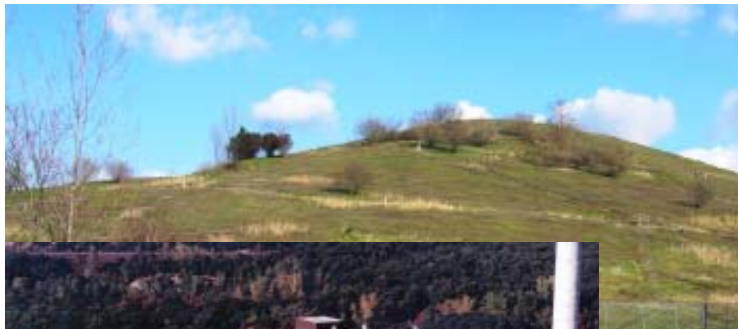




Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006



CONNECTICUT RESOURCES RECOVERY AUTHORITY
A Component Unit of the State of Connecticut



A Component Unit of the State of Connecticut

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

Submitted by:

James P. Bolduc
Chief Financial Officer

Nhan Vo-Le
Director of Accounting



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2006

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2006

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Introductory Section



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FAX (860) 757-7743

December 22, 2006

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

We are pleased to present the Connecticut Resources Recovery Authority's (the "Authority") Comprehensive Annual Financial Report prepared for the fiscal year ended June 30, 2006.

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

The Authority's financial statements have been audited by Carlin, Charron & Rosen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

PROFILE OF THE AUTHORITY

The Authority is a body politic and corporate, created in 1973 by an act of the Connecticut Legislature, and is a public instrumentality and political subdivision of the State of Connecticut (the "State"). The Authority is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. Revenues generated by Authority operations, primarily disposal fees, energy revenues and recycling revenues, provide for the support of the Authority and its operations on a self-sustaining basis. The State provides no revenues to the Authority, other than State loans pertaining to the Mid-Connecticut project (see "State Loans" section in the MD&A), and the Authority has no taxing power. In carrying out its mission, the Authority utilizes private industry to construct and operate solid waste disposal and resources recovery facilities. 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 Authority contracts with Connecticut member municipalities, non-member municipalities (spot waste), and commercial haulers to provide solid waste management services and charges fees for these services. The Authority is authorized to issue tax-exempt bonds and notes to finance its activities upon approval of the State Treasurer.

The Authority is governed by an eleven member Board of Directors. In addition, two *ad hoc* directors are eligible to serve on the Board for each of the Authority's four regional solid waste management projects. These *ad hoc* directors vote only on matters concerning the project they represent.

Solid Waste Management Systems

The Authority has developed four regional solid waste management projects, which together serve 110 Connecticut cities and towns. Each of these projects is described below:

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel resources recovery facility located in Hartford, Connecticut; the Hartford Landfill, which handles ash, receives process residue and other bulky and non-processible waste; the Ellington Landfill, which has been closed; a network of four transfer stations; and a regional recycling center composed of paper and container processing facilities. The Mid-Connecticut Project serves seventy Connecticut municipalities in the greater Hartford area and around the State.

The Mid-Connecticut resources recovery facility began commercial operation in October 1988 and generated power at an annual hourly average rate of 46.73 megawatts of electrical energy (net of in-plant usage) in fiscal year 2006.

Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn resources recovery facility located in Bridgeport, Connecticut; the Waterbury Landfill, which provides bulky waste disposal capacity for the project; the Shelton Landfill, which has been closed; a network of eight transfer stations; and a regional recycling center. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator. The Bridgeport Project serves twenty Connecticut municipalities in the southwest and south central part of the State.

The Bridgeport resources recovery facility began commercial operation in July 1988 and generated power at an annual hourly average rate of 56.11 megawatts of electrical energy (net of in-plant usage) in fiscal year 2006.

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, which has been closed. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator. The Wallingford project serves five Connecticut municipalities in New Haven County.

The Wallingford facility began commercial operation in May 1989 and generated power at an annual hourly average rate of 7.05 megawatts of electrical energy (net of in-plant usage) in fiscal year 2006.

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, which has been closed. The ash residue from the resources recovery facility is disposed of at an in-state landfill under contract with a private operator. The Southeast Project serves fifteen Connecticut municipalities in the eastern portion of the State.

The Southeast facility began commercial operation in February 1992 and generated power at an annual hourly average rate of 14.89 megawatts of electrical energy (net of in-plant usage) in fiscal year 2006.

General Fund

In addition to the Authority's operating projects, the Authority maintains 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.

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

THE AUTHORITY’S ECONOMIC CONDITION

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

Local Economy

The Authority’s “local economy” entails the entire State of Connecticut. The Authority’s four solid waste management projects situated in Bridgeport, Hartford, Preston, and Wallingford, serve the residents of 110 of the 169 municipalities of the State.

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

The population of Connecticut in 2005 was approximately 3,510,000. The State’s population growth has slowed during the past three decades. The 2005 population density was 725 persons per square mile, compared with 84 for the United States as a whole and 227 for the New England region.

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

Connecticut has a high level of personal income; the historic average per capita income has consistently been among the highest in the nation. This is due to a concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance and real estate as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. Per capita income in 2004 was \$45,506 for Connecticut compared with \$33,071 for the nation. Per capita income in 1995 was \$31,045 for Connecticut compared with \$23,098 for the nation.

Major industries in the State include Manufacturing; Finance, Insurance and Real Estate; Utilities; Retail Trade; Professional, Business and Personal Services; and Government. In 2004, three industries – Services; Manufacturing; and Finance, Insurance and Real Estate (FIRE) –

accounted for 68.5% of total Gross State Product¹ in Connecticut compared to 58.8% for the nation and was little changed from 68.6% in 1997. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and this concentration has changed little in recent years.

One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one-quarter of the State's manufacturing employees are employed in defense-related businesses. However, this sector's significance in the State's economy has declined considerably since the early 1980s.

The State's unemployment rate has mirrored the economic boom of the mid-1980s and recession of the 1990s. In 1995, the State's unemployment rate was 5.3% compared to the national average of 5.6%. By 2000, the State's unemployment rate was 2.4% compared to the national average of 4.0%. And for the first six months of 2005, the State's average unemployment rate was 5.0% compared to the national average of 5.2% for the same time period.

Historically, as the State's economy grows, so does its need for solid waste disposal capacity. The Connecticut Department of Environmental Protection ("DEP") is currently updating its solid waste management plan, and this document is expected to recognize the need for additional solid waste disposal capacity, as well as enhanced recycling and source reduction and reuse.

Major Initiatives

The Authority continues its efforts to minimize and stabilize tipping fees, enhance revenues, reduce administrative costs, and explore landfill capacity expansion and new landfill development. The following are several initiatives undertaken during fiscal year 2006:

1. In June 2006, the Authority substantially completed a solid waste permit modification application to the DEP for the Hartford landfill that, if approved by the DEP in a timely manner, will provide for approximately 24 additional months of capacity for the process residue and non-processible wastes generated at the Mid-Connecticut facility. The Mid-Connecticut Project will avoid significant out-of-state landfill shipping costs if the use of additional airspace is made available through this permit modification. The application was submitted to the DEP in July 2006. It is anticipated that the DEP will complete their review by mid January 2007.
2. On May 25, 2006, the Authority's Board of Directors approved a resolution authorizing the application of available Authority funds to defease certain outstanding Mid-Connecticut System Bonds. This resolution represents the continuation of bond defeasance of Mid-Connecticut Project debt initiated by the Board in March 2005 with the Enron claims sale settlement funds. On July 27, 2006 the Authority purchased defeasance securities from the U.S. Department of the Treasury for deposit in an escrow account that defeased \$54,125,000 of the Authority's remaining \$69,415,000 Mid-Connecticut 1996 Series Bonds, leaving \$15,290,000 outstanding.

¹ Gross State Product is the current market value of all final goods and services produced by labor and property located within the State of Connecticut. Source: State of Connecticut General Obligation Bonds, 2006 Series D & E.

3. In February 2006, the Mid-Connecticut Project's fiscal year 2007 tip fee of \$69.00 per ton was adopted. This represents a one dollar per ton decrease from the Mid-Connecticut Project's fiscal year 2006 tip fee of \$70.00 per ton.
4. Starting in October 2005, residents of Mid-Connecticut Project municipalities were able to recycle a wider array of commodities. Items that were added to the revised recyclable list included: junk mail, catalogues, magazines, office paper and other mixed paper. The Authority also signed an agreement with an independent contractor to build a new Regional Recycling Center ("RRC"). The contractor will finance the construction of the RRC including capital improvements and state-of-the-art processing equipment. The new RRC is expected to be operational in 2007 and be able to accommodate additional recyclable materials. The agreement will provide the Mid-Connecticut Project with net revenue of approximately \$2.7 million for sales of commodities delivered to the new RRC. Furthermore, when the new RRC is operational, Mid-Connecticut residents will also be able to recycle boxboard (cereal boxes, shoe boxes, dry goods boxes with inner packaging removed), aerosol cans and oversized plastic and metal containers such as No. 10 steel cans.
5. The current Mid-Connecticut Project Energy Purchase Agreement expires on June 30, 2007. The Authority has begun investigation and assessment of the proper course of action for future energy sales.
6. The Authority continues to work with the contractor of the Mid-Connecticut Waste Processing Facility to help increase the efficiency and reduce costs.
7. The Authority continues to renegotiate certain contracts with its operators. Prior to the end of fiscal year 2006, the Authority awarded new five-year agreements with an option to extend to the lowest bidders for services associated with the Ellington, Essex, Watertown and Torrington Transfer Stations.
8. The Authority continues to investigate all areas and available options in order to reduce administrative costs. The Authority successfully secured renewals of its Fiduciary, Crime and All Risk Property insurance with very minor increases in premium costs. The Authority's Public Officials and Employees Liability policy was renewed with a significant higher limit of coverage and a decrease in the premium, saving the Authority approximately \$29,000 on this one insurance policy. In September 2005, the Authority purchased several casualty insurance policies effective October 1, 2005 through October 1, 2006, at a total savings of \$115,000 over the previous year. In addition, the Authority continues its efforts to reduce legal fees by resolving outstanding legal disputes.
9. The Authority, in conjunction with the State's Attorney General, continues to pursue the recovery of settlement funds arising from the Mid-Connecticut Project's Enron-related litigation.
10. Recognizing a pressing need for landfill capacity, the Authority began an initiative to secure several parcels of land associated with two different sites.

11. On February 28, 2005, the Authority received final closure certification from the DEP for the Wallingford Landfill. Following receipt of the formal closure certification, the Authority, in conjunction with the Town of Wallingford, executed a contract with the DEP to receive \$1,000,000 as reimbursement for costs previously incurred by the Authority in the closure of the Wallingford Landfill. The Authority received the funds on September 16, 2005.
12. On July 1, 2005, the Bridgeport Project paid its contractor a lump sum of \$1,850,000 related to an August 1999 bond refinancing with the contractor in order to settle a dispute in lieu of arbitration.

Long-Term Service Planning

The contractual life of the Authority's projects (the term of the municipal service contracts, power contracts, operating contracts and project bonds) will begin to expire in 2008. The Authority has begun the process of evaluating how solid waste services will be provided to Connecticut municipalities beyond the term of the existing projects. The Authority's management has been conducting meetings with its member cities and towns to discuss long-term planning with regard to solid waste flow. As required by State Statute, Future Planning Committees have been created for the Wallingford and Bridgeport Projects to participate in the discussion of the future options for the member cities and towns. In addition, the Authority's Board is in the process of developing long-term strategic plans designed to determine the future course for the Authority's projects and, concurrently, plan ways to manage the State's solid waste disposal and recycling needs for decades to come in conjunction with the DEP's new Solid Waste Management Plan (see "Solid Waste Management Plan" on page xiv).

Long-Term Financial Planning

In light of the upcoming termination of the existing project contracts, the Authority is reviewing the financial condition of each of its projects to ensure adequate funds are set aside to cover each project's long term obligations, which includes, but is not limited to, postclosure costs associated with the landfills. During this past fiscal year, many of the landfill postclosure cost estimates were increased. Also, the Authority is evaluating its financial plan in conjunction with the Authority's strategic plan and the DEP's new Solid Waste Management Plan.

Market Competitive Tip Fees

The Authority has managed tip fee increases to ensure a competitive market tip fee. The Authority accomplished this by implementing cost control initiatives and enhancing revenue streams. In addition, the Authority has been successful in its efforts to defease outstanding bonds of its Mid-Connecticut Project thereby contributing to the further stabilization of tip fees.

The Authority also continues to manage its tip fees by means of "economic flow control" or, in other words, providing a competitive market tip fee that will not drive waste out of the system.

Solid Waste Management Plan

The State's Solid Waste Management Plan ("SWMP") is currently 15 years old. The SWMP serves to provide guidance and direction for the State regarding solid waste management, certain aspects of which the Authority is statutorily required to undertake, implement and/or oversee. The DEP proceeded with an initiative to update the SWMP in late calendar year 2004. To support the update process, the DEP established an "external stakeholders group" to provide comment and input to the update of the SWMP. This group includes representatives from 17 organizations, representing the public sector, the quasi-public sector including the Authority, and the private sector.

A preliminary draft of the SWMP was made available in December 2005; subsequent thereto, the Authority and other stakeholders provided additional written comments. A final draft, entitled "Proposed Amendment to the Solid Waste Management Plan", dated July 2006, was issued. The DEP then held three public informational meetings and three public hearings. Written comments were received until September 8, 2006, at which time the hearing was closed. The Authority attended all of the informational meetings, provided oral testimony at each of the public hearings, and submitted written comments. It is expected that the final amended plan will be adopted by the end of calendar year 2006.

The Authority considers revision of the SWMP to be significant and crucial to its future.

Cash Management

During the fiscal year, cash was invested on a short-term basis. The Authority's primary short-term investment vehicle is the Short-Term Investment Fund ("STIF") administered by the Office of the State Treasurer. The annualized average yield for STIF for fiscal year 2006 was 4.39% compared to 2.32% in fiscal year 2005. This reflects the rise in short-term market rates during fiscal year 2006.

The Authority's Board revised and updated the Authority's Investment Policy in January 2004. The Authority continues to monitor its return on invested cash by considering more diverse investment securities and lengthening investment terms while maintaining its prudent investment standards and ensuring liquidity.

Risk Management

The Authority endeavors to purchase commercial insurance for its property and liability needs. The Authority has secured insurance coverage for a variety of potential environmental exposures related to the operation and control of its projects and landfills. Statutory workers' compensation benefits are provided by the Authority's membership in the Connecticut Interlocal Risk Management Agency Workers' Compensation Pool. The Authority also has designated a portion of its net assets to cover insurance deductibles and losses not covered by the Authority's commercial insurance among other items. The Authority engages in an on-going evaluation of its risk exposures to prevent losses where possible and minimize the financial impact of those risks that must be undertaken.

CERTIFICATE OF ACHIEVEMENT

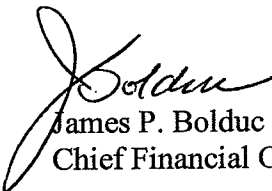
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Connecticut Resources Recovery Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the thirteenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


ACKNOWLEDGEMENTS

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

Respectfully submitted,



James P. Bolduc
Chief Financial Officer



Nhan Vo-Le
Director of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Connecticut Resources Recovery Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

Board of Directors as of June 30, 2006

Directors

The Honorable Michael A. Pace, Chairman
Benson R. Cohn
The Honorable Mark Cooper
James Francis
The Honorable Michael J. Jarjura
Edna Karanian
The Honorable Mark A. Lauretti
Theodore H. Martland
The Honorable James R. Miron
Raymond J. O'Brien
Andrew M. Sullivan, Jr.

Ad Hoc Directors

Mid-Connecticut Project
The Honorable Timothy G. Griswold
Elizabeth Horton Sheff

Bridgeport Project
Stephen Edwards
Vacancy

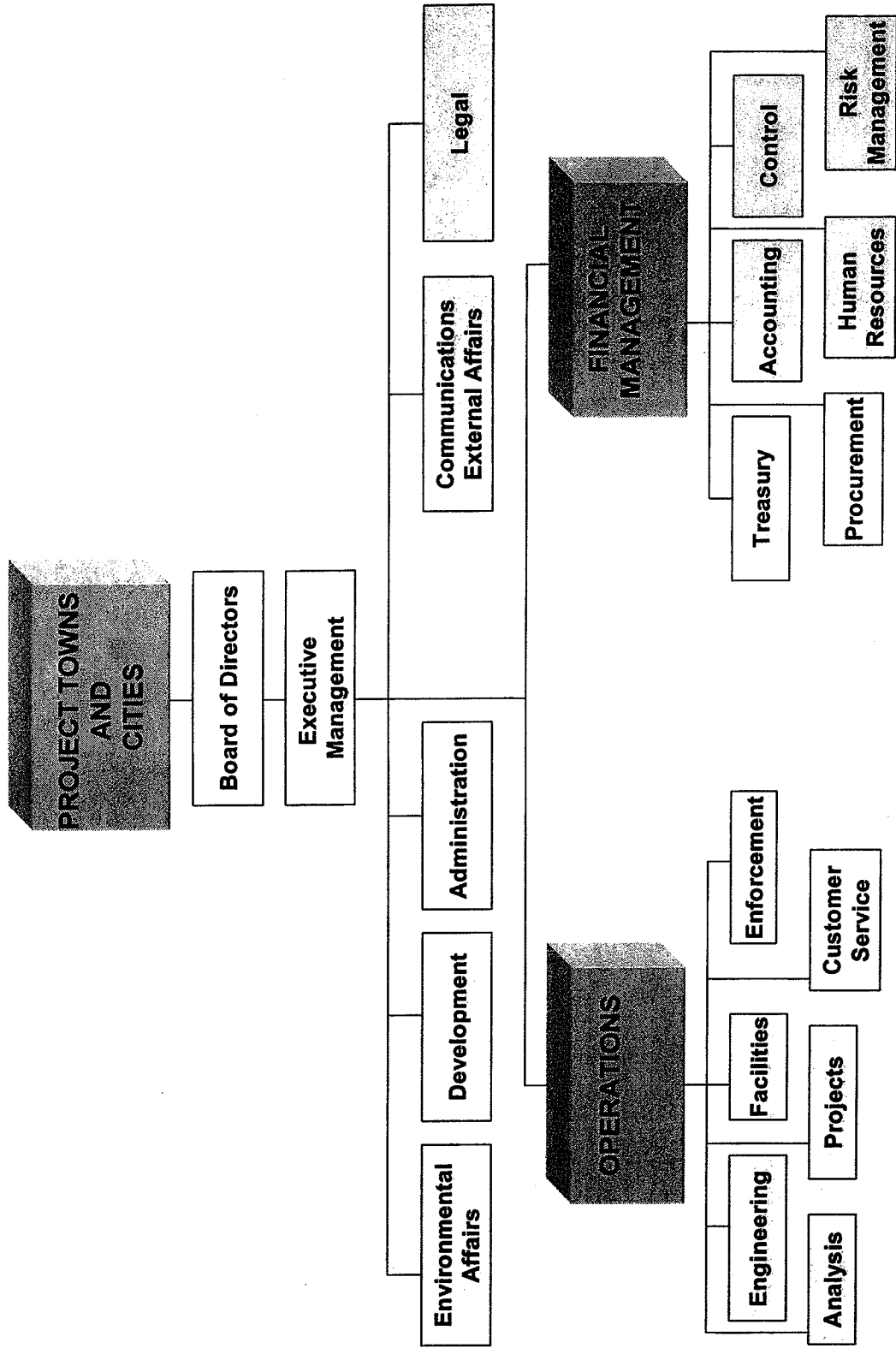
Wallingford Project
Vacancy
Vacancy

Southeast Project
Vacancy
Vacancy

President

Thomas D. Kirk

Connecticut Resources Recovery Authority Organization Chart



Financial Section



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

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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, 2006 and 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Resources Recovery Authority as of June 30, 2006 and 2005, 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.

