Statements of Revenues, Expenses and Changes in Net Assets	24	II
Statements of Cash Flows	25	III
Notes to the Financial Statements	26 - 47	--
Supplementary Information:		
Combining Schedule of Balance Sheets	48- 49	A
Combining Schedule of Revenues, Expenses and Changes in Net Assets	50	B
Combining Schedule of Cash Flows	51 - 52	C
Combining Schedule of Net Assets	53 - 54	D



**THIS PAGE LEFT INTENTIONALLY BLANK**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Resources Recovery Authority as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CCR LLP

Glastonbury, Connecticut  
September 25, 2008



**THIS PAGE LEFT INTENTIONALLY BLANK**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the Connecticut Resources Recovery Authority (the "Authority") activities and financial performance provides an introduction to the audited financial statements for the fiscal years ended June 30, 2008 and 2007. 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 2008 total assets decreased by \$36.8 million or 9.3% from fiscal year 2007 and total liabilities decreased by \$47.5 million or 30.1%. Total assets exceeded total liabilities by \$249.5 million as of June 30, 2008 as compared to \$238.7 million as of June 30, 2007, or a net increase of \$10.7 million. The fiscal year 2007 total assets decreased by \$7.7 million or 1.9% from fiscal year 2006 and total liabilities increased by \$6.0 million or 3.9%. Total assets exceeded total liabilities by \$238.7 million as of June 30, 2007 as compared to \$252.4 million as of June 30, 2006, or a net decrease of \$13.7 million.

### BALANCE SHEETS

As of June 30,  
(In Thousands)

	2008	2007	2006
<b>ASSETS</b>			
Current unrestricted assets	\$ 133,044	\$ 124,788	\$ 125,572
Current restricted assets	37,409	60,290	20,819
Total current assets	<u>170,453</u>	<u>185,078</u>	<u>146,391</u>
Non-current assets:			
Restricted cash and cash equivalents	36,472	49,642	80,130
Restricted investments	809	779	-
Capital assets, net	148,216	156,334	171,721
Development and bond issuance costs, net	3,978	4,921	6,218
Total non-current assets	<u>189,475</u>	<u>211,676</u>	<u>258,069</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 359,928</u></u>	<u><u>\$ 396,754</u></u>	<u><u>\$ 404,460</u></u>
<b>LIABILITIES</b>			
Current liabilities	\$ 40,607	\$ 72,270	\$ 31,705
Long-term liabilities	69,849	85,713	120,321
<b>TOTAL LIABILITIES</b>	<u>110,456</u>	<u>157,983</u>	<u>152,026</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	135,575	142,050	116,491
Restricted	45,876	43,324	63,907
Unrestricted	68,021	53,397	72,036
Total net assets	<u>249,472</u>	<u>238,771</u>	<u>252,434</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 359,928</u></u>	<u><u>\$ 396,754</u></u>	<u><u>\$ 404,460</u></u>



## FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2008 and 2007:

### ASSETS

**Current unrestricted assets** increased by \$8.3 million or 6.6% over fiscal year 2007, which decreased by \$0.8 million or 0.6% from fiscal year 2006. The fiscal year 2008 increase is primarily due to:

- Increased unrestricted cash and cash equivalents of \$17.0 million primarily as a result of:
  - Contributions toward operating cash requirements of \$11.2 million and \$3.5 million at the Mid-Connecticut and Wallingford projects for specific purposes, respectively; and
  - Settlement funds of \$4.3 million (net of attorneys' fees and costs of litigation) at the Mid-Connecticut project as a result of litigation-related settlements; and
  - The creation of the Non-Escrow Short-Term Investment Fund ("STIF") account of \$2.0 million at the Mid-Connecticut project, which was funded from the Enron-related settlements, to provide for costs of paying expert witnesses and other legal fees relating to the Enron-related lawsuits; and
  - An increase in the Shelton Landfill Postclosure account due to a \$3.0 million State grant-in-aid received from the Connecticut Department of Environmental Protection ("CTDEP") in November 2007 as reimbursement for costs previously incurred by the Authority in the closure of the Shelton Landfill; and
  - Interest earned on current unrestricted cash and cash equivalents of \$4.3 million; and
  - A \$458,000 transfer of funds from the Mid-Connecticut project current restricted assets as a result of a capital repair and replacement contract expiration; offset by:
    - Payments of \$9.3 million for equipment purchases and plant improvements at the Mid-Connecticut Waste Processing Facility and Power Block Facility, closure costs at the Hartford landfill, and landfill development costs; and
    - Decreased operating cash balance of \$3.2 million at the Mid-Connecticut project primarily due to decrease in the transfer of funds from the Mid-Connecticut restricted Revenue Fund as a result of timing; and
- Decreased accounts receivable, net of \$6.2 million is a combination of decreased miscellaneous receivable and service payments receivable at the Bridgeport, Mid-Connecticut and Wallingford projects. The decrease at the Bridgeport project is due to a decrease in miscellaneous receivable as a result of the State grant-in-aid received in November 2007. The decrease in service payments receivable at the Bridgeport, Mid-Connecticut and Wallingford projects is primarily as a result of decreased member and contract deliveries; and
- Decreased prepaid expenses and other current assets of \$2.7 million primarily due to:
  - Other current assets decreased by \$2.5 million due to payment to a private landowner in July 2007 pertaining to a settlement agreement at the Mid-Connecticut project.



The fiscal year 2007 decrease from 2006 was primarily due to:

- Funds used of \$21.6 million to partially defease the remaining Mid-Connecticut Project 1996 Series A Bonds; and
- Payments of \$1.7 million for plant improvements and equipment purchases at the Mid-Connecticut Waste Processing Facility and landfill development costs; and
- Increases in payments for contract operating charges of \$4.7 million at the Bridgeport project as a result of the depletion of the municipal share fund, which was used to offset processing costs; offset by:
- Increased operating cash balances of \$19.6 million at the Bridgeport, Mid-Connecticut and Wallingford projects as a result of contributions toward operating cash requirements for specific purposes; and
- Interest earned on current unrestricted cash and cash equivalents of \$5.1 million; and
- The \$3.0 million grant receivable from the CTDEP as reimbursement of costs previously incurred by the Authority in the closure of the Shelton landfill.

**Current restricted assets** decreased by \$22.9 million or 38.0% from fiscal year 2007, which increased by \$39.5 million or 189.6% compared to fiscal year 2006. The fiscal year 2008 decrease is primarily due to:

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

The fiscal year 2007 increase over 2006 was primarily due to:

- Increased restricted cash balance of \$37.3 million (net of attorneys' fees and costs of litigation) at the Mid-Connecticut project as a result of litigation-related settlements; and





- Increased Revenue Fund balances at the Mid-Connecticut and Bridgeport projects of \$2.7 million and \$0.7 million, respectively. The increase at the Bridgeport project is due to cash provided by operating activities exceeding cash used in capital and related financing activities. The increase at the Mid-Connecticut project is due to cash provided by operating activities exceeding cash used in capital and related financing activities, net of funds used to partially defease the remaining Mid-Connecticut Project 1996 Series Bonds; and
- Interest earned on current restricted cash and cash equivalents of \$1.7 million; offset by:
- Decreased Revenue Fund balance at the Southeast project of \$2.1 million due to delayed receipt of electric revenue as of June 30, 2007.

**Non-current assets** decreased by \$22.2 million or 10.5% from fiscal year 2007, which decreased by \$46.4 million or 18.0% compared to fiscal year 2006. The fiscal year 2008 decrease is primarily due to:

- Decreased restricted cash and cash equivalents of \$13.2 million primarily as a result of:
  - Funds used of \$11.2 million for regular principal and interest payments on State loans and the repayment of the outstanding State loans principal balance including accrued interest due as of February 14, 2008; and
  - The \$1.8 million reclass to the Bridgeport and Wallingford current restricted cash and cash equivalents as a result of the bond maturities scheduled in November 2008 and January 2009; and
  - Payments of \$1.1 million for turbine repairs and miscellaneous improvements at the Energy Generating Facility; and
  - \$0.7 million in transfers of the amount in excess of reserve requirements and debt service; offset by:
  - \$1.6 million in interest earned on non-current restricted cash and cash equivalents; and
- Decreased capital assets, net of \$8.1 million due to \$17.2 million in depreciation expense offset by \$9.1 million in plant improvements, equipment purchases, construction in progress and deferred acquisition costs; and
- Decreased development and bond issuance costs, net of \$0.9 million due to amortization expense.

The fiscal year 2007 restricted cash and cash equivalents decreased by \$46.4 million compared to fiscal year 2006 primarily due to:

- Decreased restricted cash and cash equivalents of \$30.5 million due to:
  - Funds used to partially defease the remaining Mid-Connecticut Project 1996 Series A Bonds (\$29.9 million); and
  - Regular principal and interest payments due on State loans to the Mid-Connecticut project (\$3.5 million); offset by:
  - Increased reserve cash balance of \$1.1 million at the Mid-Connecticut project as a result of contribution toward reserve cash requirement; and
  - Interest earned on non-current restricted cash and cash equivalents of \$2.4 million.



- Increased investments of \$0.8 million over fiscal years 2006 due to the purchase of U.S. Treasury Bills for landfill trusts during fiscal year 2007 with maturities over three months.
- Decreased capital assets, net of \$15.4 million compared to fiscal year 2006. The fiscal year 2007 decrease is due to depreciation expense of \$17.2 million offset by \$1.8 million in plant improvements, equipment purchases, and construction in progress.
- Decreased development and bond issuance costs of \$1.3 million compared to fiscal year 2006. The fiscal year 2007 decrease is due to amortization expense and the write-off of unamortized bond issuance costs related to the Mid-Connecticut defeasance of debt.

### **LIABILITIES**

**Current liabilities** decreased by \$31.7 million or 43.8% compared to fiscal year 2007, which increased by \$40.6 million or 127.9% compared to fiscal year 2006. The fiscal year 2008 decrease from 2007 is primarily due to:

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

The fiscal year 2007 increase was primarily due to:

- Increased accounts payable and accrued expenses (\$31.2 million) due to the ruling in the New Hartford suit (\$35.8 million) and settlement costs at the Mid-Connecticut project (\$1.2 million) partially offset by a write-off of over-charges previously recorded as liabilities payable to one of the Mid-Connecticut operators (\$2.2 million) plus the disbursement of funds for goods and services received; and
- Increased net current portion of closure and postclosure care of landfills (\$9.2 million) due to higher costs anticipated to be incurred at the Hartford landfill within the next twelve months.

**Long-term liabilities** decreased by \$15.9 million or 18.5% compared to fiscal year 2007, which decreased by \$34.6 million or 28.8% compared to fiscal year 2006. The fiscal year 2008 decrease is due to:

- Decreased bonds payable, net of \$2.9 million due to regular principal payments on Authority bonds; and
- Decreased long-term portion of State loans payable of \$10.7 million due to regular principal payments on State loans through February 1, 2008, plus the full repayment of



the outstanding State loans principal due as of February 14, 2008 for the Mid-Connecticut project; and.

- Decreased closure and postclosure care of landfills of \$2.2 million. This occurred due to a \$5.7 million reduction in the long-term liability accounts as a result of payments for closure and postclosure care costs and a reclass of \$1.6 million to the current liabilities, which is offset by an increase in projected costs of \$5.1 million. This increase is a combination of the inclusion of estimated annual premiums for pollution liability insurance as well as increased postclosure monitoring and maintenance costs at the Ellington, Hartford, Shelton, Wallingford, and Waterbury landfills, an increase in the Hartford and Waterbury landfills capacity used, and a slight increase in the closure costs at the Hartford landfill.

The fiscal year 2007 decrease was due to:

- Decreased long-term portion of bonds payable, net of \$56.7 million compared to fiscal year 2006. The fiscal year 2007 decrease is due to regular principal payments due on Authority bonds (\$3.1 million) and the partial defeasance of the remaining Mid-Connecticut Project 1996 Series A Bonds in July 2006 (\$54.1 million) offset by the write-off of unamortized deferred amounts on the related debt (\$0.5 million); and
- Decreased State loans payable of \$2.6 million over fiscal year 2006 due to regular principal payments on State loans; offset by:
- Increased closure and postclosure care of landfills of \$24.7 million compared to fiscal year 2006. The fiscal year 2007 increase was primarily due to:
  - Increased projected costs of \$34.6 million at all five landfills. The increase in projected costs at the Ellington, Shelton, Wallingford and Waterbury landfills was due to increased administration costs. The increase in projected costs at the Hartford landfill is primarily due to the Authority assuming responsibility for all closure and postclosure care costs and increased administration costs at the landfill; offset by:
  - Increased net current portion of closure and postclosure care costs of \$9.2 million, which was classified under current liabilities; and
  - A reduction of \$0.7 million in the long-term liability accounts as a result of payments for postclosure care costs at the Ellington, Shelton, and Wallingford landfills.



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

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

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

	2008	2007	2006
Operating revenues	\$ 175,490	\$ 180,514	\$ 180,093
Operating expenses	<u>155,966</u>	<u>188,149</u>	<u>148,449</u>
Income (loss) before depreciation and amortization and other non-operating revenues and (expenses)	19,524	(7,635)	31,644
Depreciation and amortization	<u>18,184</u>	<u>18,189</u>	<u>17,850</u>
Income (loss) before other non-operating revenues and (expenses), net	1,340	(25,824)	13,794
Non-operating revenues, net	<u>9,361</u>	<u>13,309</u>	<u>7,872</u>
Income (loss) before special item	10,701	(12,515)	21,666
Special item:			
Defeasance of debt	<u>-</u>	<u>(1,148)</u>	<u>-</u>
Change in net assets	10,701	(13,663)	21,666
Total net assets, beginning of year	<u>238,771</u>	<u>252,434</u>	<u>230,768</u>
Total net assets, end of year	<u>\$ 249,472</u>	<u>\$ 238,771</u>	<u>\$ 252,434</u>

**Operating revenues** decreased by \$5.0 million or 2.8% during fiscal year 2008 from fiscal year 2007 and increased slightly by \$0.4 million or 0.2% during fiscal year 2007 over fiscal year 2006. The fiscal year 2008 decrease is primarily due to a \$6.0 million decrease in member and contract deliveries and a \$1.3 million decrease in other operating revenues, partially offset by a \$2.1 million increase in energy sales. The fiscal year 2007 increase was primarily due to the write-off of liabilities determined to be over-charges, offset by a decrease in tipping fees at the Mid-Connecticut project, lower than expected solid waste deliveries by members at all four operating projects and decreased recycling sales.

