CONNECTICUT RESOURCES RECOVERY AUTHORITY

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2005

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

FOR DISCUSSION ONLY

CCR

CARLIN, CHARRON & ROSEN, LLP
Certified Public Accountants and Business Advisors

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED

JUNE 30, 2005

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CCR
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Connecticut Resources Recovery Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2005 and 2004, 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2005 and 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

Our audits were conducted for the purpose of forming an opinion on CRRA's basic financial statements. The combining financial statements as of and for the year ended June 30, 2005 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 2005 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2005 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2005 financial statements taken as a whole.

Carlin, Charron & Rosen, LLP

Glastonbury, Connecticut
September14, 2005

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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, 2005 and 2004 as compared to prior fiscal years. The MD&A reflects the Authority's commitment to openness and transparency. Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

During fiscal year 2005, the Authority realized $111.7 million, including $0.4 million of interest income, from the sale of its bankruptcy claim against Enron. The Authority sold its claim to a major financial institution through a competitive bid auction. For accounting purposes, the Authority has reported $82.8 million, which represents a court approved estimated value of its Enron claim, as non-operating revenue, and $28.5 million, which represents the gain on the sale of the Enron claim, as a special item, in the accompanying statements of revenues, expenses and change in net assets. The $111.7 million sale proceeds have been used to defease certain outstanding bonds issued for the Mid-Connecticut Project and to establish an escrow fund as more fully described in the "Enron Matters" section herein.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2005 total assets increased by $0.6 million or 0.2% over fiscal year 2004 and total liabilities decreased by $111.3 million or 41.3%. Total assets exceeded liabilities by $230.8 million in 2005 as compared to $118.8 million for 2004, or a net increase of $111.9 million. The fiscal year 2004 total assets decreased by $6.9 million or 1.8% compared to fiscal year 2003 and total liabilities decreased by $8.3 million or 3.0%. Total assets exceeded liabilities by $118.8 million in 2004 as compared to $117.5 million for 2003, or a net increase of $1.3 million.

BALANCE SHEETS
As of June 30,
(In Thousands)

	2005	2004	2003
ASSETS			
Current unrestricted assets	$ 92,846	$ 88,360	$ 81,344
Current restricted assets	23,225	29,504	28,873
Total current assets	116,071	117,864	110,217
Non-current assets:			
Restricted cash and cash equivalents	81,452	62,521	61,694
Capital assets, net	184,414	198,936	213,219
Development and bond issuance costs, net	7,221	9,204	10,341
Total non-current assets	273,087	270,661	285,254
TOTAL ASSETS	$ 389,158	$ 388,525	$ 395,471
LIABILITIES			
Current liabilities	$ 33,695	$ 47,780	$ 46,939
Long-term liabilities	124,695	221,912	231,043
TOTAL LIABILITIES	158,390	269,692	277,982
NET ASSETS			
Invested in capital assets, net of related debt	100,471	26,096	26,456
Restricted	61,082	64,025	63,385
Unrestricted	69,215	28,712	27,648
Total net assets	230,768	118,833	117,489
TOTAL LIABILITIES AND NET ASSETS	$ 389,158	$ 388,525	$ 395,471

FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2005 and 2004:

ASSETS

Current unrestricted assets increased by $4.5 million or 5.1% over fiscal year 2004 and $7.0 million or 8.6% over fiscal year 2003. The fiscal year 2005 increase is primarily due to:

- A $1.0 million grant receivable from the Connecticut Department of Environmental Protection ("CTDEP") as reimbursement for costs previously incurred by the Authority in the closure of the Wallingford Landfill; and
- Increased solid waste service charges of $6.2 million at the Bridgeport, Mid-Connecticut and Wallingford projects; and
- Increased operating reserve balances of $5.3 million at the Bridgeport, Mid-Connecticut and Wallingford projects; and
- Increased interest income of $1.4 million, offset by:
- A transfer of funds ($4.5 million) and contributions ($2.3 million) to the Mid-Connecticut and Wallingford non-current restricted assets for operating reserve requirements; and
- A distribution of the Wallingford project surplus funds of $1.2 million to its participating municipalities; and
- Other, net of ($1.4 million).

The fiscal year 2004 increase is due to increased tipping fees at the Mid-Connecticut, Bridgeport, and Southeast projects, higher electricity rates negotiated in a new Energy Purchase Agreement at the Mid-Connecticut project and a transfer of funds from the Mid-Connecticut restricted assets as a result of a major fiber contract expiration offset by a contribution to the Wallingford Tip Fee Stabilization Fund.

Current restricted assets decreased by $6.3 million or 21.3% over fiscal year 2004 and increased by $0.6 million or 2.1% compared to fiscal year 2003. The fiscal year 2005 decrease is due to decreased debt service fundings in Mid-Connecticut project as a result of the defeasance of debt and in the Wallingford and Southeast projects as a result of bond redemptions. The fiscal year 2004 increase is due to timely receipt of electric revenue at the Wallingford project and increased debt service fundings in Mid-Connecticut project offset by the transfer of funds to unrestricted assets as a result of the major fiber contract expiration.

Non-current assets increased by $2.4 million or 0.9% over fiscal year 2004 and decreased by $14.6 million or 5.4% compared to fiscal year 2003 due to:

- Restricted cash and cash equivalents increased by $18.9 million compared to fiscal year 2004 and $0.8 million compared to fiscal year 2003. The fiscal year 2005 increase is due to:
    - A combination of the transfer of funds and contributions from unrestricted assets for operating reserve requirements; and
    - The creation of the State Loan Escrow account from proceeds of the sale of the Enron claim, which is designated for the repayment of the State loans until it is paid in full; and
    - Interest earned, offset by:
    - A decrease in Special Capital Reserve and Debt Service Reserve Funds as a result of the Mid-Connecticut defeasance of debt and the Wallingford and Southeast bond redemptions.

  The fiscal year 2004 increase is due to an additional contribution to the Wallingford Tip Fee Stabilization Fund during fiscal year 2004 to cover future reductions in electricity revenues and increases in anticipated operating expenses at the Wallingford project.

- Capital assets decreased by $14.5 million compared to fiscal year 2004 and $14.3 million compared to fiscal year 2003. The fiscal year 2005 decrease is due to depreciation expense of $16.8 million offset by $2.3 million in plant improvements and equipment purchases. The fiscal year 2004 decrease is due to depreciation expense of $16.7 million offset by $2.4 million in plant improvements and equipment purchases.

- Development and bond issuance costs decreased by $2.0 million compared to fiscal year 2004 and $1.1 million compared to fiscal year 2003. The fiscal year 2005 decrease is due to amortization expense and write-off of unamortized bond issuance costs related to the Mid-Connecticut defeasance of debt. The fiscal year 2004 decrease is due to amortization expense.

LIABILITIES

Current liabilities decreased by $14.1 million or 29.5% compared to fiscal year 2004 and increased by $0.8 million or 1.8% compared to fiscal year 2003. The fiscal year 2005 decrease is due to a $16.2 million decrease in the current portion of bonds payable as a result of the Mid-Connecticut defeasance of debt and the Wallingford and Southeast bond redemptions offset by an increase in the current portion of the State loans payable as a result of scheduled principal payments on prior State loans drawdowns. The fiscal year 2004 increase is due to a $1.3 million increase in the current portion of bonds payable and a $0.9 million increase in the current portion of the State loans payable offset by a $1.4 million decrease in accounts payable and accrued expenses.

Long-term liabilities decreased by $97.2 million or 43.8% compared to fiscal year 2004 and $9.1 million or 4.0% compared to fiscal year 2003 due to:

- Long-term portion of bonds payable, net decreased by $101.5 million compared to fiscal year 2004 and $18.9 million compared to fiscal year 2003. The fiscal year 2005 decrease is due to:
    - Defeasance of debt: Mid-Connecticut System Bonds 1996 Series A Bonds ($81.5 million), 1997 Series A Bonds ($2.1 million) and 2001 Series A Bonds ($13.2 million); and
    - Bond redemptions: Wallingford Resources Recovery Project 1991 Series One Subordinated Bonds ($0.5 million) and Southeast Project 1989 Series A Bonds ($2.0 million); and
    - Regular principal payments due on Authority bonds.

  The fiscal year 2004 decrease is due to regular principal payments on Authority bonds during the fiscal year. The debt amounts as of June 30, 2005 and 2004 reflect the deferred amount on refunding of bonds and the unamortized premium on sale of bonds.

- State loans payable increased by $5.3 million over fiscal year 2004 and $8.8 million over fiscal year 2003. The fiscal year 2005 increase is due to additional drawdowns during the first six months of fiscal year 2005. There were no drawdowns since January 2005. The fiscal year 2004 increase is due to additional drawdowns during the fiscal year.

- Closure and postclosure care of landfills decreased by $0.7 million compared to fiscal year 2004 and increased by $1.2 million compared to fiscal year 2003. The fiscal year 2005 decrease is due to a reduction of the long-term liability accounts as a result of payments for the Ellington, Shelton and Wallingford landfills. In addition, there was no significant increase in projected costs for the Ellington, Hartford, Shelton, Waterbury and Wallingford landfills during fiscal year 2005. The fiscal year 2004 increase is due to payments of $0.7 million for the Ellington, Shelton and Wallingford landfills offset by a $1.9 million increase in projected costs for all five landfills. This increase was primarily due to increases in land surface care, general engineering services, environmental monitoring and remediation costs.

SUMMARY OF OPERATIONS AND CHANGE IN NET ASSETS

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

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

	2005	2004	2003
Operating revenues	$ 168,941	$ 165,418	$ 155,820
Operating expenses	137,443	135,482	138,272
Excess before depreciation and amortization and other non-operating revenues and (expenses)	31,498	29,936	17,548
Depreciation and amortization	17,864	17,887	18,188
Income before other non-operating revenues and (expenses), net	13,634	12,049	(640)
Non-operating revenues and (expenses), net	75,927	(10,705)	(10,686)
Income before special items	89,561	1,344	(11,326)
Special items:			
Gain on sale of Enron claim	28,502	-	-
Early retirement/defeasance of debt	(6,128)	-	-
Increase (Decrease) in net assets	111,935	1,344	(11,326)
Total net assets, beginning of year	118,833	117,489	128,815
Total net assets, end of year	$ 230,768	$ 118,833	$ 117,489

Operating revenues increased by $3.5 million or 2.1% during fiscal year 2005 over fiscal year 2004 and $9.6 million or 6.2% from fiscal year 2003 to fiscal year 2004. The fiscal year 2005 increase was due to a $6.2 million increase in service charges due to tip fee increases at three of the four Authority projects (see "Authority Rates and Charges," herein) and increases in contracted waste deliveries. There was also a $0.5 million increase due to favorable recycling sales. These increases were offset by lower energy revenues of $3.2 million. The fiscal year 2004 increase was due primarily to a $5.1 million increase in service charges at three of the four Authority projects, a $2.4 million increase in energy revenue at the Mid-Connecticut project offset by $161,000 in decreased energy revenue at the Wallingford project, and a $2.2 million increase in other operating revenue as a result of increased recycling sales and the return of a $500,000 contribution previously made to National Geographic.