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 the basic financial statements taken as a whole. The Introductory Section, the Supplementary Information presented on pages 46 through 52 of the Financial Section, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information presented on pages 46 through 52 of the Financial Section has been subjected to the auditing procedures applied in our audit of the 2006 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2006 basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the 2006 basic financial statements and, accordingly, we express no opinion on them.

Carlin, Charon & Rosen, LLP

Glastonbury, Connecticut
September 18, 2006



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, 2006 and 2005. 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.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2006 total assets increased by \$15.3 million or 3.9% over fiscal year 2005 and total liabilities decreased by \$6.4 million or 4.0%. Total assets exceeded total liabilities by \$252.4 million as of June 30, 2006 as compared to \$230.8 million as of June 30, 2005, or a net increase of \$21.6 million. The fiscal year 2005 total assets increased by \$0.6 million or 0.2% compared to fiscal year 2004 and total liabilities decreased by \$111.3 million or 41.3%. Total assets exceeded total liabilities by \$230.8 million as of June 30, 2005 as compared to \$118.8 million as of June 30, 2004, or a net increase of \$111.9 million.

	BALANCE SHEETS		
	As of June 30,		
	(In Thousands)		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
ASSETS			
Current unrestricted assets	\$ 125,572	\$ 92,292	\$ 88,360
Current restricted assets	<u>20,819</u>	<u>23,779</u>	<u>29,504</u>
Total current assets	<u>146,391</u>	<u>116,071</u>	<u>117,864</u>
Non-current assets:			
Restricted cash and cash equivalents	80,130	81,452	62,521
Capital assets, net	171,721	184,414	198,936
Development and bond issuance costs, net	<u>6,218</u>	<u>7,221</u>	<u>9,204</u>
Total non-current assets	<u>258,069</u>	<u>273,087</u>	<u>270,661</u>
TOTAL ASSETS	<u><u>\$ 404,460</u></u>	<u><u>\$ 389,158</u></u>	<u><u>\$ 388,525</u></u>
LIABILITIES			
Current liabilities	\$ 31,705	\$ 33,695	\$ 47,780
Long-term liabilities	<u>120,321</u>	<u>124,695</u>	<u>221,912</u>
TOTAL LIABILITIES	<u>152,026</u>	<u>158,390</u>	<u>269,692</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 89,888	\$ 100,471	\$ 26,096
Restricted	63,907	61,636	64,025
Unrestricted	<u>98,639</u>	<u>68,661</u>	<u>28,712</u>
Total net assets	<u>252,434</u>	<u>230,768</u>	<u>118,833</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 404,460</u></u>	<u><u>\$ 389,158</u></u>	<u><u>\$ 388,525</u></u>



FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2006 and 2005:

ASSETS

Current unrestricted assets increased by \$33.3 million or 36.1% over fiscal year 2005, which increased by \$3.9 million or 4.4% over fiscal year 2004. The fiscal year 2006 increase is due to:

- Increased operating cash balances of \$22.8 million at the Bridgeport, Mid-Connecticut, and Wallingford projects as a result of contributions toward operating cash requirements for specific purposes; and
- A \$5.2 million transfer of funds, including \$0.5 million of interest income, from current restricted assets as a result of an arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut operators; and
- Increased interest income of \$4.1 million as a result of higher market rates; and
- A transfer of fiscal year 2005 cash surplus of \$2.8 million from the Mid-Connecticut project current restricted assets to the Mid-Connecticut operating cash account; offset by:
- Payments for plant improvements and equipment purchases at the Waste Processing and Power Block Facilities, postclosure costs at the Ellington Landfill and landfill development costs (\$1.3 million); and
- Other, net of (\$0.3 million).

The fiscal year 2005 increase was primarily due to increased solid waste service charges at the Bridgeport, Mid-Connecticut and Wallingford projects, increased operating cash balances at the Bridgeport, Mid-Connecticut and Wallingford projects, a 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 interest income, offset by a transfer of funds and contributions to the Mid-Connecticut and Wallingford non-current restricted assets for operating reserve requirements; and a distribution of the Wallingford project surplus funds to its participating municipalities.

Current restricted assets decreased by \$3.0 million or 12.4% over fiscal year 2005, which decreased by \$5.7 million or 19.4% compared to fiscal year 2004. The fiscal year 2006 decrease is due to:

- A \$5.2 million transfer of funds, including \$0.5 million of interest income, to current unrestricted assets as a result of the arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut operators; offset by:
- Increased reserve cash balances of \$0.8 million at the Bridgeport, Mid-Connecticut, and Southeast projects as a result of contributions toward reserve cash requirements; and
- Funds released to current restricted assets by the Trustee for \$0.6 million from the non-current restricted Mid-Connecticut Debt Service Reserve Fund for the amount in excess of the Bond Resolution reserve funding requirement; and
- Increased interest income of \$0.3 million; and



- Other, net of \$0.5 million.

The fiscal year 2005 decrease from 2004 was primarily due to decreased debt service fundings in the Mid-Connecticut project as a result of the defeasance of debt and in the Wallingford and Southeast projects as a result of bond redemptions.

Non-current assets decreased by \$15.0 million or 5.5% over fiscal year 2005, which increased by \$2.4 million or 0.9% compared to fiscal year 2004. The fiscal year 2006 decrease is due to:

- Restricted cash and cash equivalents decreased by \$1.3 million compared to fiscal year 2005 due to:
 - Increased interest income of \$2.5 million as a result of higher market rates ; and
 - Increased reserve cash balance of \$1.0 million at the Mid-Connecticut project as a result of contribution toward the Energy Generating Facility Reserve; offset by:
 - Regular principal and interest payments on State loans (\$3.4 million) plus road construction costs and a major overhaul for one of the jet turbines (\$0.8 million) at the Mid-Connecticut project; and
 - Funds released by the Trustee for \$0.6 million from the Mid-Connecticut Debt Service Reserve Fund to current restricted assets for the amount in excess of the Bond Resolution reserve funding requirement.

The fiscal year 2005 increase of \$18.9 million compared to fiscal year 2004 was due to a combination of the transfer of funds and contributions from unrestricted assets for operating reserve requirements, the creation of the State Loan Escrow account from proceeds of the sale of the Enron claims, which is designated for the repayment of the State loans until 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.

- Capital assets decreased by \$12.7 million compared to fiscal year 2005, which decreased by \$14.5 million compared to fiscal year 2004. The fiscal year 2006 decrease is due to depreciation expense of \$16.8 million and an asset write-off with a net book value of \$192,000 offset by \$4.3 million in construction in progress, plant improvements and equipment purchases. The fiscal year 2005 decrease was due to depreciation expense of \$16.8 million offset by \$2.3 million in plant improvements and equipment purchases.
- Development and bond issuance costs decreased by \$1.0 million compared to fiscal year 2005, which decreased by \$2.0 million compared to fiscal year 2004. The fiscal year 2006 decrease is due to amortization expense. The fiscal year 2005 decrease was due to amortization expense and the write-off of unamortized bond issuance costs related to the Mid-Connecticut defeasance of debt.



LIABILITIES

Current liabilities decreased by \$2.0 million or 5.9% compared to fiscal year 2005, which decreased by \$14.1 million or 29.5% compared to fiscal year 2004. The fiscal year 2006 decrease is primarily due to increased accounts payable and accrued expenses (\$2.6 million) offset by decreased other liabilities (\$4.6 million) as a result of the arbitration award associated with claimed overcharging of indirect costs from one of the Mid-Connecticut operators.

The fiscal year 2005 decrease was 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 due on prior State loans drawdowns.

Long-term liabilities decreased by \$4.4 million or 3.5% compared to fiscal year 2005 which decreased by \$97.2 million or 43.8% compared to fiscal year 2004. The fiscal year 2006 decrease is due to:

- Long-term portion of bonds payable, net decreased by \$2.7 million compared to fiscal year 2005, which decreased by \$101.5 million compared to fiscal year 2004. The fiscal year 2006 decrease is due to regular principal payments due on Authority bonds. The fiscal year 2005 decrease was 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.
- State loans payable decreased by \$2.6 million over fiscal year 2005, which increased by \$5.3 million over fiscal year 2004. The fiscal year 2006 decrease is due to regular principal payments on State loans during the fiscal year 2006. The fiscal year 2005 increase was due to additional drawdowns during the first six months of fiscal year 2005. There have been no drawdowns on the State loans since January 2005.
- Closure and postclosure care of landfills increased by \$1.1 million compared to fiscal year 2005, which decreased by \$0.7 million compared to fiscal year 2004. The fiscal year 2006 increase is primarily due to a reduction in the long-term liability accounts as a result of payments for postclosure care costs at the Ellington, Shelton, and Wallingford landfills (\$667,000) offset by an increase in projected costs at the Shelton landfill (\$1.6 million) as a result of increases in general engineering and maintenance services. The fiscal year 2005 decrease was due to a reduction in the long-term liability accounts as a result of payments for the Ellington, Shelton and Wallingford landfills. In addition, there were no significant increases in projected costs for the Ellington, Hartford, Shelton, Waterbury and Wallingford landfills during fiscal year 2005.
- Other liabilities remained fairly constant, decreasing by \$98,000 and \$319,000 over the fiscal years 2006 and 2005, respectively.



SUMMARY OF OPERATIONS AND CHANGE IN NET ASSETS

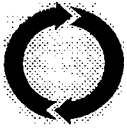
Net Assets may serve over time as a useful indicator of the Authority's financial position.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 180,093	\$ 168,941	\$ 165,418
Operating expenses	<u>148,449</u>	<u>137,443</u>	<u>135,482</u>
Excess before depreciation and amortization and other non-operating revenues and (expenses)	31,644	31,498	29,936
Depreciation and amortization	<u>17,850</u>	<u>17,864</u>	<u>17,887</u>
Income before other non-operating revenues and (expenses), net	13,794	13,634	12,049
Non-operating revenues and (expenses), net	<u>7,872</u>	<u>75,927</u>	<u>(10,705)</u>
Income before special items	21,666	89,561	1,344
Special items:			
Gain on sale of Enron claims	-	28,502	-
Early retirement/defeasance of debt	<u>-</u>	<u>(6,128)</u>	<u>-</u>
Increase in net assets	21,666	111,935	1,344
Total net assets, beginning of year	<u>230,768</u>	<u>118,833</u>	<u>117,489</u>
Total net assets, end of year	<u>\$ 252,434</u>	<u>\$ 230,768</u>	<u>\$ 118,833</u>

Operating revenues increased by \$11.2 million or 6.6% during fiscal year 2006 over fiscal year 2005 and \$3.5 million or 2.1% from fiscal year 2004 to fiscal year 2005. The fiscal year 2006 increase was primarily due to a \$4.6 million increase in service charges due to increased member and contract deliveries, a \$4.1 million increase in energy revenues primarily due to an increase in contract rates and an increase in recycling sales due to the favorable recycling sales market. 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.

Operating expenses increased during fiscal year 2006 by \$11.0 million or 8.0% as a result of higher processing costs at the Bridgeport project due to additional contract waste deliveries, increased project costs for general engineering and maintenance services at the Shelton landfill, increased operating costs at the Mid-Connecticut project due to unplanned repairs at the Waste Processing Facility, and additional export costs incurred at the Wallingford project due to a transformer failure at the plant. Higher legal costs were also incurred at the Bridgeport and Mid-Connecticut projects due to on-going legal activity. 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, higher legal expenses, and an increase in enforcement and scale staffing at the projects.

Depreciation and amortization remained fairly constant, decreasing by \$14,000 and \$23,000 over fiscal years 2005 and 2004, respectively.

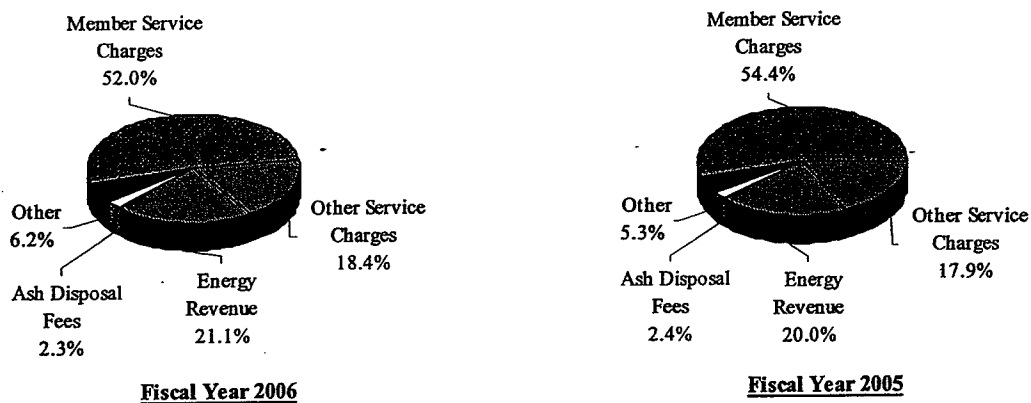
Non-operating revenues, net decreased by \$68.1 million during fiscal year 2006 primarily due to Enron claims of \$82.8 million received in fiscal year 2005 offset by increased investment income, lower interest expense, and increased other income, net. Non-operating revenues, net increased by \$86.6 million during fiscal year 2005 primarily due to the Enron claims of \$82.8 million, increased investment income and lower interest expense, offset by increased other expense, net.

Special item – Gain on sale of Enron claims: There was no such special item during fiscal year 2006 as compared to fiscal year 2005. The fiscal year 2005 special item represents proceeds from the sale of the Enron claims 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 claims of \$82.8 million.

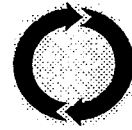
Special item – Early retirement/defeasance of debt: There was no such special item during fiscal year 2006 as compared to fiscal year 2005. The fiscal year 2005 special item is attributable to the write-off of unamortized amounts such as bond issuance costs and other deferred amounts related to the Mid-Connecticut 1996 Series A Bonds, 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, 2006 and 2005:



During fiscal year 2006, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 72.7% of the Authority’s operating revenues. Energy production makes up another 21.1% of operating revenues. During fiscal year 2005,



Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement accounted for nearly 75% of the Authority's operating revenues. Energy production made up another 20.0% of operating revenues.

A summary of operating revenues and non-operating revenues (including the 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)

	2006	2006 Percent of Total	2005	2006 Increase/ (Decrease) from 2005	2006 Percent Increase/ (Decrease)	2004	2005 Increase/ (Decrease) from 2004	2005 Percent Increase/ (Decrease)
Operating:								
Member Service Charges	\$ 93,513	48.3%	\$ 91,894	\$ 1,619	1.8%	\$ 88,541	\$ 3,353	3.8%
Other Service Charges	33,186	17.1%	30,223	2,963	9.8%	27,384	2,839	10.4%
Energy Revenue	37,945	19.6%	33,798	4,147	12.3%	36,998	(3,200)	-8.6%
Ash Disposal Reimbursement	4,229	2.2%	4,025	204	5.1%	4,031	(6)	-0.1%
Other Operating Revenue	11,220	5.8%	9,001	2,219	24.7%	8,464	537	6.3%
Total Operating Revenues	180,093	93.0%	168,941	11,152	6.6%	165,418	3,523	2.1%
Non-Operating:								
Enron Claims Settlement	-	0.0%	82,760	(82,760)	-100.0%	-	82,760	100.0%
Investment Income	7,664	4.0%	4,471	3,193	71.4%	1,623	2,848	175.5%
Other Income	5,980	3.1%	1,884	4,096	217.4%	184	1,700	923.9%
Total Non-Operating Revenues	13,644	7.0%	89,115	(75,471)	-84.7%	1,807	87,308	4831.7%
Special Item:								
Gain on Sale of Enron Claims	-	0.0%	28,502	(28,502)	-100.0%	-	28,502	100.0%
TOTAL	\$ 193,737	100.0%	\$ 286,558	\$ (92,821)	-32.4%	\$ 167,225	\$ 119,333	71.4%

Overall, fiscal year 2006 total revenues decreased by \$92.8 million or 32.4% over fiscal year 2005. Fiscal year 2005 total revenues rose by \$119.3 million or 71.4% over fiscal year 2004, largely reflective of the Enron claims. The following discusses the major changes in operating and non-operating revenues (including the special item for the fiscal year ended June 30, 2005) of the Authority:

- Member service charges increased by \$1.6 million in fiscal year 2006 and \$3.4 million in fiscal year 2005. These increases reflect the increase of the tipping fee enacted at the Bridgeport and Wallingford projects in fiscal year 2006 and tipping fee increases enacted at the Bridgeport, Mid-Connecticut and Wallingford projects in fiscal year 2005.
- Other service charges to both contract towns and spot waste haulers, increased by \$3.0 million from fiscal year 2005 to 2006. This is similar to the \$2.8 million increase in other service charges from fiscal year 2004 to 2005. The fiscal year 2006 increase is due to the continued efforts of the Authority to contract for additional waste at the Bridgeport project. The fiscal year 2005 increase was due to contracting additional waste at the Bridgeport project and higher tipping fees for contract towns at the Mid-Connecticut project.