**Operating expenses** decreased by \$32.2 million or 17.1% during fiscal year 2008 primarily due to a \$29.5 million decrease in landfill closure and postclosure costs as a result a settlement agreement executed in fiscal year 2007 in association with the Hartford landfill and the impact of increased projected costs at all five landfills, decreased solid waste operations and project administration of \$0.9 million and \$3.3 million, respectively, offset by a \$1.5 million increase in maintenance and utilities. Operating expenses increased during fiscal year 2007 by \$39.7 million or 26.7% primarily as a result of the 2007 impact of the settlement agreement by which the Authority assumed the liability, contingent upon certain conditions, for all of the Hartford landfill closure and postclosure costs and increased administration costs at all five landfills. Other cost increases related to settlement costs at the Mid-Connecticut project, increased contract operating charges at the Bridgeport project due to the depletion of the municipal share fund, which was used to offset processing costs, and increased legal costs at the Bridgeport and Mid-



Connecticut projects due to on-going legal activity and an arbitration dispute with the Bridgeport project facility operator.

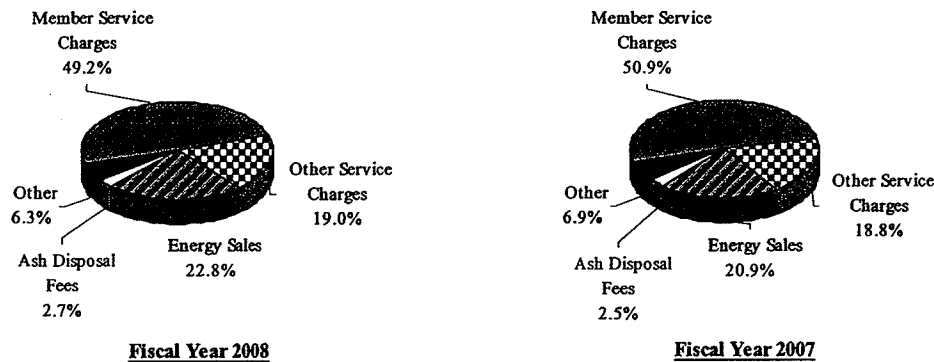
**Depreciation and amortization** remained fairly constant, decreasing by \$5,000 from fiscal year 2007 and increasing by \$339,000 over fiscal year 2006.

**Non-operating revenues, net** decreased by \$3.9 million during fiscal year 2008 primarily due to decreases in litigation-related settlements and State grant received during fiscal year 2007, investment income, and other income, offset by decreases in litigation related-judgment and settlement costs recorded during fiscal year 2007 as well as lower interest expense. Non-operating revenues, net increased by \$5.4 million during fiscal year 2007 primarily due to a \$40.2 million litigation-related settlements, the \$3 million grant from the CTDEP as reimbursement of costs previously incurred by the Authority in the closure of the Shelton landfill, a settlement with one of the Mid-Connecticut operators for several claims related to the operation of waste-to-energy system at the Mid-Connecticut project, increased investment income, and lower interest expense offset by \$35.8 million in litigation-related judgment, settlement costs at the Mid-Connecticut project and decreased other income.

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

### SUMMARY OF OPERATING REVENUES

The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2008 and 2007:



During fiscal year 2008, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 70.9% of the Authority's operating revenues. Energy sales make up another 22.8% of operating revenues. During fiscal year 2007, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 72.2% of the Authority's operating revenues. Energy sales make up another 20.9% of operating revenues.



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

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

	2008	2007	2008 Increase/ (Decrease) from 2007	2008 Percent Increase/ (Decrease)	2006	2007 Increase/ (Decrease) from 2006	2007 Percent Increase/ (Decrease)
<b>Operating Revenues:</b>							
Member service charges	\$ 86,455	\$ 91,848	\$ (5,393)	(5.9%)	\$ 93,513	\$ (1,665)	(1.8%)
Other service charges	33,308	33,917	(609)	(1.8%)	33,186	731	2.2%
Energy sales	39,962	37,857	2,105	5.6%	37,945	(88)	(0.2%)
Ash disposal reimbursement	4,704	4,485	219	4.9%	4,229	256	6.1%
Other operating revenues	11,061	12,407	(1,346)	(10.8%)	11,220	1,187	10.6%
<b>Total Operating Revenues</b>	<b>175,490</b>	<b>180,514</b>	<b>(5,024)</b>	<b>(2.8%)</b>	<b>180,093</b>	<b>421</b>	<b>0.2%</b>
<b>Non-Operating Revenues:</b>							
Litigation-related settlements	4,745	40,225	(35,480)	-	-	40,225	-
Investment income	6,718	8,888	(2,170)	(24.4%)	7,664	1,224	16.0%
Other income	292	4,073	(3,781)	(92.8%)	5,980	(1,907)	(31.9%)
<b>Total Non-Operating Revenues</b>	<b>11,755</b>	<b>53,186</b>	<b>(41,431)</b>	<b>(77.9%)</b>	<b>13,644</b>	<b>39,542</b>	<b>289.8%</b>
<b>TOTAL</b>	<b>\$ 187,245</b>	<b>\$ 233,700</b>	<b>\$ (46,455)</b>	<b>(19.9%)</b>	<b>\$ 193,737</b>	<b>\$ 39,963</b>	<b>20.6%</b>

Overall, fiscal year 2008 total revenues decreased by \$46.5 million or 19.9% from fiscal year 2007. Fiscal year 2007 total revenues increased by \$40.0 million or 20.6% over fiscal year 2006. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Member service charges decreased by \$5.4 million in fiscal year 2008 and \$1.7 million in fiscal year 2007. The fiscal year 2008 decrease reflects decreased member deliveries at all four operating projects. The fiscal year 2007 decrease reflects a decrease in the tipping fee enacted at the Mid-Connecticut Project and lower than expected solid waste deliveries across the Authority's operating projects.
- Other service charges to both contract towns and spot waste haulers decreased by \$0.6 million in fiscal year 2008 and increased by \$0.7 million from fiscal year 2006 to 2007. The fiscal year 2008 decrease is due to the impact of higher waste diverted to other projects from the Mid-Connecticut project as a result of major unplanned outages at the Power Block Facility, which is partially offset by higher than expected spot waste deliveries at the Bridgeport project. The fiscal year 2007 increase is due to availability as a result of lower than expected member deliveries.
- Energy sales increased by \$2.1 million during fiscal year 2008 and decreased slightly by \$88,000 during fiscal year 2007. The fiscal year 2008 increase is due to increased contract electricity rates received for the first 250 million kilowatts generated at the Mid-Connecticut project, partially offset by a decrease in electricity revenue received at the Wallingford project due to decreases in electricity generation and contract rates. The



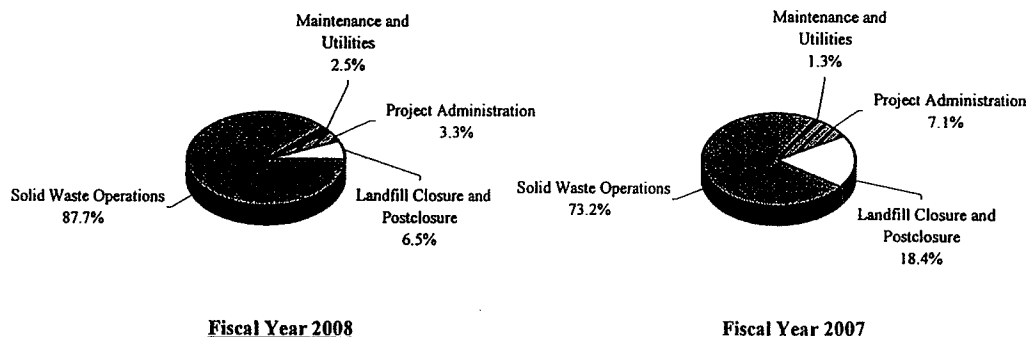
fiscal year 2007 decrease reflects the lower electricity rates in effect during fiscal year 2007 in accordance with the two-year energy purchase agreement at the Mid-Connecticut project and decreased electricity generation.

- Ash disposal reimbursement remained fairly constant, increasing by \$219,000 and \$256,000 over fiscal years 2007 and 2006, respectively.
- Other operating revenues decreased by \$1.3 million in fiscal year 2008 and increased by \$1.2 million in fiscal year 2007. The fiscal year 2008 decrease is due to the decrease in the write-off of liabilities determined to be over-charges, offset by increased recycling sales as a result of favorable recycling sales markets. The fiscal year 2007 increase was due to the write-off of liabilities determined to be over-charges offset by decreased recycling sales.
- Litigation-related settlements of \$4.7 million and \$40.2 million represent settlements of various Enron-related lawsuits during fiscal year 2008 and 2007, respectively.
- Investment income decreased \$2.2 million from fiscal year 2007 to 2008 and increased \$1.2 million from fiscal year 2006 to 2007. The fiscal year 2008 decrease is due to the distribution of the \$36.8 million by the Court Order, utilization of certain reserves and lower interest rates. The fiscal year 2007 increase was due to improved investment rates and increased investment balances.
- Other income of \$293,000 for fiscal year 2008 represents miscellaneous income and gains on sales of equipment. Other income of \$4.1 million for fiscal year 2007 represents the \$3.0 million grant from the CTDEP for landfill closure costs previously incurred by the Authority to close the Shelton landfill, a settlement with the Mid-Connecticut operators for several claims related to the operation of the waste-to-energy system at the Mid-Connecticut project (\$434,000, at present value), gains on sales of equipment and reimbursement from insurance for damage on equipment (\$192,000), and miscellaneous income (\$447,000).



**SUMMARY OF OPERATING EXPENSES**

The following charts show the major sources and the percentage of operating expenses for the fiscal years ended June 30, 2008 and 2007:



Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 87.7% of operating expenses in fiscal year 2008. During fiscal year 2007, Solid Waste Operations accounted for 73.2% of operating expenses.

A summary of operating expenses and non-operating expenses (including the special item for the fiscal year ended June 30, 2007), and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

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

	2008	2007	2008 Increase/ (Decrease) from 2007	2008 Percent Increase/ (Decrease)	2006	2007 Increase/ (Decrease) from 2006	2007 Percent Increase/ (Decrease)
<b>Operating Expenses:</b>							
Solid waste operations	\$ 136,899	\$ 137,767	\$ (868)	(0.6%)	\$ 133,026	\$ 4,741	3.6%
Maintenance and utilities	3,862	2,401	1,461	60.8%	2,313	88	3.8%
Landfill closure and postclosure	5,114	34,639	(29,525)	(85.2%)	1,629	33,010	2026.4%
Project administration	10,091	13,342	(3,251)	(24.4%)	11,481	1,861	16.2%
<b>Total Operating Expenses</b>	<b>155,966</b>	<b>188,149</b>	<b>(32,183)</b>	<b>(17.1%)</b>	<b>148,449</b>	<b>39,700</b>	<b>26.7%</b>
Depreciation and amortization	18,184	18,189	(5)	0.0%	17,850	339	1.9%
<b>Non-Operating Expenses:</b>							
Litigation-related judgment	-	35,800	(35,800)	-	-	35,800	-
Litigation-related settlement	-	1,150	(1,150)	-	-	1,150	-
Interest expense	1,863	2,693	(830)	(30.8%)	5,677	(2,984)	(52.6%)
Other expenses	531	234	297	126.9%	95	139	146.3%
<b>Total Non-Operating Expenses</b>	<b>2,394</b>	<b>39,877</b>	<b>(37,483)</b>	<b>(94.0%)</b>	<b>5,772</b>	<b>34,105</b>	<b>590.9%</b>
<b>Special Item:</b>							
Defeasance of debt	-	1,148	(1,148)	-	-	1,148	-
<b>TOTAL</b>	<b>\$ 176,544</b>	<b>\$ 247,363</b>	<b>\$ (70,819)</b>	<b>(28.6%)</b>	<b>\$ 172,071</b>	<b>\$ 75,292</b>	<b>43.8%</b>





The Authority's total expenses decreased by \$70.8 million or 28.6% between fiscal year 2008 and 2007. Fiscal year 2007 total expenses increased by \$75.3 million or 43.8% from fiscal year 2006. Notable differences between the fiscal years include:

- Solid waste operations decreased by \$0.9 million from fiscal year 2008 to 2007 primarily due to:
  - Operating expenses at the Wallingford project decreased due to lower operating contract charges, partially offset by:
  - Operating expenses at the Mid-Connecticut project increased due to higher disposal fees as a result of major unplanned outages at the Power Block Facility, higher contract operating costs at the Jets and Energy Generating Facility, and revenue sharing for recycling deliveries, which was partially offset by lower contract operating charges at the Waste Transport and the Waste Processing Facility and lower revenue sharing expense at the Power Block Facility.

Solid waste operations increased by \$4.7 million from fiscal year 2006 to 2007 primarily due to:

- Operating expenses at the Bridgeport project increased due to the depletion of the municipal share fund, which was previously used to offset processing costs; and
  - Operating expenses at the Southeast project increased due to a distribution of funds to the Southeastern Connecticut Regional Resources Recovery Authority for future expenses, partially offset by a reduction in the service fee paid by the Authority to the operator as a result of higher electric contract rates; offset by:
  - Operating expenses at the Mid-Connecticut project decreased due to a reduction of the recycling operating charges per a new operating agreement, a reduction in the solid waste assessment as a result of a favorable ruling from the Department of Revenue Services and lower natural gas consumption for the odor control system as the result of a capital upgrade. These decreases were partially offset by increased operating costs at the Hartford landfill and Waste Processing Facility relating to capital upgrades at the facilities and increased marketing costs for a recycling campaign to increase recycling rates; and
  - Operating expenses at the Wallingford project decreased due to lower waste export costs.
- Maintenance and utilities expenses increased by \$1.5 million during fiscal year 2008 primarily due to closure activities at the Hartford landfill, partially offset by lower maintenance and utilities at the Bridgeport project. During fiscal year 2007, maintenance and utilities increased by \$88,000 primarily due to capital improvements at the Bridgeport project transfer stations.
  - Landfill closure and postclosure costs decreased by \$29.5 million between fiscal years 2007 and 2008 primarily due to the decrease in the Hartford landfill closure and postclosure costs as a result of the 2007 impact of the settlement agreement that was executed in fiscal year 2007, partially offset by increased projected costs of \$5.1 million as a result of the inclusion of estimated annual premiums for pollution liability insurance, increased postclosure monitoring and maintenance costs at all five landfills, the increase



in the Hartford and Waterbury landfills capacity used, and the slight increase in the closure costs at the Hartford landfill. Between fiscal years 2006 and 2007, landfill closure and postclosure care costs increased by \$33.0 million between fiscal year 2006 and 2007 primarily due to the Authority's assumption for the responsibility of all closure and postclosure care costs at the Hartford landfill and increased administration costs at all five landfills.