Operating expenses increased during fiscal year 2005 by $2.0 million or 1.4% compared to fiscal year 2004 due to an increase in waste deliveries, costs associated with capital improvements and an increase in enforcement and scale staffing at the projects. Operating expenses decreased during fiscal year 2004 by $2.8 million or 2.0% compared to fiscal year 2003. This was due primarily to decreased solid waste operation expenses and lower closure and postclosure care costs recognized in fiscal year 2004 for the Hartford and Wallingford landfills.

Depreciation and amortization remained fairly constant, decreasing by $23,000 and $301,000, over fiscal years 2004 and 2003, respectively, due to full depreciation of certain assets during the fiscal years and decreased amortization of bond issuance costs related to the Mid-Connecticut defeasance of debt during fiscal year 2005, which was offset by depreciation expense on capital additions.

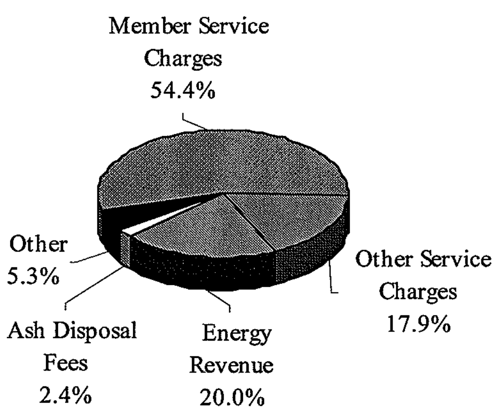
Non-operating revenues, net increased by $86.6 million during fiscal year 2005 primarily due to the court approved estimated value of the Authority's Enron claim of $82.8 million, increased investment income and lower interest expense, offset by increased net other expense. Non-operating expenses, net remained fairly constant, increasing by $19,000, between the fiscal years 2004 and 2003 due to a decrease in investment income and other settlement income offset by a decrease in bond interest expense.

Special item – Gain on sale of Enron claim represents proceeds from the sale of the Enron claim to a major financial institution with a significant presence in the distressed debt claims markets. Such sale resulted in a premium of 34.4% or $28.5 million over the court approved estimated value of the Authority's Enron claim of $82.8 million.

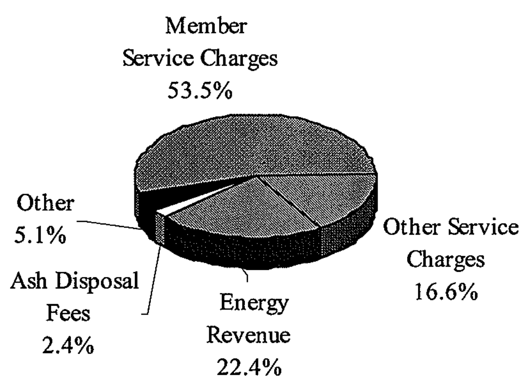
Special item – Early retirement/defeasance of debt of $6.1 million is attributable to the write-off of unamortized amounts such as bond issuance costs and other deferred amounts related to the Mid-Connecticut 1996 Series A Bonds, 1997 Series A Bonds and 2001 Series A Bonds, which were partially or fully defeased, plus the Wallingford Project 1991 Series One Subordinated Bonds which were redeemed during fiscal year 2005.

SUMMARY OF OPERATING REVENUES

The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2005 and 2004:



Fiscal Year 2005



Fiscal Year 2004

During fiscal year 2005, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for nearly 75% of the Authority's operating revenues. Energy production makes up another 20.0% of operating revenues. During fiscal year 2004, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement accounted for 72.5% of the Authority's operating revenues. Energy production made up another 22.4% of operating revenues.

A summary of the operating revenues, non-operating revenues and special item for the fiscal year ended June 30, 2005, and the amount and percentage of change in relation to the immediate prior two fiscal years is as follows:

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

	2005	2005 Percent of Total	2004	2005 Increase/ (Decrease) from 2004	2005 Percent Increase/ (Decrease)	2003	2004 Increase/ (Decrease) from 2003	2004 Percent Increase/ (Decrease)
Operating:								
Member Service Charges	$ 91,894	32.1% $	88,541 $	3,353	3.8% $	82,915 $	5,626	6.8%
Other Service Charges	30,223	10.5%	27,384	2,839	10.4%	27,927	(543)	-1.9%
Energy Revenue	33,798	11.8%	36,998	(3,200)	-8.6%	34,639	2,359	6.8%
Ash Disposal Reimbursement	4,025	1.4%	4,031	(6)	-0.1%	4,033	(2)	0.0%
Other Operating Revenue	9,001	3.1%	8,464	537	6.3%	6,306	2,158	34.2%
Total Operating Revenues	168,941	58.9%	165,418	3,523	2.1%	155,820	9,598	6.2%
Non-Operating:								
Enron Claim Settlement	82,760	28.9%	-	82,760	100.0%	-	-	0.0%
Investment Income	4,471	1.6%	1,623	2,848	175.5%	2,386	(763)	-32.0%
Other Income	1,884	0.7%	184	1,700	923.9%	549	(365)	-66.5%
Total Non-Operating Revenues	89,115	31.2%	1,807	87,308	4831.7%	2,935	(1,128)	-38.4%
Special Item:								
Gain on sale of Enron claim	28,502	9.9%	-	28,502	100.0%	-	-	0.0%
TOTAL	$ 286,558	100.0% $	167,225 $	119,333	71.4% $	158,755 $	8,470	5.3%

Overall, fiscal year 2005 total revenues rose by $119.3 million or 71.4% over fiscal year 2004, largely reflective of the Enron claim. Fiscal year 2004 total revenues rose by $8.5 million or 5.3% from fiscal year 2003. The following discusses the major changes in operating, non-operating revenues and special item of the Authority:

- Member service charges increased by $3.4 million in fiscal year 2005 and $5.6 million in fiscal year 2004. These increases reflect the increase of the tipping fee enacted at the Bridgeport, Mid-Connecticut and Wallingford projects in fiscal year 2005 and tipping fee increases enacted at the Bridgeport, Mid-Connecticut and Southeast projects in fiscal year 2004.

- Other service charges to both contract towns and spot waste haulers, increased by $2.8 million from fiscal year 2004 to 2005. This is contrasted by a $543,000 decrease in other service charges from fiscal year 2003 to 2004. The fiscal year 2005 increase is due to contracting additional waste at the Bridgeport project and higher tipping fees for contract towns at the Mid-Connecticut project. The fiscal year 2004 decrease is due to the loss of private hauler contracts at the Bridgeport project and a decrease in contract deliveries at the Mid-Connecticut project due to the increase in tipping fees.

- Energy revenue decreased by $3.2 million during fiscal year 2005 and increased by $2.4 million during fiscal year 2004. The fiscal year 2005 decrease reflects lower electrical generation due to poor plant performance and a lower electricity contract rate during the 2005 fiscal year at the Mid-Connecticut project. The fiscal year 2004 increase reflects a net increase in energy revenue at the Mid-Connecticut project due to a more favorable electricity contract rate during the 2004 fiscal year.

- Other operating revenue increased by $537,000 in fiscal year 2005 and $2.1 million in fiscal year 2004. The fiscal year 2005 increase is a result of contractual favorable recycling sales market. The fiscal year 2004 increase is due to the return of a $500,000 contribution previously made to the National Geographic, better-than-expected recycling sales of $1 million, unanticipated increases of ferrous metal sales and revenues for soil deliveries to the Hartford landfill.

- Enron claim of $82.8 million represents the estimated value of the Enron claim that was awarded to the Authority from the bankruptcy court (see "Enron Matters" section herein).

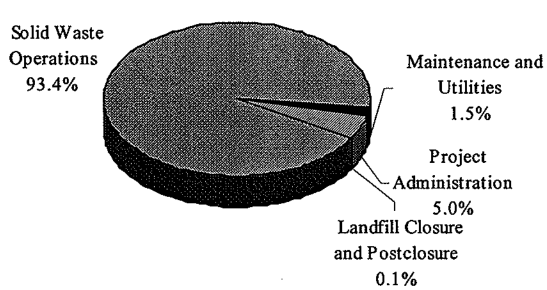
- Investment income increased $2.8 million from fiscal 2004 to 2005 due to overall improved market returns and increased balances. Investment income decreased $763,000 from fiscal year 2003 to 2004 due to poor market returns and lower balances.

- Other income of $1.9 million represents a settlement with an insurance company for contingent commissions or overrides, funds authorized for release by the Southeastern Connecticut Regional Resources Recovery Authority from the restricted Montville Landfill Postclosure Fund to cover fiscal year 2004 operating deficit and landfill postclosure expenses and a grant from the CTDEP for landfill closure costs incurred by the Authority to close the Wallingford landfill (see "Landfill Activity" section herein). Other income during fiscal year 2004 was $184,000 representing gains on sales of investments and computer equipment.

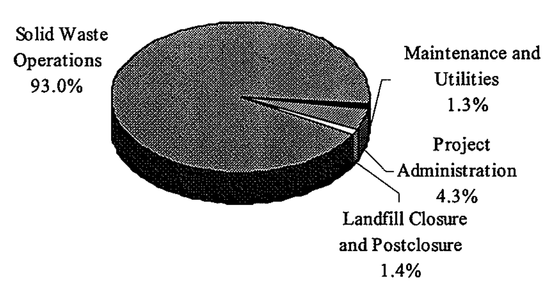
- Special item – Gain on sale of Enron claim (previously discussed on page 8 of the MD&A).

SUMMARY OF OPERATING EXPENSES

The following charts show the major sources and the percentage of expenses for the fiscal years ended June 30, 2005 and 2004:



Fiscal Year 2005



Fiscal Year 2004

Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 93% of the operating expenses in both fiscal years 2005 and 2004.

A summary of the operating expenses, non-operating expenses and special item for the fiscal year ended June 30, 2005, 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)

	2005	2005 Percent of Total	2004	2005 Increase/ (Decrease) from 2004	2005 Percent Increase/ (Decrease)	2003	2004 Increase/ (Decrease) from 2003	2004 Percent Increase/ (Decrease)
Operating:								
Solid Waste Operations	$ **128,394**	73.5%	$ **126,016**	$ 2,378	1.9%	$ **127,873**	$ (1,857)	-1.5%
Maintenance and Utilities	**2,037**	1.2%	**1,697**	340	20.0%	**1,076**	621	57.7%
Project Administration	**6,832**	3.9%	**5,880**	952	16.2%	**5,205**	675	13.0%
Landfill Closure and Postclosure	**180**	0.1%	**1,889**	(1,709)	-90.5%	**4,118**	(2,229)	-54.1%
Total Operating Expenses	137,443	78.7%	135,482	1,961	1.4%	**138,272**	$ (2,790)	-2.0%
Depreciation	**17,864**	10.2%	**17,887**	(23)	-0.1%	18,188	(301)	-1.7%
Non-Operating:								
Interest Expense	**10,022**	5.8%	**12,482**	(2,460)	-19.7%	**13,510**	(1,028)	-7.6%
Other Expenses	**3,166**	1.8%	**30**	3,136	10453.3%	**111**	(81)	-73.0%
Total Non-Operating Expenses	**13,188**	7.6%	**12,512**	676	5.4%	**13,621**	$ (1,109)	-8.1%
Special Item:								
Early retirement/defeasance of debt	**6,128**	3.5%	-	6,128	100.0%	-	-	0.0%
TOTAL	$ **174,623**	100.0%	$ **165,881**	$ 8,742	5.3%	$ **170,081**	$ (4,200)	-2.5%

The Authority's total expenses increased by $8.7 million or 5.3% between fiscal year 2004 and 2005. Fiscal year 2004 total expenses decreased by $4.2 million or 2.5% from fiscal year 2003. Notable differences between the years include:

- <u>Solid waste operations</u> increased by $2.4 million from fiscal year 2004 to 2005 primarily due to increased deliveries at the Bridgeport facility. From fiscal year 2003 to 2004, solid waste operations decreased by $1.9 million due to a reduction in contract operating charges as a result of lower solid waste deliveries at the Mid-Connecticut and Bridgeport projects and lower legal fees as a result of settled litigations.