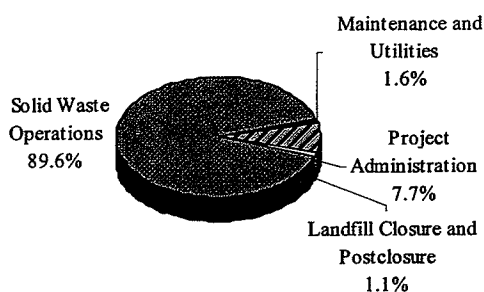


- Energy revenue increased by \$4.1 million during fiscal year 2006 and decreased by \$3.2 million during fiscal year 2005. The fiscal year 2006 increase reflects the higher rates at the Mid-Connecticut, Southeast and Wallingford projects. The fiscal year 2005 decrease reflects lower electrical generation due to poor plant performance and a lower electricity contract rate during the 2005 fiscal year at the Mid-Connecticut project.
- Other operating revenue increased by \$2.2 million in fiscal year 2006 and \$537,000 in fiscal year 2005. Both the fiscal year 2005 and 2006 increases were the result of favorable recycling sales markets.
- Enron claims settlement of \$82.8 million represents the value of the Enron claims that was awarded to the Authority from the bankruptcy court during fiscal year 2005 (see "Enron Matters" section herein).
- Investment income increased \$3.2 million from fiscal year 2005 to 2006 and \$2.8 million from fiscal 2004 to 2005 due to overall improved market returns and increased balances.
- Other income of \$6.0 million for fiscal year 2006 represents indirect costs and workers compensation insurance overcharged by one of the Mid-Connecticut operators in prior fiscal years (\$5.0 million), proceeds from insurance for loss on an asset due to an accident (\$378,000), gains on sales of equipment (\$312,000), and miscellaneous income (\$283,000). Other income for fiscal year 2005 of \$1.9 million represented a grant from the CTDEP for landfill closure costs incurred by the Authority to close the Wallingford landfill (\$1.0 million) (see "Landfill Activity" section herein), funds authorized for release by the Southeastern Connecticut Regional Resources Recovery Authority from the restricted Montville Landfill Postclosure Fund to cover a fiscal year 2004 operating deficit and landfill postclosure expenses (\$508,000), plus a settlement with an insurance company for contingent commissions or overrides and sales of equipment and miscellaneous income (\$376,000).

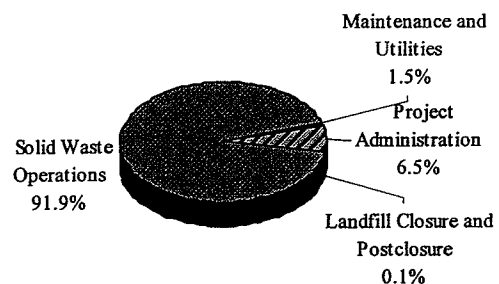
Special item – Gain on sale of Enron claims occurred during fiscal year 2005 and is discussed on page 8 of this MD&A.

SUMMARY OF OPERATING EXPENSES

The following charts show the major sources and the percentage of operating expenses for the fiscal years ended June 30, 2006 and 2005:



Fiscal Year 2006



Fiscal Year 2005



Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 89.6% of operating expenses in fiscal year 2006. During fiscal year 2005, Solid Waste Operations accounted for 91.9% of operating expenses.

A summary of operating expenses and non-operating expenses (including the 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)

	2006	2006 Percent of Total	2005	2006 Increase/ (Decrease) from 2005	2006 Percent Increase/ (Decrease)	2004	2005 Increase/ (Decrease) from 2004	2005 Percent Increase/ (Decrease)
Operating:								
Solid Waste Operations	\$ 133,026	77.3%	\$ 126,322	\$ 6,704	5.3%	\$ 124,662	\$ 1,660	1.3%
Maintenance and Utilities	2,313	1.3%	2,037	276	13.5%	1,697	340	20.0%
Project Administration	11,481	6.7%	8,904	2,577	28.9%	7,234	1,670	23.1%
Landfill Closure and Postclosure	1,629	0.9%	180	1,449	805.0%	1,889	(1,709)	-90.5%
Total Operating Expenses	148,449	86.2%	137,443	11,006	8.0%	135,482	1,961	1.4%
Depreciation	17,850	10.4%	17,864	(14)	-0.1%	17,887	(23)	-0.1%
Non-Operating:								
Interest Expense	5,677	3.3%	10,022	(4,345)	-43.4%	12,482	(2,460)	-19.7%
Other Expenses	95	0.1%	3,166	(3,071)	-97.0%	30	3,136	10453.3%
Total Non-Operating Expenses	5,772	3.4%	13,188	(7,416)	-56.2%	12,512	676	5.4%
Special Item:								
Early Retirement/Defeasance of Debt	-	0.0%	6,128	(6,128)	-100.0%	-	6,128	100.0%
TOTAL	\$ 172,071	100.0%	\$ 174,623	\$ (2,552)	-1.5%	\$ 165,881	\$ 8,742	5.3%

The Authority's total expenses decreased by \$2.6 million or 1.5% between fiscal year 2006 and 2005. Fiscal year 2005 total expenses increased by \$8.7 million or 5.3% from fiscal year 2004. Notable differences between the fiscal years include:

- Solid waste operations increased by \$6.7 million from fiscal year 2005 to 2006 primarily due to:
 - Operating expenses at the Mid-Connecticut project increased significantly due to unplanned repairs at the Waste Processing Facility. Operating expenses for the Power Block Facility, Recycling Facility and Jets also increased due to inflation increases. In addition, the Authority recorded a write-off of spare parts inventory during fiscal year 2006; and
 - Operating expenses at the Bridgeport project increased primarily due to the additional contract waste deliveries; and
 - Operating expenses at the Wallingford project increased due to additional export costs incurred due to a transformer failure at the plant and higher fuel costs, offset by:



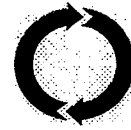
- Decreased operating expenses at the Southeast project due to higher electric contract rates, which is an offset to the service fee paid by the Authority to the operator.

From fiscal year 2004 to 2005, solid waste operations increased by \$1.7 million primarily due to increased deliveries at the Bridgeport facility.

- Maintenance and utilities expenses increased \$276,000 during fiscal year 2006 primarily due to a one-time expense for the removal of a fence and other miscellaneous expenses at the Hartford landfill. During fiscal year 2005, maintenance and utilities increased \$340,000 primarily due to extensive conveyor rebuilds at the Mid-Connecticut facility.
- Project administration costs increased \$2.6 million during fiscal year 2006 over fiscal year 2005 and \$1.7 million during fiscal year 2005 over fiscal year 2004. During fiscal year 2006, this increase is due to higher legal expenses as a result of on-going legal activity associated with the Enron bankruptcy at the Mid-Connecticut project as well as the future option studies and on-going arbitration at the Bridgeport project, plus the addition of a part-time educator at the Stratford museum and a full-time enforcement employee for the Wallingford project. During fiscal year 2005, this increase was due to higher legal expenses at the Mid-Connecticut project due to on-going legal activity associated with the Enron bankruptcy and the addition of enforcement staff and scalehouse operators.
- Landfill closure and postclosure costs increased by \$1.4 million between fiscal year 2005 and 2006 due to increased projected costs as a result of increases in general engineering and maintenance services at the Shelton landfill. Between fiscal years 2004 and 2005, landfill closure and postclosure care costs decreased by \$1.7 million primarily due to lower closure and postclosure care costs recognized in fiscal year 2005 as a result of no significant increases in projected costs for all five landfills.
- Interest expense decreased by \$4.3 million during fiscal year 2006 and \$2.5 million during fiscal year 2005 due to decreases in the principal amount of bonds outstanding.
- Other expenses of \$95,000 represents trustee fees, letter of credit fees and miscellaneous expenses. Other expenses during fiscal year 2005 were \$3.1 million representing 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 year 2004 were \$30,000 representing trustee fees, letter of credit fees and miscellaneous expenses.
- Early retirement/defeasance of debt occurred during fiscal year 2005 and is discussed on page 8 of this MD&A.

CAPITAL ASSETS

The Authority's investment in capital assets for its activities as of June 30, 2006 and 2005 totaled \$171.7 million and \$184.4 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, roadways, equipment, gas and steam turbines, rolling stock and vehicles. The total fiscal year 2006 and 2005 decrease in the Authority's investment in capital assets was 6.9% and 7.3%, respectively. The decrease is



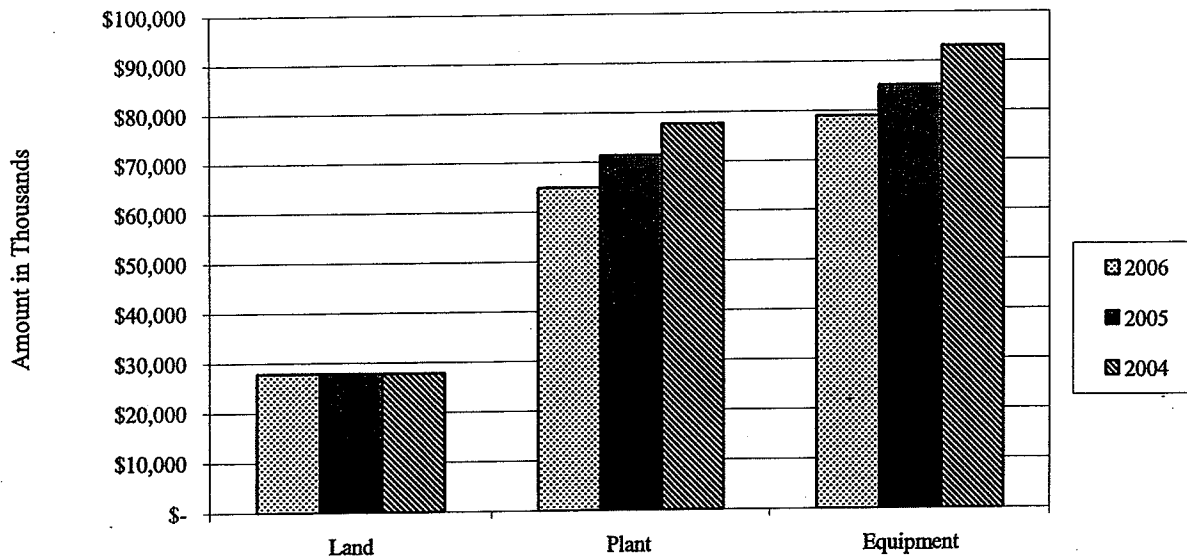
due to depreciation expense offset by construction in progress, plant improvements and equipment purchases.

Major capital asset events during the current and immediate prior two fiscal years included vehicle and equipment purchases, conveyor rebuilds, floor repairs, building/leasehold improvements, replacement of trommel screens, jets repairs and overhaul, installation of a free blow system, installation of a fly ash system, and road reconstruction.

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

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

	2006	2005	2004
Land	\$ 27,774	\$ 27,774	\$ 27,774
Plant	64,875	71,380	77,593
Equipment	78,951	85,189	93,068
Construction in progress	121	71	501
Totals	\$ 171,721	\$ 184,414	\$ 198,936



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

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 (total outstanding of \$2,100,000) and 2001 Series A (total outstanding of \$13,210,000) and partially defeased \$81,510,000 of its outstanding Mid-Connecticut Project Bonds 1996 Series A (total outstanding as of March 11, 2005 was \$150,925,000). 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 authorization of a loan in the amount of \$22 million for the period June 30, 2003 through June 30, 2004 and the authorization of a subsequent loan in the amount of \$20 million for the period July 1, 2004 through June 30, 2005. As of June 30, 2006, the Authority had drawn down \$21.5 million of the authorized State loans and had a principal balance of \$15.9 million outstanding. The Authority makes monthly loan repayments comprising both principal and interest payments from the irrevocable escrow account established for this purpose. 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. Their investigation is complete and their report 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. During calendar year 2005 and continuing to the current time, the Authority began an



initiative to secure several parcels of land associated with two different sites. The Authority is continuing its efforts to secure these parcels of land.

As of June 30, 2006, there are approximately seven 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 are approximately 27 months of capacity remaining at the Hartford landfill for ash residue generated by the Mid-Connecticut RRF. During fiscal year 2006, the Authority engaged an engineering consulting firm to develop a closure plan for the 80 acre municipal solid waste/bulky waste area at the Hartford landfill. The Authority submitted a solid waste permit modification application to the CTDEP in July 2006 to 1) revise the closure plan, prescribing a state-of-the-art synthetic (low linear density polyethylene) cap; 2) revise the grading plan for a section of the east side of the landfill; 3) set a date certain for final delivery of waste of no later than December 31, 2008; and 4) discuss possible passive recreational future uses for the landfill and engage a landscape architect to provide a rendering of these possible activities.

A favorable ruling on this permit modification and the associated revised grading plan by the CTDEP will provide approximately 300,000 additional cubic yards of capacity for disposal of the process residue and non-processible wastes generated at the Mid-Connecticut RRF, effectively providing capacity through the end of calendar year 2008.

It is anticipated that the CTDEP will complete their review by October/November 2006, after which they will issue a Notice of Tentative Determination ("NTD"). The Authority is optimistic that the CTDEP will concur with the Authority's proposed modifications in its NTD, after which the proposal will go out for public comment.

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 closure and postclosure cost estimates 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 obligations 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 to resolve the matter prior to the closure of the landfill. The Authority has recorded an estimated liability and 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, which was included in the current unrestricted accounts receivable, net of allowance in the accompanying balance sheet, 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 received during September 2005.

METROPOLITAN DISTRICT COMMISSION ARBITRATION RULING

The Authority recently completed two arbitration hearings with the Metropolitan District Commission (the "MDC") 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, nor were they awarded, 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 overcharged by the MDC for indirect costs. Pursuant to the 1999 ruling of a previous arbitration panel, the Authority created and maintained an escrow account, setting aside 25% of the indirect costs invoiced by the MDC. In July 2005, the second arbitration panel ruled in favor of the Authority, stating that due to the overcharges the Authority did not have to pay the two MDC invoices and is entitled to retain 100% of the escrow account. The MDC has an appeal pending.

NEW HARTFORD SUIT

In December 2003, the Towns of New Hartford and Barkhamstead filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking alleged damages resulting from the failed Enron transaction as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority is defending and indemnifying its former President and board members. On August 10, 2005, the Motions to Dismiss of all of the non-Authority defendants were granted; on August 30, 2005, plaintiffs filed an appeal. On March 21, 2006, the court granted the plaintiffs' motion for Class Certification. On August 28, 2006, the court denied defendant's motions to consolidate the case with related matters and to implead two of the defendant's former law firms. On September 11, 2006, the court denied defendant's motion for summary judgment. The matter is currently scheduled for trial beginning October 25, 2006.



AUTHORITY RATES AND CHARGES

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

TIP FEE HISTORY BY PROJECT (Dollars charged per ton of solid waste delivered)					
Fiscal Year	Mid-Connecticut	Bridgeport¹		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
2006	70.00	66.00	8.00	57.00	60.00

LONG-TERM DEBT ISSUANCE, ADMINISTRATION AND CREDIT RATINGS

As detailed in the table on page 18, as of the fiscal year ended June 30, 2006, the Authority had \$257.2 million of outstanding debt. Of this amount, \$43.5 million comprises debt issued by the Authority as a conduit issuer for the Southeast project in connection with the Covanta Southeastern Connecticut Company and is not carried on the Authority's books. In addition, \$49.0 million of the outstanding bonds pertaining to the Bridgeport project, \$11.4 million of the outstanding bonds pertaining to the Wallingford project and \$53.7 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.

With the exception of the Southeast project conduit bonds and the Mid-Connecticut Project State Loans, all other bonds issued by the Authority are secured by credit enhancement in the form of municipal bond insurance. In some cases, certain bonds are further secured by the Special Capital Reserve Fund ("SCRFF") of the State of Connecticut. The SCRFF is a contingent liability of the State of Connecticut available to replenish any debt service reserve fund draws on bonds that have the SCRFF designation. The funds used to replenish a debt service reserve draw are provided by the State's General Fund and are deemed appropriated by the Connecticut legislature.

The Authority did not issue long-term debt for capital improvements during the fiscal year ended June 30, 2006.

The ratings of the Authority's outstanding bonds were unchanged during the fiscal year ended June 30, 2006.

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.



Additional information on the Authority's long-term debt can be found in Note 4 on pages 32 – 35 of this report.

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2006

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhancement	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	Aaa	AAA	MBIA	X	8/20/1996	11/15/12	209,675	\$69,415	\$69,415
2004 State Loan Borrowings (cumulative) ²	NR	NR	--	--	various	12/01/12	12,842	9,122	9,122
2005 State Loan Borrowings (cumulative) ²	NR	NR	--	--	various	06/01/12	8,659	6,817	6,817
								85,354	85,354
BRIDGEPORT PROJECT									
1999 Series A - Project Refinancing	Aaa	AAA	MBIA	--	08/31/99	01/01/09	141,695	50,925	1,970
2000 Series A - Refinancing (partial insurance)	A3/Aaa	A+/AAA	MBIA	--	08/01/00	01/01/09	9,200	3,535	3,535
								54,460	5,505
WALLINGFORD PROJECT									
1998 Series A - Project Refinancing	Aaa	AAA	Ambac	--	10/23/98	11/15/08	39,475	13,420	2,055
								13,420	2,055
SOUTHEAST PROJECT									
1998 Series A - Project Refinancing	Aaa	AAA	MBIA	X	08/18/98	11/15/15	87,650	60,430	6,725
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 - Covanta Southeastern Connecticut Company-I ³	Ba2	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
2001 Series A - Covanta Southeastern Connecticut Company-II ³	Ba2	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
								103,930	6,725
TOTAL PRINCIPAL BONDS OUTSTANDING								\$257,164	\$99,639

¹ SCRF = Special Capital Reserve Fund of the State of Connecticut.

² On 3/24/05, an Irrevocable Escrow Fund was established to pay all future State Loan repayments.

³ Formerly American Ref-Fuel Company.

NR = Not Rated

On February 24, 2005, the Authority's Board of Directors authorized the establishment of a Debt Service Stabilization Fund to be funded by the excess revenue expected to be generated by the bond defeasance (described in Enron Matters on page 14) and to be used to pay future debt service. By June 30, 2006, this fund contained \$16,475,899, which, when combined with other funds available (including the MDC Arbitration award, excess funds in the Energy Generating Facility Operating Fund, excess funds in the Mid-Connecticut Project Revenue Fund and the use of Trustee-released funds in the Mid-Connecticut Project Debt Service Reserve Fund) enabled the Authority to complete another bond defeasance of a portion of the Mid-Connecticut project debt remaining following the March 2005 bond defeasance. Accordingly, on July 27, 2006, the Authority defeased \$54,125,000 of the remaining \$69,415,000 Mid-Connecticut Project 1996 Series A Bonds.

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 – 6th Floor, Hartford, CT 06103.