- Project administration costs decreased by \$3.3 million during fiscal year 2008 from fiscal year 2007 and increased by \$1.9 million during fiscal year 2007 over fiscal year 2006. During fiscal year 2008, this decrease is due to lower legal costs incurred in association with project negotiations at the Bridgeport project and lower contingent fees incurred in association with the Enron litigation-related settlements at the Mid-Connecticut project. During fiscal year 2007, this increase was due to higher legal expenses as a result of the continued legal activity associated with the Enron-related lawsuits at the Mid-Connecticut project as well as an arbitration dispute with the facility operator and the ongoing project negotiations at the Bridgeport project.
- Litigation-related judgment: There was no such expense incurred during fiscal year 2008. Litigation-related judgment of \$35.8 million during fiscal year 2007 represents the ruling in the New Hartford suit.
- Litigation-related settlement: There was no such expense incurred during fiscal year 2008. Litigation-related settlement incurred during fiscal year 2007 represents settlement costs at the Mid-Connecticut project.
- Interest expense decreased by \$0.8 million during fiscal year 2008 and \$3.0 million during fiscal year 2007 due to decreases in the principal amount of bonds and state loans.
- Other expenses during fiscal years 2008 and 2007 of \$531,000 and \$234,000, respectively, represent trustee fees, letter of credit fees and other miscellaneous expenses.
- Defeasance of debt occurred during fiscal year 2007 and is discussed on page 10 of this MD&A.

## CAPITAL ASSETS

The Authority's investment in capital assets for its activities as of June 30, 2008 and 2007 totaled \$148.2 million and \$156.3 million, respectively (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, equipment, gas and steam turbines, land, landfills, roadways, rolling stock and vehicles. The total fiscal year 2008 and 2007 decrease in the Authority's investment in capital assets was 5.2% and 9.0%, respectively. The decrease is due to depreciation expense offset by plant improvements, equipment purchases, construction in progress and deferred acquisition costs.

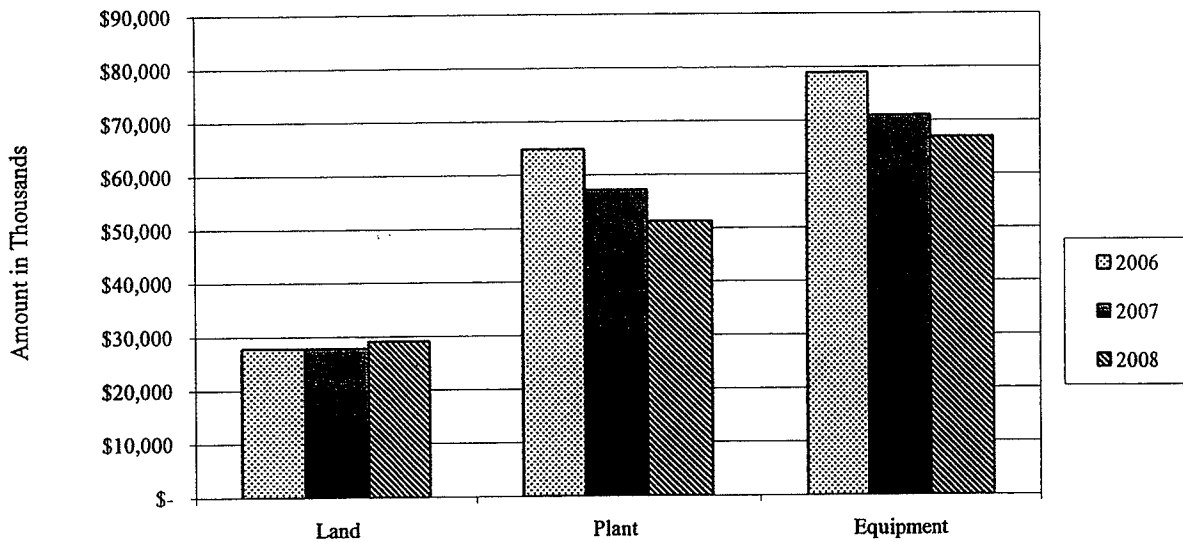
Major capital asset events during the current and immediate prior two fiscal years included equipment, land and vehicle purchases; conveyor rebuilds; building improvements such as door replacements, floor and wall repairs; driveway improvements; installation of a free blow system; installation of a fly ash system; jets repairs; overhaul of turbines; roadway reconstruction; and landfill development costs.



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

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

	2006	2007	2008
Land	\$ 27,774	\$ 27,774	\$ 29,079
Plant	64,875	57,223	51,293
Equipment	78,951	70,980	66,958
Construction-in-progress	121	357	327
Deferred acquisition costs	-	-	559
<b>Totals</b>	<b>\$ 171,721</b>	<b>\$ 156,334</b>	<b>\$ 148,216</b>



Additional information on the Authority's capital assets can be found in Notes 1J, 1K and 3 on pages 30 and 34 of this report.

**STATE LOANS**

On April 19, 2002, the Connecticut General Assembly passed Public Act No. 02-46 (the "Act"), which authorized a loan by the State to the Authority of up to \$115 million to support the repayment of the Authority's debt for the Mid-Connecticut project, in order to avoid potential default. This State support resulted in the authorization of a loan in the amount of \$22 million for the period June 30, 2003 through June 30, 2004 and the authorization of a subsequent loan in the amount of \$20 million for the period July 1, 2004 through June 30, 2005. During these periods, the Authority drew a total of \$21.5 million of the authorized State loans. The Authority has made no State loan requests since December 2004. On October 26, 2006, the Authority's



Board of Director's authorized the full repayment of the State Loans from the escrow established for such purposes. On February 15, 2008, the Authority paid the State Loans in full.

## LANDFILL ACTIVITY

### New Ash Landfill Initiative

In 2004, the Authority embarked on a comprehensive landfill siting investigation for a new ash residue and/or bulky waste landfill. As an outcome of this search, a site in Franklin, Connecticut has been identified as the primary site to be investigated to confirm that it is technically and environmentally amenable to permitting and constructing a landfill. Although the actual "footprint" of the contemplated landfill will be approximately 125 acres, the area being investigated is approximately 450 acres.

The Authority publically announced the site in March 2008, and began field investigations in April 2008. Field investigations will continue through spring 2009. Field investigations include ecological studies (wetlands, threatened and endangered species, habitat assessment, etc.), subsurface geological and hydrogeological investigations, traffic analyses, surveying, hydrological studies of adjacent waterbodies, and cultural/archaeological investigations. The Authority held three public informational meetings in April and May 2008 to communicate its landfill siting initiative to the local community, as well as to answer questions and hear concerns from the local community. The Authority is in negotiations with several property owners regarding acquisition of land.

### Hartford Landfill

The Authority submitted a solid waste permit modification application to CTDEP in July 2006, associated with the Hartford landfill, to 1) revise the closure plan, prescribing a state-of-the-art synthetic cap; 2) revise the grading plan for a section of the east side of the landfill; 3) set a date certain for final delivery of waste of no later than December 31, 2008; and 4) discuss possible passive recreational future uses for the landfill and engage a landscape architect to provide a rendering of these possible activities. A favorable ruling on this permit modification was issued by CTDEP on March 29, 2007. As of June 30, 2008, there are six months remaining to fill the landfill with non-processible waste and process residue generated at the Mid-Connecticut Resource Recovery Facility ("RRF"). There is also approximately six months of capacity remaining for the ash residue generated by the RRF. Upon closure of the Hartford landfill, the Mid-Connecticut Project will incur substantial cost increases to transport and dispose of the non-processible waste, process residue and ash residue to other out-of-state facilities. A new ash landfill in Connecticut would mitigate some of these costs.

On February 2, 2007, the Authority and the City of Hartford executed a Settlement Agreement which resolved a long standing disagreement regarding responsibility for costs associated with closure and post-closure activities at the Hartford landfill. The Settlement Agreement provided for the Authority to assume the liability, contingent upon certain conditions, for all of the Hartford landfill closure and postclosure costs. The Authority has estimated the latest total current costs for closure and post-closure care to be approximately \$44.3 million at June 30, 2008. The remaining liability and costs to be recognized for the Hartford landfill as of June 30,



2008 are approximately \$38.3 million and \$1.3 million, respectively. The State of Connecticut legislature approved legislation which provides \$13.0 million, for the Authority, for costs associated with closure of the Hartford landfill, with \$3.0 million allocated in fiscal year 2008, and \$10.0 million allocated in fiscal year 2009. In March 2008, the State Bond Commission appropriated \$3.0 million. In June and July 2007, the Authority awarded two closure construction contracts, together valued at approximately \$15.0 million. These construction activities proceeded during fiscal 2008 and will continue into fiscal year 2009. The Authority has submitted a reimbursement request to the State of Connecticut (through the CTDEP) in early September 2008 for reimbursement of the first \$3.0 million of expenditures.

#### Ellington Landfill

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

#### Waterbury Landfill

The Authority's Waterbury Bulky Waste Landfill, a small, 5.5 acre landfill, was permitted in the mid-1980's by Waterbury Landfill Associates to accept waste such as land clearing debris and construction and demolition debris. The landfill was subsequently purchased by the Authority in 1986 and made part of its Bridgeport Project. The Authority's contract with the Bridgeport Project ends at the end of calendar year 2008. The landfill has reached the end of its economically useful life and the Authority has proceeded to initiate closure activities. Closure construction work will begin in July 2008 and will end in October 2008. Work will include site preparation, waste relocation and grading, the installation of final cover soils, the installation of erosion control measures, and the establishment of vegetation over the entire landfill footprint. Costs associated with closure construction and associated engineering Quality Assurance / Quality Control oversight are approximately \$698,000.

#### Shelton and Wallingford Landfills

These two landfills are both closed and are being compliantly managed in accordance with CTDEP's regulations governing post-closure management of solid waste landfills and the specific environmental permits that govern post-closure requirements at these landfills.

### **METROPOLITAN DISTRICT COMMISSION ARBITRATION RULING**

An arbitration hearing was held in the spring of 2005, to resolve certain claims, including non-payment of two Metropolitan District Commission ("the MDC") invoices and the Authority's claim that it was overcharged by the MDC for indirect costs. Pursuant to the 1999 ruling of a previous arbitration panel, the Authority created and maintained an escrow account, setting aside 25% of the indirect costs invoiced by the MDC. In July 2005, the second arbitration panel ruled in favor of the Authority, stating that due to the overcharges the Authority did not have to pay the two MDC invoices and is entitled to retain 100% of the escrow account. The MDC appealed.



On December 21, 2006, the Authority and the MDC entered into a Settlement Agreement and Mutual Release, pursuant to which the MDC agreed to pay the Authority \$500,000, payable either in cash or credits against amounts otherwise due from the Authority to the MDC, in equal yearly installments from 2006 through 2012, and to immediately withdraw its appeal with prejudice, and the parties exchanged mutual releases.

### **NEW HARTFORD SUIT**

In December 2003, the Towns of New Hartford and Barkhamstead filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking alleged damages resulting from the failed Enron transaction as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority is defending and indemnifying its former President and board members. On August 10, 2005, the Motions to Dismiss all of the non-Authority defendants were granted; on August 30, 2005, plaintiffs filed an appeal, which is still pending. On March 21, 2006, the court granted the plaintiffs' motion for Class Certification. Trial began on November 13, 2006 and the parties rested on January 11, 2007. On June 19, 2007, the court issued its decision, imposing a constructive trust on the sum of \$35,873,732.25 (received by the Authority from various parties in settlement of various Enron-related lawsuits and held by the Treasurer of the State of Connecticut in the Short-Term Investment Fund account) and ordering that amount to be forwarded to the plaintiffs, in care of their attorneys, immediately. On December 7, 2007, the Court ordered the State Treasurer to issue one check for all monies held in the STIF account, together with accrued interest since June 19, 2007, to plaintiffs' attorneys for allocation of funds to the Mid-Connecticut Project municipalities and award of attorneys' fees and reimbursement of expenses. On December 11, 2007, in accordance with the Court order, \$36,775,720 was withdrawn from the STIF account.

The court also enjoined the Authority from passing any costs of the failed Enron transaction to the towns, effective for fiscal year 2008 and all subsequent years. On June 20, 2007, the Authority filed an Application for a Stay of Injunction Pending Appeal. On July 6, 2007, the Authority appealed the trial court's decision to the Appellate Court; on July 23, 2007, the appeal was transferred to the Connecticut Supreme Court. On July 25, 2007, the trial judge denied the Authority's Application for a Stay of Injunction Pending Appeal. On August 6, 2007, the Authority filed a Motion for Review of that denial with the Connecticut Supreme Court. The trial court retained jurisdiction over the plaintiffs' application for an order enjoining the Authority's implementation of its fiscal year 2008 budget, and held a hearing on September 5-6, 2007. On October 25, 2007, the trial court directed the Authority to remove \$6.71 million in budgeted expenses from its fiscal year 2008 budget, and reduce its Mid-Connecticut Project tip fee accordingly; on November 21, the Authority appealed. On April 21, 2008, Plaintiffs filed a Motion to Enforce Judgment and Enjoin the Authority from Subverting Judgment, seeking an order enjoining implementation of the Authority's fiscal year 2009 Mid-Connecticut Project budget. On April 30, 2008, the Authority filed a Complaint in Superior Court in Hartford seeking a Declaratory Judgment that the adoption of its fiscal year 2009 budget was a proper exercise of the statutory discretion, exercised in good faith, of the Authority's Board of Directors. On June 12, 2008, the Declaratory Judgment action was transferred to the trial judge in the *New Hartford* matter. On June 13, 2008, Plaintiffs filed a Motion to Consolidate the Authority's Declaratory Judgment action with Plaintiffs' request for an order enjoining



implementation of the fiscal year 2009 Mid-Connecticut Project budget. On August 11, 2008, the trial judge granted Plaintiffs' Motion to Consolidate with regard to the requested temporary injunction, but denied it with regard to the requested permanent injunction, and indicated his intent to hold an evidentiary hearing in September. The Authority has been advised that oral argument in connection with the appeals pending in this matter before the Connecticut Supreme Court will be heard in October 2008.