- <u>Maintenance and utilities expenses</u> increased $340,000 during fiscal year 2005 primarily due to extensive conveyor rebuilds at the Mid-Connecticut facility. During fiscal year 2004, maintenance and utilities expenses increased by $621,000 as a result of roof and baler improvements, demolition of a building, installation of gas wells and reallocation of pass-through costs for the Mid-Connecticut energy generating facility.

- <u>Project administration costs</u> increased $952,000 during fiscal year 2005 over fiscal year 2004 and $675,000 during fiscal year 2004 over fiscal year 2003. During fiscal year 2005, this increase was due to the addition of enforcement staff and scalehouse operators.

During fiscal year 2004, the increase was due to filling vacant management positions and the hiring of new staff positions including four enforcement positions at the four projects and two administrative positions.

- Landfill closure and postclosure costs decreased $1.7 million between fiscal year 2004 and 2005, primarily due to lower closure and postclosure care costs recognized in fiscal year 2005 as a result of no significant increase in projected costs for all five landfills. Between fiscal years 2003 and 2004, landfill closure and postclosure care costs decreased $2.2 million as a result of lower closure and postclosure care costs recognized in fiscal year 2004 for the Hartford and Wallingford landfills, which was offset by higher costs recognized for the Ellington and Shelton landfills. During fiscal year 2004, projected costs for the Ellington and Shelton landfills increased due to increases in land surface care, general engineering services, environmental and remediation costs.
- Interest expense decreased by $2.5 million during fiscal year 2005 and $1.0 million during fiscal year 2004 due to the decrease in principal amount of bonds outstanding.
- Other expenses of $3.1 million represents the Wallingford project rebate to its participating municipalities ($1,177,000), a settlement with the Bridgeport project's operator ($1,850,000), trustee fees and letter of credit fees. Other expenses during fiscal years 2004 and 2003 were $30,000 and $111,000, respectively, representing trustee fees, letter of credit fees and miscellaneous expenses.
- Early retirement/defeasance of debt (previously discussed on page 8 of the MD&A).

CAPITAL ASSETS

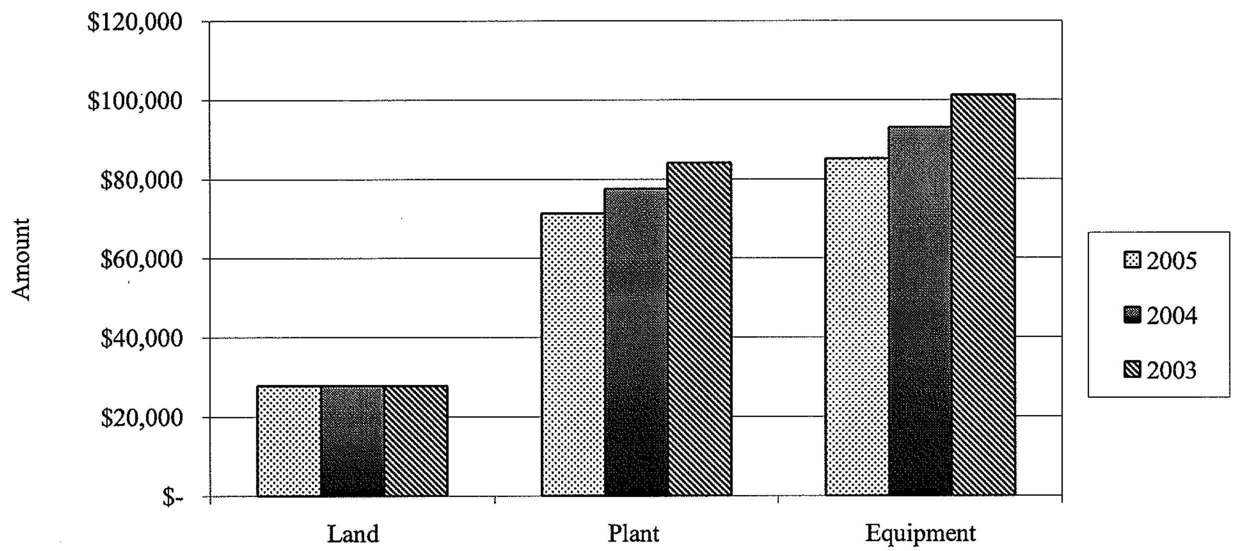
The Authority's investment in capital assets for its activities as of June 30, 2005 and 2004 totaled $184.4 million and $198.9 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, gas and steam turbines, rolling stock and vehicles. The total fiscal year 2005 and 2004 decrease in the Authority's investment in capital assets was 7.3% and 6.7%, respectively. The decrease is due to depreciation expense offset by plant improvements and equipment purchases.

Major capital asset events during the current and immediate prior two fiscal years included conveyor rebuilds, floor repairs, building/leasehold improvements, installation of a dolomitic lime system and new gas collection wells, and extension of the ash base liner system.

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

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

	2005	2004	2003
Land	$ 27,774	$ 27,774	$ 27,774
Plant	71,380	77,593	84,145
Equipment	85,189	93,068	101,264
Construction in progress	71	501	36
Totals	$ 184,414	$ 198,936	$ 213,219



Additional information on the Authority's capital assets can be found in Notes 1J and 3 on pages 27, 28 and 32 of this report.

ENRON MATTERS

As part of the deregulation of the energy industry in Connecticut and the resultant energy contract buy-downs, the Authority entered into agreements with Enron Power Marketing, Inc. ("Enron") and the Connecticut Light & Power Company ("CL&P") on December 22, 2000 that, among other obligations, required Enron to pay the Authority monthly charges for the purchase of steam capacity and for electricity generated from such steam from the Authority's Mid-Connecticut project. As part of these transactions, Enron received $220 million from the Authority and the Authority received approximately $60 million from CL&P during fiscal year

2001. Enron filed for bankruptcy on December 2, 2001 and has not made its monthly payments since that time.

The Authority has continued its efforts to mitigate the financial impact of the above on the municipalities that are part of the Mid-Connecticut project. These efforts included: increasing the Mid-Connecticut tipping fees (see "Authority Rates and Charges" section herein), pursuing remedies in bankruptcy court with the State's Attorney General, negotiating with Select Energy for improved electricity revenues for the Mid-Connecticut facility power and securing a retail electric supplier license in the State. In addition, the Authority, through the State's Attorney General's Office continues to pursue recovery of lost monies in federal and state courts. Furthermore, the State provided its support to ensure timely payment of debt service on the Mid-Connecticut bonds as required by legislation (see "State Loans" section below).

In connection with the Enron bankruptcy, the Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover the losses sustained in connection with the 2000 transaction. On June 29, 2004, Enron agreed to the proposed settlement of the claims that were filed, pending approval from the United States Bankruptcy court, among others. On July 22, 2004, the Authority's Board of Directors voted to allow bids to be received in connection with a potential sale of the Enron claims. The Authority's Enron claims were estimated by the bankruptcy court to have a value of $82,760,484. On August 20, 2004, the Authority's Board of Directors received bids and passed a resolution approving the sale of the Enron claims to a major financial institution with a significant presence in the distressed debt claims markets, which resulted in a premium of $28,501,471 or 34.4% over the estimated value amount. On January 20, 2005, the United States Bankruptcy court approved the Enron settlement agreement. On February 1, 2005, the Authority received $111,686,881 (which included $424,926 interest) at the closing of the Enron claims sale, which was applied to the Mid-Connecticut project debt as follows: On March 11, 2005, the Authority fully defeased its outstanding Mid-Connecticut Project Bonds 1997 Series A and 2001 Series A and partially defeased its outstanding Mid-Connecticut Project Bonds 1996 Series A. In addition, the Authority established an irrevocable escrow account on March 24, 2005 in the amount of $19,394,506 with the remaining proceeds from the sale of the Enron claims, which will provide for future State loans repayments.

STATE LOANS

On April 19, 2002, the Connecticut General Assembly passed Public Act No. 02-46 (the "Act"), which authorizes a loan by the State to the Authority of up to $115 million to support the repayment of the Authority's debt for the Mid-Connecticut project, in order to avoid default. The Act also restructured the Authority's Board of Directors and required a Steering Committee Report and Financial Mitigation Plan to be filed with the State. This State support resulted in the approval of a loan in the amount of $22 million for the period June 30, 3003 through June 30, 2004 and the approval of a subsequent loan in the amount of $20 million for the period July 1, 2004 through June 30, 2005. As of June 30, 2005, the Authority had drawn down $21.5 million of the authorized State loans and had a principal balance of $18.5 million outstanding. The Authority makes monthly loan repayments comprising both principal and interest payments. The monthly interest rate on the State loans equals the monthly State Treasurer's Short Term Investment Fund rate plus 25 basis points, and is capped at six percent.

LANDFILL ACTIVITY

During calendar year 2004, the Authority entered into a contract with an environmental engineering firm to conduct a comprehensive landfill siting investigation. This analysis is complete and has identified potential sites within the State that are technically and environmental amenable to permitting and constructing an ash residue and/or bulky waste landfill. The Authority is now reviewing the results of this report to select a site upon which it will initiate siting activities. The Authority expects to make a decision by the end of calendar year 2005.

There is approximately 12 months of capacity remaining at the Hartford landfill for non-processible waste and process residue generated at the Mid-Connecticut Resource Recovery Facility ("RRF"), and there is approximately 33 months of capacity remaining at the Hartford landfill for ash residue generated by the Mid-Connecticut RRF. The Authority intends to employ a consulting engineer to develop a closure plan for the area of the landfill that accepts the non-processible waste and process residue. The Authority intends to submit the closure plan to the CTDEP by the end of calendar year 2005.

The solid waste permit and regulations that govern activities at the Hartford landfill require that the Authority estimate the cost of landfill closure, and reserve funds against this estimated cost. The same permit and regulations also require that a 30-year postclosure care and maintenance cost estimate be developed, and that funds be reserved for these future activities. The Authority has developed both a closure and postclosure cost estimate and has reserved funds for these activities in accordance with the permit and regulations. The Authority has accounted for such amounts in accordance with GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs". Pursuant to the Lease Agreement between the Authority and the City of Hartford, the obligation for closure and postclosure activities are shared by the Authority and the City of Hartford. The Authority and the City differ on the proportionate share of these costs for which each party is responsible, and are working so that the matter is resolved prior to closure of the landfill. The Authority is reserving funds sufficient to cover what it believes is its share of the closure and post-closure costs.