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**BALANCE SHEETS
AS OF JUNE 30, 2006 AND 2005
(Dollars in Thousands)**

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	\$ 98,644	\$ 64,119
Accounts receivable, net of allowance	22,148	23,135
Inventory	3,419	3,796
Prepaid expenses	1,361	1,242
Total Unrestricted Assets	<u>125,572</u>	<u>92,292</u>
Restricted Assets:		
Cash and cash equivalents	20,204	23,454
Accrued interest receivable	615	325
Total Restricted Assets	<u>20,819</u>	<u>23,779</u>
Total Current Assets	<u>146,391</u>	<u>116,071</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	80,130	81,452
Capital Assets:		
Depreciable, net	143,826	156,569
Nondepreciable	27,895	27,845
Development and bond issuance costs, net	6,218	7,221
Total Non-Current Assets	<u>258,069</u>	<u>273,087</u>
TOTAL ASSETS	<u>\$ 404,460</u>	<u>\$ 389,158</u>

The accompanying notes are an integral part of these financial statements



**BALANCE SHEETS
AS OF JUNE 30, 2006 AND 2005
(Dollars in Thousands)**

**EXHIBIT I
Page 2 of 2**

	<u>2006</u>	<u>2005</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of:		
Bonds payable, net	\$ 2,929	\$ 2,766
State loans payable	2,619	2,619
Closure and postclosure care of landfills	1,420	1,529
Accounts payable and accrued expenses	24,615	22,021
Other current liabilities	<u>122</u>	<u>4,760</u>
 Total Current Liabilities	 <u>31,705</u>	 <u>33,695</u>
 LONG-TERM LIABILITIES		
Bonds payable, net	79,499	82,227
State loans payable	13,320	15,939
Closure and postclosure care of landfills	26,019	24,948
Other liabilities	<u>1,483</u>	<u>1,581</u>
 Total Long-Term Liabilities	 <u>120,321</u>	 <u>124,695</u>
 TOTAL LIABILITIES	 <u>152,026</u>	 <u>158,390</u>
 NET ASSETS		
Invested in capital assets, net of related debt	89,888	100,471
Restricted	63,907	61,636
Unrestricted	<u>98,639</u>	<u>68,661</u>
 Total Net Assets	 <u>252,434</u>	 <u>230,768</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 404,460</u>	 <u>\$ 389,158</u>

The accompanying notes are an integral part of these financial statements



Connecticut Resources Recovery Authority

STATEMENTS OF REVENUES, EXPENSES AND
CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(Dollars in Thousands)

EXHIBIT II

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Service charges:		
Members	\$ 93,513	\$ 91,894
Others	33,186	30,223
Energy generation	37,945	33,798
Ash disposal reimbursement	4,229	4,025
Other operating revenues	11,220	9,001
Total operating revenues	<u>180,093</u>	<u>168,941</u>
Operating Expenses		
Solid waste operations	133,026	126,322
Depreciation and amortization	17,850	17,864
Maintenance and utilities	2,313	2,037
Closure and postclosure care of landfills	1,629	180
Project administration	11,481	8,904
Total operating expenses	<u>166,299</u>	<u>155,307</u>
Operating Income	13,794	13,634
Non-Operating Revenues and (Expenses)		
Enron claims	-	82,760
Investment income	7,664	4,471
Other income (expenses), net	5,885	(1,282)
Interest expense	(5,677)	(10,022)
Net Non-Operating Revenues	<u>7,872</u>	<u>75,927</u>
Income before Special Items	21,666	89,561
Special Items:		
Gain on sale of Enron claims	-	28,502
Early retirement/defeasance of debt	-	(6,128)
Total special items	<u>-</u>	<u>22,374</u>
Increase in Net Assets	21,666	111,935
Total Net Assets, beginning of year	<u>230,768</u>	<u>118,833</u>
Total Net Assets, end of year	<u>\$ 252,434</u>	<u>\$ 230,768</u>

The accompanying notes are an integral part of these financial statements



**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(Dollars in Thousands)**

EXHIBIT III

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Payments received from providing services	\$ 186,942	\$ 169,994
Payments to suppliers for goods and services	(144,661)	(135,263)
Payments to municipalities for rebates	-	(1,177)
Payments to employees for services	<u>(4,226)</u>	<u>(4,043)</u>
Net Cash Provided by Operating Activities	<u>38,055</u>	<u>29,511</u>
Cash Flows From Investing Activities		
Proceeds from sale of Enron claims	-	111,262
Interest on investments	<u>7,375</u>	<u>4,290</u>
Net Cash Provided by Investing Activities	<u>7,375</u>	<u>115,552</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from State loans	-	8,659
Proceeds from sales of equipment	312	17
Payments for landfill closure and postclosure care liabilities	(667)	(852)
Acquisition and construction of capital assets	(4,188)	(2,249)
Payment for early retirement/defeasance of debt	-	(4,501)
Interest paid on long-term debt	(5,399)	(10,373)
Principal paid on long-term debt	<u>(5,494)</u>	<u>(121,025)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(15,436)</u>	<u>(130,324)</u>
Cash Flows From Non-Capital Financing Activities		
Other interest and fees	<u>(41)</u>	<u>93</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(41)</u>	<u>93</u>
Net increase in cash and cash equivalents	29,953	14,832
Cash and cash equivalents, beginning of year	<u>169,025</u>	<u>154,193</u>
Cash and cash equivalents, end of year	<u>\$ 198,978</u>	<u>\$ 169,025</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating income	\$ 13,794	\$ 13,634
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation of capital assets	16,845	16,786
Amortization of development and bond issuance costs	1,005	1,078
Provision for closure and postclosure care of landfills	1,629	180
Other income (expenses)	5,647	(1,409)
(Increase) decrease in:		
Accounts receivable, net	987	(2,082)
Inventory	377	(255)
Prepaid expenses	(119)	212
(Decrease) increase in:		
Accounts payable, accrued expenses and other liabilities	<u>(2,110)</u>	<u>1,367</u>
Net Cash Provided by Operating Activities	<u>\$ 38,055</u>	<u>\$ 29,511</u>

The accompanying notes are an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

The Connecticut Resources Recovery Authority (the "Authority") is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (the "State") and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2006, the Authority is authorized to have a board consisting of eleven directors and eight ad-hoc members. The Governor of the State appoints three directors and all eight ad-hoc members. The remaining eight directors are appointed by 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 reserves established for certain Authority bonds. The Authority has no taxing power.

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

The Authority is comprised of four comprehensive solid waste disposal systems and a General Fund. Each of the operating systems

has a unique legal, contractual, financial and operational structure described as follows:

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal and recycling services to 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 jet turbines, two steam turbines, and certain other assets and land. Operating and maintenance agreements were entered into with Northeast Generation Services Company to operate the peaking jet turbines and with



Covanta Mid-Conn, Inc. to operate the steam turbines.

Bridgeport Project

The Bridgeport Project consists of a 2,250 ton per day mass burn Resources Recovery Facility located in Bridgeport, Connecticut, eight transfer stations, the Shelton Landfill, the Waterbury Landfill and a Regional Recycling Center located in Stratford, Connecticut. The Bridgeport Project provides solid waste disposal and recycling services to 20 Connecticut municipalities in Fairfield and New Haven Counties through service contract arrangements. The Authority holds title to all facilities in the Bridgeport system. The Resources Recovery Facility is leased to a private vendor under a long-term sales-type arrangement until December 2008, with several renewal option provisions. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to pay for the costs of the facility including debt service (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to member municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor.

Wallingford Project

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

Authority is responsible). The Wallingford Project's revenues are derived primarily from service fees charged to participating municipalities and other system users and fees for electric energy generated. The Authority pays the vendor a contractually determined service fee. The operating contract has provisions for revenue sharing with the vendor if prescribed operating parameters are achieved.

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 to be an Enterprise Fund. The Authority's operations and balances



are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

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

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

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

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

C. Estimates

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

D. Cash and Cash Equivalents

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

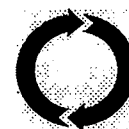
E. Accounts Receivable, net

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not expected to be collected of \$558,000 and \$640,000 at June 30, 2006 and 2005, 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, 2006 and 2005 are summarized as follows:



Inventories	2006 (\$000)	2005 (\$000)
Spare Parts	\$ 3,224	\$ 3,583
Coal	195	213
Total	<u>\$ 3,419</u>	<u>\$ 3,796</u>

G. Investments

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

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

H. Restricted Assets

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

I. Development and Bonds Issuance Costs

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

At June 30, 2006 and 2005, development and bond issuance costs for the projects are as follows:

Project	2006 (\$000)	2005 (\$000)
Development		
Costs:		
Mid-Connecticut	\$ 3,277	\$3,277
Wallingford	5,667	5,667
Southeast	10,006	10,006
	<u>18,950</u>	<u>18,950</u>
Less accumulated amortization:		
Mid-Connecticut	2,965	2,807
Wallingford	4,817	4,534
Southeast	6,084	5,692
	<u>13,866</u>	<u>13,033</u>
Total development costs, net	<u>\$ 5,084</u>	<u>\$5,917</u>
Bond Issuance		
Costs:		
Mid-Connecticut	\$ 1,087	\$1,087
Bridgeport	275	275
Wallingford	105	105
Southeast	1,008	1,008
	<u>2,475</u>	<u>2,475</u>
Less accumulated amortization:		
Mid-Connecticut	634	559
Bridgeport	183	153
Wallingford	76	67
Southeast	448	392
	<u>1,341</u>	<u>1,171</u>
Total bond issuance costs, net	<u>\$ 1,134</u>	<u>\$1,304</u>
Totals, net	<u>\$ 6,218</u>	<u>\$7,221</u>

J. Capital Assets

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



disposal capacity. The estimated useful lives of other capital assets are as follows:

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

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

K. 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 to member municipalities 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 \$62,871 and \$38,795 as of June 30, 2006 and 2005, 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, 2006 and 2005 are summarized as follows:

Restricted Net Assets	2006 (\$000)	2005 (\$000)
Energy generating facility	\$ 20,962	\$ 20,809
Debt service reserve	19,565	19,129
Tip fee stabilization	14,481	13,875
Operating and maintenance	1,575	1,512
Equipment replacement	1,575	1,512
Debt service funds	1,096	1,019
Select Energy escrow	1,000	1,000
Shelton landfill future use	792	554
DEP trust - landfills	742	715
Revenue funds	662	344
Regional recycling center equipment	429	374
Recycling education fund	417	346
Rebate funds	277	266
Montville landfill postclosure	205	25
State loans	59	124
Other Restricted Net Assets	70	32
Total	\$ 63,907	\$61,636



M. Reclassifications

Certain reclassifications have been made to the 2005 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, 2006 and 2005:

	2006 (\$000)	2005 (\$000)
Unrestricted:		
Cash deposits	\$1,487	\$1,419
Cash equivalents:		
STIF *	97,157	62,700
	<u>98,644</u>	<u>64,119</u>
Restricted – current:		
Cash deposits	1,348	338
Cash equivalents:		
STIF *	16,288	20,402
Money Market Funds	2,568	2,714
	<u>20,204</u>	<u>23,454</u>
Restricted – non-current:		
Cash equivalents:		
STIF *	79,062	80,302
U.S. Treasuries	741	715
Money Market Funds	327	435
	<u>80,130</u>	<u>81,452</u>
Total:	<u>\$198,978</u>	<u>\$169,025</u>

* 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, 2006 and 2005 \$4.5 million and \$4.4 million, respectively, of the Authority's

bank balance of cash deposits were exposed to custodial credit risk as follows:

	2006 (\$000)	2005 (\$000)
Uninsured and Uncollateralized	\$ 3,985	\$ 3,866
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	\$ 503	\$ 573
Total	\$ 4,488	\$ 4,439

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, 2006 and 2005, are included in cash and cash equivalents in the accompanying balance sheets. For purposes of disclosure under GASB Statement No. 40, such amounts are considered investments and are included in the investment disclosures that follow.



B. Investments

Interest Rate Risk

As of June 30, 2006, 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	\$192,507	\$192,507	\$0	\$0	\$0
U.S. Treasuries	741	741	0	0	0
Money Market Funds	2,895	2,895	0	0	0
Total	\$196,143	\$196,143	\$0	\$0	\$0

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

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, 2006 and 2005, STIF had a weighted average maturity of 39 days and 32 days, respectively. The U.S. Treasury Securities are U.S. Treasury Bills that have 90-day maturities. The Money Market Funds invest exclusively in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury

obligations. This fund complies with Securities and Exchange Commission regulations regarding money market fund maturities, which requires that the weighted average maturity be 90 days or less. As of June 30, 2006 and 2005, the weighted average maturity of these funds was three days and eight 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). On March 24, 2005, the Authority created an irrevocable escrow fund invested in STIF and deposited \$19,394,506, which will be sufficient to pay the principal and interest due on the State loans through maturity in 2012.

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, 2006, the Authority's investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	\$192,507	AAAm	Not Rated	Not Rated
U.S. Treasuries	741	AAA	Aaa	AAA
Money Market Funds	2,895	AAAm	Aaa	AAA/ VI+F

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

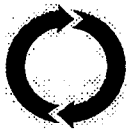
Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	\$163,404	AAAm	Not Rated	Not Rated
U.S. Treasuries	715	AAA	Aaa	AAA
Money Market Funds	3,149	AAAm	Aaa	AAA/ VI+F

Concentration of Credit Risk

The Authority's investment policy places no limit on the amount of investment in any one issuer, but does require diversity of the investment portfolio if investments are made in non-U.S. government or U.S. agency securities to eliminate the risk of loss of over-concentration of assets in a specific class of security, a specific maturity and/or a specific issuer. The asset allocation of the investment portfolio should, however, be flexible enough to assure adequate liquidity for Authority and/or bond resolution needs. As of June 30, 2006 and 2005, approximately 98.1% and 97.7%, 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.

Custodial Credit Risk

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



3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2005 and 2006:

	Balance at July 1, 2004 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2005 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2006 (\$000)
Nondepreciable assets:									
Land	\$ 27,774	\$ -	\$ -	\$ -	\$ 27,774	\$ -	\$ -	\$ -	\$ 27,774
Construction-in-progress	501	1,398	(1,828)	-	71	50	-	-	121
Total nondepreciable assets	\$ 28,275	\$ 1,398	\$ (1,828)	\$ -	\$ 27,845	\$ 50	\$ -	\$ -	\$ 27,895
Depreciable assets:									
Plant	\$ 186,779	\$ 294	\$ 1,073	\$ (65)	\$ 188,081	\$ 1,277	\$ -	\$ (117)	\$ 189,241
Equipment	204,829	648	753	(294)	205,936	3,074	-	(2,901)	206,109
Total at cost	391,608	942	1,826	(359)	394,017	4,351	-	(3,018)	395,350
Less accumulated depreciation for:									
Plant	(109,186)	(7,523)	-	8	(116,701)	(7,730)	-	65	(124,366)
Equipment	(111,761)	(9,263)	2	275	(120,747)	(9,115)	-	2,704	(127,158)
Total accumulated depreciation	(220,947)	(16,786)	2	283	(237,448)	(16,845)	-	2,769	(251,524)
Total depreciable assets, net	\$ 170,661	\$ (15,844)	\$ 1,828	\$ (76)	\$ 156,569	\$ (12,494)	\$ -	\$ (249)	\$ 143,826

Interest is capitalized on assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested debt proceeds over the same period. During fiscal 2006 and 2005, there was no capitalized interest as there was no new external borrowing.

4. LONG-TERM DEBT

A. Bonds Payable

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



The following is a summary of changes in bonds payable for the years ended June 30, 2005 and 2006.

	Balance at July 1, 2004 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2005 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2006 (\$000)	Amounts Due Within One Year (\$000)
Bonds payable - principal	\$ 205,409	\$ -	\$ (118,834)	\$ 86,575	\$ -	\$ (2,875)	\$ 83,700	\$ 3,032
Unamortized amounts:								
Premiums	1,144	-	(518)	626	-	(109)	517	99
Deferred amount on refunding	(3,941)	-	1,733	(2,208)	-	419	(1,789)	(202)
Total bonds payable	<u>\$ 202,612</u>	<u>\$ -</u>	<u>\$ (117,619)</u>	<u>\$ 84,993</u>	<u>\$ -</u>	<u>\$ (2,565)</u>	<u>\$ 82,428</u>	<u>\$ 2,929</u>

The long-term debt amounts for the projects in the table above have been reduced by the deferred amount on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2006 and 2005 as follows:

Project	2006 (\$000)	2005 (\$000)
Deferred amount on refunding:		
Mid-Connecticut	\$ 667	\$ 869
Bridgeport	(15)	(27)
Wallingford	10	17
Southeast	1,127	1,349
Subtotal	<u>1,789</u>	<u>2,208</u>
Reduced by unamortized premium:		
Bridgeport	(11)	(20)
Southeast	(506)	(606)
Subtotal	<u>(517)</u>	<u>(626)</u>
Net Reduction	<u>\$ 1,272</u>	<u>\$ 1,582</u>

Certain of the Authority's bonds are secured by special capital reserve funds. Each fund is equal to the highest annual amount of debt service remaining on the issue. The State is contingently liable to restore any deficiencies that exist in these funds in the event that the Authority must draw from the fund. Bond principal amounts recorded as long-term debt at June 30, 2006 and 2005, which are backed by special capital reserve funds, are as follows:

Project	2006 \$000	2005 \$000
Mid-Connecticut	\$ 69,415	\$ 69,415
Southeast	<u>6,725</u>	<u>7,227</u>
Total	<u>\$ 76,140</u>	<u>\$ 76,642</u>



Connecticut Resources Recovery Authority

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

Year ending June 30	Mid-Connecticut		Bridgeport		Wallingford		Southeast		Total	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2007	\$ -	\$ 3,785	\$ 1,845	\$ 277	\$ 658	\$ 69	\$ 529	\$ 345	\$ 3,032	\$ 4,476
2008	-	3,785	1,955	185	684	42	556	315	3,195	4,327
2009	-	3,785	1,705	86	713	14	586	283	3,004	4,168
2010	5,810	3,629	-	-	-	-	618	250	6,428	3,879
2011	20,205	2,930	-	-	-	-	650	215	20,855	3,145
2012-2017	43,400	2,415	-	-	-	-	3,786	508	47,186	2,923
	<u>\$ 69,415</u>	<u>\$ 20,329</u>	<u>\$ 5,505</u>	<u>\$ 548</u>	<u>\$ 2,055</u>	<u>\$ 125</u>	<u>\$ 6,725</u>	<u>\$ 1,916</u>	<u>\$ 83,700</u>	<u>\$ 22,918</u>
Interest Rates	5.375-5.50%		4.88-5.5%		4%		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 claims and other available bond funds (see Note 12) to defease Mid-Connecticut Project debt; used excess funds in the Montville Landfill Postclosure Reserve to call Southeast Project debt; and used 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
		<u>\$ 99,365</u>

A portion of the proceeds from the sale of the Enron claims was 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, 2006, 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 2006 was 5.49%.

The following is a summary of changes in the State loans payable for the years ended June 30, 2005 and 2006.