**AUTHORITY RATES AND CHARGES**

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

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

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

As detailed in the table on page 21, as of the fiscal year ended June 30, 2008, the Authority had \$128.5 million of outstanding debt. Of this amount, \$43.5 million comprises debt issued by the Authority as a conduit issuer for the Southeast project in connection with the Covanta Southeastern Connecticut Company and is not carried on the Authority's books. In addition, \$12.7 million of the outstanding bonds pertaining to the Bridgeport project, \$3.9 million of the outstanding bonds pertaining to the Wallingford project and \$45.0 million of the outstanding bonds pertaining to the Southeast project do not appear on the books of the Authority as these bonds were issued to fund construction of waste processing facilities operated by independent contractors who have commitments to repay the debt that is not allocable to Authority purposes.

With the exception of the Southeast project conduit bonds, all other bonds issued by the Authority are secured by credit enhancement in the form of municipal bond insurance. In some cases, certain bonds are further secured by the Special Capital Reserve Fund ("SCRF") of the

<sup>1</sup> On October 25, 2007, per court order, the Authority reduced the Mid-Connecticut Project tip fee for municipalities for the remainder of fiscal year 2008. The hauler's rate remained at \$69/ton for the entire year.

<sup>2</sup> The Bridgeport Project charges a split rate; the first rate is for actual tons delivered and the second rate is based on the minimum commitment tonnage.



State of Connecticut. The SCRF is a contingent liability of the State of Connecticut available to replenish any debt service reserve fund draws on bonds that have the SCRF designation. The funds used to replenish a debt service reserve draw are provided by the State's General Fund and are deemed appropriated by the Connecticut legislature.

The current ratings of the Authority's outstanding bonds reflect the upheaval in the credit markets following the sub-prime mortgage crisis of 2007 and 2008. As a result, most of the major bond insurers suffered rating downgrades reflecting their sub-prime mortgage exposure. As such, the Authority requested underlying ratings from the rating agencies to indicate the credit strength of the bonds assuming no municipal bond insurance.

The Authority did not issue long-term debt for any purpose during the fiscal year ended June 30, 2008.

Additional information on the Authority's long-term debt can be found in Note 4 on pages 34-37 of this report.

**STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2008**

PROJECT / Series	Moody's Rating	Moody's Underlying	Standard & Poor's Rating	Standard & Poor's SPUR	Credit Enhancement	X= SCRF-Backed <sup>1</sup>	Dated	Maturity Date	Original Principal (\$000)	Principal Outstanding (\$000)	On Authority's Books (\$000)
<b>MID-CONNECTICUT PROJECT</b>											
1996 Series A - Project Refinancing	A2	A1	AA	AA	MBIA	X	08/20/96	11/15/12	\$209,675	\$15,290	\$15,290
										15,290	15,290
<b>BRIDGEPORT PROJECT</b>											
1999 Series A - Project Refinancing	A2	A2	AA-	A+	MBIA	--	08/31/99	01/01/09	141,695	13,225	535
2000 Series A - Refinancing (partial insurance)	A2	A3	AA	A+	MBIA	--	08/01/00	01/01/09	9,200	1,170	1,170
										14,395	1,705
<b>WALLINGFORD PROJECT</b>											
1998 Series A - Project Refinancing	Aa3	A2	AA-	A	Ambac	--	10/23/98	11/15/08	33,790	4,650	712
										4,650	712
<b>SOUTHEAST PROJECT</b>											
1998 Series A - Project Refinancing	A2	A2	AA	AA	MBIA	X	08/18/98	11/15/15	87,650	50,675	5,639
<b>CORPORATE CREDIT REVENUE BONDS</b>											
1992 Series A - Corporate Credit	Ba1	N/A	BB+	N/A	--	--	09/01/92	11/15/22	30,000	30,000	0
2001 Series A - Covanta Southeastern Connecticut Company-I	Ba1	N/A	NR	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
2001 Series A - Covanta Southeastern Connecticut Company-II	Ba1	N/A	NR	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
										94,175	5,639
<b>TOTAL PRINCIPAL BONDS OUTSTANDING</b>										<b>\$128,510</b>	<b>\$23,346</b>

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

NA = Not Applicable

NR = Not Rated

SPUR = Standard & Poor's Underlying Rating. This is the rating of the stand-alone capacity to pay debt service on a credit enhanced issue without giving effect to the credit enhancement.

**REQUESTS FOR INFORMATION**

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





BALANCE SHEETS  
AS OF JUNE 30, 2008 AND 2007  
(Dollars in Thousands)

EXHIBIT I  
Page 1 of 2

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 106,104	\$ 89,116
Accounts receivable, net of allowances	22,202	28,450
Inventory	3,610	3,349
Prepaid expenses and other current assets	1,128	3,873
Total Unrestricted Assets	<u>133,044</u>	<u>124,788</u>
Restricted Assets:		
Cash and cash equivalents	37,033	59,657
Accrued interest receivable	376	633
Total Restricted Assets	<u>37,409</u>	<u>60,290</u>
Total Current Assets	<u>170,453</u>	<u>185,078</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	36,472	49,642
Restricted investments	809	779
Capital Assets:		
Depreciable, net	118,251	128,203
Nondepreciable	29,965	28,131
Development and bond issuance costs, net	3,978	4,921
Total Non-Current Assets	<u>189,475</u>	<u>211,676</u>
<b>TOTAL ASSETS</b>	<u>\$ 359,928</u>	<u>\$ 396,754</u>

The accompanying notes are an integral part of these financial statements

**Connecticut Resources Recovery Authority**



**BALANCE SHEETS (Continued)  
AS OF JUNE 30, 2008 AND 2007  
(Dollars in Thousands)**

**EXHIBIT I  
Page 2 of 2**

	<u>2008</u>	<u>2007</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of:		
Bonds payable, net	\$ 2,912	\$ 3,097
State loans payable	-	2,619
Closure and postclosure care of landfills	12,216	10,588
Accounts payable	6,938	1,838
Accrued expenses and other current liabilities	<u>18,541</u>	<u>54,128</u>
Total Current Liabilities	<u>40,607</u>	<u>72,270</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, net	19,956	22,835
State loans payable	-	10,701
Closure and postclosure care of landfills	48,602	50,777
Other liabilities	<u>1,291</u>	<u>1,400</u>
Total Long-Term Liabilities	<u>69,849</u>	<u>85,713</u>
<b>TOTAL LIABILITIES</b>	<u>110,456</u>	<u>157,983</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	<u>135,575</u>	<u>142,050</u>
Restricted for:		
Tip fee stabilization	15,915	15,290
Energy generating facility	9,971	12,012
Revenue fund	6,309	-
Debt service reserve funds	5,265	5,228
Operating and maintenance	1,735	1,662
Equipment replacement	1,735	1,662
Select Energy escrow	1,000	1,000
Debt service funds	886	968
Shelton landfill future use	857	824
DEP trust - landfills	809	781
Montville landfill postclosure	478	402
Recycling education fund	514	542
Rebate fund	305	292
Other restricted net assets	97	83
Cash escrow - litigation-related settlements	-	2,126
Regional recycling center equipment	-	452
Total Restricted	<u>45,876</u>	<u>43,324</u>
Unrestricted	<u>68,021</u>	<u>53,397</u>
Total Net Assets	<u>249,472</u>	<u>238,771</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 359,928</u>	<u>\$ 396,754</u>

The accompanying notes are an integral part of these financial statements



STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007  
(Dollars in Thousands)

EXHIBIT II

	<u>2008</u>	<u>2007</u>
<b>Operating Revenues</b>		
Service charges:		
Members	\$ 86,455	\$ 91,848
Others	33,308	33,917
Energy sales	39,962	37,857
Ash disposal reimbursement	4,704	4,485
Other operating revenues	11,061	12,407
Total operating revenues	<u>175,490</u>	<u>180,514</u>
<b>Operating Expenses</b>		
Solid waste operations	136,899	137,767
Depreciation and amortization	18,184	18,189
Maintenance and utilities	3,862	2,401
Closure and postclosure care of landfills	5,114	34,639
Project administration	10,091	13,342
Total operating expenses	<u>174,150</u>	<u>206,338</u>
Operating Income (Loss)	1,340	(25,824)
<b>Non-Operating Revenues and (Expenses)</b>		
Investment income	6,718	8,888
Litigation-related settlements, net	4,745	39,075
Litigation-related judgment	-	(35,800)
Other income (expenses), net	(239)	3,839
Interest expense	(1,863)	(2,693)
Net Non-Operating Revenues	<u>9,361</u>	<u>13,309</u>
Income (Loss) before Special Item	10,701	(12,515)
<b>Special Item:</b>		
Defeasance of debt	-	(1,148)
Total special item	<u>-</u>	<u>(1,148)</u>
Change in Net Assets	10,701	(13,663)
Total Net Assets, beginning of year	<u>238,771</u>	<u>252,434</u>
Total Net Assets, end of year	<u>\$ 249,472</u>	<u>\$ 238,771</u>

The accompanying notes are an integral part of these financial statements



**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**  
**(Dollars in Thousands)**

EXHIBIT III

	<u>2008</u>	<u>2007</u>
<b>Cash Flows From Operating Activities</b>		
Payments received from providing services	\$ 181,799	\$ 175,858
Proceeds from settlements	4,745	40,225
Payments to suppliers for goods and services	(138,662)	(154,697)
Payment of litigation-related judgment	(35,874)	-
Payments to employees for services	(4,301)	(4,484)
<b>Net Cash Provided by Operating Activities</b>	<u>7,707</u>	<u>56,902</u>
<b>Cash Flows From Investing Activities</b>		
Interest on investments	6,967	8,879
Purchases of investments	(29)	(770)
<b>Net Cash Provided by Investing Activities</b>	<u>6,938</u>	<u>8,109</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from sales of equipment	7	192
Payments for landfill closure and postclosure care liabilities	(5,661)	(713)
Acquisition and construction of capital assets	(9,266)	(1,942)
Defeasance of debt	-	(275)
Interest paid on long-term debt	(1,853)	(2,981)
Principal paid on long-term debt	(16,515)	(59,778)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(33,288)</u>	<u>(65,497)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Other interest and fees	(163)	(77)
<b>Net Cash Used in Non-Capital Financing Activities</b>	<u>(163)</u>	<u>(77)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(18,806)</b>	<b>(563)</b>
Cash and cash equivalents, beginning of year	<u>198,415</u>	<u>198,978</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 179,609</u>	<u>\$ 198,415</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</b>		
Operating income (loss)	\$ 1,340	\$ (25,824)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation of capital assets	17,239	17,246
Amortization of development and bond issuance costs	945	943
Provision for closure and postclosure care of landfills	5,114	34,639
Other income	67	3,791
Litigation-related settlements	4,745	39,075
Litigation-related judgment	-	(35,800)
(Increase) decrease in:		
Accounts receivable, net	6,248	(6,302)
Inventory	(261)	70
Prepaid expenses and other current assets	2,745	(2,512)
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(30,475)	31,576
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 7,707</u>	<u>\$ 56,902</u>

The accompanying notes are an integral part of these financial statements



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Entity and Services

The Connecticut Resources Recovery Authority (the "Authority") is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (the "State") and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2008, the Authority is authorized to have a board consisting of eleven directors and eight ad-hoc members. The Governor of the State appoints three directors and all eight ad-hoc members. The remaining eight directors are appointed by various state legislative leaders. All appointments require the advice and consent of both houses of the General Assembly.

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

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

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

##### Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal and recycling services to 70 Connecticut municipalities through service contract arrangements. The Authority owns the Resources Recovery Facility, the transfer stations, the Ellington Landfill and the Regional Recycling Center. The Authority leases the land for the Essex transfer station. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. Private vendors, under various operating contracts, conduct operation of the facilities. All revenue generated by the facilities accrues to the Authority. Certain operating contracts have provisions for revenue sharing with a vendor if prescribed operating parameters are achieved. The Authority has responsibility for all debt issued in the development of the Mid-Connecticut system.

In conjunction with the deregulation of the State's electric industry, the Authority acquired from the Connecticut Light & Power Company ("CL&P") four Pratt & Whitney Twin-Pac peaking jet turbines, two steam turbines, and certain other assets and land. Operating and maintenance agreements were entered into with Northeast Generation Services Company to operate the peaking jet turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines.



**Bridgeport Project**

The Bridgeport Project consists of a 2,250 ton per day mass burn Resources Recovery Facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a Regional Recycling Center located in Stratford, Connecticut. The Bridgeport Project provides solid waste disposal and recycling services to 20 Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities 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.

The Authority's contract with the Bridgeport Project ends at the end of calendar year 2008. Before the termination of the current solid waste agreement, the Authority anticipates executing a new five-year service agreement with Wheelabrator, to commence on January 1, 2009, for the disposal of approximately 250,000 tons of municipal solid waste annually from 12 of the existing Bridgeport Project's Municipalities.

**Wallingford Project**

The Wallingford Project consists of a 420 ton per day mass burn Resources Recovery Facility located in Wallingford, Connecticut and the Wallingford Landfill. Five Connecticut municipalities in New Haven County are provided solid waste disposal services by this system through service contract arrangements. The Authority leases the Wallingford Landfill and owns the Resources Recovery Facility. The

Resources Recovery Facility is leased to a private vendor under a long-term arrangement. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is responsible for operating the facility and servicing the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Wallingford Project's revenues are derived primarily from service fees charged to participating municipalities and other system users and fees for electric energy generated. The Authority pays the vendor a contractually determined service fee. The operating contract has provisions for revenue sharing with the vendor if prescribed operating parameters are achieved.

The operating contract between the Authority and the vendor will expire on June 30, 2010. The contract has a provision whereby the Authority can exercise an option to purchase the facility when the contract ends. Unless this option is exercised by December 30, 2008, the vendor will own the facility when the contract ends. Currently, the Authority is pursuing the purchase option on behalf of the municipalities so that the facility will remain publicly owned.

**Southeast Project**

The Southeast Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The Southeast Project provides solid waste disposal services to 14 Connecticut municipalities in the eastern portion of the State through service contract arrangements. The Authority owns the Resources Recovery Facility. It is leased to a private vendor under a long-term lease. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to operate and maintain the facility and service the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to participating municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor with certain



contractually prescribed credits payable to the Authority for these revenue types.