The Authority received final closure certification from the CTDEP for the Wallingford landfill on February 28, 2005. Following receipt of the formal closure certification, the Authority, in conjunction with the Town of Wallingford, executed a contract with the CTDEP to receive $1,000,000 as reimbursement for landfill closure costs incurred by the Authority to close the landfill. This money was earmarked by the Connecticut Legislature in calendar year 1999 for this purpose and has been held in escrow by the CTDEP since that time, pending final closure. On August 26, 2005, the CTDEP received authorization to release the funds, which the Authority expects to receive during September 2005.

METROPOLITAN DISTRICT COMMISSION ARBITRATION RULING

The Authority completed two arbitration hearings with the Metropolitan District Commission (the "MDC") during fiscal year 2005 on claims asserted by both parties.

The first arbitration hearing was held in the fall of 2004 regarding the Authority's right to hire replacement workers at the Mid-Connecticut Project transfer stations and for transportation services. The arbitrators ruled that the Authority has the right to replace the MDC workers. The MDC did not seek damages.

A second arbitration hearing was held in the spring of 2005 to resolve certain claims, including non-payment of two MDC invoices and the Authority's claim that it was being overcharged by the MDC for indirect costs. The Authority had previously created an escrow account to set aside 25% of the indirect costs invoiced by the MDC pursuant to a previous arbitration panel's ruling in 1999. 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 that the Authority shall retain 100% of the escrow account which was approximately $5.0 million at the end of June 30, 2005. The MDC has since filed an action to vacate the ruling of the arbitrators. The Authority plans to contest this action.

NEW HARTFORD SUIT

In December 2003, the Towns of New Hartford and Barkhamsted filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking damages allegedly resulting from the Enron transaction (and, with regard to some of the defendants, other allegedly improper transactions), as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority, as required by statute, is defending and indemnifying its former President and board members. On September 7, 2004, the plaintiff Towns filed a motion to have all municipalities that receive and pay for solid waste management services from the Mid-Connecticut Project under contract with the Authority certified as a class. On August 10, 2005, the Motions to Dismiss all of the non-Authority defendants were granted; on August 30, 2005, plaintiffs filed an appeal. On August 11, 2005, the court established a scheduling order for Class Certification. The matter is too preliminary to estimate any potential exposure.

AUTHORITY RATES AND CHARGES

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

TIP FEE HISTORY BY PROJECT
(Dollars charged per ton of solid waste delivered)

Fiscal Year	Mid-Connecticut	Bridgeport[1]		Wallingford	Southeast
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

LONG-TERM DEBT ISSUANCE, ADMINISTRATION AND CREDIT RATINGS

As detailed in the table on page 19, as of the fiscal year ended June 30, 2005, the Authority had $286.5 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 American Ref-Fuel Company and is not carried on the Authority's books. In addition, $65.3 million of the outstanding bonds pertaining to the Bridgeport project, $14.9 million of the outstanding bonds pertaining to the Wallingford project and $57.7 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.

Finally, the Authority defeased $96.8 million bonds pertaining to the Mid-Connecticut project, which also do not appear on the Authority's books. The Mid-Connecticut Project Bonds defeased during the fiscal year 2005 are invested in an escrow fund made up of U.S. Government Securities (State and Local Government Series). The total of outstanding bonds carried on the Authority's books as of the fiscal year ended June 30, 2005 is $105.1 million.

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 or the Special Capital Reserve Fund of the State of Connecticut, and in some cases, both. The Special Capital Reserve Fund (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 draw are provided by the State's General Fund and are deemed appropriated by the Connecticut legislature.

[1] 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.

The Authority did not issue long-term debt for capital improvements during the fiscal year ended June 30, 2005. The Authority did, however, request and receive $8.6 million in State Loans during fiscal year 2005 in support of the Mid-Connecticut Project Bonds debt service payments due. The State Loans are defined as bonds under the Mid-Connecticut Project Bond Resolution and are included in the table on page 19.

During March 2005, the Authority used proceeds from the sale of the Enron claim (See "Enron Matters" section herein) to fully defease its outstanding Mid-Connecticut Project 1997 Series A and 2001 Series A Bonds, to partially defease its outstanding Mid-Connecticut Project 1996 Series A Bonds, and to establish an irrevocable escrow fund for the repayment of its outstanding State loan borrowings. The defeased bonds do not appear on the Authority's books, however the principal outstanding on State loan borrowings is reflected in the table on page 19.

The Authority also redeemed two outstanding series of bonds during fiscal year 2005:

- In December 2004, the Authority called its outstanding $500,000 Wallingford Project 1991 Series One Subordinated Bonds at par from available funds and these bonds were retired. The 1991 Series One Bonds were originally issued in the amount of $7,000,000. The called bonds had a coupon rate of 6.85%.

- In April 2005, the Authority called its outstanding $2,045,000 Southeast Project 1989 Series A Bonds at par from available funds and these bonds were retired. The 1989 Series A Bonds were originally issued in the amount of $3,935,000 and had a coupon rate of 7.70%.

The ratings of the Authority's outstanding bonds were unchanged during the fiscal year ended June 30, 2005, with the exception of the Corporate Credit Revenue Bonds of the Southeast Project. Effective June 24, 2005, Danielson Holding Corporation, through its wholly-owned subsidiary, Covanta Energy Corporation, acquired all of the issued and outstanding shares of capital stock of American Ref-Fuel Holdings Corp., the indirect parent of American Ref-Fuel Company LLC. This acquisition was made pursuant to the terms of a Stock Purchase Agreement, dated as of January 31, 2005 among Danielson, Holdings Corp. and its owners. As a result of the acquisition, Danielson, through Covanta, owns 100% of the voting securities of Holdings Corp. On April 28, 2005, in connection with its consideration of the acquisition, Moody's Investors Service issued a ratings action downgrading American Ref-Fuel Company LLC ("ARC") and the guaranteed debt associated with the American Ref-Fuel Company projects. In addition, on June 28, 2005, Standard & Poor's Ratings Service announced that following the acquisition the credit rating on American Ref-Fuel Company and the guaranteed debt related to the American Ref-Fuel Company projects was lowered to "BB+".

Additional information on the Authority's long-term debt can be found in Note 4 on pages 32 – 36 of this report.

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2005

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhance-ment	X= SCRF-Backed [1]	Dated	Maturity Date	Original Principal ($000)	Principal Outstanding ($000)	On Authority's Books ($000)
MID-CONNECTICUT PROJECT									
1996 Series A - Project Refinancing [2]	Aaa	AAA	MBIA	X	08/20/96	11/15/12	$209,675	$69,415	$69,415
2004 State Loan Borrowings (cumulative) [3]	NR	NR	--	--	various	12/01/12	12,842	10,606	10,606
2005 State Loan Borrowings (cumulative) [3]	NR	NR	--	--	various	06/01/12	8,659	7,952	7,952
								87,973	87,973
BRIDGEPORT PROJECT									
1999 Series A - Project Refinancing	Aaa	AAA	MBIA	--	08/31/99	01/01/09	141,695	67,925	2,605
2000 Series A - Refinancing (partial insurance)	A3/Aaa	A+/AAA	MBIA	--	08/01/00	01/01/09	9,200	4,640	4,640
								72,565	7,245
WALLINGFORD PROJECT									
1998 Series A - Project Refinancing	Aaa	AAA	Ambac	--	10/23/98	11/15/08	39,475	17,555	2,688
								17,555	2,688
SOUTHEAST PROJECT									
1998 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/18/98	11/15/15	87,650	64,940	7,227
CORPORATE CREDIT REVENUE BONDS									
1992 Series A - Corporate Credit	Ba2	BB+	--	--	09/01/92	11/15/22	30,000	30,000	0
2001 Series A - American Ref-Fuel Company LLC-I	Ba2	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
2001 Series A - American Ref-Fuel Company LLC-II	Ba2	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
								108,440	7,227
TOTAL PRINCIPAL BONDS OUTSTANDING								$286,533	$105,133

BONDS REDEEMED DURING FISCAL YEAR ENDING JUNE 30, 2005

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhance-ment	X= SCRF-Backed [1]	Dated	Maturity Date	Original Principal ($000)	Redemption Date	Principal Outstanding ($000)	Principal Redeemed ($000)
WALLINGFORD PROJECT										
1991 Series One - Subordinated	A3	NR	--	--	08/01/91	11/15/05	$7,000	12/15/04	$500	$500
SOUTHEAST PROJECT										
1989 Series A - Project Refinancing	Aaa	AAA	MBIA	X	06/01/89	11/15/11	3,935	04/29/05	2,045	2,045

BONDS DEFEASED DURING FISCAL YEAR ENDING JUNE 30, 2005

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhance-ment	X= SCRF-Backed [1]	Dated	Maturity Date	Original Principal ($000)	Defeasance Date	Principal Outstanding ($000)	Principal Defeased ($000)
MID-CONNECTICUT PROJECT										
1996 Series A - Project Refinancing [2]	Aaa	AAA	MBIA	X	08/20/96	11/15/12	$209,675	03/11/05	$150,925	$81,510
1997 Series A - Project Construction	Aaa	AAA	MBIA	X	07/15/97	11/15/06	8,000	03/11/05	2,100	2,100
2001 Series A - Project Construction (Subordinated) [3]	Baa3	BBB	--	--	01/18/01	11/15/12	13,210	03/11/05	13,210	13,210

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

[2] Partial Defeasance.

[3] On 3/24/05, an Irrevocable Escrow Fund in the amount of 19,394,506 was established to pay all future State Loan repayments.

NR = Not Rated

REQUESTS FOR INFORMATION

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

BALANCE SHEETS
AS OF JUNE 30, 2005 AND 2004
(In Thousands)

EXHIBIT I

ASSETS	2005	2004
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$ 64,673	$ 62,312
Accounts receivable, net of allowance	23,135	21,053
Inventory	3,796	3,541
Prepaid expenses	1,242	1,454
Total Unrestricted Assets	92,846	88,360
Restricted Assets:		
Cash and cash equivalents	22,900	29,360
Accrued interest receivable	325	144
Total Restricted Assets	23,225	29,504
Total Current Assets	116,071	117,864
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	81,452	62,521
Capital Assets:		
Depreciable, net	156,569	170,661
Nondepreciable	27,845	28,275
Development and bond issuance costs, net	7,221	9,204
Total Non-Current Assets	273,087	270,661
TOTAL ASSETS	$ 389,158	$ 388,525
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable, net	$ 2,766	$ 18,922
Current portion of State loans payable	2,619	1,484
Current portion of closure and postclosure care of landfills	1,529	1,433
Accounts payable and accrued expenses	22,021	21,785
Other	4,760	4,156
Total Current Liabilities	33,695	47,780
LONG-TERM LIABILITIES		
Bonds payable, net	82,227	183,690
State loans payable	15,939	10,606
Closure and postclosure care of landfills	24,948	25,716
Other	1,581	1,900
Total Long-Term Liabilities	124,695	221,912
TOTAL LIABILITIES	158,390	269,692
NET ASSETS		
Invested in Capital Assets, net of related debt	100,471	26,096
Restricted	61,082	64,025
Unrestricted	69,215	28,712
Total Net Assets	230,768	118,833
TOTAL LIABILITIES AND NET ASSETS	$ 389,158	$ 388,525

The accompanying notes are an integral part of these financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004 (In Thousands)