	Balance at July 1, 2004 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2005 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2006 (\$000)	Amounts Due Within One Year (\$000)
State loans payable - principal	\$ 12,090	\$ 8,659	\$ (2,191)	\$ 18,558	\$ -	\$ (2,619)	\$ 15,939	\$ 2,619

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

Year Ending June 30	Principal (\$000)	Interest (\$000)
2007	\$ 2,619	\$ 821
2008	2,619	676
2009	2,619	529
2010	2,619	383
2011	2,619	237
2012 - 2013	<u>2,844</u>	<u>95</u>
Total	<u>\$ 15,939</u>	<u>\$ 2,741</u>

Interest rate is assumed @ 5.49%

On March 24, 2005, the Authority created an irrevocable escrow fund invested in STIF and deposited \$19,394,506, which will be sufficient

to pay the principal and interest due on the State loans through maturity in 2012.



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

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

GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", applies to closure and post-closure care costs that are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority estimates its liability for these closure and post-closure care costs and records any increases or decreases to the liability as an operating expense. For landfills presently open, such estimate is based on landfill capacity used as of the balance sheet date. The liability for these costs is reduced when the costs are actually paid, which is generally after the landfill is closed.

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation. The closure and post-closure care liabilities including the amounts paid and accrued for fiscal 2005 and 2006 for the landfills, are presented in the following table:



Project/Landfill	Liability at July 1, 2004 (\$000)	Expense (\$000)	Paid (\$000)	Liability at June 30, 2005 (\$000)	Expense (\$000)	Paid (\$000)	Liability at June 30, 2006 (\$000)	Amounts Due Within One Year (\$000)
Mid-Connecticut:								
Hartford	\$ 6,525	\$ 281	\$ -	\$ 6,806	\$ 82	\$ -	\$ 6,888	\$ -
Ellington	3,318	104	(283)	3,139	96	(198)	3,037	194
Bridgeport:								
Shelton	10,985	(180)	(409)	10,396	1,498	(340)	11,554	1,051
Waterbury	1,017	-	-	1,017	-	-	1,017	-
Wallingford:	5,304	(25)	(160)	5,119	(47)	(129)	4,943	175
Total	<u>\$27,149</u>	<u>\$180</u>	<u>(\$852)</u>	<u>\$26,477</u>	<u>\$1,629</u>	<u>(\$667)</u>	<u>\$27,439</u>	<u>\$1,420</u>

The estimated remaining costs to be recognized in the future as closure and post-closure care of landfill expense, the percent of landfill capacity used and the remaining years of life for open landfills at June 30, 2006 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	\$ 706	77%	98%	2	1
Bridgeport-Waterbury	125	—	89%	—	3
Total	<u>\$ 831</u>				

The Connecticut Department of Environmental Protection ("CTDEP") requires that certain financial assurance mechanisms be maintained by the Authority to ensure payment of closure and post-closure costs related to certain landfills. Additionally, 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 \$445,000 and \$429,000 at June 30, 2006 and 2005, respectively. The Bridgeport-Waterbury Landfill account is valued at \$158,000 and \$152,000 at June 30, 2006 and 2005, respectively. The Wallingford Landfill account is valued at \$139,000 and \$134,000 at June 30, 2006 and 2005, respectively. These trust accounts are reflected as restricted assets in the accompanying balance sheets (see Note 1L).



At June 30, 2006, 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 2006.

In addition to the above trust accounts and letter of credit, the Authority satisfies certain financial assurance requirements at June 30, 2006 and 2005 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 10% and 11% of the Authority's operating revenues for the fiscal years ended June 30, 2006 and 2005, respectively.

Service charge revenues from Waste Management of Connecticut, Inc. totaled 10% and 11 % of the Authority's operating revenues for the fiscal years ended June 30, 2006 and 2005, 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 five percent of payroll plus a dollar for dollar match of employees' contributions up to five percent. Authority contributions for the years ended June 30, 2006 and 2005 amounted to \$392,000 and \$337,000, respectively. Employees contributed \$328,000 to the plan in fiscal year 2006 and \$298,000 in fiscal year 2005.

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 2006, the Authority increased its overall property insurance limit from \$315 million to \$327 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 \$327 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. The premium for the current policy for the period from October 1, 2005 through October 1, 2006 was \$51,000. The premium for the previous policy for the period from July 1, 2004 through October 1, 2005 was \$73,000.

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	2006 (\$000)	2005 (\$000)
Minimum rentals	\$ 638	\$ 638
Contingent rentals	145	120
Total	<u>\$ 783</u>	<u>\$ 758</u>



The Authority also has agreements with various municipalities for payments in lieu of taxes ("PILOT") for personal and real property. For the years ended June 30, 2006 and 2005, the PILOT payments, which are included in the solid waste operations in the accompanying statements of revenues, expenses and change in net assets, totaled \$7,983,000 and \$7,761,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2006 are as follows:

Project	2006 (\$000)	2005 (\$000)
Mid-Connecticut	\$ 48,830	\$ 44,154
Bridgeport	42,091	39,682
Wallingford	15,207	14,072
Southeast	8,020	8,690
Total	<u>\$ 114,148</u>	<u>\$ 106,598</u>

Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2007	\$ 628	\$ 8,212
2008	644	8,449
2009	644	7,410
2010	639	6,325
2011	112	4,996
2012-2016	129	8,769
Thereafter	-	1,015
Total	<u>\$ 2,796</u>	<u>\$ 45,176</u>

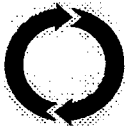
10. OTHER FINANCING

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

The Authority is not involved in the repayment of debt on these issues except for the portion of the bonds allocable to Authority purposes. In the event of default, and except in cases where the State has a contingent liability discussed below, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues on its financial statements. The principal amounts of these bond issues outstanding at June 30, 2006 (excluding portions allocable to Authority purposes) are as follows:

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, 2006 and 2005 was as follows:



Project	Amount (\$000)
Bridgeport - 1999 Series A	\$ 48,955
Wallingford - 1998 Series A	11,365
Southeast -	
1992 Series A (Corp. Credit)	30,000
1998 Series A (Project)	53,705
2001 Series A (Covanta Southeastern Connecticut Company - I)	6,750
2001 Series A (Covanta Southeastern Connecticut Company - II)	6,750
	<u>97,205</u>
Total	<u>\$ 157,525</u>

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

11. SEGMENT INFORMATION

The Authority has four projects that operate resources recovery and recycling facilities and landfills throughout the State and are required to be self-supporting through user service fees and sales of electricity. The Authority has issued various revenue bonds to provide financing for the design, development and construction of these resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the years ended June 30, 2006 and 2005, respectively.



	Mid-Connecticut (\$000)	Bridgeport (\$000)	Wallingford (\$000)	Southeast (\$000)
Condensed Balance Sheets				
Assets:				
Current unrestricted assets	\$ 70,981	\$ 17,938	\$ 29,223	\$ 6,841
Current restricted assets	12,740	2,127	1,683	4,248
Total current assets	<u>83,721</u>	<u>20,065</u>	<u>30,906</u>	<u>11,089</u>
Non-current assets:				
Restricted cash and cash equivalents	62,290	1,429	15,342	1,069
Capital assets, net	149,401	19,302	2,091	-
Other assets, net	765	92	879	4,482
Total non-current assets	<u>212,456</u>	<u>20,823</u>	<u>18,312</u>	<u>5,551</u>
Total assets	<u>\$ 296,177</u>	<u>\$ 40,888</u>	<u>\$ 49,218</u>	<u>\$ 16,640</u>
Liabilities:				
Current liabilities	\$ 15,792	\$ 7,982	\$ 3,825	\$ 3,261
Long-term liabilities	91,799	15,191	6,160	7,171
Total liabilities	<u>107,591</u>	<u>23,173</u>	<u>9,985</u>	<u>10,432</u>
Net Assets:				
Invested in capital assets, net of related debt	75,294	14,594	-	-
Restricted	45,183	2,865	14,734	1,104
Unrestricted	68,109	256	24,499	5,104
Total net assets	<u>188,586</u>	<u>17,715</u>	<u>39,233</u>	<u>6,208</u>
Total liabilities and net assets	<u>\$ 296,177</u>	<u>\$ 40,888</u>	<u>\$ 49,218</u>	<u>\$ 16,640</u>
Condensed Statements of Revenues, Expenses, and Change in Net Assets				
Operating revenues	\$ 93,106	\$ 53,827	\$ 22,142	\$ 11,491
Operating expenses	71,108	50,325	17,862	9,617
Depreciation and amortization expense	16,072	849	299	448
Operating income (loss)	<u>5,926</u>	<u>2,653</u>	<u>3,981</u>	<u>1,426</u>
Non-operating revenues (expenses):				
Investment income	5,214	591	1,698	117
Other income (expenses)	5,457	65	(7)	-
Interest expense	(4,787)	(299)	(99)	(492)
Net non-operating revenues (expense)	<u>5,884</u>	<u>357</u>	<u>1,592</u>	<u>(375)</u>
Increase in net assets	11,810	3,010	5,573	1,051
Total net assets, July 1, 2005	<u>176,776</u>	<u>14,705</u>	<u>33,660</u>	<u>5,157</u>
Total net assets, June 30, 2006	<u>\$ 188,586</u>	<u>\$ 17,715</u>	<u>\$ 39,233</u>	<u>\$ 6,208</u>
Condensed Statements of Cash Flows				
Net cash provided by (used in):				
Operating activities	\$ 25,963	\$ 3,445	\$ 5,291	\$ 3,239
Investing activities	5,142	588	1,593	9
Capital and related financing activities	(10,977)	(2,609)	(976)	(874)
Non-capital financing activities	(15)	(19)	(7)	-
Net increase	20,113	1,405	5,901	2,374
Cash and cash equivalents, July 1, 2005	<u>109,748</u>	<u>14,692</u>	<u>37,631</u>	<u>5,729</u>
Cash and cash equivalents, June 30, 2006	<u>\$ 129,861</u>	<u>\$ 16,097</u>	<u>\$ 43,532</u>	<u>\$ 8,103</u>



Connecticut Resources Recovery Authority

	Mid-Connecticut (\$000)	Bridgeport (\$000)	Wallingford (\$000)	Southeast (\$000)
Condensed Balance Sheets				
Assets:				
Current unrestricted assets	\$ 43,811	\$ 16,102	\$ 24,543	\$ 7,562
Current restricted assets	17,079	2,317	1,894	2,469
Total current assets	<u>60,890</u>	<u>18,419</u>	<u>26,437</u>	<u>10,031</u>
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	<u>226,871</u>	<u>21,463</u>	<u>17,873</u>	<u>5,985</u>
Total assets	<u>\$ 287,761</u>	<u>\$ 39,882</u>	<u>\$ 44,310</u>	<u>\$ 16,016</u>
Liabilities:				
Current liabilities	\$ 16,762	\$ 9,353	\$ 3,687	\$ 3,174
Long-term liabilities	94,223	15,824	6,963	7,685
Total liabilities	<u>110,985</u>	<u>25,177</u>	<u>10,650</u>	<u>10,859</u>
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	<u>176,776</u>	<u>14,705</u>	<u>33,660</u>	<u>5,157</u>
Total liabilities and net assets	<u>\$ 287,761</u>	<u>\$ 39,882</u>	<u>\$ 44,310</u>	<u>\$ 16,016</u>
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	<u>4,297</u>	<u>3,570</u>	<u>4,945</u>	<u>1,002</u>
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)	<u>76,915</u>	<u>(1,962)</u>	<u>452</u>	<u>143</u>
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	<u>103,633</u>	<u>1,608</u>	<u>5,350</u>	<u>1,145</u>
Total net assets, July 1, 2004	<u>73,143</u>	<u>13,097</u>	<u>28,310</u>	<u>4,012</u>
Total net assets, June 30, 2005	<u>\$ 176,776</u>	<u>\$ 14,705</u>	<u>\$ 33,660</u>	<u>\$ 5,157</u>
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	(122,259)	(2,605)	(2,185)	(3,290)
Non-capital financing activities	(32)	(17)	(7)	(9)
Net increase (decrease)	<u>12,345</u>	<u>1,722</u>	<u>2,831</u>	<u>(1,716)</u>
Cash and cash equivalents, July 1, 2004	<u>97,403</u>	<u>12,970</u>	<u>34,800</u>	<u>7,445</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 109,748</u>	<u>\$ 14,692</u>	<u>\$ 37,631</u>	<u>\$ 5,729</u>



12. SIGNIFICANT EVENTS

In connection with the Enron bankruptcy, the Authority filed proofs of claim against Enron Power Marketing, Inc. and Enron Corporation, seeking to recover losses related to the Mid-Connecticut Project. On August 20, 2004, the Authority sold its court approved 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 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. Following Board authorization, on March 11, 2005, the Authority fully defeased \$2.1 million of its outstanding Mid-Connecticut Project 1997 Series A Bonds and \$13.2 million of its 2001 Series A Bonds and partially defeased \$81.5 million of its outstanding 1996 Series A Bonds. On March 24, 2005, using the remaining Enron claims settlement funds, the Authority also established an irrevocable escrow fund for the future repayment of the outstanding State loan borrowings.

The Authority recently completed two arbitration hearings with the Metropolitan District Commission (the "MDC") 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, nor were they awarded, 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 overcharged by the MDC for indirect costs. Pursuant to the 1999 ruling of a previous arbitration panel, the Authority created and maintained an escrow account, setting aside 25% of the indirect costs invoiced by the MDC. In July 2005, the second

arbitration panel ruled in favor of the Authority, stating that due to the overcharges the Authority did not have to pay the two MDC invoices and is entitled to retain 100% of the escrow account. As a result, the balance of the escrow account, which was recorded as current restricted cash and cash equivalents as of June 30, 2005, and totals approximately \$5.2 million as of June 30, 2006, has been transferred to current unrestricted cash and cash equivalents in the accompanying balance sheet. In addition, the related escrow liability which was approximately \$4.7 million has been reversed and recorded as non-operating revenue in the accompanying statement of revenues, expenses and change in net assets for the fiscal year ended June 30, 2006. The MDC has an appeal pending.

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 paid the contractor \$1,850,000 in fiscal 2006.

13. SUBSEQUENT EVENTS

On July 27, 2006, following Board authorization and using funds available from the Mid-Connecticut project, including the Debt Service Stabilization Fund established for the payment of future debt service, the Authority further partially defeased \$54.1 million of its remaining Mid-Connecticut Project 1996 Series A Bonds, leaving a principal balance of \$15.2 million outstanding.

14. CONTINGENCIES

Mid-Connecticut Project:

In December 2003, the Towns of New Hartford and Barkhamstead filed suit against the Authority, former board members and delegates, the Authority's former President, and others, seeking alleged damages resulting from the failed Enron transaction as well as equitable relief. In addition to vigorously contesting these claims on its own behalf, the Authority is



defending and indemnifying its former President and board members. On August 10, 2005, the Motions to Dismiss of all of the non-Authority defendants were granted; on August 30, 2005, plaintiffs filed an appeal. On March 21, 2006, the court granted the plaintiffs' motion for Class Certification. On August 28, 2006, the court denied defendant's motions to consolidate the case with related matters and to implead two of the defendant's former law firms. On September 11, 2006, the court denied defendant's motion for summary judgment. The matter is currently scheduled for trial beginning October 25, 2006. The matter is too preliminary to estimate any potential exposure. The Authority has submitted the lawsuit to its Public Officials insurance company.

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

The Authority, through the Connecticut Attorney General's office, is pursuing recovery of lost monies from the failed transaction with

Enron and its subsidiaries in federal and state courts from its and their former law firms and financial institutions. Settlement discussions have been initiated with several defendants, and mediation sessions and trial dates with the Authority's former law firms have been scheduled. Management is uncertain of the amounts that may be realized from these claims.

On February 6, 2006, a Trust and its trustees filed suit against the Authority, claiming negligence, trespass, strict tort liability, and violation of Connecticut's environmental laws and regulations, based upon alleged migration of various pollutants from the Ellington landfill onto Trust property, and seeking injunctive relief and compensatory damages. By letter of the same date, the Authority received notice of the Trust's intention to commence an action against the Authority for violation of the federal Clean Water Act and the Resource Conservation and Recovery Act. The Authority believes that the parties have reached agreement in principle, and is awaiting draft documentation from the Trust. The Authority's Board of Directors has authorized the acquisition of the disputed property for an amount not to exceed \$2,450,000.

A claim has been made or may be asserted by several towns that the Authority is in violation of its original zoning permits for transfer stations located in those towns. The basis for the claim is that the transfer stations exceeded their permitted capacity. If such claims are asserted, the Authority will argue that the volumes are consistent with the spirit of the original permits. The Authority is presently discussing a resolution of this matter.

Bridgeport Project:

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. Trial is scheduled for February 2007. Management is uncertain of the amounts that may be realized from these claims.



In the early 1990's, the Authority was named as a Potentially Responsible Party in the now-combined federal and State of New Jersey suits to recover the costs of remediation of the landfill known as Combe Fill South. The litigation has been on hold while allocation of responsibility among the hundreds of alleged defendants is assessed through Alternate Dispute Resolution. A preliminary allocation of liability was issued in April 2006, designed to guide the 250+ parties in developing and funding global settlement offers. Counsel reports that there remain many complex issues still to be resolved before meaningful settlement discussions can take place. Counsel advises that, pursuant to the draft report, the "Connecticut Entities" are allocated a site share of 0.4685%, for which they are jointly and severally responsible. As of June 30, 2006, the Authority has accrued \$175,000 for this matter and such amount is included in current liabilities in the accompanying balance sheet. This very preliminary calculation is based upon a total estimated government cost claim figure of \$150 million and an equal split among four viable parties of the Connecticut Group.

regulatory laws and regulations and management believes it is in substantial compliance with all such governmental laws and regulations.

Other issues and Unasserted Claims and Assessments:

The Authority and the City of Hartford dispute the responsibility for payment of certain closure and postclosure costs associated with the Hartford landfill. Under its permits with the CTDEP, the Authority is obligated to the CTDEP to perform closure and postclosure of the landfill. The Authority believes that its closure obligations under its lease with the City are limited to the obligation to grade, seed and cover the landfill consistent with existing CTDEP standard and regulations, and that any additional closure costs and all postclosure maintenance and monitoring costs are the obligation of the City. The Authority has recorded an estimated liability for what it believes is its share of the closure and postclosure costs (see Note 5).