### **General Fund**

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

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

The Authority is considered to be an Enterprise Fund. The Authority's operations and balances are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

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

The Authority's financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Interest on revenue bonds, used to finance the construction of certain 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 post-closure care of landfills, administrative expenses, and depreciation on capital assets. All revenues and

expenses not meeting this definition are reported as non-operating revenues and expenses.

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

### **C. Estimates**

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

### **D. Cash and Cash Equivalents**

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

### **E. Accounts Receivable, net**

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not expected to be collected of \$165,000 and \$408,000 at June 30, 2008 and 2007, respectively.



**F. Inventory**

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

Inventories at June 30, 2008 and 2007 are summarized as follows:

Inventories	2008 (\$000)	2007 (\$000)
Spare Parts	\$ 3,455	\$ 3,157
Coal	155	192
Total	<u>\$ 3,610</u>	<u>\$ 3,349</u>

**G. Investments**

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

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

**H. Restricted Assets**

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

**I. Development and Bonds Issuance Costs**

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

At June 30, 2008 and 2007, development and bond issuance costs for the projects are as follows:

Project	2008 (\$000)	2007 (\$000)
<b>Development</b>		
Costs:		
Mid-Connecticut	\$ 3,277	\$ 3,277
Wallingford	5,667	5,667
Southeast	10,006	10,006
	<u>18,950</u>	<u>18,950</u>
Less accumulated amortization:		
Mid-Connecticut	3,277	3,120
Wallingford	5,383	5,100
Southeast	6,869	6,477
	<u>15,529</u>	<u>14,697</u>
Total development costs, net	<u>\$ 3,421</u>	<u>\$ 4,253</u>
<b>Bond Issuance</b>		
Costs:		
Mid-Connecticut	239	239
Bridgeport	275	275
Wallingford	105	105
Southeast	1,008	1,008
	<u>1,627</u>	<u>1,627</u>
Less accumulated amortization:		
Mid-Connecticut	170	155
Bridgeport	244	214
Wallingford	96	86
Southeast	560	504
	<u>1,070</u>	<u>959</u>
Total bond issuance costs, net	<u>\$ 557</u>	<u>\$ 668</u>
Totals, net	<u>\$ 3,978</u>	<u>\$ 4,921</u>





**J. Capital Assets**

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

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

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

**K. Deferred Acquisition Costs**

Deferred acquisition costs include legal fees and permitting and engineering costs associated with the licensing and development (siting) of additional landfills, and certain costs incurred to ready additional landfill areas for use. These costs are deferred as they will be recoverable through future revenue or benefit future operations. If licensure or recoverability becomes doubtful, these costs are then charged to operations. Deferred acquisition costs of \$559,000 and \$0 as of June 30, 2008 and 2007, respectively, are classified as nondepreciable capital assets in the accompanying balance sheets.

**L. Accrued Compensation**

The Authority's liability for vested accumulated unpaid vacation and other employee benefit amounts is included in accrued expenses and other current liabilities in the accompanying balance 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 may be divided into designated and undesignated portions. Designated net assets represent the Authority's self-imposed limitations on the use of otherwise unrestricted net assets. Unrestricted net assets have been designated by the Board of Directors of the Authority for various purposes and such designations totaled \$37.2 million and \$68.7 million as of June 30, 2008 and 2007, respectively. Designated net assets at June 30, 2008 and 2007 are summarized as follows:



Unrestricted Designated Net Assets	2008 (\$000)	2007 (\$000)
Future use	\$ 9,904	\$ 6,487
Future loss contingencies	7,993	8,294
Debt service stabilization	4,763	4,576
Facility modifications	3,247	5,461
Rolling stock	3,081	3,956
Recycling	2,254	2,224
Ash disposal	2,150	-
Landfill development	1,981	2,544
Post litigation	1,440	-
Benefit fund	217	217
South Meadows site remediation	143	141
Postclosure care of landfills	-	23,004
Closure care of landfills	-	11,796
<b>Total</b>	<b>\$ 37,173</b>	<b>\$ 68,700</b>

Cash and Cash Equivalents	2008 (\$000)	2007 (\$000)
Unrestricted:		
Cash deposits	\$ 1,396	\$ 1,225
Cash equivalents:		
STIF *	104,708	87,891
	<u>106,104</u>	<u>89,116</u>
Restricted – current:		
Cash deposits	372	404
Cash equivalents:		
STIF *	34,418	56,540
Money Market Funds	2,243	2,713
	<u>37,033</u>	<u>59,657</u>
Restricted – non-current:		
Cash equivalents:		
STIF *	36,472	49,273
Money Market Funds	-	369
	<u>36,472</u>	<u>49,642</u>
<b>Total:</b>	<b>\$179,609</b>	<b>\$198,415</b>

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

Restrictions of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Restricted net assets totaled \$45.9 million and \$43.3 million as of June 30, 2008 and 2007, respectively.

**N. Reclassifications**

Certain reclassifications have been made to the 2007 financial statements to conform to the current year presentation.

**2. CASH DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following as of June 30, 2008 and 2007:

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

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

As of June 30, 2008 and 2007, approximately \$2.9 million and \$4.0 million, respectively, of the Authority’s bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2008 (\$000)	2007 (\$000)
Uninsured and Uncollateralized	\$ 2,539	\$ 3,533
Uninsured but collateralized with securities held by the pledging bank’s trust department or agent but not in the Authority’s name	323	446
<b>Total</b>	<b>\$ 2,862</b>	<b>\$ 3,979</b>



All of the Authority's deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments in the Short-Term Investment Fund ("STIF") and Money Market Funds as of June 30, 2008 and 2007 are included in cash and cash equivalents in the accompanying balance sheets. For purposes of disclosure under GASB Statement No. 40, such amounts are considered investments and are included in the investment disclosures that follow.

**B. Investments**

**Interest Rate Risk**

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

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

As of June 30, 2007, the Authority's investments consisted of the following debt securities:

Investment Type	Fair Value (\$000)	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
STIF	\$193,704	\$193,704	\$ -	\$ -	\$ -
U.S. Treasuries	779	779	-	-	-
Money Market Funds	3,082	3,082	-	-	-
<b>Total</b>	<b>\$197,565</b>	<b>\$197,565</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares. As of June 30, 2008 and 2007, STIF had a weighted average maturity of 19 days and 50 days, respectively. The U.S. Treasury Securities are U.S. Treasury Bills that had 90 day and 180 day maturities as of June 30, 2008 and 2007, respectively. The Money Market Funds invest exclusively in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. This fund complies with Securities and Exchange Commission regulations regarding money market fund maturities, which requires that the weighted average maturity be 90 days or less. As of June 30, 2008 and 2007, the weighted average maturity of these funds was 19 days and one day, respectively.

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



investment policy are the preservation of principal and the maintenance of liquidity.

**Credit Risk**

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

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

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

As of June 30, 2007, the Authority’s investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor’s	Moody’s Investor Service	Fitch Ratings
STIF	\$193,704	AAAm	Not Rated	Not Rated
U.S. Treasuries	779	AAA	Aaa	AAA
Money Market Funds	3,082	AAAm	Aaa	AAA

**Custodial Credit Risk**

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

**Concentration of Credit Risk**

The Authority’s investment policy places no limit on the amount of investment in any one issuer, but does require diversity of the investment portfolio if investments are made in non-U.S. government or U.S. agency securities to eliminate the risk of loss of over-concentration of assets in a specific class of security, a specific maturity and/or a specific issuer. The asset allocation of the investment portfolio should, however, be flexible enough to assure adequate liquidity for Authority and/or bond resolution needs. As of June 30, 2008 and 2007, approximately 98.3% and 98.0%, respectively, of the Authority’s investments are in the STIF, which is rated in the highest rating category by Standard & Poor’s and provides daily liquidity, thereby satisfying the primary objectives of the Authority’s investment policy.



3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2007 and 2008:

	Balance at July 1, 2006 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2007 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2008 (\$000)
<b>Nondepreciable assets:</b>									
Land	\$ 27,774	\$ -	\$ -	\$ -	\$ 27,774	\$ 1,305	\$ -	\$ -	\$ 29,079
Construction-in-progress	121	260	-	(24)	357	163	(193)	-	327
Deferred acquisition costs	-	-	-	-	-	559	-	-	559
<b>Total nondepreciable assets</b>	<b>\$ 27,895</b>	<b>\$ 260</b>	<b>\$ -</b>	<b>\$ (24)</b>	<b>\$ 28,131</b>	<b>\$ 2,027</b>	<b>\$ (193)</b>	<b>\$ -</b>	<b>\$ 29,965</b>
<b>Depreciable assets:</b>									
Plant	\$ 189,241	\$ 185	\$ -	\$ (97)	\$ 189,329	\$ 1,509	\$ -	\$ (283)	\$ 190,555
Equipment	206,109	1,593	-	(924)	206,778	5,842	193	(444)	212,369
<b>Total at cost</b>	<b>395,350</b>	<b>1,778</b>	<b>-</b>	<b>(1,021)</b>	<b>396,107</b>	<b>7,351</b>	<b>193</b>	<b>(727)</b>	<b>402,924</b>
<b>Less accumulated depreciation for:</b>									
Plant	(124,366)	(7,798)	-	58	(132,106)	(7,374)	-	218	(139,262)
Equipment	(127,158)	(9,448)	-	808	(135,798)	(9,865)	-	252	(145,411)
<b>Total accumulated depreciation</b>	<b>(251,524)</b>	<b>(17,246)</b>	<b>-</b>	<b>866</b>	<b>(267,904)</b>	<b>(17,239)</b>	<b>-</b>	<b>470</b>	<b>(284,673)</b>
<b>Total depreciable assets, net</b>	<b>\$ 143,826</b>	<b>\$ (15,468)</b>	<b>\$ -</b>	<b>\$ (155)</b>	<b>\$ 128,203</b>	<b>\$ (9,888)</b>	<b>\$ 193</b>	<b>\$ (257)</b>	<b>\$ 118,251</b>

Interest is capitalized on assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested debt proceeds over the same period. During fiscal 2008 and 2007 there was no capitalized interest as there was no new external borrowing.

4. LONG-TERM DEBT

A. Bonds Payable

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



The following is a summary of changes in bonds payable for the years ended June 30, 2007 and 2008.

	Balance at July 1, 2006 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2007 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2008 (\$000)	Amounts Due Within One Year (\$000)
Bonds payable - principal	\$ 83,700	\$ -	\$ (57,159)	\$ 26,541	\$ -	\$ (3,195)	\$ 23,346	\$ 3,003
Unamortized amounts:								
Premiums	517	-	(99)	418	-	(88)	330	77
Deferred amount on refunding	(1,789)	-	762	(1,027)	-	219	(808)	(168)
Total bonds payable	<u>\$ 82,428</u>	<u>\$ -</u>	<u>\$ (56,496)</u>	<u>\$ 25,932</u>	<u>\$ -</u>	<u>\$ (3,064)</u>	<u>\$ 22,868</u>	<u>\$ 2,912</u>

The long-term debt amounts for the projects in the table above have been reduced by the deferred amount on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2008 and 2007 as follows:

Project	2008 (\$000)	2007 (\$000)
Deferred amount on refunding:		
Mid-Connecticut	\$ 75	\$ 108
Bridgeport	(2)	(6)
Wallingford	1	4
Southeast	734	921
Subtotal	<u>808</u>	<u>1,027</u>
Reduced by unamortized premium:		
Bridgeport	(1)	(5)
Southeast	(329)	(413)
Subtotal	<u>(330)</u>	<u>(418)</u>
Net Reduction	<u>\$ 478</u>	<u>\$ 609</u>

Certain of the Authority's bonds are secured by special capital reserve funds. Each fund is equal to the highest annual amount of debt service remaining on the issue. The State is contingently liable to restore any deficiencies that exist in these funds in the event that the Authority must draw from the fund. Bond principal amounts recorded as long-term debt at June 30, 2008 and 2007, which are backed by special capital reserve funds, are as follows:

Project	2008 \$000	2007 \$000
Mid-Connecticut	\$ 15,290	\$ 15,290
Southeast	<u>5,639</u>	<u>6,194</u>
Total	<u>\$ 20,929</u>	<u>\$ 21,484</u>



**Connecticut Resources Recovery Authority**

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

Year ending June 30	Mid-Connecticut		Bridgeport		Wallingford		Southeast		Total	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2009	\$ -	\$ 832	\$ 1,705	\$ 87	\$ 712	\$ 14	\$ 586	\$ 283	\$ 3,003	\$ 1,216
2010	3,525	737	-	-	-	-	618	250	4,143	987
2011	3,715	542	-	-	-	-	650	215	4,365	757
2012	3,915	335	-	-	-	-	684	179	4,599	514
2013	4,135	114	-	-	-	-	720	141	4,855	255
2014-2016	-	-	-	-	-	-	2,381	187	2,381	187
	\$ 15,290	\$ 2,560	\$ 1,705	\$ 87	\$ 712	\$ 14	\$ 5,639	\$ 1,255	\$ 23,346	\$ 3,916
Interest Rates	5.375 - 5.5%		5.0 - 5.125%		4.0%		5.125-5.5%			

**Defeasance of Debt**

During the year ended June 30, 2007, the Authority used funds available from the Mid-Connecticut project, including the Debt Service Stabilization Fund established for the payment of future debt service, the MDC Arbitration award, funds in the Energy Generating Facility Reserve Fund, funds in the Mid-Connecticut Project Revenue Fund and the use of Trustee-released funds in the Mid-Connecticut Project Debt Service Reserve Fund to partially defease Mid-Connecticut Project debt as follows:

Description	Interest Rates	Amount (\$000)
Bonds Defeased:		
Mid-Connecticut	5.375% - 5.5%	\$ 54,125

The funds described above were used to purchase U.S. Government securities, which were deposited into an irrevocable trust with an escrow agent to provide for all future payments on the defeased Mid-Connecticut bonds. Thus, those Mid-Connecticut bonds are legally defeased and the liability for those bonds has been removed from the accompanying balance sheets.

The Authority recognized \$1.148 million in the accompanying statement of revenues, expenses and changes in net assets representing the write-off of unamortized amounts related to the defeased bonds payable, including bond issuance costs and other deferred amounts.

The Authority has previously defeased a total of \$150.9 million in Mid-Connecticut project bonds, of which \$66.7 million and \$84.6 million remain payable to bondholders as of June 30, 2008 and 2007, respectively, from an irrevocable trust escrow.