EXHIBIT II

	2005	2004
Operating Revenues		
Service charges:		
Members	$ 91,894	$ 88,541
Others	30,223	27,384
Energy generation	33,798	36,998
Ash disposal reimbursement	4,025	4,031
Other operating revenues	9,001	8,464
Total operating revenues	168,941	165,418
Operating Expenses		
Solid waste operations	128,394	126,016
Depreciation and amortization	17,864	17,887
Maintenance and utilities	2,037	1,697
Closure and postclosure care of landfills	180	1,889
Project administration	6,832	5,880
Total operating expenses	155,307	153,369
Operating Income	13,634	12,049
Non-Operating Revenues and (Expenses)		
Enron claim	82,760	-
Investment income	4,471	1,623
Other income (expenses), net	(1,282)	154
Interest expense	(10,022)	(12,482)
Net Non-Operating Revenues and (Expenses)	75,927	(10,705)
Income before Special Items	89,561	1,344
Special items:		
Gain on sale of Enron claim	28,502	-
Early retirement/defeasance of debt	(6,128)	-
Total special items	22,374	-
Increase in Net Assets	111,935	1,344
Total Net Assets, beginning of year	118,833	117,489
Total Net Assets, end of year	$ 230,768	$ 118,833

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004 — EXHIBIT III
(In Thousands)

	2005	2004
Cash Flows From Operating Activities		
Payments received from providing services	$ 169,994	$ 166,961
Payments to suppliers for goods and services	(135,263)	(132,907)
Payments to municipalities for rebates	(1,177)	-
Payments to employees for services	(4,043)	(3,395)
Net Cash Provided by Operating Activities	29,511	30,659
Cash Flows From Investing Activities		
Proceeds from sale of Enron claim	111,262	-
Interest on investments	4,290	1,643
Proceeds from sales of investments	-	181
Net Cash Provided by Investing Activities	115,552	1,824
Cash Flows From Capital and Related Financing Activities		
Proceeds from State loans	8,659	10,842
Proceeds from sales of equipment	17	3
Payments for landfill closure and postclosure care liabilities	(852)	(692)
Acquisition and construction of capital assets	(2,249)	(2,460)
Payment for early retirement/defeasance of debt	(4,501)	-
Interest paid on long-term debt	(10,373)	(12,126)
Principal paid on long-term debt	(121,025)	(19,353)
Net Cash Used for Capital and Related Financing Activities	(130,324)	(23,786)
Cash Flows From Non-Capital Financing Activities		
Other interest and fees	93	71
Net Cash Provided by Non-Capital Financing Activities	93	71
Net increase in cash and cash equivalents	14,832	8,768
Cash and cash equivalents, beginning of year	154,193	145,425
Cash and cash equivalents, end of year	$ 169,025	$ 154,193
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating income	$ 13,634	$ 12,049
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation of capital assets	16,786	16,749
Amortization of development and bond issuance costs	1,078	1,138
Provision for closure and postclosure care of landfills	180	1,889
Other income (expenses)	(1,409)	-
(Increase) decrease in:		
Accounts receivable, net	(2,082)	215
Inventory	(255)	66
Prepaid expenses	212	(8)
(Decrease) increase in:		
Accounts payable and accrued expenses	1,367	(1,439)
Net Cash Provided by Operating Activities	$ 29,511	$ 30,659

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

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 (State) and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2005, the Authority is authorized to have a board consisting of eleven directors and eight ad-hoc members. The Governor of the State appoints three full members and all eight ad-hoc members. The remaining eight full members are appointed by the State legislature.

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

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

<u>**Mid-Connecticut Project**</u>

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

In conjunction with the deregulation of the State's electric industry, the Authority acquired from the Connecticut Light & Power Company (CL&P) four Pratt & Whitney Twin-Pac peaking jets 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 jets turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines.

Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn Resources Recovery Facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a Regional Recycling Center located in Stratford, Connecticut. The Bridgeport Project provides solid waste disposal services to 18 Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities in the Bridgeport system. The Resources Recovery Facility is leased to a private vendor under a long-term sales-type arrangement until December 2008, with several renewal option provisions. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to pay for the costs of the facility including debt service (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to member municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor.

Wallingford Project

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

Southeast Project

The Southeast Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The Southeast Project provides solid waste disposal services to 15 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 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 postclosure care of landfills, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

C. Estimates

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

D. Cash and Cash Equivalents

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

E. Accounts Receivable, 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 $640,000 and $250,000 at June 30, 2005 and 2004, 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, 2005 and 2004 are summarized as follows:

Inventories	2005 ($000)	2004 ($000)
Spare parts	$ 3,583	$ 3,217
Coal	213	324
Total	$ 3,796	$ 3,541

G. Investments

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

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

H. Restricted Assets

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

I. Development and Bonds Issuance Costs

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

At June 30, 2005 and 2004, development and bond issuance costs for the projects are as follows:

Project	2005 ($000)	2004 ($000)
Development costs:		
Mid-Connecticut	$ 3,277	$ 3,277
Wallingford	5,667	5,667
Southeast	10,006	10,006
	18,950	18,950
Less accumulated amortization:		
Mid-Connecticut	2,807	2,650
Wallingford	4,534	4,250
Southeast	5,692	5,300
	13,033	12,200
Total development costs, net	$ 5,917	$ 6,750
Bond Issuance costs:		
Mid-Connecticut	$ 1,087	$ 2,832
Bridgeport	275	275
Wallingford	105	584
Southeast	1,008	1,008
	2,475	4,699
Less accumulated amortization:		
Mid-Connecticut	559	$ 1,313
Bridgeport	153	122
Wallingford	67	474
Southeast	392	336
	1,171	2,245
Total bond issuance costs, net	$ 1,304	$ 2,454
Totals, net	$ 7,221	$ 9,204

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 capital assets located at the landfills are based on the estimated years of available disposal capacity. The estimated useful lives of other capital assets are as follows:

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

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

K. Accrued Compensation

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

L. Net Assets

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

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

Further, unrestricted net assets may be divided into designated and undesignated portions. Designated net assets represent the Authority's self-imposed limitations on the use of otherwise unrestricted net assets. Unrestricted net assets have been designated by the Board of Directors of the Authority for various purposes and such designations totaled $38,795 and $35,256 as of June 30, 2005 and 2004, respectively.

Restrictions of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Restricted net assets at June 30, 2005 and 2004 are summarized as follows:

Restricted Net Assets	2005 ($000)	2004 ($000)
Energy generating facility	$ 20,809	$ 20,000
Debt service reserve	19,129	21,463
Tip fee stabilization	13,875	7,609
Operating and maintenance	1,512	1,529
Equipment replacement	1,512	1,529
Debt service funds	1,019	9,485
Select Energy escrow	1,000	1,000
Landfill custodian accounts	715	703
Regional recycling center equipment	374	448
Recycling education fund	346	239
Revenue fund	344	-
State Loan	124	-
Others	323	20
Total	$61,082	$64,025

M. Reclassifications

Certain reclassifications have been made to the 2004 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, 2005 and 2004:

	2005 ($000)	2004 ($000)
Unrestricted:		
Cash deposits	$1,419	$1,766
Cash equivalents:		
STIF *	63,254	60,546
	64,673	62,312
Restricted – current:		
Cash deposits	338	482
Cash equivalents:		
STIF *	19,848	27,059
Money Market Funds	2,714	1,819
	22,900	29,360
Restricted – non-current:		
Cash equivalents:		
STIF *	80,302	61,090
U.S. Treasuries	715	703
Money Market Funds	435	728
	81,452	62,521
Total:	$169,025	$154,193

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

A. Cash Deposits – Custodial Credit Risk

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

As of June 30, 2005 and 2004, $4.4 million and $2.9 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

	2005 ($000)	2004 ($000)
Uninsured and Uncollateralized	$3,866	$2,635
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	573	320
Total	$4,439	$2,955

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"), U.S. Treasuries and Money Market Funds as of June 30, 2005 and 2004, are included in cash and cash equivalents in the accompanying balance sheet. For purposes of disclosure under GASB Statement No. 40, such amounts are considered investments and are included in the investment disclosures that follow.

B. Investments

Interest Rate Risk

As of June 30, 2005, 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	$163,404	$163,404	$0	$0	$0
U.S. Treasuries	715	715	0	0	0
Money Market Funds	3,149	3,149	0	0	0
Total	$167,268	$167,268	$0	$0	$0

As of June 30, 2004, 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	$148,695	$148,695	$0	$0	$0
U.S. Treasuries	703	703	0	0	0
Money Market Funds	2,547	2,547	0	0	0
Total	$151,945	$151,945	$0	$0	$0

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, 2005 and 2004, STIF had a weighted average maturity of 32 days and 35 days, respectively. The U.S. Treasury Securities are U.S. Treasury Bills that have 90-day maturities. The Money Market Funds invests 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, 2005 and 2004, the weighted average maturity of this fund was eight days and 38 days, respectively.

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

Interest repayment obligations on all outstanding Authority debt is fixed rate with the exception of the State loans, which are variable rate. As discussed in Note 4B, the State sets the interest rate monthly (the STIF rate plus 25 basis points). As of March 1, 2005, the State loan had a principal balance of $19,213,525. On March 24, 2005, the Authority instructed the Trustee to create an irrevocable escrow fund invested in STIF and deposited $19,394,506 of the proceeds from the sale of the Enron claim (see Note 12). The difference between the principal balance and the escrow fund deposit will be used to pay the 25 basis point differential between the STIF rate and the State loan monthly interest rate.

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, provide such obligations are rated within one of the top three rating categories of any recognized rating service.

As of June 30, 2005, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$163,404	AAAm	Not Rated	Not Rated
U.S. Treasuries	715	AAA	Aaa	AAA
Money Market Funds	3,149	AAAm	Aaa	AAA/ V1+F

As of June 30, 2004, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$148,695	AAAm	Not Rated	Not Rated
U.S. Treasuries	703	AAA	Aaa	AAA
Money Market Funds	2,547	AAAm	Aaa	AAA/ V1+F

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a 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 concentration 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, 2005 and 2004, approximately 97.7% and 97.8%, 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.

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2004 and 2005:

	Balance at July 1, 2003 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2004 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2005 ($000)
Nondepreciable assets:									
Land	$ 27,774	$ -	$ -	$ -	$ 27,774	$ -	$ -	$ -	$ 27,774
Construction-in-progress	36	649	(184)	-	501	1,398	(1,828)	-	71
Total nondepreciable assets	$ 27,810	$ 649	$ (184)	$ -	$ 28,275	$ 1,398	$ (1,828)	$ -	$ 27,845
Depreciable assets:									
Plant	$ 186,157	$ 986	$ -	$ (364)	$ 186,779	$ 294	$ 1,073	$ (65)	$ 188,081
Equipment	203,789	937	217	(114)	204,829	648	753	(294)	205,936
Total at cost	389,946	1,923	217	(478)	391,608	942	1,826	(359)	394,017
Less accumulated depreciation for:									
Plant	(102,012)	(7,595)	128	293	(109,186)	(7,523)	-	8	(116,701)
Equipment	(102,525)	(9,154)	(161)	79	(111,761)	(9,263)	2	275	(120,747)
Total accumulated depreciation	(204,537)	(16,749)	(33)	372	(220,947)	(16,786)	2	283	(237,448)
Total depreciable assets, net	$ 185,409	$ (14,826)	$ 184	$ (106)	$ 170,661	$ (15,844)	$ 1,828	$ (76)	$ 156,569

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested proceeds over the same period. During fiscal 2005 and 2004, there was no capitalized interest as there was no external borrowing.