The Authority is subject to numerous federal, state and local environmental and other



Connecticut Resources Recovery Authority

COMBINING SCHEDULE OF BALANCE SHEETS AS OF JUNE 30, 2006 (Dollars in Thousands)

EXHIBIT A
Page 1 of 2

ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	\$ 1,364	\$ 55,042	\$ 12,549	\$ 26,663	\$ 3,026	\$ -	\$ 98,644
Accounts receivable, net of allowance	95	10,796	5,192	2,250	3,815	-	22,148
Inventory	-	3,419	-	-	-	-	3,419
Prepaid expenses	57	797	197	310	-	-	1,361
Due from other funds	-	927	-	-	-	(927)	-
Total Unrestricted Assets	1,516	70,981	17,938	29,223	6,841	(927)	125,572
Restricted Assets:							
Cash and cash equivalents	21	12,529	2,119	1,527	4,008	-	20,204
Accrued interest receivable	-	211	8	156	240	-	615
Total Restricted Assets	21	12,740	2,127	1,683	4,248	-	20,819
Total Current Assets	1,537	83,721	20,065	30,906	11,089	(927)	146,391
NON-CURRENT ASSETS							
Restricted cash and cash equivalents	-	62,290	1,429	15,342	1,069	-	80,130
Capital Assets:							
Depreciable:							
Plant	864	163,144	25,233	-	-	-	189,241
Equipment	1,020	202,223	2,816	50	-	-	206,109
	1,884	365,367	28,049	50	-	-	395,350
Less: Accumulated depreciation	(957)	(226,582)	(23,979)	(6)	-	-	(251,524)
Total Depreciable, net	927	138,785	4,070	44	-	-	143,826
Nondepreciable							
Land	-	10,595	15,200	1,979	-	-	27,774
Construction in progress	-	21	32	68	-	-	121
Total Nondepreciable	-	10,616	15,232	2,047	-	-	27,895
Development and bond issuance costs, net	-	765	92	879	4,482	-	6,218
Total Non-Current Assets	927	212,456	20,823	18,312	5,551	-	258,069
TOTAL ASSETS	\$ 2,464	\$ 296,177	\$ 40,888	\$ 49,218	\$ 16,640	\$ (927)	\$ 404,460



Connecticut Resources Recovery Authority

**COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2006
(Dollars in Thousands)**

**EXHIBIT A
Page 2 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Current portion of:							
Bonds payable, net	\$ -	\$ -	\$ 1,860	\$ 653	\$ 416	\$ -	\$ 2,929
State loans payable	-	2,619	-	-	-	-	2,619
Closure and postclosure care of landfills	-	194	1,051	175	-	-	1,420
Accounts payable and accrued expenses	845	12,979	5,071	2,997	2,723	-	24,615
Due to other funds	927	-	-	-	-	(927)	-
Other current liabilities	-	-	-	-	122	-	122
Total Current Liabilities	1,772	15,792	7,982	3,825	3,261	(927)	31,705
LONG-TERM LIABILITIES							
Bonds payable, net	-	68,748	3,671	1,392	5,688	-	79,499
State loans payable	-	13,320	-	-	-	-	13,320
Closure and postclosure care of landfills	-	9,731	11,520	4,768	-	-	26,019
Other liabilities	-	-	-	-	1,483	-	1,483
Total Long-Term Liabilities	-	91,799	15,191	6,160	7,171	-	120,321
TOTAL LIABILITIES	1,772	107,591	23,173	9,985	10,432	(927)	152,026
NET ASSETS							
Invested in capital assets, net of related debt	-	75,294	14,594	-	-	-	89,888
Restricted:							
Energy generating facility	-	20,962	-	-	-	-	20,962
Debt service reserve funds	-	18,467	1,020	-	78	-	19,565
Tip fee stabilization	-	-	-	14,481	-	-	14,481
Operating and maintenance	-	1,575	-	-	-	-	1,575
Equipment replacement	-	1,575	-	-	-	-	1,575
Debt service funds	-	205	891	-	-	-	1,096
Select Energy escrow	-	1,000	-	-	-	-	1,000
Shelton landfill future use	-	-	792	-	-	-	792
DEP trust - landfills	-	445	158	139	-	-	742
Revenue funds	-	-	-	-	662	-	662
Regional recycling center equipment	-	429	-	-	-	-	429
Recycling education fund	-	417	-	-	-	-	417
Rebate funds	-	-	4	114	159	-	277
Montville landfill postclosure	-	-	-	-	205	-	205
State loans	-	59	-	-	-	-	59
Other restricted net assets	21	49	-	-	-	-	70
Total Restricted	21	45,183	2,865	14,734	1,104	-	63,907
Unrestricted	671	68,109	256	24,499	5,104	-	98,639
Total Net Assets	692	188,586	17,715	39,233	6,208	-	252,434
TOTAL LIABILITIES AND NET ASSETS	\$ 2,464	\$ 296,177	\$ 40,888	\$ 49,218	\$ 16,640	\$ (927)	\$ 404,460



Connecticut Resources Recovery Authority

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006**
(Dollars in Thousands)

EXHIBIT B

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
Operating Revenues							
Service charges:							
Members	\$ -	\$ 42,691	\$ 31,280	\$ 8,907	\$ 10,635	\$ -	\$ 93,513
Others	-	18,099	14,680	24	856	(473)	33,186
Energy generation	-	24,849	-	13,096	-	-	37,945
Ash disposal reimbursement	-	-	4,229	-	-	-	4,229
Other operating revenues	-	7,467	3,638	115	-	-	11,220
Total operating revenues	-	93,106	53,827	22,142	11,491	(473)	180,093
Operating Expenses							
Solid waste operations	10	60,164	46,595	17,249	9,481	(473)	133,026
Depreciation and amortization	182	16,072	849	299	448	-	17,850
Maintenance and utilities	-	1,997	297	19	-	-	2,313
Closure and postclosure care of landfills	-	178	1,498	(47)	-	-	1,629
Project administration	-	8,769	1,935	641	136	-	11,481
Total operating expenses	192	87,180	51,174	18,161	10,065	(473)	166,299
Operating Income (loss)	(192)	5,926	2,653	3,981	1,426	-	13,794
Non-Operating Revenues and (Expenses)							
Investment income	44	5,214	591	1,698	117	-	7,664
Other income (expenses), net	370	5,457	65	(7)	-	-	5,885
Interest expense	-	(4,787)	(299)	(99)	(492)	-	(5,677)
Net Non-Operating Revenues and (Expenses)	414	5,884	357	1,592	(375)	-	7,872
Increase in Net Assets	222	11,810	3,010	5,573	1,051	-	21,666
Total Net Assets, beginning of year	470	176,776	14,705	33,660	5,157	-	230,768
Total Net Assets, end of year	\$ 692	\$ 188,586	\$ 17,715	\$ 39,233	\$ 6,208	\$ -	\$ 252,434



Connecticut Resources Recovery Authority

COMBINING SCHEDULE OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006

(Dollars in Thousands)

EXHIBIT C
Page 1 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
Cash Flows From Operating Activities							
Payments received from providing services	\$ 327	\$ 97,381	\$ 53,714	\$ 23,092	\$ 12,901	\$ (473)	\$ 186,942
Payments received from other funds	-	200	-	-	-	(200)	-
Payments to suppliers for goods and services	(10)	(68,363)	(49,705)	(17,470)	(9,586)	473	(144,661)
Payments to employees for services	-	(3,255)	(564)	(331)	(76)	-	(4,226)
Payments to other funds	(200)	-	-	-	-	200	-
Net Cash Provided by Operating Activities	117	25,963	3,445	5,291	3,239	-	38,055
Cash Flows From Investing Activities							
Interest on investments	43	5,142	588	1,593	9	-	7,375
Net Cash Provided by Investing Activities	43	5,142	588	1,593	9	-	7,375
Cash Flows From Capital and Related Financing Activities							
Proceeds from sales of equipment	-	312	-	-	-	-	312
Payments for landfill closure and postclosure care liabilities	-	(198)	(340)	(129)	-	-	(667)
Acquisition and construction of capital assets	-	(3,905)	(165)	(118)	-	-	(4,188)
Interest paid on long-term debt	-	(4,567)	(364)	(96)	(372)	-	(5,399)
Principal paid on long-term debt	-	(2,619)	(1,740)	(633)	(502)	-	(5,494)
Net Cash Used in Capital and Related Financing Activities	-	(10,977)	(2,609)	(976)	(874)	-	(15,436)
Cash Flows From Non-Capital Financing Activities							
Other interest and fees	-	(15)	(19)	(7)	-	-	(41)
Net Cash Used in Non-Capital Financing Activities	-	(15)	(19)	(7)	-	-	(41)



Connecticut Resources Recovery Authority

COMBINING SCHEDULE OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006 (Dollars in Thousands)

EXHIBIT C
Page 2 of 2

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Eliminations	Total
Net increase in cash and cash equivalents	\$ 160	\$ 20,113	\$ 1,405	\$ 5,901	\$ 2,374	\$ -	\$ 29,953
Cash and cash equivalents, beginning of year	1,225	109,748	14,692	37,631	5,729	-	169,025
Cash and cash equivalents, end of year	<u>\$ 1,385</u>	<u>\$ 129,861</u>	<u>\$ 16,097</u>	<u>\$ 43,532</u>	<u>\$ 8,103</u>	<u>\$ -</u>	<u>\$ 198,978</u>

Reconciliation of Operating Income (Loss) to Net

Cash Provided by Operating Activities:

Operating income (loss)	\$ (192)	\$ 5,926	\$ 2,653	\$ 3,981	\$ 1,426	\$ -	\$ 13,794
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation of capital assets	182	15,839	818	6	-	-	16,845
Amortization of development and bond issuance costs	-	233	31	293	448	-	1,005
Provision for closure and postclosure care of landfills	-	178	1,498	(47)	-	-	1,629
Other income (expenses)	157	5,395	95	-	-	-	5,647
Changes in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable, net	42	(1,170)	(233)	938	1,410	-	987
Inventory	-	377	-	-	-	-	377
Prepaid expenses	2	(41)	(60)	(20)	-	-	(119)
Due from other funds	-	200	-	-	-	(200)	-
(Decrease) increase in:							
Accounts payable, accrued expenses and other liabilities	126	(974)	(1,357)	140	(45)	-	(2,110)
Due to other funds	(200)	-	-	-	-	200	-

Net Cash Provided by Operating Activities

	<u>\$ 117</u>	<u>\$ 25,963</u>	<u>\$ 3,445</u>	<u>\$ 5,291</u>	<u>\$ 3,239</u>	<u>\$ -</u>	<u>\$ 38,055</u>
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Connecticut Resources Recovery Authority

**COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2006
(Dollars in Thousands)**

**EXHIBIT D
Page 1 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total
Net assets invested in capital assets, net of related debt	\$ -	\$ 75,294	\$ 14,594	\$ -	\$ -	\$ 89,888
Restricted net assets:						
Current restricted cash and cash equivalents:						
Revenue funds	-	7,101	3	974	3,339	11,417
Debt service funds	-	678	1,308	471	342	2,799
State loans	-	2,619	-	-	-	2,619
Select Energy escrow	-	1,000	-	-	-	1,000
Shelton landfill future use	-	-	792	-	-	792
Regional recycling center equipment	-	458	-	-	-	458
Recycling education fund	-	417	-	-	-	417
Montville landfill postclosure	-	-	-	-	327	327
Customer guarantee of payment	-	212	16	82	-	310
Town of Ellington trust - pooled funds	-	44	-	-	-	44
Mercury public awareness	21	-	-	-	-	21
Total current restricted cash and cash equivalents	21	12,529	2,119	1,527	4,008	20,204
Non-current restricted cash and cash equivalents:						
Debt service reserve funds	-	24,354	1,267	608	910	27,139
Energy generating facility	-	20,962	-	-	-	20,962
Tip fee stabilization	-	-	-	14,481	-	14,481
State loans	-	13,379	-	-	-	13,379
Equipment replacement	-	1,575	-	-	-	1,575
Operating and maintenance	-	1,575	-	-	-	1,575
DEP trust - landfills	-	445	158	139	-	742
Rebate funds	-	-	4	114	159	277
Total non-current restricted cash and cash equivalents	-	62,290	1,429	15,342	1,069	80,130
Less liabilities to be paid with current restricted assets:						
Bonds payable, net	-	473	417	471	342	1,703
State loans payable	-	2,619	-	-	-	2,619
Other liabilities	-	7,337	19	1,056	2,799	11,211
Total liabilities to be paid with current restricted assets	-	10,429	436	1,527	3,141	15,533
Less liabilities to be paid with non-current restricted assets:						
Bonds payable, net	-	5,887	247	608	832	7,574
State loans payable	-	13,320	-	-	-	13,320
Other liabilities	-	19,207	247	608	832	20,894
Total liabilities to be paid with non-current restricted assets	-	38,414	494	1,216	1,664	41,788
Total restricted net assets	21	45,183	2,865	14,734	1,104	63,907



Connecticut Resources Recovery Authority

**COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2006
(Dollars in Thousands)**

**EXHIBIT D
Page 2 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Wallingford Project	Southeast Project	Total
Unrestricted net assets:						
Designated for:						
Postclosure care of landfills	\$ -	\$ 3,759	\$ 5,386	\$ 6,740	\$ -	\$ 15,885
Debt service stabilization	-	16,476	-	-	-	16,476
Closure care of landfills	-	9,208	731	-	-	9,939
Future loss contingencies	-	4,995	-	1,047	252	6,294
Facility modifications	-	3,966	-	-	-	3,966
Rolling stock	-	3,889	-	-	-	3,889
Future use	-	-	-	2,805	-	2,805
Recycling	-	1,866	27	-	-	1,893
Landfill development	-	1,252	-	-	-	1,252
South Meadows site remediation	-	242	-	-	-	242
Benefit fund	230	-	-	-	-	230
Undesignated	441	22,456	(5,888)	13,907	4,852	35,768
Total unrestricted net assets	<u>671</u>	<u>68,109</u>	<u>256</u>	<u>24,499</u>	<u>5,104</u>	<u>98,639</u>
Total Net Assets	<u>\$ 692</u>	<u>\$ 188,586</u>	<u>\$ 17,715</u>	<u>\$ 39,233</u>	<u>\$ 6,208</u>	<u>\$ 252,434</u>

Statistical Section

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

<u>Contents</u>	<u>Pages</u>
Financial Trends	54 - 58
These schedules contain trend information to help the readers understand and assess how the Authority's financial performance and well-being have changed over time.	
Revenue Capacity	59 - 65
These schedules contain information to help the readers understand and assess the Authority's significant revenue sources.	
Debt Capacity	66 - 69
These schedules present information to help the readers understand and assess the affordability of the Authority's current levels of outstanding debt and its ability to issue additional debt in the future.	
Demographic Information	70
The schedule offers demographic indicators to help the readers understand the environment within which the Authority's financial activities take place.	
Operating Information	71 - 72
The schedule contains information to help the readers understand and assess the Authority's significant expense sources.	



Connecticut Resources Recovery Authority

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Mid-Connecticut Project					
Invested in capital assets, net of related debt	\$ 14,865	\$ 14,005	\$ 13,030	\$ 86,710	\$ 75,294
Restricted	35,814	52,572	53,552	44,704	45,183
Unrestricted	41,273	8,611	6,561	45,362	68,109
Total Net Assets	<u>\$ 91,952</u>	<u>\$ 75,188</u>	<u>\$ 73,143</u>	<u>\$ 176,776</u>	<u>\$ 188,586</u>
Bridgeport Project					
Invested in capital assets, net of related debt	\$ 12,172	\$ 12,451	\$ 13,066	\$ 13,761	\$ 14,594
Restricted	1,416	1,417	2,464	2,534	2,865
Unrestricted	(8,891)	(7,044)	(2,433)	(1,590)	256
Total Net Assets	<u>\$ 4,697</u>	<u>\$ 6,824</u>	<u>\$ 13,097</u>	<u>\$ 14,705</u>	<u>\$ 17,715</u>
Wallingford Project					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,446	8,105	7,842	14,118	14,734
Unrestricted	16,977	14,462	20,468	19,542	24,499
Total Net Assets	<u>\$ 18,423</u>	<u>\$ 22,567</u>	<u>\$ 28,310</u>	<u>\$ 33,660</u>	<u>\$ 39,233</u>
Southeast Project					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,280	1,271	147	260	1,104
Unrestricted	5,535	2,450	3,865	4,897	5,104
Total Net Assets	<u>\$ 6,815</u>	<u>\$ 3,721</u>	<u>\$ 4,012</u>	<u>\$ 5,157</u>	<u>\$ 6,208</u>
TOTALS	<u>\$ 121,887</u>	<u>\$ 108,300</u>	<u>\$ 118,562</u>	<u>\$ 230,298</u>	<u>\$ 251,742</u>



Connecticut Resources Recovery Authority

Exhibit 2 - Changes in Net Assets

Last Five Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Mid-Connecticut Project					
Operating Revenues					
Service charges:					
Members	\$ 33,041	\$ 37,703	\$ 39,466	\$ 42,133	\$ 42,691
Others	12,913	14,739	15,789	18,259	18,099
Energy generation	30,184	21,532	24,052	20,496	24,849
Ash disposal reimbursement	-	-	-	-	-
Other operating revenues	4,175	3,220	4,448	5,683	7,467
Total operating revenues	<u>80,313</u>	<u>77,194</u>	<u>83,755</u>	<u>86,571</u>	<u>93,106</u>
Operating Expenses					
Solid waste operations (1)	62,003	61,000	58,675	59,094	60,164
Depreciation and amortization	14,893	16,284	16,081	16,080	16,072
Maintenance and utilities	1,716	1,144	1,481	1,730	1,997
Closure and postclosure care of landfills	587	2,005	467	385	178
Project administration (2)	4,895	3,782	4,381	4,985	8,769
Total operating expenses	<u>84,094</u>	<u>84,215</u>	<u>81,085</u>	<u>82,274</u>	<u>87,180</u>
Operating Income (Loss)	<u>(3,781)</u>	<u>(7,021)</u>	<u>2,670</u>	<u>4,297</u>	<u>5,926</u>
Non-Operating Revenues and (Expenses)					
Enron claims	-	-	-	82,760	-
Investment income	3,040	1,581	1,102	3,063	5,214
Settlement income	-	375	-	-	-
Other income (expenses), net	(75)	(8)	(122)	(89)	547
Interest expense	(12,660)	(11,875)	(11,032)	(8,819)	(4,787)
Net Non-Operating Revenues and (Expenses)	<u>(9,695)</u>	<u>(9,927)</u>	<u>(10,052)</u>	<u>76,915</u>	<u>5,884</u>
Income before Special Items	<u>(13,476)</u>	<u>(16,948)</u>	<u>(7,382)</u>	<u>81,212</u>	<u>11,810</u>
Special Items:					
Gain on sale of Enron claims	-	-	-	28,502	-
Early retirement/defeasance of debt	-	-	-	(6,081)	-
Total special items	-	-	-	22,421	-
Transfer In	962	113	5,337	-	-
Increase (Decrease) in Net Assets	<u>\$ (12,514)</u>	<u>\$ (16,835)</u>	<u>\$ (2,045)</u>	<u>\$ 103,633</u>	<u>\$ 11,810</u>

(1) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Project Administration.
 (2) Project administration for fiscal years 2002 - 2005 does not include legal expenses (see (1) above).