**B. State Loans Payable**

During April 2002, the Connecticut General Assembly passed Public Act No. 02-46 authorizing a loan by the State to the Authority of up to \$115 million in support of debt service payments on the Mid-Connecticut facility bonds. All loans received from the State must be fully repaid, with interest, by 2012. The interest rate,

as determined by the Office of the State Treasurer, is adjusted monthly based on the State's base rate (STIF) plus twenty-five basis points and may not exceed six percent.

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

The following is a summary of changes in the State loans payable for the years ended June 30, 2007 and 2008.

	Balance at July 1, 2006 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2007 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2008 (\$000)	Amounts Due Within One Year (\$000)
State loans payable - principal	\$ 15,939	\$ -	\$ (2,619)	\$ 13,320	\$ -	\$ (13,320)	\$ -	\$ -

**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 post-closure care costs that are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority estimates its liability for these closure

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

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation. The closure and post-closure care liabilities including the amounts paid and accrued for fiscal 2007 and 2008 for the landfills, are presented in the following table:





**Connecticut Resources Recovery Authority**

Project/Landfill	Liability at June 30, 2006 (\$000)	Expense (\$000)	Paid (\$000)	Liability at June 30, 2007 (\$000)	Expense (\$000)	Paid (\$000)	Liability at June 30, 2008 (\$000)	Amounts Due Within One Year (\$000)
Mid-Connecticut:								
Hartford	\$ 6,888	\$ 33,613	\$ -	\$ 40,501	\$ 2,558	\$ (4,794)	\$ 38,265	\$ 10,474
Ellington	3,037	580	(174)	3,443	564	(202)	3,805	245
Bridgeport:								
Shelton	11,554	208	(410)	11,352	(210)	(473)	10,669	530
Waterbury	1,017	(124)	-	893	1,445	-	2,338	751
Wallingford	4,943	362	(129)	5,176	757	(192)	5,741	216
<b>Total</b>	<b>\$ 27,439</b>	<b>\$ 34,639</b>	<b>\$ (713)</b>	<b>\$ 61,365</b>	<b>\$ 5,114</b>	<b>\$ (5,661)</b>	<b>\$ 60,818</b>	<b>\$ 12,216</b>

The estimated remaining costs to be recognized in the future as closure and post-closure care of landfill expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2008 are scheduled below:

Project/Landfill	Remaining Costs to be Recognized (\$000)	Capacity Used Landfill Area		Estimated Years of Remaining Landfill Area	
		Ash	Other	Ash	Other
Mid-Connecticut - Hartford	\$1,300	95%	98%	0.5	0.5

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

The Authority has placed funds in trust accounts for financial assurance purposes. The Mid-Connecticut-Ellington Landfill account is valued at \$485,000 and \$468,000 at June 30,

2008 and 2007, respectively. The Bridgeport-Waterbury Landfill account is valued at \$172,000 and \$167,000 at June 30, 2008 and 2007, respectively. The Wallingford Landfill account is valued at \$152,000 and \$146,000 at June 30, 2008 and 2007, respectively. These trust accounts are reflected as restricted assets in the accompanying balance sheets.

At June 30, 2008, 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 2008.



In addition to the above trust accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2008 and 2007 by meeting specified criteria pursuant to Section 258.74 of the federal Environmental Protection Agency Subtitle D regulations.

On February 2, 2007, the Authority and the City of Hartford executed a Settlement Agreement which resolved a long standing disagreement regarding responsibility for costs associated with closure and post-closure activities at the Hartford landfill. The Settlement Agreement provided for the Authority to assume the liability, contingent upon certain conditions, for all of the Hartford landfill closure and postclosure costs. The Authority has estimated the latest total current costs for closure and post-closure care to be approximately \$44.3 million at June 30, 2008. The remaining liability and costs to be recognized for the Hartford landfill as of June 30, 2008 are approximately \$38.3 million and \$1.3 million, respectively. The State of Connecticut legislature approved legislation which provides \$13.0 million, for the Authority, for costs associated with closure of the Hartford landfill, with \$3.0 million allocated in fiscal year 2008, and \$10.0 million allocated in fiscal year 2009. In March 2008, the State Bond Commission appropriated \$3.0 million. In June and July 2007, the Authority awarded two closure construction contracts, together valued at approximately \$15.0 million. These construction activities proceeded during fiscal year 2008 and will continue into fiscal year 2009. The Authority has submitted a reimbursement request to the State of Connecticut (through the CTDEP) in early September 2008 for reimbursement of the first \$3.0 million of expenditures.

The Authority's Waterbury Bulky Waste Landfill, a small, 5.5 acre landfill, was permitted in the mid 1980's by Waterbury Landfill Associates to accept waste such as land clearing debris and construction and demolition debris. The landfill was subsequently purchased by the Authority in 1986 and made part of its Bridgeport Project. The Authority's contract with the Bridgeport Project ends at the end of calendar year 2008. The landfill has reached the

end of its economically useful life and the Authority has proceeded to initiate closure activities. Closure construction work will begin in July 2008 and will end in October 2008. Work will include site preparation, waste relocation and grading, the installation of final cover soils, the installation of erosion control measures, and the establishment of vegetation over the entire landfill footprint. Costs associated with closure construction and associated engineering Quality Assurance / Quality Control oversight are approximately \$698,000.

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

## 6. MAJOR CUSTOMERS

Energy sales to Constellation and CL&P totaled 11.5% and 7.7% of the Authority's operating revenues for the fiscal year ended June 30, 2008, respectively. Energy sales to Select Energy, Inc. ("Select") and CL&P totaled 20.0% (10.0% each, respectively) of the Authority's operating revenues for the fiscal year ended June 30, 2007.

Service charge revenues from All Waste, Inc. totaled 6% of the Authority's operating revenues for the fiscal year ended June 30, 2008. Service charge revenues from Waste Management of Connecticut, Inc. totaled 7% of the Authority's operating revenues for the fiscal year ended June 30, 2007.

## 7. RETIREMENT PLAN

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

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are five percent of payroll plus a dollar for dollar match of employees' contributions up to five percent. Authority contributions for the years ended June 30, 2008 and 2007 amounted to \$428,000 and



\$389,000, respectively. Employees contributed \$387,000 to the plan in fiscal year 2008 and \$368,000 in fiscal year 2007.

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

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

8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority endeavors to purchase commercial insurance for all insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. In fiscal year 2007, the Authority increased its overall property insurance limit to reflect an increase in overall property values. This provides 100% of the replacement cost value for the Mid-Connecticut Power Block Facility and Energy Generating Facility, plus business interruption and extra expense values for the Mid-Connecticut project. This is the Authority's highest valued single facility. The limit applies on a blanket basis for property damage to all locations.

The Authority is a member of the Connecticut Interlocal Risk Management Agency's ("CIRMA") Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the

provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. The premium for each of the policy periods from July 1, 2008 through July 1, 2009 and July 1, 2007 through July 1, 2008 was \$54,000.

9. COMMITMENTS

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

Fiscal year	2008 (\$000)	2007 (\$000)
Minimum rentals	\$ 628	\$ 633
Contingent rentals	234	169
Total	<u>\$ 862</u>	<u>\$ 802</u>

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, 2008 and 2007, the PILOT payments, which are included in the solid waste operations in the accompanying statements of revenues, expenses and changes in net assets, totaled \$8,616,000 and \$8,381,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2008 are as follows:

Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2009	381	7,697
2010	114	6,674
2011	112	5,503
2012	112	5,815
2013	-	847
2014-2017	-	3,795
Total	<u>\$ 719</u>	<u>\$ 30,331</u>



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

The approximate amount of contract operating charges included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2008 and 2007 was as follows:

Project	2008 (\$000)	2007 (\$000)
Mid-Connecticut	\$ 47,422	\$ 48,478
Bridgeport	48,827	48,235
Wallingford	13,763	15,035
Southeast	6,564	7,304
<b>Total</b>	<u>\$ 116,576</u>	<u>\$ 119,052</u>

As of June 30, 2008, the Authority has executed construction contracts totaling approximately \$18.0 million for construction activities at the Mid-Connecticut Hartford landfill and Regional Recycling Facility. Remaining commitments on construction contracts executed as of June 30, 2008 totaled approximately \$11.8 million.

**10. OTHER FINANCING**

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

The Authority is not involved in the repayment of debt on these issues except for the portion of the bonds allocable to Authority purposes. In the event of default, and except in cases where the State has a contingent liability discussed below, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues on its financial statements. The principal amounts of these bond issues outstanding at June 30, 2008 (excluding portions allocable to Authority purposes) are as follows:

Project	Amount (\$000)
Bridgeport - 1999 Series A	\$ 12,690
Wallingford - 1998 Series A	3,938
Southeast -	
1992 Series A - Corp. Credit	30,000
1998 Series A - Project	45,036
2001 Series A - Covanta Southeastern Connecticut Company - I	6,750
2001 Series A - Covanta Southeastern Connecticut Company - II	6,750
	<u>88,536</u>
<b>Total</b>	<u>\$ 105,164</u>

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



11. SEGMENT INFORMATION

The Authority has four projects 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 these resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the years ended June 30, 2008 and 2007, respectively.

Fiscal Year 2008	Mid-Connecticut (\$000)	Bridgeport (\$000)	Wallingford (\$000)	Southeast (\$000)
<b>Condensed Balance Sheets</b>				
<b>Assets:</b>				
Current unrestricted assets	\$ 66,059	\$ 17,673	\$ 38,424	\$ 10,022
Current restricted assets	28,204	4,133	2,488	2,562
<b>Total current assets</b>	<b>94,263</b>	<b>21,806</b>	<b>40,912</b>	<b>12,584</b>
<b>Non-current assets:</b>				
Restricted cash and cash equivalents	19,480	-	15,915	1,077
Restricted investments	485	172	152	-
Capital assets, net	126,792	18,284	2,374	-
Other assets, net	69	31	293	3,585
<b>Total non-current assets</b>	<b>146,826</b>	<b>18,487</b>	<b>18,734</b>	<b>4,662</b>
<b>Total assets</b>	<b>\$ 241,089</b>	<b>\$ 40,293</b>	<b>\$ 59,646</b>	<b>\$ 17,246</b>
<b>Liabilities:</b>				
Current liabilities	\$ 22,207	\$ 9,912	\$ 3,668	\$ 4,101
Long-term liabilities	46,565	11,727	5,525	6,032
<b>Total liabilities</b>	<b>68,772</b>	<b>21,639</b>	<b>9,193</b>	<b>10,133</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	115,611	16,824	2,375	-
Restricted	25,879	2,979	16,273	723
Unrestricted	30,827	(1,149)	31,805	6,390
<b>Total net assets</b>	<b>172,317</b>	<b>18,654</b>	<b>50,453</b>	<b>7,113</b>
<b>Total liabilities and net assets</b>	<b>\$ 241,089</b>	<b>\$ 40,293</b>	<b>\$ 59,646</b>	<b>\$ 17,246</b>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>				
Operating revenues	\$ 89,411	\$ 56,416	\$ 20,054	\$ 10,955
Operating expenses	73,461	56,722	17,320	9,809
Depreciation and amortization expense	16,365	867	323	448
<b>Operating (loss) income</b>	<b>(415)</b>	<b>(1,173)</b>	<b>2,411</b>	<b>698</b>
<b>Non-operating revenues (expenses):</b>				
Litigation-related settlements	4,745	-	-	-
Investment income	3,891	605	2,048	136
Other income (expenses), net	(332)	(59)	(133)	-
Interest expense	(1,280)	(127)	(42)	(414)
<b>Net non-operating revenues (expense)</b>	<b>7,024</b>	<b>419</b>	<b>1,873</b>	<b>(278)</b>
<b>Change in net assets</b>	<b>6,609</b>	<b>(754)</b>	<b>4,284</b>	<b>420</b>
<b>Total net assets, July 1, 2007</b>	<b>165,708</b>	<b>19,408</b>	<b>46,169</b>	<b>6,693</b>
<b>Total net assets, June 30, 2008</b>	<b>\$ 172,317</b>	<b>\$ 18,654</b>	<b>\$ 50,453</b>	<b>\$ 7,113</b>
<b>Condensed Statements of Cash Flows</b>				
<b>Net cash provided by (used in):</b>				
Operating activities	\$ (4,443)	\$ 6,162	\$ 4,483	\$ 1,469
Investing activities	3,947	603	2,113	237
Capital and related financing activities	(28,307)	(3,159)	(951)	(871)
Non-capital financing activities	(11)	(19)	(133)	-
<b>Net (decrease) increase</b>	<b>(28,814)</b>	<b>3,587</b>	<b>5,512</b>	<b>835</b>
<b>Cash and cash equivalents, July 1, 2007</b>	<b>128,387</b>	<b>12,762</b>	<b>49,551</b>	<b>6,453</b>
<b>Cash and cash equivalents, June 30, 2008</b>	<b>\$ 99,573</b>	<b>\$ 16,349</b>	<b>\$ 55,063</b>	<b>\$ 7,288</b>