4. LONG-TERM DEBT

A. Bonds Payable

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

The following is a summary of changes in bonds payable for the years ended June 30, 2004 and 2005.

	Balance at July 1, 2003 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2004 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2005 ($000)	Amounts Due Within One Year ($000)
Bonds payable - principal	$ 224,010	$ -	$ (18,601)	$ 205,409	$ -	$ (118,834)	$ 86,575	$ 2,875
Unamortized amounts:								
Premiums	1,324	-	(180)	1,144	-	(518)	626	109
Deferred amount on refunding	(4,728)	-	787	(3,941)	-	1,733	(2,208)	(218)
Total bonds payable	$ 220,606	$ -	$ (17,994)	$ 202,612	$ -	$ (117,619)	$ 84,993	$ 2,766

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, 2005 and 2004 as follows:

Project	2005 ($000)	2004 ($000)
Deferred amount on refunding:		
Mid-Connecticut	$ 869	$ 2,368
Bridgeport	(27)	(42)
Wallingford	17	27
Southeast	1,349	1,588
Subtotal	2,208	3,941
Reduced by unamortized premium:		
Mid-Connecticut	-	(400)
Bridgeport	(20)	(31)
Southeast	(606)	(713)
Subtotal	(626)	(1,144)
Net Reduction	$ 1,582	$ 2,797

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, 2005 and 2004, which are backed by special capital reserve funds, are as follows:

Project	2005 ($000)	2004 ($000)
Mid-Connecticut	$ 69,415	$ 168,775
Southeast	7,227	9,958
Total	$ 76,642	$ 178,733

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

Year ending June 30	Mid-Connecticut Principal ($000)	Mid-Connecticut Interest ($000)	Bridgeport Principal ($000)	Bridgeport Interest ($000)	Wallingford Principal ($000)	Wallingford Interest ($000)
2006	$ -	$ 3,785	$ 1,740	$ 363	$ 633	$ 95
2007	-	3,785	1,845	277	658	69
2008	-	3,785	1,955	185	684	42
2009	-	3,785	1,705	86	713	14
2010	5,810	3,629	-	-	-	-
2011-2015	63,605	5,346	-	-	-	-
2016	-	-	-	-	-	-
	$ 69,415	$ 24,115	$ 7,245	$ 911	$ 2,688	$ 220
Interest Rates	5.375-5.50%		4.88-5.5%		4%	

Year ending June 30	Southeast Principal ($000)	Southeast Interest ($000)	Total Principal ($000)	Total Interest ($000)
2006	$ 502	$ 373	$ 2,875	$ 4,616
2007	529	345	3,032	4,476
2008	556	315	3,195	4,327
2009	586	283	3,004	4,168
2010	618	250	6,428	3,879
2011-2015	3,604	702	67,209	6,048
2016	832	21	832	21
	$ 7,227	$ 2,289	$ 86,575	$ 27,535
Interest Rates	5.125-5.5%			

Early Retirement of Debt

During the year ended June 30, 2005, the Authority used proceeds from the sale of the Enron claim and other available bond funds (see Note 12) to defease Mid-Connecticut Project debt; excess funds in the Montville Landfill Postclosure Reserve to call Southeast Project debt; and the Debt Service Reserve Fund to call Wallingford Project debt as follows:

Description	Interest Rates	Amount ($000)
Bonds Defeased		
Mid-Connecticut	4.25% - 6.25%	$ 96,820
Bonds Called		
Southeast	7.70%	2,045
Wallingford	6.85%	500
		$ 99,365

A portion of the proceeds from the sale of the Enron claim 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 certain Mid-Connecticut bonds. Thus, those Mid-Connecticut bonds are legally defeased and the liability for those bonds has been removed from the accompanying balance sheet. In March 2005, the Authority legally defeased $96,820,000 of certain Mid-Connecticut bonds. As of June 30, 2005, $96,820,000 remain payable from the irrevocable trust escrow to bondholders.

The Authority recognized $6,128 in the accompanying statement of revenues, expenses and change in net assets. This amount represents the write-off of unamortized amounts related to the retired/defeased bonds payable, including bond issuance costs and other deferred amounts.

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. Through June 30, 2005, the Authority has drawn down $21.5 million in loan advances from the State. All loans received from the State must be fully repaid, with interest, by 2012. The interest rate, as determined by the Office of the State Treasurer, is adjusted monthly based on the State's base rate (STIF) plus twenty-five basis points and may not exceed six percent. The interest rate for June 2005 was 3.51%.

The following is a summary of changes in the State loans payable for the years ended June 30, 2004 and 2005.

	Balance at July 1, 2003 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2004 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2005 ($000)	Amounts Due Within One Year ($000)
State loans payable - principal	$ 2,000	$ 10,842	$ (752)	$ 12,090	$ 8,659	$ (2,191)	$ 18,558	$ 2,619

Maturities of the State loans payable and related interest are as follows:

Year Ending June 30	Principal ($000)	Interest ($000)
2006	$ 2,619	$ 621
2007	2,619	525
2008	2,619	432
2009	2,619	338
2010	2,619	244
2011 – 2013	5,463	213
Total	$ 18,558	$ 2,373

Interest rate is assumed @ 3.51%

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

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

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

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

The closure and postclosure care liabilities including the amounts paid and accrued for fiscal 2004 and 2005 for the landfills, are presented in the following table:

Project/Landfill	Liability at July 1, 2003 ($000)	Accured ($000)	Paid ($000)	Liability at June 30, 2004 ($000)	Accured ($000)	Paid ($000)	Liability at June 30, 2005 ($000)	Amounts Due Within One Year ($000)
Mid-Connecticut:								
Hartford	$ 6,336	$ 190	$ -	$ 6,526	$ 281	$ -	$ 6,807	$ -
Ellington	3,202	277	(161)	3,318	104	(283)	3,139	209
Bridgeport:								
Shelton	10,255	1,097	(367)	10,985	(180)	(409)	10,396	1,120
Waterbury	956	61	-	1,017	-	-	1,017	-
Wallingford	5,203	264	(164)	5,303	(25)	(160)	5,118	200
Total	$25,952	$ 1,889	$ (692)	$ 27,149	$ 180	$ (852)	$ 26,477	$ 1,529

The estimated remaining costs to be recognized in the future as closure and postclosure care of landfill expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2005 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	$ 892	69%	98%	3	1
Bridgeport-Waterbury	126	----	89%	----	3
Total	$ 1,018				

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

The Authority has placed funds in trust accounts for financial assurance purposes. The Mid-Connecticut-Ellington Landfill account is valued at $429,000 and $421,000 at June 30, 2005 and 2004, respectively. The Bridgeport-Waterbury Landfill account is valued at $152,000 and $150,000 at June 30, 2005 and 2004, respectively. The Wallingford Landfill account is valued at $134,000 and $132,000 at

June 30, 2005 and 2004, respectively. These trust accounts are reflected as restricted assets in the accompanying balance sheets.

At June 30, 2005, 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 2005.

In addition to the above trust accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2005 and 2004 by meeting specified criteria pursuant to Section 258.74 of the federal Environmental Protection Agency Subtitle D regulations.

6. MAJOR CUSTOMERS

Energy generation revenues from CL&P totaled 11% of the Authority's operating revenues for each of the fiscal years ended June 30, 2005 and 2004.

Service charge revenues from Waste Management of Connecticut, Inc. totaled 11% and 12 % of the Authority's operating revenues for each of the fiscal years ended June 30, 2005 and 2004, respectively.

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 5 percent of payroll plus a dollar for dollar match of employees' contributions up to 5 percent. Authority contributions for the years ended June 30, 2005 and 2004 amounted to $337,000 and $275,000, respectively. Employees contributed $289,000 to the plan in fiscal year 2005 and $252,000 in fiscal year 2004.

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 2005, the Authority increased the overall property insurance limit from $305 million to $315 million 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 $315 million applies on a blanket basis for property damage to all locations.

The Authority is a member of the Connecticut Interlocal Risk Management Agency's (CIRMA) Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. In fiscal year 2005, CRRA purchased an extended policy covering our employees from July 1, 2004 through October 1, 2005. The deposit contribution (premium) paid for this policy was $73,000. The premium for the previous policy for the period from July 1, 2003 through July 1, 2004 was $49,000.

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	2005 ($000)	2004 ($000)
Minimum rentals	$ 638	$ 927
Contingent rentals	120	-
Total	$ 758	$ 927

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, 2005 and 2004, the PILOT payments totaled $7,761,000 and $7,512,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2005 are as follows:

Fiscal Year	Lease Amount ($000)	PILOT Amount ($000)
2006	$ 632	$ 7,983
2007	628	8,212
2008	644	8,449
2009	294	7,410
2010	114	6,325
2011-2015	241	12,797
Thereafter	0	1,985
Total	$ 2,553	$ 53,161

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, 2005 and 2004 was as follows:

Project	2005 ($000)	2004 ($000)
Mid-Connecticut	$ 44,154	$ 42,789
Bridgeport	39,682	37,693
Wallingford	13,826	13,079
Southeast	8,690	9,415
Total	$ 106,352	$ 102,976

10. OTHER FINANCING

The Authority has issued several bonds pursuant to Indenture Agreements to fund the construction of waste processing facilities built and operated by independent contractors. The revenue bonds were issued by the Authority to lower the cost of borrowing for the contractor/ operator of the projects. The Authority 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 in its financial statements. The principal amounts of these bond issues outstanding at June 30, 2005 (excluding portions allocable to Authority purposes) are as follows:

Project	Amount ($000)
Bridgeport - 1999 Series A	$ 65,320
Wallingford - 1998 Series A	14,867
Southeast -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	57,713
2001 Series A (American Ref-Fuel Company LLC – I)	6,750
2001 Series A (American Ref-Fuel Company LLC – II)	6,750
	101,213
Total	$ 181,400

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 segments that operate resources recovery and recycling facilities and landfills throughout the State and are required to be self-supporting through user service fees and sales of electricity. The Authority has issued various revenue bonds to provide financing for the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the year ended June 30, 2005.