Connecticut Resources Recovery Authority

Exhibit 2 Continued - Changes in Net Assets

Last Five Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Bridgeport Project					
Operating Revenues					
Service charges:					
Members	\$ 25,558	\$ 27,016	\$ 30,098	\$ 30,535	\$ 31,280
Others	16,050	14,341	11,556	12,207	14,680
Energy generation	-	-	-	-	-
Ash disposal reimbursement	3,945	4,033	4,031	4,025	4,229
Other operating revenues	2,111	3,073	3,881	3,260	3,638
Total operating revenues	<u>47,664</u>	<u>48,463</u>	<u>49,566</u>	<u>50,027</u>	<u>53,827</u>
Operating Expenses					
Solid waste operations (1)	44,277	43,555	42,228	44,356	46,595
Depreciation and amortization	1,073	929	854	858	849
Maintenance and utilities	1,849	(280)	241	301	297
Closure and postclosure care of landfills	400	625	1,158	(180)	1,498
Project administration (2)	996	801	861	1,122	1,935
Total operating expenses	<u>48,595</u>	<u>45,630</u>	<u>45,342</u>	<u>46,457</u>	<u>51,174</u>
Operating Income (Loss)	<u>(931)</u>	<u>2,833</u>	<u>4,224</u>	<u>3,570</u>	<u>2,653</u>
Non-Operating Revenues and (Expenses)					
Investment income	219	100	100	286	591
Other income (expenses), net	(22)	12	(40)	(1,870)	65
Interest expense	(632)	(527)	(454)	(378)	(299)
Net Non-Operating Revenues and (Expenses)	<u>(435)</u>	<u>(415)</u>	<u>(394)</u>	<u>(1,962)</u>	<u>357</u>
Transfer In (Out)	1,080	(291)	2,443	-	-
Increase (Decrease) in Net Assets	<u>\$ (286)</u>	<u>\$ 2,127</u>	<u>\$ 6,273</u>	<u>\$ 1,608</u>	<u>\$ 3,010</u>

(1) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Project Administration.
 (2) Project administration for fiscal years 2002 - 2005 does not include legal expenses (see (1) above).



Connecticut Resources Recovery Authority

Exhibit 2 Continued - Changes in Net Assets

Last Five Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Operating Revenues					
Service charges:					
Members	\$ 8,318	\$ 8,387	\$ 8,313	\$ 8,560	\$ 8,907
Others	210	136	142	53	24
Energy generation	13,062	13,107	12,946	13,302	13,096
Ash disposal reimbursement	-	-	-	-	-
Other operating revenues	13	13	86	58	115
Total operating revenues	<u>21,603</u>	<u>21,643</u>	<u>21,487</u>	<u>21,973</u>	<u>22,142</u>
Operating Expenses					
Solid waste operations (1)	14,753	15,296	15,864	16,196	17,249
Depreciation and amortization	324	324	324	309	299
Maintenance and utilities	-	93	(25)	6	19
Closure and postclosure care of landfills	(140)	1,488	264	(25)	(47)
Project administration (2)	459	439	469	542	641
Total operating expenses	<u>15,396</u>	<u>17,640</u>	<u>16,896</u>	<u>17,028</u>	<u>18,161</u>
Operating Income	<u>6,207</u>	<u>4,003</u>	<u>4,591</u>	<u>4,945</u>	<u>3,981</u>
Non-Operating Revenues and (Expenses)					
Investment income	676	442	359	796	1,698
Other income (expenses), net	(574)	-	-	(184)	(7)
Interest expense	(479)	(319)	(254)	(160)	(99)
Net Non-Operating Revenues and (Expenses)	<u>(377)</u>	<u>123</u>	<u>105</u>	<u>452</u>	<u>1,592</u>
Income before Special Items	5,830	4,126	4,696	5,397	5,573
Special Items:					
Early retirement/defeasance of debt	-	-	-	(47)	-
Total special items	-	-	-	(47)	-
Transfer In	-	18	1,047	-	-
Increase in Net Assets	<u>\$ 5,830</u>	<u>\$ 4,144</u>	<u>\$ 5,743</u>	<u>\$ 5,350</u>	<u>\$ 5,573</u>

(1) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Project Administration.
 (2) Project administration for fiscal years 2002 - 2005 does not include legal expenses (see (1) above).



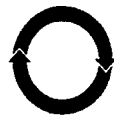
Connecticut Resources Recovery Authority

Exhibit 2 Continued - Changes in Net Assets

Last Five Fiscal Years
(Dollars in Thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
Southeast Project					
Operating Revenues					
Service charges:					
Members	\$ 9,717	\$ 9,809	\$ 10,664	\$ 10,666	\$ 10,635
Others	1,617	1,376	1,225	1,143	856
Energy generation	-	-	-	-	-
Ash disposal reimbursement	-	-	-	-	-
Other operating revenues	-	-	49	-	-
Total operating revenues	<u>11,334</u>	<u>11,185</u>	<u>11,938</u>	<u>11,809</u>	<u>11,491</u>
Operating Expenses					
Solid waste operations (1)	12,391	10,678	10,570	10,176	9,481
Depreciation and amortization	448	448	448	448	448
Maintenance and utilities	-	119	-	-	-
Closure and postclosure care of landfills	-	-	-	-	-
Project administration (2)	269	183	169	183	136
Total operating expenses	<u>13,108</u>	<u>11,428</u>	<u>11,187</u>	<u>10,807</u>	<u>10,065</u>
Operating Income (Loss)	<u>(1,774)</u>	<u>(243)</u>	<u>751</u>	<u>1,002</u>	<u>1,426</u>
Non-Operating Revenues and (Expenses)					
Investment income	183	98	30	308	117
Other income (expenses), net	(8)	(16)	-	500	-
Interest expense	(685)	(789)	(742)	(665)	(492)
Net Non-Operating Revenues and (Expenses)	<u>(510)</u>	<u>(707)</u>	<u>(712)</u>	<u>143</u>	<u>(375)</u>
Transfer In	0	32	252	-	-
Increase (Decrease) in Net Assets	<u>(2,284)</u>	<u>(918)</u>	<u>291</u>	<u>1,145</u>	<u>1,051</u>
TOTAL ALL PROJECTS	<u>\$ (9,254)</u>	<u>\$ (11,482)</u>	<u>\$ 10,262</u>	<u>\$ 111,736</u>	<u>\$ 21,444</u>

(1) Solid waste operations for fiscal years 2002 - 2005 include legal expenses. Starting FY2006, legal expenses are included under Project Administration.
 (2) Project administration for fiscal years 2002 - 2005 does not include legal expenses (see (1) above).



Connecticut Resources Recovery Authority

Exhibit 3 - Historical Waste Summary

Last Ten Fiscal Years

Exhibit 3A Total Municipal Solid Waste Deliveries (tons)

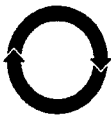
Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast	Total
1997	841,886	766,009	139,300	245,180	1,992,375
1998	832,033	752,120	147,756	251,634	1,983,543
1999	801,563	758,346	153,277	248,298	1,961,484
2000	826,577	711,536	152,610	245,638	1,936,361
2001	880,708	704,036	142,403	239,340	1,966,487
2002	887,764	722,574	154,722	246,859	2,011,919
2003	907,060	752,308	154,796	259,942	2,074,106
2004	856,143	735,417	153,623	261,030	2,006,213
2005	854,570	724,432	153,809	261,479	1,994,290
2006	860,252	773,707	156,754	260,817	2,051,530

Exhibit 3B Member Municipal Solid Waste Deliveries (tons)

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast	Total
1997	524,799	329,428	105,912	140,567	1,100,706
1998	551,860	325,798	128,987	148,432	1,155,077
1999	555,123	320,517	138,704	163,242	1,177,586
2000	596,626	345,905	143,760	172,981	1,259,272
2001	622,837	365,921	136,367	177,200	1,302,325
2002	641,677	371,616	151,230	170,338	1,334,861
2003	656,959	383,196	152,497	172,097	1,364,749
2004	614,229	412,607	151,151	176,725	1,354,712
2005	598,449	419,176	152,871	177,755	1,348,251
2006	605,998	417,753	156,341	177,207	1,357,299

Exhibit 3C Contract Solid Waste Deliveries (tons)

Fiscal Year	Mid-Connecticut	Bridgeport	Southeast	Total
1997	104,598	-----	4,561	109,159
1998	139,302	-----	4,672	143,974
1999	159,385	-----	5,290	164,675
2000	185,735	234,820	15,296	435,851
2001	222,021	250,177	18,936	491,134
2002	229,667	263,223	28,779	521,669
2003	237,096	228,358	22,955	488,409
2004	229,562	180,480	19,874	429,916
2005	243,384	196,704	18,168	458,256
2006	247,055	230,596	13,214	490,865



Connecticut Resources Recovery Authority

Exhibit 3 Continued - Historical Waste Summary

Last Ten Fiscal Years

Exhibit 3D Fiscal Year	Short-Term Waste Deliveries (tons)			Total
	Mid-Connecticut	Bridgeport	Wallingford	
1997	212,489	436,581	33,388	782,510
1998	140,871	426,322	18,769	684,492
1999	87,055	437,829	14,573	619,223
2000	44,216	130,811	8,850	241,238
2001	35,850	87,938	6,036	173,028
2002	16,421	87,735	3,492	155,390
2003	13,005	140,754	2,299	220,948
2004	12,352	142,330	2,472	221,585
2005	12,737	108,552	938	187,783
2006	7,199	125,358	413	203,366

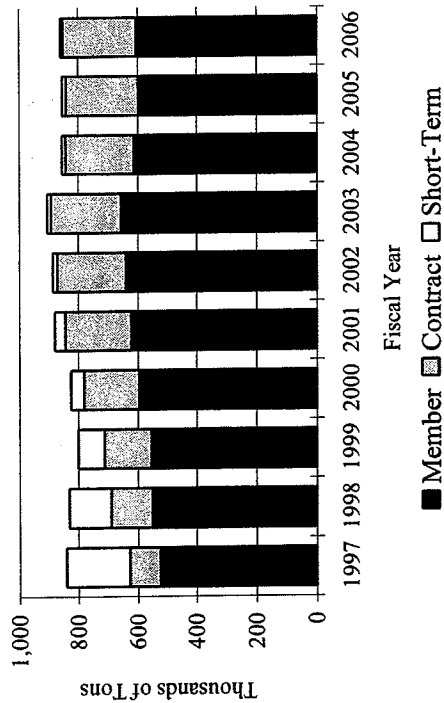
Exhibit 3E Fiscal Year	Municipal Solid Waste Processed (tons)			Total
	Mid-Connecticut	Bridgeport	Wallingford	
1997	803,123	766,009	138,550	1,953,293
1998	784,477	753,197	143,084	1,931,958
1999	777,201	758,346	142,335	1,925,438
2000	839,134	711,536	142,620	1,936,080
2001	852,372	719,472	138,526	1,951,736
2002	791,487	723,207	144,747	1,904,216
2003	820,692	742,602	149,337	1,971,308
2004	809,215	733,771	142,083	1,944,891
2005	797,644	717,704	149,279	1,923,095
2006	809,046	728,553	139,570	1,932,866

Exhibit 3F Fiscal Year	Recyclables Processed (tons)			Total
	Mid-Connecticut	Bridgeport	Wallingford	
1997	59,677	60,320	119,997	119,997
1998	67,756	59,827	127,583	127,583
1999	76,735	57,415	134,150	134,150
2000	67,361	60,405	127,766	127,766
2001	75,709	63,849	139,558	139,558
2002	69,131	58,999	128,130	128,130
2003	79,476	60,991	140,467	140,467
2004	77,406	63,490	140,896	140,896
2005	78,485	61,467	139,952	139,952
2006	76,461	59,604	136,065	136,065

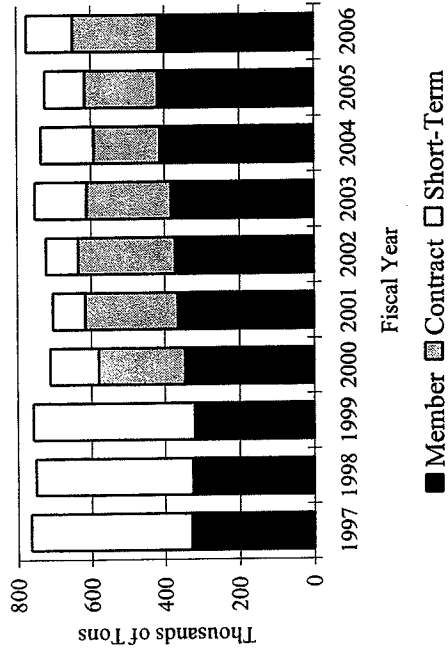


Exhibit 4 - Waste Delivery Summary
Last Ten Fiscal Years

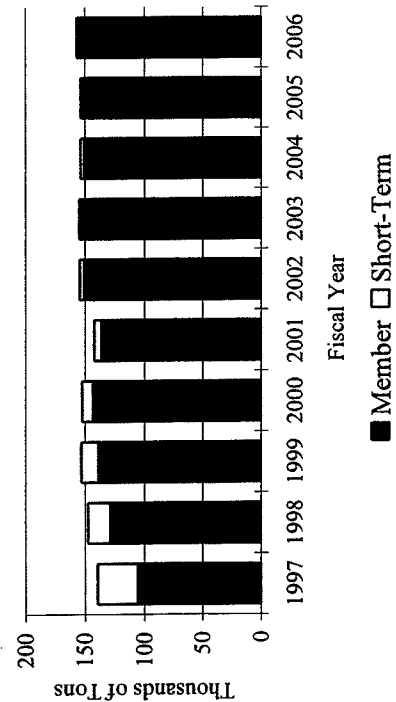
Mid-Connecticut Project



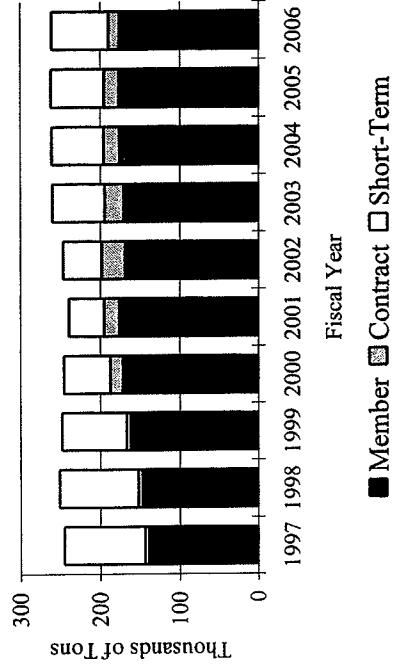
Bridgeport Project

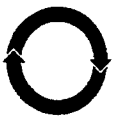


Wallingford Project



Southeast Project





Connecticut Resources Recovery Authority

Exhibit 5 - Energy Generation, Net of In-plant Usage

Last Ten Fiscal Years

(Total annual megawatts) (1)

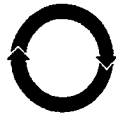
Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast
1997	455,206	488,650	57,423	128,546
1998	450,381	435,517	58,862	128,677
1999	444,149	493,267	60,346	134,217
2000	469,385	472,565	60,183	131,059
2001	471,852	484,916	60,044	123,357
2002	453,745	480,673	66,326	134,773
2003	446,884	476,304	66,511	138,181
2004	438,887	479,671	65,178	138,407
2005	413,654	454,600	67,248	131,884
2006	409,407	491,567	61,788	130,491

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

Exhibit 6 - Top Five Sources of Member Waste - 2006 (1)

Mid-Connecticut		Bridgeport		Wallingford		Southeast	
Hartford	18.47%	Bridgeport	16.46%	Wallingford	27.53%	Norwich	18.65%
West Hartford	7.83%	Greenwich	13.01%	Meriden	23.26%	Groton	18.33%
East Hartford	6.33%	Norwalk	12.38%	Hamden	23.20%	New London	14.32%
Enfield	5.34%	Fairfield	11.20%	North Haven	14.37%	Montville	11.74%
Torrington	5.23%	Milford	10.30%	Cheshire	11.64%	Waterford	9.33%
	43.20%		63.35%		100.00%		72.37%

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



Connecticut Resources Recovery Authority

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

Fiscal Year	Mid-Connecticut	Bridgeport	Wallingford	Southeast
1997	\$51.00	\$79.00	\$71.00	\$84.00
1998	\$48.00	\$85.00	\$62.00	\$79.00
1999	\$48.00	\$89.50	\$60.00	\$62.00
2000	\$49.00	\$70.00	\$57.00	\$59.00
2001	\$50.00	\$67.00	\$56.00	\$58.00
2002	\$51.00	\$67.00	\$55.00	\$57.00
2003	\$57.00	\$69.00	\$55.00	\$57.00
2004	\$63.75	\$71.00	\$55.00	\$60.00
2005	\$70.00	\$72.50	\$56.00	\$60.00
2006	\$70.00	\$74.00	\$57.00	\$60.00

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

Fiscal Year	Rate
1997	\$46.24
1998	\$45.68
1999	\$46.26
2000	\$59.93
2001	\$56.47
2002	\$56.85
2003	\$60.73
2004	\$64.56
2005	\$67.09
2006	\$67.52

(1) Average includes contract and short-term solid waste deliveries, excludes Bridgeport Project and Southeast Project short-term waste revenues which accrue to the facility operator.