Fiscal Year 2007	Mid-Connecticut (\$000)	Bridgeport (\$000)	Wallingford (\$000)	Southeast (\$000)
<b>Condensed Balance Sheets</b>				
<b>Assets:</b>				
Current unrestricted assets	\$ 62,418	\$ 18,416	\$ 34,069	\$ 9,174
Current restricted assets	52,895	2,869	2,155	2,350
Total current assets	<u>115,313</u>	<u>21,285</u>	<u>36,224</u>	<u>11,524</u>
<b>Non-current assets:</b>				
Restricted cash and cash equivalents	31,205	1,322	16,036	1,079
Restricted investments	468	165	146	-
Capital assets, net	134,515	18,614	2,370	-
Other assets, net	241	61	586	4,033
Total non-current assets	<u>166,429</u>	<u>20,162</u>	<u>19,138</u>	<u>5,112</u>
Total assets	<u>\$ 281,742</u>	<u>\$ 41,447</u>	<u>\$ 55,362</u>	<u>\$ 16,636</u>
<b>Liabilities:</b>				
Current liabilities	\$ 55,907	\$ 8,738	\$ 3,543	\$ 3,308
Long-term liabilities	60,127	13,301	5,650	6,635
Total liabilities	<u>116,034</u>	<u>22,039</u>	<u>9,193</u>	<u>9,943</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	123,358	15,486	2,370	-
Restricted	24,103	2,995	15,556	649
Unrestricted	18,247	927	28,243	6,044
Total net assets	<u>165,708</u>	<u>19,408</u>	<u>46,169</u>	<u>6,693</u>
Total liabilities and net assets	<u>\$ 281,742</u>	<u>\$ 41,447</u>	<u>\$ 55,362</u>	<u>\$ 16,636</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>				
Operating revenues	\$ 91,046	\$ 55,784	\$ 22,749	\$ 11,224
Operating expenses	103,771	56,775	17,906	9,973
Depreciation and amortization expense	16,397	854	303	448
Operating (loss) income	<u>(29,122)</u>	<u>(1,845)</u>	<u>4,540</u>	<u>803</u>
<b>Non-operating revenues (expenses):</b>				
Litigation-related settlement gains	40,225	-	-	-
Investment income	5,431	775	2,492	134
Other income (expenses), net	638	2,979	(25)	2
Litigation-related losses	(36,950)	-	-	-
Interest expense	(1,952)	(216)	(71)	(454)
Net non-operating revenues (expense)	<u>7,392</u>	<u>3,538</u>	<u>2,396</u>	<u>(318)</u>
(Loss) income before special item	<u>(21,730)</u>	<u>1,693</u>	<u>6,936</u>	<u>485</u>
<b>Special item:</b>				
Defeasance of debt	(1,148)	-	-	-
(Decrease) increase in net assets	<u>(22,878)</u>	<u>1,693</u>	<u>6,936</u>	<u>485</u>
Total net assets, July 1, 2006	<u>188,586</u>	<u>17,715</u>	<u>39,233</u>	<u>6,208</u>
Total net assets, June 30, 2007	<u>\$ 165,708</u>	<u>\$ 19,408</u>	<u>\$ 46,169</u>	<u>\$ 6,693</u>
<b>Condensed Statements of Cash Flows</b>				
<b>Net cash provided by (used in):</b>				
Operating activities	\$ 54,281	\$ (1,224)	\$ 4,899	\$ (877)
Investing activities	5,043	612	2,299	101
Capital and related financing activities	(60,786)	(2,693)	(1,144)	(874)
Non-capital financing activities	(12)	(30)	(35)	-
Net (decrease) increase	<u>(1,474)</u>	<u>(3,335)</u>	<u>6,019</u>	<u>(1,650)</u>
Cash and cash equivalents, July 1, 2006	<u>129,861</u>	<u>16,097</u>	<u>43,532</u>	<u>8,103</u>
Cash and cash equivalents, June 30, 2007	<u>\$ 128,387</u>	<u>\$ 12,762</u>	<u>\$ 49,551</u>	<u>\$ 6,453</u>



## 12. SIGNIFICANT EVENTS

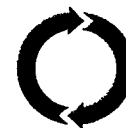
During fiscal years 2008 and 2007, the Authority received a total of \$4.7 million and \$40.2 million, respectively, from settlements resulting from various Enron-related lawsuits. The Authority has reported such gains as non-operating revenues in the accompanying statement of revenues, expenses and changes in net assets.

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

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

interest since June 19, 2007, to plaintiffs’ attorneys for allocation of funds to the Mid-Connecticut Project municipalities and award of attorneys’ fees and reimbursement of expenses. On December 11, 2007, in accordance with the Court order, \$36,775,720 was withdrawn from the STIF account.

The court also enjoined the Authority from passing any costs of the failed Enron transaction to the towns, effective for fiscal year 2008 and all subsequent years. On June 20, 2007, the Authority filed an Application for a Stay of Injunction Pending Appeal. On July 6, 2007, the Authority appealed the trial court’s decision to the Appellate Court; on July 23, 2007, the appeal was transferred to the Connecticut Supreme Court. On July 25, 2007, the trial judge denied the Authority’s Application for a Stay of Injunction Pending Appeal. On August 6, 2007, the Authority filed a Motion for Review of that denial with the Connecticut Supreme Court. The trial court retained jurisdiction over the plaintiffs’ application for an order enjoining the Authority’s implementation of its fiscal year 2008 budget, and held a hearing on September 5-6, 2007. On October 25, 2007, the trial court directed the Authority to remove \$6.71 million in budgeted expenses from its fiscal year 2008 budget, and reduce its Mid-Connecticut Project tip fee accordingly; on November 21, the Authority appealed. On April 21, 2008, Plaintiffs filed a Motion to Enforce Judgment and Enjoin the Authority from Subverting Judgment, seeking an order enjoining implementation of the Authority’s fiscal year 2009 Mid-Connecticut Project budget. On April 30, 2008, the Authority filed a Complaint in Superior Court in Hartford seeking a Declaratory Judgment that the adoption of its fiscal year 2009 budget was a proper exercise of the statutory discretion, exercised in good faith, of the Authority’s Board of Directors. On June 12, 2008, the Declaratory Judgment action was transferred to the trial judge. On June 13, 2008, Plaintiffs filed a Motion to Consolidate the Authority’s Declaratory Judgment action with Plaintiffs’ request for an order enjoining implementation of the fiscal -year 2009 Mid-Connecticut Project



budget. On August 11, 2008, the trial judge granted Plaintiffs' Motion to Consolidate with regard to the requested temporary injunction, but denied it with regard to the requested permanent injunction, and indicated his intent to hold an evidentiary hearing in September. The Authority has been advised that oral argument in connection with the appeals pending in this matter before the Connecticut Supreme Court will be heard in October 2008.

An arbitration hearing was held in the spring of 2005, to resolve certain claims, including non-payment of two Metropolitan District Commission ("the MDC") invoices and the Authority's claim that it was overcharged by the MDC for indirect costs. Pursuant to the 1999 ruling of a previous arbitration panel, the Authority created and maintained an escrow account, setting aside 25% of the indirect costs invoiced by the MDC. In July 2005, the second arbitration panel ruled in favor of the Authority, stating that due to the overcharges the Authority did not have to pay the two MDC invoices and is entitled to retain 100% of the escrow account. The MDC appealed. On December 21, 2006, the Authority and the MDC entered into a Settlement Agreement and Mutual Release, pursuant to which the MDC agreed to pay the Authority \$500,000, payable either in cash or credits against amounts otherwise due from the Authority to the MDC, in equal yearly installments from 2006 through 2012, and to immediately withdraw its appeal with prejudice, and the parties exchanged mutual releases. The settlement income, at present value, has been recorded as other operating revenue in the accompanying statement of revenues, expenses and changes in net assets for the fiscal year ended June 30, 2007.

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

provide a rendering of these possible activities. A favorable ruling on this permit modification was issued by CTDEP on March 29, 2007. As of June 30, 2008 there are six months remaining to fill the landfill with non-processible waste and process residue generated at the Mid-Connecticut Resource Recovery Facility ("RRF"). There is also approximately six months of capacity remaining for the ash residue generated by the RRF. Upon closure of the Hartford landfill, the Mid-Connecticut Project will incur substantial cost increases to transport and dispose of the non-processible waste, process residue and ash residue to other out-of-state facilities. A new ash landfill in Connecticut would mitigate some of these costs.

During fiscal year 2008, a site in Franklin, Connecticut has been identified as the primary site to be investigated to confirm that it is technically and environmentally amenable to permitting and constructing a landfill. Although the actual "footprint" of the contemplated landfill will be approximately 125 acres, the area being investigated is approximately 450 acres. The Authority publically announced the site in March 2008, and began field investigations in April 2008. Field investigations will continue through spring 2009. Field investigations include ecological studies (wetlands, threatened and endangered species, habitat assessment, etc.), subsurface geological and hydrogeological investigations, traffic analyses, surveying, hydrological studies of adjacent waterbodies, and cultural/archaeological investigations. The Authority held three public informational meetings in April and May 2008 to communicate its landfill siting initiative to the local community, as well as to answer questions and hear concerns from the local community. The Authority is in negotiations with several property owners regarding acquisition of land.

During fiscal year 2007, the Authority's Mid-Connecticut Project entered into a settlement agreement with a private landowner for the purpose of obtaining control of a subsurface landfill leachate plume including an acquisition of land located in Ellington and East Windsor, Connecticut, that is adjacent to the Authority's





closed landfill in Ellington, Connecticut. Conveyance of the property was completed in July 2007, at which time pursuant to the terms of the agreement, the Mid-Connecticut Project paid the private landowner \$1.3 million for approximately 57 acres of land.

### 13. CONTINGENCIES

#### Mid-Connecticut Project:

In August 2008, the Authority executed a \$4.1 million Settlement Agreement and Mutual Release with a settling party in association with an Enron-related lawsuit. The settlement is agreed upon a contingency, whereby if the Authority fails to settle with any other of a specified group of settling parties for more than \$4.1 million, the Authority shall rebate this settling party an amount equal to the sum of the difference between \$4.1 million and the next largest settling party and an additional \$50,000, but in no event shall the rebate amount exceed \$425,000.

In January 2006, the Authority's pollution liability insurance carrier, American International Specialty Lines Insurance Company ("AISLIC") settled with numerous commercial and residential neighbors of the Hartford Landfill who had filed suit against the Authority in 2001, claiming diminution in the value of their real properties, loss of enjoyment of their properties, clean-up costs relative to bird droppings, and, in one case, loss of business income, as a result of noxious odors emanating from the landfill, bird excrement from birds attracted to the landfill, and an "unsightly 135 foot dirt mound" in the landfill. On May 4, 2006, AISLIC initiated a declaratory judgment action in federal district court seeking a declaration that AISLIC is not obligated to indemnify the Authority in connection with the settlement of \$4.5 million and that AISLIC should be awarded the amount it spent on defense and indemnification of the Authority. The Authority is defending against this action. Discovery is ongoing. The matter is too preliminary to determine the ultimate outcome of the case.

On May 6, 2008, a Trustee of the Chapter 7 Bankruptcy Estate of O.N.E./C.H.A.N.E., brought suit against the Authority in Superior Court, claiming that the Authority breached the October 6, 1999 Community Support Agreement between the Authority and O.N.E./C.H.A.N.E. and seeking damages of approximately \$10.0 million. At the Authority's request, the matter was transferred to the Complex Litigation docket in Hartford on June 30, 2008. The Authority filed a Motion to Strike the Complaint on July 3, 2008, which was denied on September 15, 2008. The Authority is defending against this action. The matter is too preliminary to determine the ultimate outcome of the case.

The Authority, through the Connecticut Attorney General's office, is pursuing recovery of lost monies from the former financial institutions of Enron and its subsidiaries in federal court. Management is uncertain of the amounts that may be realized from these claims.

#### Bridgeport Project:

In the early 1990's, the Authority was named as a Potentially Responsible Party in the now-combined federal and State of New Jersey suits to recover the costs of remediation of the landfill known as Combe Fill South. The litigation has been on hold while allocation of responsibility among the hundreds of alleged defendants is assessed through Alternate Dispute Resolution. A preliminary allocation of liability was issued in April 2006, designed to guide the 250+ parties in developing and funding global settlement offers. During fiscal year 2006, the Authority accrued \$175,000 for this matter and such amount is included in current liabilities in the accompanying balance sheets. As a result of a mediated global settlement, the actual settlement share allocated to the Authority is \$255,000. Pursuant to a Settlement Agreement dated March 21, 2000 between the Authority and its insurance carrier, the insurer agreed to pay 63.4% of the Authority's obligation, leaving the Authority to pay 36.6% or \$93,330. The mediation process is now essentially completed. If negotiations



proceed as anticipated, a Consent Decree will be submitted for court approval in early 2009.

**Other Issues and Unasserted Claims and Assessments:**

In July 2007, the Authority received a copy of a Notice of Claim filed with the State of Connecticut Office of Claims Commissioner by a Bridgeport law firm stating the firm's intent to bring a claim against the Authority for injuries allegedly sustained at one of the Bridgeport Project transfer stations by a client of the firm on February 3, 2007 and seeking damages in excess of one million dollars. To date, no action has been brought against the Authority.

The MDC, which operates the Mid-Connecticut Project's Waste Processing Facility, included a \$3.0 million line item for "MDC Contract Separation Costs" in the fiscal year 2009 annual operating budget it submitted to the Authority, "to start accruing for liabilities associated with the termination of the MDC/Authority agreement on December 31, 2011." The aggregate amount being sought by the MDC through contract expiration is \$12.0 million. The Authority believes that it is not responsible for any costs incurred by the MDC after the expiration of the agreement between the parties, and did not include the line item in the Authority's fiscal year 2009 Mid-Connecticut Project budget. To date, the MDC has not taken any action to formally pursue this claim.

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

**14. ACCOUNTING PRONOUNCEMENT  
ISSUED BUT NOT YET EFFECTIVE**

The Authority has not completed the process of implementing GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The Authority is therefore unable to disclose the impact that adopting this statement will have on its financial position and results of operations

when such statement is adopted. GASB Statement No. 49 is effective for financial statements for periods beginning after December 15, 2007.