	Mid-Connecticut ($000)	Bridgeport ($000)	Wallingford ($000)	Southeast ($000)
Condensed Balance Sheets				
Assets:				
Current unrestricted assets	$ 43,811	$ 16,656	$ 24,543	$ 7,562
Current restricted assets	17,079	1,763	1,894	2,469
Total current assets	60,890	18,419	26,437	10,031
Non-current assets:				
Restricted cash and cash equivalents	64,301	1,373	14,723	1,055
Capital assets, net	161,572	19,968	1,979	-
Other assets, net	998	122	1,171	4,930
Total non-current assets	226,871	21,463	17,873	5,985
Total assets	$ 287,761	$ 39,882	$ 44,310	$ 16,016
Liabilities:				
Current liabilities	$ 16,762	$ 9,353	$ 3,687	$ 3,174
Long-term liabilities	94,223	15,824	6,963	7,685
Total liabilities	110,985	25,177	10,650	10,859
Net Assets:				
Invested in capital assets, net of related debt	86,710	13,761	-	-
Restricted	44,704	1,980	14,118	260
Unrestricted	45,362	(1,036)	19,542	4,897
Total net assets	176,776	14,705	33,660	5,157
Total liabilities and net assets	$ 287,761	$ 39,882	$ 44,310	$ 16,016
Condensed Statements of Revenues, Expenses, and Changes in Net Assets				
Operating revenues	$ 86,571	$ 50,027	$ 21,973	$ 11,809
Operating expenses	(66,194)	(45,599)	(16,719)	(10,359)
Depreciation and amortization expense	(16,080)	(858)	(309)	(448)
Operating income	4,297	3,570	4,945	1,002
Non-operating revenues (expenses):				
Enron claim settlement	82,760	-	-	-
Investment income	3,063	286	796	308
Other income (expenses)	(89)	(1,870)	(184)	500
Interest expense	(8,819)	(378)	(160)	(665)
Net non-operating revenues (expense)	76,915	(1,962)	452	143
Income before special items	81,212	1,608	5,397	1,145
Special items:				
Gain on sale of Enron claim	28,502	-	-	-
Early retirement/defeasance of debt	(6,081)	-	(47)	-
Increase in net assets	103,633	1,608	5,350	1,145
Total net assets, July 1, 2004	73,143	13,097	28,310	4,012
Total net assets, June 30, 2005	$ 176,776	$ 14,705	$ 33,660	$ 5,157
Condensed Statement of Cash Flows				
Net cash provided by (used in):				
Operating activities	$ 20,404	$ 4,061	$ 4,235	$ 1,352
Investing activities	114,232	283	788	231
Capital and related financing activities	(122,212)	(2,605)	(2,232)	(3,290)
Non-capital financing activities	(32)	(17)	(7)	(9)
Net increase (decrease)	12,392	1,722	2,784	(1,716)
Cash and cash equivalents, July 1, 2004	97,403	12,970	34,800	7,445
Cash and cash equivalents, June 30, 2005	$ 109,795	$ 14,692	$ 37,584	$ 5,729

12. SIGNIFICANT EVENTS

In connection with the Mid-Connecticut Project and the Enron bankruptcy, the Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover losses. On June 29, 2004, Enron agreed to the proposed settlement of the claims that were filed, pending approval from the United States Bankruptcy court. On August 20, 2004, the Authority sold its Enron bankruptcy claims to a major financial institution through a competitive bid auction. This institution agreed to pay the Authority approximately $111.2 million which resulted in a gain on sale of the Enron claims of $28.5 million. On January 20, 2005, the United States Bankruptcy court approved the Enron settlement agreement. On February 1, 2005, $111.7 million in funds (representing the estimated value of the Enron claims of $82.8 million and $28.5 million gain from the sale of the Enron claims plus $424,926 of interest income) was released to the Authority. On February 24, 2005, the Board of Directors approved several resolutions regarding the distribution of the proceeds from the sale of the Enron claims. On March 11, 2005, using the proceeds from the sale of the Enron claims and other available bond funds, the Authority fully defeased its outstanding Mid-Connecticut Project 1997 Series A Bonds and 2001 Series A Bonds and partially defeased its outstanding 1996 Series A Bonds. On March 24, 2005, using the remaining proceeds from the sale of the Enron claims, the Authority established an irrevocable escrow fund for the future repayment of the outstanding State loan borrowings.

During fiscal 2005, the Authority's Bridgeport Project entered into a Settlement Agreement related to an August 1999 bond refinancing with a contractor. Under this agreement, the Bridgeport Project will pay $1,850,000 in fiscal 2006.

13. CONTINGENCIES

In December 2003, the Towns of New Hartford and Barkhamsted filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking alleged damages resulting from the Enron transaction (and, with regard to some of the defendants, other allegedly improper transactions), as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority, as required by statute, 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. On August 11, 2005, the court set forth a scheduling order on Class Certification. The matter is too preliminary to estimate any potential exposure.

In April 2001, numerous commercial and residential neighbors of the Hartford Landfill filed suit against the Authority, claiming that 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, the plaintiffs have sustained a 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, totaling approximately $32,200,000. The total of Plaintiffs' claims exceeds the amount of the Authority's insurance coverage ($31 million); however, management believes that it is more probable than not that the Authority's exposure is well within its policy limits.

In August 2003, the U.S. Bankruptcy Court for the Northern District of Illinois entered a judgment order in favor of the Authority and against Resource Technology Corporation ("RTC") on all counts of the complaint of RTC against the Authority. In June 2005, after the trustee in bankruptcy for RTC abandoned certain settlement efforts between the parties, the Authority filed a motion to finalize the judgment order on liability issues with respect to RTC's claims against the Authority. The Bankruptcy Court granted the Authority's motion and rendered a final and appealable judgment order in favor of the Authority on RTC's claims. The trustee for RTC took an appeal from that final judgment order, and the appeal is now pending. Other than legal fees for which the Authority may be responsible, management believes that the outcome of this matter will not have a material adverse effect on the Authority's financial position.

The Authority completed two arbitration hearings with the Metropolitan District Commission (the "MDC") during fiscal year 2005 on claims asserted by both parties. The first arbitration hearing was held in the fall of 2004 regarding the Authority's right to hire replacement workers at the Mid-Connecticut Project transfer stations and for transportation services. The arbitrators ruled that the Authority has the right to replace the MDC workers. The MDC did not seek damages. A second arbitration hearing was held in the spring of 2005, to resolve certain claims, including non-payment of two MDC invoices and the Authority's claim that it was being 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. The balance of the escrow account, which was approximately $5.0 million as of June 30, 2005, is included in the current restricted cash and cash equivalents in the accompanying balance sheets. 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 has since filed an action to vacate the ruling of the arbitrators. The Authority plans to contest this action.

The Authority has disputed matters with several parties related to its recycling programs, including a lawsuit against the Town of Greenwich for the Town's failure to deliver all of its collected fiber recyclables to the Authority's recycling facility. Other than legal fees for which the Authority is responsible, management believes that the outcome of these matters will not have a material adverse effect on the Authority's financial position.

The Authority, through the Connecticut Attorney General's office, is pursuing recovery of lost monies from the transaction with Enron and its subsidiaries in federal and state courts from its former law firms, financial institutions, rating agencies, Enron and Enron related parties. Other than the legal fees and costs for which the Authority may be responsible, management is uncertain of the amounts that may be realized from these claims.

Unasserted Claims and Assessments:

In Spring of 2005, TRC Companies, Inc. ("TRC") proposed to transfer polluted soil to the Authority's South Meadows Station to be used as fill and cover in connection with the ongoing remediation of the South Meadows property. The Authority rejected TRC's proposal. TRC has indicated an objection to the Authority's position and could potentially assert a claim in arbitration that the Authority wrongfully rejected the transfer of said material, thereby causing TRC to incur substantial damages in procuring alternative materials. At this time, management does not believe that TRC will pursue this matter.

In March of 2005, the Authority received a letter from one of the law firms hired by the Attorney General's office to represent the Authority in pursuit of its Enron-related losses. The law firm claims that the Authority owes it $163,183, based upon an alleged agreement between the law firm and the Authority that the law firm would give the Authority a $20,000 credit and freeze all of its attorney and paralegal rates at their 2002 levels, and would recover the discounts given once the litigation with Enron was concluded. The Authority has reviewed the evidence supplied by the law firm of the said agreement, as well as its own files, and has discussed the matter with the Attorney General's office. Apart from the referenced $20,000, management believes that there is inadequate evidence to support the law firm's claim for payment. However, it is possible that the law firm will not accept the Authority's conclusion, and will pursue this matter.

By letter dated July 7, 2004, attorneys for the Organized North Easterners and Clay Hill and North End, Inc. ("ONE/CHANE") sent a letter to the Authority claiming entitlement to grant money of over $5,000,000, allegedly arising out of a Community Support Agreement between the Authority and ONE/CHANE dated October 6, 1999 and relating to a possible expansion of the Hartford landfill. The expansion never occurred, and the Authority has informed ONE/CHANE that no money is due it under the agreement. ONE/CHANE has not instituted suit on its claims, and at this time, management does not believe that it intends to do so.

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 reviewed; a draft report is anticipated shortly, and counsel believes that mediation may follow. The matter is too preliminary to estimate any potential exposure, but management believes that, other than any insurance deductible for which the Authority may be responsible, the outcome of these claims will not have a material adverse effect on the Authority's financial position.

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

COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2005
(In Thousands)

EXHIBIT A
Page 1 of 2

ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2005
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	$ 1,205	$ 28,506	$ 11,560	$ 21,065	$ 2,337	$ -	$ 64,673
Accounts receivable, net of allowance	137	9,626	4,959	3,188	5,225	-	23,135
Inventory	-	3,796	-	-	-	-	3,796
Prepaid expenses	59	756	137	290	-	-	1,242
Due from other funds	-	1,127	-	-	-	(1,127)	-
Total Unrestricted Assets	1,401	43,811	16,656	24,543	7,562	(1,127)	92,846
Restricted Assets:							
Cash and cash equivalents	20	16,942	1,758	1,843	2,337	-	22,900
Accrued interest receivable	-	137	5	51	132	-	325
Total Restricted Assets	20	17,079	1,763	1,894	2,469	-	23,225
Total Current Assets	1,421	60,890	18,419	26,437	10,031	(1,127)	116,071
NON-CURRENT ASSETS							
Restricted cash and cash equivalents	-	64,301	1,373	14,723	1,055	-	81,452
Capital assets:							
Depreciable:							
Plant	864	162,039	25,178	-	-	-	188,081
Equipment	859	202,261	2,816	-	-	-	205,936
	1,723	364,300	27,994	-	-	-	394,017
Less: accumulated depreciation	(828)	(213,394)	(23,226)	-	-	-	(237,448)
Total Depreciable, net	895	150,906	4,768	-	-	-	156,569
Nondepreciable:							
Land	-	10,595	15,200	1,979	-	-	27,774
Construction in progress	-	71	-	-	-	-	71
Total Nondepreciable	-	10,666	15,200	1,979	-	-	27,845
Development and bond issuance costs, net	-	998	122	1,171	4,930	-	7,221
Total Non-Current Assets	895	226,871	21,463	17,873	5,985	-	273,087
TOTAL ASSETS	$ 2,316	$ 287,761	$ 39,882	$ 44,310	$ 16,016	$ (1,127)	$ 389,158

COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2005
(In Thousands)