Connecticut Resources Recovery Authority

Exhibit 9 - Revenues by Source (1)

Last Ten Fiscal Years (Dollars in Thousands)

Fiscal Year	Mid-Connecticut Project		Member and Other		Energy Revenue	% of Annual	Landfill Revenue	% of Annual	Recycling Revenue	% of Annual	Investment Income & Other	
	Revenue	Total Service Charges	Revenue	Total Service Charges							Operating Revenues	% of Annual
1997	\$89,157	\$41,472	\$38,707	\$41,472	\$38,707	43.41%	\$2,005	2.25%	\$1,523	1.71%	\$5,450	6.11%
1998	\$87,666	\$40,029	\$38,279	\$40,029	\$38,279	43.66%	\$2,088	2.38%	\$1,527	1.74%	\$5,743	6.55%
1999	\$85,366	\$38,918	\$37,738	\$38,918	\$37,738	44.21%	\$1,836	2.15%	\$1,394	1.63%	\$5,480	6.42%
2000	\$91,518	\$42,892	\$39,908	\$42,892	\$39,908	43.61%	\$1,621	1.77%	\$2,248	2.46%	\$4,849	5.30%
2001	\$94,266	\$44,891	\$39,828	\$44,891	\$39,828	42.25%	\$1,320	1.40%	\$2,232	2.37%	\$5,995	6.36%
2002	\$73,958	\$45,954	\$21,670	\$45,954	\$21,670	29.30%	\$1,665	2.25%	\$1,135	1.53%	\$3,534	4.78%
2003	\$79,150	\$52,442	\$21,532	\$52,442	\$21,532	27.20%	\$1,139	1.44%	\$1,480	1.87%	\$2,557	3.23%
2004	\$84,857	\$55,255	\$24,052	\$55,255	\$24,052	28.34%	\$1,133	1.34%	\$1,844	2.17%	\$2,573	3.03%
2005	\$89,634	\$60,392	\$20,496	\$60,392	\$20,496	22.87%	\$1,241	1.38%	\$3,061	3.41%	\$4,444	4.96%
2006	\$98,320	\$60,790	\$24,849	\$60,790	\$24,849	25.27%	\$1,101	1.12%	\$4,507	4.58%	\$7,073	7.19%

Bridgeport Project

Fiscal Year	Member and Other		Ash		Recycling Revenue	% of Annual	Landfill Revenue	% of Annual	Investment Income & Other	% of Annual
	Revenue	Total Service Charges	Disposal Revenue	Total Service Charges						
1997	\$33,615	\$25,735	\$4,799	\$25,735	\$1,111	3.31%	\$58	0.17%	\$1,912	5.69%
1998	\$34,540	\$27,307	\$4,263	\$27,307	\$1,083	3.14%	\$23	0.07%	\$1,864	5.40%
1999	\$35,144	\$28,249	\$3,955	\$28,249	\$975	2.77%	\$34	0.10%	\$1,931	5.49%
2000	\$46,846	\$39,634	\$3,670	\$39,634	\$1,700	3.63%	\$0	0.00%	\$1,842	3.93%
2001	\$47,492	\$40,377	\$3,721	\$40,377	\$1,576	3.32%	\$0	0.00%	\$1,818	3.83%
2002	\$47,883	\$41,608	\$3,945	\$41,608	\$1,003	2.09%	\$0	0.00%	\$1,327	2.77%
2003	\$48,575	\$41,357	\$4,033	\$41,357	\$1,941	4.00%	\$0	0.00%	\$1,244	2.56%
2004	\$49,666	\$41,654	\$4,031	\$41,654	\$2,607	5.25%	\$0	0.00%	\$1,374	2.77%
2005	\$50,313	\$42,742	\$4,025	\$42,742	\$2,089	4.15%	\$0	0.00%	\$1,457	2.90%
2006	\$54,418	\$45,960	\$4,229	\$45,960	\$2,443	4.49%	\$0	0.00%	\$1,786	3.28%

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



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

Wallingford Project		Member and Other Service Charges	% of Annual	Energy Revenue	% of Annual	Investment Income & Other Operating Revenues	% of Annual
Fiscal Year	Total Revenue						
1997	\$16,707	\$9,092	54.42%	\$6,807	40.74%	\$808	4.84%
1998	\$17,325	\$9,073	52.37%	\$7,468	43.11%	\$784	4.53%
1999	\$20,476	\$9,148	44.68%	\$10,596	51.75%	\$732	3.57%
2000	\$22,683	\$8,723	38.46%	\$12,862	56.70%	\$1,098	7.25%
2001	\$22,275	\$7,993	35.88%	\$12,813	57.52%	\$1,469	7.25%
2002	\$22,279	\$8,528	38.28%	\$13,062	58.63%	\$689	3.09%
2003	\$22,085	\$8,523	38.59%	\$13,107	59.35%	\$455	2.06%
2004	\$21,846	\$8,455	38.70%	\$12,946	59.26%	\$445	2.04%
2005	\$22,769	\$8,613	37.83%	\$13,302	58.42%	\$854	3.75%
2006	\$23,840	\$8,931	37.46%	\$13,096	54.93%	\$1,813	7.60%

Southeast Project		Member and Other Service Charges	% of Annual	Investment Income & Other Operating Revenues	% of Annual
Fiscal Year	Total Revenue				
1997	\$14,987	\$14,765	98.52%	\$222	1.48%
1998	\$14,367	\$13,902	96.76%	\$465	3.24%
1999	\$12,977	\$12,521	96.49%	\$456	3.51%
2000	\$11,625	\$11,042	94.98%	\$583	5.02%
2001	\$11,959	\$11,445	95.70%	\$514	4.30%
2002	\$11,517	\$11,334	98.41%	\$183	1.59%
2003	\$11,283	\$11,185	99.13%	\$98	0.87%
2004	\$11,968	\$11,889	99.34%	\$79	0.66%
2005	\$12,117	\$11,809	97.46%	\$308	2.54%
2006	\$11,608	\$11,491	98.99%	\$117	1.01%

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

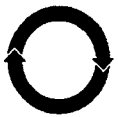


Connecticut Resources Recovery Authority

**Exhibit 10 - Revenue Bond Coverage Ratios (Combined)
Last Ten Fiscal Years**
(Dollars in Thousands)

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Requirements			Total	Coverage (3)
				Principal	Interest	Total		
1997	\$ 155,036	\$ 112,458	\$ 42,578	\$ 27,387	\$ 20,552	\$ 47,939	0.89	
1998	\$ 154,537	\$ 107,328	\$ 47,209	\$ 24,173	\$ 18,968	\$ 43,141	1.09	
1999	\$ 154,480	\$ 109,065	\$ 45,415	\$ 19,943	\$ 17,542	\$ 37,485	1.21	
2000	\$ 173,257	\$ 128,593	\$ 44,664	\$ 17,172	\$ 16,278	\$ 33,450	1.34	
2001	\$ 179,840	\$ 137,056	\$ 42,784	\$ 17,234	\$ 15,776	\$ 33,010	1.30	
2002	\$ 161,901	\$ 141,082	\$ 20,819	\$ 21,498	\$ 13,970	\$ 35,468	0.59	
2003	\$ 158,206	\$ 138,272	\$ 19,934	\$ 19,024	\$ 13,018	\$ 32,042	0.62	
2004	\$ 167,195	\$ 135,482	\$ 31,713	\$ 19,353	\$ 12,126	\$ 31,479	1.01	
2005	\$ 173,412	\$ 137,443	\$ 35,969	\$ 21,660 (4)	\$ 10,373	\$ 32,033	1.12	
2006	\$ 187,757	\$ 148,449	\$ 39,308	\$ 5,494	\$ 5,399	\$ 10,893	3.61	

- (1) Includes operating revenues and investment income, excludes non-operating revenues.
- (2) Excludes depreciation and amortization, write off of development costs and interest expense.
- (3) Does not include transfers from reserves and other sources to maintain coverage requirements.
- (4) Excludes early retirement of debt.



Connecticut Resources Recovery Authority

Exhibit 11 - Revenue Bond Ratings As of June 30, 2006

PROJECT	OUTSTANDING SERIES	MOODYS RATING	STANDARD & POORS RATING	FITCH RATING	BOND INSURER
Mid-Connecticut	1996 Series A	Aaa	AAA	AAA	MBIA
Bridgeport	1999 Series A	Aaa	AAA	AAA	MBIA
	2000 Series A	A3/Aaa	A+/AAA	AAA	MBIA
Wallingford	1998 Series A	Aaa	AAA	AAA	AMBAC
Southeast	1998 Series A	Aaa	AAA	AAA	MBIA
	CORPORATE CREDIT REVENUE BONDS: *				
	1992 Series A - Corporate Credit Bonds	Ba2	BB+	Not Rated	None
	2001 Series A - Corporate Credit Bonds Covanta ARC LLC - I (f/k/a American Ref:Fuel Company LLC)	Ba2	Not Rated	Not Rated	None
	2001 Series A - Corporate Credit Bonds Covanta ARC LLC - II (f/k/a American Ref:Fuel Company LLC)	Ba2	Not Rated	Not Rated	None

* The Authority was a conduit issuer for these Bonds. They are not carried on the Authority's books.

Source: www2.standardandpoors.com
www.moody.com
www.fitchratings.com



Connecticut Resources Recovery Authority

Exhibit 12 - Outstanding Debt by Type Last Five Fiscal Years (Dollars in Thousands)

Fiscal Year	Mid-Connecticut		Bridgeport		Wallingford		Southeast	
	Special		Special		Special		Special	
	Obligation Bonds	Subordinate Bonds ⁽¹⁾	Obligation Bonds	Subordinate Bonds	Obligation Bonds	Subordinate Bonds	Obligation Bonds	Subordinate Bonds
2002	\$ 198,050	\$ 13,210	\$ 7,875	\$ -	\$ 29,100	\$ 4,000	\$ -	\$ 43,500
2003	\$ 183,775	\$ 15,210	\$ 6,805	\$ -	\$ 25,385	\$ 2,000	\$ -	\$ 43,500
2004	\$ 168,780	\$ 25,299	\$ 5,725	\$ -	\$ 21,540	\$ 1,250	\$ -	\$ 43,500
2005	\$ 69,415	\$ 18,558	\$ 4,640	\$ -	\$ 17,555	\$ -	\$ -	\$ 43,500
2006	\$ 69,415	\$ 15,939	\$ 3,535	\$ -	\$ 13,420	\$ -	\$ -	\$ 43,500

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

(2) Approximately 96.3% of these bonds are on the books of Wheelabrator Bridgeport. Approximately 3.7% of these bonds are on the books of the Authority.

(3) 84.687% of these bonds are on the books of Covanta Projects of Wallingford. 15.313% of these bonds are on the books of the Authority.

(4) 88.871% of these bonds are on the books of Covanta Southeastern Connecticut Company. 11.129% of these bonds are on the books of the Authority.

(5) The Authority issued two series of bonds as a conduit issuer for the Southeast Project in connection with the American Ref-Fuel Company. These bonds are not carried on the books of the Authority.



Connecticut Resources Recovery Authority

Exhibit 13 - Special Capital Reserve Fund Debt Limit Information
Last Five Fiscal Years

(Dollars in Thousands)

Project:	Fiscal Year				
	2002	2003	2004	2005	2006
Special Capital Reserve Funds (SCRF) limit * (1)	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000	\$ 725,000
Mid-Connecticut Project					
1996 Series A	\$ 193,170	\$ 179,775	\$ 165,705	\$ 69,415	\$ 69,415
1997 Series A	4,880	4,000	3,075	-	-
Bridgeport Project (2)	-	-	-	-	-
Wallingford Project (2)	-	-	-	-	-
Southeast Project					
1998 Series A	77,140	73,280	69,220	64,940	60,430
1989 Series A	2,630	2,450	2,255	-	-
TOTAL SCRF-BACKED DEBT	277,820	259,505	240,255	134,355	129,845
Legal debt margin	\$ 447,180	\$ 465,495	\$ 484,745	\$ 590,645	\$ 595,155
Total outstanding as a percentage of SCRF limit	38.32%	35.79%	33.14%	18.53%	17.91%

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

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



Connecticut Resources Recovery Authority

Exhibit 14 - Demographic Information Last Ten Fiscal Years

Fiscal Year	Mid-Connecticut		Bridgeport		Wallingford		Southeast	
	Population Served	# of Towns	Population Served	# of Towns	Population Served	# of Towns	Population Served	# of Towns
1997	1,005,714	63	636,438	18	198,760	5	277,022	17
1998	1,018,728	63	640,525	18	198,851	5	269,866	16
1999	1,088,026	67	643,194	18	199,295	5	263,715	16
2000	1,137,468	66	627,153	18	209,877	5	294,111	17
2001	1,177,063	66	633,372	18	208,360	5	254,715	17
2002	1,184,419	70	678,550	18	212,984	5	258,382	15
2003	1,184,419	70	678,550	18	212,984	5	258,382	15
2004	1,193,139	70	680,745	18	214,584	5	261,260	15
2005	1,199,845	70	683,657	18	215,195	5	264,468	15
(1) 2006	1,203,325	70	784,861	20	215,574	5	265,026	15

Source: Department of Health Services
(1) Estimated populations as of July 1, 2005



Connecticut Resources Recovery Authority

Exhibit 15 - Expenses by Function (1)

Last Ten Fiscal Years

(Dollars in Thousands)

Mid-Connecticut Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Landfill Closure & Postclosure	% of Annual	Debt Service	% of Annual
1997	\$89,675	\$38,315	42.73%	\$7,555	8.42%	\$2,707	3.02%	\$4,510	5.03%	\$36,588	40.80%
1998	\$82,375	\$41,251	50.08%	\$6,983	8.48%	\$2,999	3.64%	(\$1,188)	-1.44%	\$32,330	39.25%
1999	\$80,041	\$41,538	51.91%	\$6,973	8.71%	\$4,032	5.04%	\$328	0.41%	\$27,170	33.94%
2000	\$84,204	\$49,829	59.18%	\$2,075	2.46%	\$4,693	5.57%	\$218	0.26%	\$27,389	32.53%
2001	\$88,073	\$53,733	61.02%	\$1,651	1.87%	\$5,213	5.92%	(\$85)	-0.10%	\$27,561	31.29%
2002	\$90,813	\$56,914	62.67%	\$1,289	1.42%	\$4,733	5.21%	\$587	0.65%	\$27,290	30.05%
2003	\$94,081	\$61,000	64.84%	\$1,144	1.22%	\$3,782	4.02%	\$2,005	2.13%	\$26,150	27.80%
2004	\$91,783	\$58,675	63.93%	\$1,481	1.61%	\$4,381	4.77%	\$467	0.51%	\$26,779	29.18%
2005	\$92,957	\$59,094	63.57%	\$1,730	1.86%	\$4,985	5.36%	\$385	0.41%	\$26,763	28.79%
2006	\$78,514	\$60,164 (2)	76.63%	\$1,997	2.54%	\$8,769 (3)	11.17%	\$178	0.23%	\$7,406	9.43%

Bridgeport Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Landfill Closure & Postclosure	% of Annual	Debt Service	% of Annual
1997	\$37,101	\$25,159	67.81%	\$400	1.08%	\$1,320	3.56%	\$4,048	10.91%	\$6,174	16.64%
1998	\$35,634	\$26,830	75.29%	\$179	0.50%	\$1,144	3.21%	\$572	1.61%	\$6,909	19.39%
1999	\$34,334	\$28,700	83.59%	\$89	0.26%	\$778	2.27%	\$489	1.42%	\$4,278	12.46%
2000	\$49,112	\$38,117	77.61%	\$262	0.53%	\$1,101	2.24%	\$5,685	11.58%	\$3,947	8.04%
2001	\$49,205	\$42,341	86.05%	\$926	1.88%	\$1,136	2.31%	\$1,894	3.85%	\$2,908	5.91%
2002	\$50,894	\$44,277	87.00%	\$1,849	3.63%	\$996	1.96%	\$400	0.79%	\$3,372	6.63%
2003	\$46,798	\$43,555	93.07%	(\$280)	-0.60%	\$801	1.71%	\$625	1.34%	\$2,097	4.48%
2004	\$46,562	\$42,228	90.69%	\$241	0.52%	\$861	1.85%	\$1,158	2.49%	\$2,074	4.45%
2005	\$47,647	\$44,356	93.09%	\$301	0.63%	\$1,122	2.35%	(\$180)	-0.38%	\$2,048	4.30%
2006	\$52,364	\$46,595 (2)	88.98%	\$297	0.57%	\$1,935 (3)	3.70%	\$1,498	2.86%	\$2,039	3.89%

- (1) Excludes depreciation and amortization and non-operating expenses; debt service includes principal.
- (2) Does not include legal expenses. Starting FY2006, legal expenses are included under Project Administration.
- (3) Includes legal expenses.



Connecticut Resources Recovery Authority

Exhibit 15 Continued - Expenses by Function (1)

Last Ten Fiscal Years

(Dollars in Thousands)

Wallingford Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Landfill Closure & Postclosure	% of Annual	Debt Service	% of Annual
1997	\$18,140	\$14,584	80.40%	\$16	0.09%	\$552	3.04%	\$1,872	10.32%	\$1,116	6.15%
1998	\$15,485	\$14,395	92.96%	\$5	0.03%	\$545	3.52%	(\$572)	-3.69%	\$1,112	7.18%
1999	\$16,458	\$14,313	86.97%	\$5	0.03%	\$462	2.81%	\$607	3.69%	\$1,071	6.51%
2000	\$15,538	\$13,914	89.55%	\$3	0.02%	\$564	3.63%	\$286	1.84%	\$771	4.96%
2001	\$16,208	\$13,916	85.86%	\$1,480	9.13%	\$538	3.32%	(\$631)	-3.89%	\$905	5.58%
2002	\$19,101	\$14,753	77.24%	\$0	0.00%	\$459	2.40%	(\$140)	-0.73%	\$4,029	21.09%
2003	\$20,204	\$15,296	75.71%	\$93	0.46%	\$439	2.17%	\$1,488	7.36%	\$2,888	14.29%
2004	\$18,165	\$15,864	87.33%	(\$25)	-0.14%	\$469	2.58%	\$264	1.45%	\$1,593	8.77%
2005	\$18,239	\$16,196	88.80%	\$6	0.03%	\$542	2.97%	(\$25)	-0.14%	\$1,520	8.33%
2006	\$18,594	\$17,249	92.77%	\$19	0.10%	\$641 (3)	3.45%	(\$47)	-0.25%	\$732	3.94%

Southeast Project

Fiscal Year	Total Expenses	Solid Waste Operations	% of Annual	Maintenance & Utilities	% of Annual	Project Administration	% of Annual	Debt Service	% of Annual
1997	\$15,291	\$10,937	71.53%	\$0	0.00%	\$293	1.92%	\$4,061	26.56%
1998	\$15,062	\$11,945	79.31%	\$0	0.00%	\$327	2.17%	\$2,790	18.52%
1999	\$15,672	\$10,485	66.90%	\$0	0.00%	\$221	1.41%	\$4,966	31.69%
2000	\$13,176	\$11,643	88.37%	\$0	0.00%	\$190	1.44%	\$1,343	10.19%
2001	\$13,299	\$11,721	88.13%	\$0	0.00%	\$255	1.92%	\$1,323	9.95%
2002	\$13,923	\$12,391	89.00%	\$0	0.00%	\$269	1.93%	\$1,263	9.07%
2003	\$12,379	\$10,678	86.26%	\$119	0.96%	\$183	1.48%	\$1,399	11.30%
2004	\$12,128	\$10,570	87.15%	\$0	0.00%	\$169	1.39%	\$1,389	11.45%
2005	\$11,710	\$10,176	86.90%	\$0	0.00%	\$183	1.56%	\$1,351	11.54%
2006	\$10,611	\$9,481	89.35%	\$0	0.00%	\$136 (3)	1.28%	\$994	9.37%

- (1) Excludes depreciation and amortization and non-operating expenses; debt service includes principal.
- (2) Does not include legal expenses. Starting FY2006, legal expenses are included under Project Administration.
- (3) Includes legal expenses.