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF BALANCE SHEETS  
AS OF JUNE 30, 2008  
(Dollars in Thousands)**

**EXHIBIT A  
Page 1 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Unrestricted Assets:							
Cash and cash equivalents	\$ 1,314	\$ 51,960	\$ 12,219	\$ 36,789	\$ 3,822	\$ -	\$ 106,104
Accounts receivable, net of allowances	22	9,185	5,302	1,502	6,191	-	22,202
Inventory	-	3,610	-	-	-	-	3,610
Prepaid expenses and other current assets	42	792	152	133	9	-	1,128
Due from other funds	-	512	-	-	-	(512)	-
Total Unrestricted Assets	<u>1,378</u>	<u>66,059</u>	<u>17,673</u>	<u>38,424</u>	<u>10,022</u>	<u>(512)</u>	<u>133,044</u>
Restricted Assets:							
Cash and cash equivalents	22	28,133	4,130	2,359	2,389	-	37,033
Accrued interest receivable	-	71	3	129	173	-	376
Total Restricted Assets	<u>22</u>	<u>28,204</u>	<u>4,133</u>	<u>2,488</u>	<u>2,562</u>	<u>-</u>	<u>37,409</u>
Total Current Assets	<u>1,400</u>	<u>94,263</u>	<u>21,806</u>	<u>40,912</u>	<u>12,584</u>	<u>(512)</u>	<u>170,453</u>
<b>NON-CURRENT ASSETS</b>							
Restricted cash and cash equivalents	-	19,480	-	15,915	1,077	-	36,472
Restricted investments	-	485	172	152	-	-	809
Capital Assets:							
Depreciable:							
Plant	864	164,180	25,511	-	-	-	190,555
Equipment	1,205	207,918	2,969	277	-	-	212,369
	2,069	372,098	28,480	277	-	-	402,924
Less: Accumulated depreciation	(1,303)	(257,928)	(25,396)	(46)	-	-	(284,673)
Total Depreciable, net	<u>766</u>	<u>114,170</u>	<u>3,084</u>	<u>231</u>	<u>-</u>	<u>-</u>	<u>118,251</u>
Nondepreciable:							
Land	-	11,900	15,200	1,979	-	-	29,079
Construction in progress	-	163	-	164	-	-	327
Deferred acquisition costs	-	559	-	-	-	-	559
Total Nondepreciable	<u>-</u>	<u>12,622</u>	<u>15,200</u>	<u>2,143</u>	<u>-</u>	<u>-</u>	<u>29,965</u>
Development and bond issuance costs, net	-	69	31	293	3,585	-	3,978
Total Non-Current Assets	<u>766</u>	<u>146,826</u>	<u>18,487</u>	<u>18,734</u>	<u>4,662</u>	<u>-</u>	<u>189,475</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,166</u>	<u>\$ 241,089</u>	<u>\$ 40,293</u>	<u>\$ 59,646</u>	<u>\$ 17,246</u>	<u>\$ (512)</u>	<u>\$ 359,928</u>



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF BALANCE SHEETS (Continued)**  
**AS OF JUNE 30, 2008**  
(Dollars in Thousands)

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

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Current portion of:							
Bonds payable, net	\$ -	\$ -	\$ 1,707	\$ 711	\$ 494	\$ -	\$ 2,912
Closure and postclosure care of landfills	-	10,719	1,281	216	-	-	12,216
Accounts payable	113	4,374	1,459	773	219	-	6,938
Accrued expenses and other current liabilities	606	7,114	5,465	1,968	3,388	-	18,541
Due to other funds	512	-	-	-	-	(512)	-
<b>Total Current Liabilities</b>	<u>1,231</u>	<u>22,207</u>	<u>9,912</u>	<u>3,668</u>	<u>4,101</u>	<u>(512)</u>	<u>40,607</u>
<b>LONG-TERM LIABILITIES</b>							
Bonds payable, net	-	15,215	-	-	4,741	-	19,956
Closure and postclosure care of landfills	-	31,350	11,727	5,525	-	-	48,602
Other liabilities	-	-	-	-	1,291	-	1,291
<b>Total Long-Term Liabilities</b>	<u>-</u>	<u>46,565</u>	<u>11,727</u>	<u>5,525</u>	<u>6,032</u>	<u>-</u>	<u>69,849</u>
<b>TOTAL LIABILITIES</b>	<u>1,231</u>	<u>68,772</u>	<u>21,639</u>	<u>9,193</u>	<u>10,133</u>	<u>(512)</u>	<u>110,456</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	765	115,611	16,824	2,375	-	-	135,575
Restricted:							
Tip fee stabilization	-	-	-	15,915	-	-	15,915
Energy generating facility	-	9,971	-	-	-	-	9,971
Revenue fund	-	6,309	-	-	-	-	6,309
Debt service reserve funds	-	4,019	1,096	81	69	-	5,265
Operating and maintenance	-	1,735	-	-	-	-	1,735
Equipment replacement	-	1,735	-	-	-	-	1,735
Select Energy escrow	-	1,000	-	-	-	-	1,000
Debt service funds	-	36	850	-	-	-	886
Shelton landfill future use	-	-	857	-	-	-	857
DEP trust - landfills	-	485	172	152	-	-	809
Recycling education fund	-	514	-	-	-	-	514
Montville landfill postclosure	-	-	-	-	478	-	478
Rebate fund	-	-	4	125	176	-	305
Other restricted net assets	-	-	-	-	-	-	97
<b>Total Restricted</b>	<u>22</u>	<u>75</u>	<u>2,979</u>	<u>16,273</u>	<u>723</u>	<u>-</u>	<u>45,876</u>
Unrestricted	148	30,827	(1,149)	31,805	6,390	-	68,021
<b>Total Net Assets</b>	<u>935</u>	<u>172,317</u>	<u>18,654</u>	<u>50,453</u>	<u>7,113</u>	<u>-</u>	<u>249,472</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,166</u>	<u>\$ 241,089</u>	<u>\$ 40,293</u>	<u>\$ 59,646</u>	<u>\$ 17,246</u>	<u>\$ (512)</u>	<u>\$ 359,928</u>



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2008**

(Dollars in Thousands)

**EXHIBIT B**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
<b>Operating Revenues</b>							
Service charges:							
Members	\$ -	\$ 36,552	\$ 31,330	\$ 8,649	\$ 9,924	\$ -	\$ 86,455
Others	-	17,590	15,856	177	1,031	(1,346)	33,308
Energy sales	-	28,773	-	11,189	-	-	39,962
Ash disposal reimbursement	-	-	4,704	-	-	-	4,704
Other operating revenues	-	6,496	4,526	39	-	-	11,061
Total operating revenues	-	89,411	56,416	20,054	10,955	(1,346)	175,490
<b>Operating Expenses</b>							
Solid waste operations	-	59,361	53,503	15,732	9,649	(1,346)	136,899
Depreciation and amortization	181	16,365	867	323	448	-	18,184
Maintenance and utilities	-	3,559	283	20	-	-	3,862
Closure and postclosure care of landfills	-	3,122	1,235	757	-	-	5,114
Project administration	-	7,419	1,701	811	160	-	10,091
Total operating expenses	181	89,826	57,589	17,643	10,257	(1,346)	174,150
Operating (Loss) Income	(181)	(415)	(1,173)	2,411	698	-	1,340
<b>Non-Operating Revenues and (Expenses)</b>							
Investment income	38	3,891	605	2,048	136	-	6,718
Litigation-related settlements	-	4,745	-	-	-	-	4,745
Other income (expenses), net	285	(332)	(59)	(133)	-	-	(239)
Interest expense	-	(1,280)	(127)	(42)	(414)	-	(1,863)
Net Non-Operating Revenues and (Expenses)	323	7,024	419	1,873	(278)	-	9,361
Change in Net Assets	142	6,609	(754)	4,284	420	-	10,701
Total Net Assets, beginning of year	793	165,708	19,408	46,169	6,693	-	238,771
Total Net Assets, end of year	\$ 935	\$ 172,317	\$ 18,654	\$ 50,453	\$ 7,113	\$ -	\$ 249,472



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Dollars in Thousands)**

**EXHIBIT C  
Page 1 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
<b>Cash Flows From Operating Activities</b>							
Payments received from providing services	\$ 247	\$ 90,760	\$ 60,766	\$ 20,732	\$ 10,640	\$ (1,346)	\$ 181,799
Proceeds from settlements	-	4,745	-	-	-	-	4,745
Payments received from other funds	-	211	-	-	-	(211)	-
Payments to suppliers for goods and services	-	(61,042)	(53,985)	(15,905)	(9,076)	1,346	(138,662)
Payment of litigation-related judgment	-	(35,874)	-	-	-	-	(35,874)
Payments to employees for services	-	(3,243)	(619)	(344)	(95)	-	(4,301)
Payments to other funds	(211)	-	-	-	-	211	-
Net Cash (Used in) Provided by Operating Activities	36	(4,443)	6,162	4,483	1,469	-	7,707
<b>Cash Flows From Investing Activities</b>							
Interest on investments	38	3,964	610	2,118	237	-	6,967
Purchases of investments	-	(17)	(7)	(5)	-	-	(29)
Net Cash Provided by Investing Activities	38	3,947	603	2,113	237	-	6,938
<b>Cash Flows From Capital and Related Financing Activities</b>							
Proceeds from sales of equipment	-	7	-	-	-	-	7
Payments for landfill closure and postclosure care liabilities	-	(4,996)	(473)	(192)	-	-	(5,661)
Acquisition and construction of capital assets	-	(8,686)	(546)	(34)	-	-	(9,266)
Interest paid on long-term debt	-	(1,312)	(185)	(41)	(315)	-	(1,853)
Principal paid on long-term debt	-	(13,320)	(1,955)	(684)	(556)	-	(16,515)
Net Cash Used in Capital and Related Financing Activities	-	(28,307)	(3,159)	(931)	(871)	-	(33,268)
<b>Cash Flows From Non-Capital Financing Activities</b>							
Other interest and fees	-	(11)	(19)	(133)	-	-	(163)
Net Cash Used in Non-Capital Financing Activities	-	(11)	(19)	(133)	-	-	(163)



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF CASH FLOWS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2008  
(Dollars in Thousands)**

EXHIBIT C  
Page 2 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
Net (decrease) increase in cash and cash equivalents	\$ 74	\$ (28,814)	\$ 3,587	\$ 5,512	\$ 835	\$ -	\$ (18,806)
Cash and cash equivalents, beginning of year	1,262	128,387	12,762	49,551	6,453	-	198,415
Cash and cash equivalents, end of year	1,336	99,573	16,349	55,063	7,288	-	179,609
Reconciliation of Operating (Loss) Income to Net Cash (Used by) Provided by Operating Activities:							
Operating (loss) income	\$ (181)	\$ (415)	\$ (1,173)	\$ 2,411	\$ 698	\$ -	\$ 1,340
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:							
Depreciation of capital assets	181	16,192	836	30	-	-	17,239
Amortization of development and bond issuance costs	-	173	31	293	448	-	945
Provision for closure and postclosure care of landfills	-	3,122	1,235	757	-	-	5,114
Other income (expenses)	173	(107)	1	-	-	-	67
Litigation-related settlements	-	4,745	-	-	-	-	4,745
Changes in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable, net	37	1,445	4,382	699	(315)	-	6,248
Inventory	-	(261)	-	-	-	-	(261)
Prepaid expenses and other current assets	92	2,488	1	173	(9)	-	2,745
Due from other funds	-	211	-	-	-	(211)	-
(Decrease) increase in:							
Accounts payable, accrued expenses and other liabilities	(55)	(32,036)	849	120	647	-	(30,475)
Due to other funds	(211)	-	-	-	-	211	-
Net Cash (Used in) Provided by Operating Activities	\$ 36	\$ (4,443)	\$ 6,162	\$ 4,483	\$ 1,469	\$ -	\$ 7,707



# Connecticut Resources Recovery Authority

## COMBINING SCHEDULE OF NET ASSETS AS OF JUNE 30, 2008 (Dollars in Thousands)

EXHIBIT D  
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total
<b>Net assets invested in capital assets, net of related debt</b>	\$ 765	\$ 115,611	\$ 16,824	\$ 2,375	\$ -	\$ 135,575
<b>Restricted net assets:</b>						
Current restricted cash and cash equivalents:						
Revenue fund	-	26,202	768	1,382	1,301	29,653
Debt service funds	-	140	1,140	487	370	2,137
Debt service reserve funds	-	-	1,343	309	-	1,652
Select Energy escrow	-	1,000	-	-	-	1,000
Shelton landfill future use	-	-	857	-	-	857
Montville landfill postclosure	-	-	-	-	718	718
Recycling education fund	-	514	-	-	-	514
Customer guarantee of payment	-	229	18	56	-	303
Rebate fund	-	-	4	125	-	129
Town of Ellington trust - pooled funds	-	48	-	-	-	48
Mercury public awareness	22	-	-	-	-	22
<b>Total current restricted cash and cash equivalents</b>	<b>22</b>	<b>28,133</b>	<b>4,130</b>	<b>2,359</b>	<b>2,389</b>	<b>37,033</b>
Non-current restricted cash and cash equivalents and investments:						
Tip fee stabilization	-	-	-	15,915	-	15,915
Energy generating facility	-	10,895	-	-	-	10,895
Debt service reserve funds	-	5,115	-	-	901	6,016
Equipment replacement	-	1,735	-	-	-	1,735
Operating and maintenance	-	1,735	-	-	-	1,735
DEP trust - landfills	-	485	172	152	-	809
Rebate fund	-	-	-	-	176	176
<b>Total non-current restricted cash and cash equivalents and investments</b>	<b>-</b>	<b>19,965</b>	<b>172</b>	<b>16,067</b>	<b>1,077</b>	<b>37,281</b>
<b>Less liabilities to be paid with current restricted assets:</b>						
Bonds payable, net including accrued interest	-	104	537	715	370	1,726
Other liabilities	-	20,095	786	1,438	1,541	23,860
<b>Total liabilities to be paid with current restricted assets</b>	<b>-</b>	<b>20,199</b>	<b>1,323</b>	<b>2,153</b>	<b>1,911</b>	<b>25,586</b>
<b>Less liabilities to be paid with non-current restricted assets:</b>						
Bonds payable, net	-	1,096	-	-	832	1,928
Other liabilities	-	924	-	-	-	924
<b>Total liabilities to be paid with non-current restricted assets</b>	<b>-</b>	<b>2,020</b>	<b>-</b>	<b>-</b>	<b>832</b>	<b>2,852</b>
<b>Total restricted net assets</b>	<b>22</b>	<b>25,879</b>	<b>2,979</b>	<b>16,273</b>	<b>723</b>	<b>45,876</b>





**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF NET ASSETS (Continued)**

**AS OF JUNE 30, 2008**  
**(Dollars in Thousands)**

**EXHIBIT D**  
**Page 2 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total
<b>Unrestricted net assets:</b>						
Designated for:						
Future use	\$ -	\$ -	\$ -	\$ 9,904	\$ -	\$ 9,904
Future loss contingencies	-	6,694	-	1,047	252	7,993
Debt service stabilization	-	4,763	-	-	-	4,763
Facility modifications	-	3,247	-	-	-	3,247
Rolling stock	-	3,081	-	-	-	3,081
Recycling	-	1,817	437	-	-	2,254
Ash disposal	-	2,150	-	-	-	2,150
Landfill development	-	1,981	-	-	-	1,981
Post litigation	-	1,440	-	-	-	1,440
Benefit fund	217	-	-	-	-	217
South Meadows site remediation	-	143	-	-	-	143
Undesignated	(69)	5,511	(1,586)	20,854	6,138	30,848
<b>Total unrestricted net assets</b>	<b>148</b>	<b>30,827</b>	<b>(1,149)</b>	<b>31,805</b>	<b>6,390</b>	<b>68,021</b>
<b>Total Net Assets</b>	<b>\$ 935</b>	<b>\$ 172,317</b>	<b>\$ 18,654</b>	<b>\$ 50,453</b>	<b>\$ 7,113</b>	<b>\$ 249,472</b>