EXHIBIT A
Page 2 of 2

LIABILITIES AND NET ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2005
CURRENT LIABILITIES							
Current portion of:							
Bonds payable, net	$ -	$ -	$ 1,761	$ 626	$ 379	$ -	$ 2,766
State loans payable	-	2,619	-	-	-	-	2,619
Closure and postclosure care of landfills	-	209	1,120	200	-	-	1,529
Accounts payable and accrued expenses	719	9,306	6,472	2,861	2,663	-	22,021
Due to other funds	1,127	-	-	-	-	(1,127)	-
Other	-	4,628	-	-	132	-	4,760
Total Current Liabilities	1,846	16,762	9,353	3,687	3,174	(1,127)	33,695
LONG-TERM LIABILITIES							
Bonds payable, net	-	68,547	5,531	2,045	6,104	-	82,227
State loans payable	-	15,939	-	-	-	-	15,939
Closure and postclosure care of landfills	-	9,737	10,293	4,918	-	-	24,948
Other	-	-	-	-	1,581	-	1,581
Total Long-Term Liabilities	-	94,223	15,824	6,963	7,685	-	124,695
TOTAL LIABILITIES	1,846	110,985	25,177	10,650	10,859	(1,127)	158,390
NET ASSETS							
Invested in Capital Assets, net of related debt	-	86,710	13,761	-	-	-	100,471
Restricted:							
Energy generating facility	-	20,809	-	-	-	-	20,809
Debt service reserve funds	-	18,089	971	-	69	-	19,129
Tip fee stabilization	-	-	-	13,875	-	-	13,875
Debt service funds	-	165	854	-	-	-	1,019
Operating and maintenance	-	1,512	-	-	-	-	1,512
Equipment replacement	-	1,512	-	-	-	-	1,512
Select Energy escrow	-	1,000	-	-	-	-	1,000
Landfill custodian accounts	-	429	152	134	-	-	715
Regional recycling center equipment	-	374	-	-	-	-	374
Recycling education fund	-	346	-	-	-	-	346
Revenue fund	-	344	-	-	-	-	344
State loan	-	124	-	-	-	-	124
Other	20	-	3	109	191	-	323
Total Restricted	20	44,704	1,980	14,118	260	-	61,082
Unrestricted	450	45,362	(1,036)	19,542	4,897	-	69,215
Total Net Assets	470	176,776	14,705	33,660	5,157	-	230,768
TOTAL LIABILITIES AND NET ASSETS	$ 2,316	$ 287,761	$ 39,882	$ 44,310	$ 16,016	$ (1,127)	$ 389,158

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005
(In Thousands)

EXHIBIT B

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2005
Operating Revenues							
Service charges:							
Members	$ -	$ 42,133	$ 30,535	$ 8,560	$ 10,666	$ -	$ 91,894
Others	-	18,259	12,207	53	1,143	(1,439)	30,223
Energy generation	-	20,496	-	13,302	-	-	33,798
Ash disposal reimbursement	-	-	4,025	-	-	-	4,025
Other operating revenues	-	5,683	3,260	58	-	-	9,001
Total operating revenues	-	86,571	50,027	21,973	11,809	(1,439)	168,941
Operating Expenses							
Solid waste operations	11	59,094	44,356	16,196	10,176	(1,439)	128,394
Depreciation and amortization	169	16,080	858	309	448	-	17,864
Maintenance and utilities	-	1,730	301	6	-	-	2,037
Closure and postclosure care of landfills	-	385	(180)	(25)	-	-	180
Project administration	-	4,985	1,122	542	183	-	6,832
Total operating expenses	180	82,274	46,457	17,028	10,807	(1,439)	155,307
Operating Income (Loss)	(180)	4,297	3,570	4,945	1,002	-	13,634
Non-Operating Revenues and (Expenses)							
Enron claim	-	82,760	-	-	-	-	82,760
Investment income	18	3,063	286	796	308	-	4,471
Other income (expenses)	361	(89)	(1,870)	(184)	500	-	(1,282)
Interest expense	-	(8,819)	(378)	(160)	(665)	-	(10,022)
Net Non-Operating Revenues and (Expenses)	379	76,915	(1,962)	452	143	-	75,927
Income before Special Items	199	81,212	1,608	5,397	1,145	-	89,561
Special items:							
Gain on sale of Enron claim	-	28,502	-	-	-	-	28,502
Early retirement/defeasance of debt	-	(6,081)	-	(47)	-	-	(6,128)
Total special items	-	22,421	-	(47)	-	-	22,374
Increase in Net Assets	199	103,633	1,608	5,350	1,145	-	111,935
Total Net Assets, beginning of year	271	73,143	13,097	28,310	4,012	-	118,833
Total Net Assets, end of year	$ 470	$ 176,776	$ 14,705	$ 33,660	$ 5,157	$ -	$ 230,768

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005
(In Thousands)

EXHIBIT C
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2005
Cash Flows From Operating Activities							
Payments received from providing services	$ -	$ 85,175	$ 50,341	$ 21,910	$ 12,568	$ -	**$ 169,994**
Payments received from other funds	32	194	-	-	-	(226)	**-**
Payments to suppliers for goods and services	(379)	(61,997)	(45,609)	(16,173)	(11,105)	-	**(135,263)**
Payments to employees for services	-	(2,936)	(671)	(325)	(111)	-	**(4,043)**
Payments to municipalities for rebates	-	-	-	(1,177)	-	-	**(1,177)**
Payments to other funds	(194)	(32)	-	-	-	226	**-**
Net Cash Provided by (Used in) Operating Activities	(541)	20,404	4,061	4,235	1,352	-	**29,511**
Cash Flows From Investing Activities							
Proceeds from sale of Enron claim	-	111,262	-	-	-	-	**111,262**
Interest on investments	18	2,970	283	788	231	-	**4,290**
Net Cash Provided by Investing Activities	18	114,232	283	788	231	-	**115,552**
Cash Flows From Capital and Related Financing Activities							
Proceeds from State loans	-	8,659	-	-	-	-	**8,659**
Proceeds from sales of equipment	2	15	-	-	-	-	**17**
Payments for landfill closure and postclosure care liabilities	-	(283)	(409)	(160)	-	-	**(852)**
Acquisition and construction of capital assets	13	(2,181)	(81)	-	-	-	**(2,249)**
Early retirement/defeasance of debt	-	(4,454)	-	(47)	-	-	**(4,501)**
Interest paid on long-term debt	-	(9,204)	(445)	(165)	(559)	-	**(10,373)**
Principal paid on long-term debt	-	(114,764)	(1,670)	(1,860)	(2,731)	-	**(121,025)**
Net Cash Provided by (Used in) Capital and Related Financing Activities	15	(122,212)	(2,605)	(2,232)	(3,290)	-	**(130,324)**
Cash Flows From Non-Capital Financing Activities							
Other interest and fees	158	(32)	(17)	(7)	(9)	-	**93**
Net Cash Provided by (Used in) Non-Capital Financing Activities	158	(32)	(17)	(7)	(9)	-	**93**

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005
(In Thousands)

EXHIBIT C
Page 2 of 2

	Administrative Pool	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total 2005
Net increase (decrease) in cash and cash equivalents	$ (350)	$ 12,392	$ 1,722	$ 2,784	$ (1,716)	$ -	$ 14,832
Cash and cash equivalents, beginning of year	1,575	97,403	12,970	34,800	7,445	-	**154,193**
							-
Cash and cash equivalents, end of year	$ 1,225	$ 109,795	$ 14,692	$ 37,584	$ 5,729	$ -	**$ 169,025**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	$ (180)	$ 4,297	$ 3,570	$ 4,945	$ 1,002	$ -	**$ 13,634**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation of capital assets	169	15,789	828	-	-	-	**16,786**
Amortization of development and bond issuance costs	-	291	30	309	448	-	**1,078**
Provision for closure and postclosure care of landfills	-	385	(180)	(25)	-	-	**180**
Other income (expenses)	110	-	(1,850)	(177)	508	-	**(1,409)**
Changes in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable, net	(137)	(1,429)	304	(1,071)	251	-	**(2,082)**
Inventory	-	(255)	-	-	-	-	**(255)**
Prepaid expenses	(30)	309	(80)	13	-	-	**212**
(Increase) decrease in:							
Due from other funds	32	194	-	-	-	226	**-**
Accounts payable and accrued expenses	(311)	855	1,439	241	(857)	-	**1,367**
Due to other funds	(194)	(32)	-	-	-	(226)	**-**
Net Cash Provided by (Used in) Operating Activities	$ (541)	$ 20,404	$ 4,061	$ 4,235	$ 1,352	$ -	**$ 29,511**

COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2005
(In Thousands)

EXHIBIT D
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total 2005
Net assets invested in capital assets, net of related debt	$ -	$ 86,710	$ 13,761	$ -	$ -	$ 100,471
Restricted net assets:						
Current restricted cash and cash equivalents:						
Revenue fund	-	6,786	-	1,358	1,854	9,998
MDC arbitration escrow	-	4,904	-	-	-	4,904
Debt service funds	-	638	1,299	444	326	2,707
State loans	-	2,619	-	-	-	2,619
Select Energy escrow	-	1,000	-	-	-	1,000
Collection and paying agency account	-	-	441	-	-	441
RRC container equipment	-	402	-	-	-	402
Recycling education fund	-	346	-	-	-	346
Customer guarantee of payment	-	205	18	41	-	264
Montville landfill postclosure	-	-	-	-	157	157
Town of Ellington trust - pooled funds	-	42	-	-	-	42
Mercury public awareness	20	-	-	-	-	20
Total current restricted cash and cash equivalents	20	16,942	1,758	1,843	2,337	22,900
Non-current restricted cash and cash equivalents:						
Debt service reserve funds	-	23,976	1,218	605	901	26,700
Energy generating facility	-	20,809	-	-	-	20,809
State loans	-	16,063	-	-	-	16,063
Tip fee stabilization	-	-	-	13,875	-	13,875
Equipment replacement	-	1,512	-	-	-	1,512
Operating and maintenance	-	1,512	-	-	-	1,512
DEP trust - landfills	-	429	152	134	-	715
Rebate funds	-	-	3	109	154	266
Total non-current restricted cash and cash equivalents	-	64,301	1,373	14,723	1,055	81,452
Less liabilities to be paid with current restricted assets:						
Bonds payable, net	-	-	445	444	326	1,215
State loans payable	-	2,619	-	-	-	2,619
MDC arbitration escrow	-	4,628	-	-	-	4,628
Montville landfill postclosure	-	-	-	-	132	132
Other	-	7,466	459	1,399	1,842	11,166
Total liabilities to be paid with current restricted assets	-	14,713	904	1,843	2,300	19,760
Less liabilities to be paid with non-current restricted assets:						
Bonds payable, net	-	5,887	247	605	832	7,571
State loans payable	-	15,939	-	-	-	15,939
Total liabilities to be paid with non-current restricted assets	-	21,826	247	605	832	23,510
Total restricted net assets	$ 20	$ 44,704	$ 1,980	$ 14,118	$ 260	$ 61,082

COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2005
(In Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total 2005
Unrestricted net assets:						
Designated for:						
Postclosure care of landfills	$ -	$ 2,946	$ 3,790	$ 6,458	$ -	**$ 13,194**
Closure care of landfills	-	7,844	308	-	-	**8,152**
Future loss contingencies	-	5,345	-	1,047	252	**6,644**
Waste processing facility modifications	-	4,336	-	-	-	**4,336**
Rolling stock	-	3,539	-	-	-	**3,539**
Recycling	-	1,930	-	-	-	**1,930**
Future use	-	-	514	-	-	**514**
Benefit fund	240	-	-	-	-	**240**
South Meadows site remediation	-	246	-	-	-	**246**
Undesignated	210	19,176	(5,648)	12,037	4,645	**30,420**
Total unrestricted net assets	450	45,362	(1,036)	19,542	4,897	**69,215**
Total Net Assets	$ 470	$ 176,776	$ 14,705	$ 33,660	$ 5,157	**$ 230,768**