

CONNECTICUT RESOURCES RECOVERY AUTHORITY

SUBMISSION PURSUANT TO C.G.S 22a-268d

FIRST SUPPLEMENT TO THE FINANCIAL MITIGATION PLAN

and

QUARTERLY REPORT FOR THE PERIOD ENDING DECEMBER 31, 2003

Submitted to:

Treasurer,
Office of the Treasurer
State of Connecticut

Secretary,
Office of Policy and Management
State of Connecticut

Joint Standing Committee of the General Assembly on Finance, Revenue and Bonding
State of Connecticut

December 18, 2003



100 CONSTITUTION PLAZA - 17th FLOOR • HARTFORD • CONNECTICUT • 06103-1722 • TELEPHONE (860) 757-7700
FAX (860) 727-4141

December 18, 2003

The Honorable Denise L. Nappier
Treasurer
State of Connecticut
55 Elm Street
Hartford, CT 06106

Secretary Marc S. Ryan
Office of Policy and Management
State of Connecticut
450 Capital Avenue, MS55SEC
Hartford, CT 06106

Joint Standing Committee on Finance, Revenue and Bonding
Connecticut General Assembly
State of Connecticut
Legislative Office Building
Hartford, CT 06106

Re: Notice Pursuant to C.G.S. 22a-268d, as amended
FIRST SUPPLEMENT TO THE FINANCIAL MITIGATION PLAN and
QUARTERLY REPORT FOR THE PERIOD ENDING 12/31/03

Dear Madame Treasurer, Secretary Ryan and Joint Standing Committee Chairs:

This Notice is provided to satisfy the requirement of Section 22a-268d, as amended by Public Act 03-5, of the Connecticut General Statutes, as amended (the "Statute"), that the Connecticut Resources Recovery Authority (the "Authority") submit a supplemental financial mitigation plan to the State Treasurer (the "Treasurer") the Secretary of the Office of Policy and Management ("OPM") and the Joint Standing Committee of the General Assembly on Finance, Revenue and Bonding ("Joint Standing Committee") to access funding authorized pursuant to the Statute.

Under to the Statute, the Authority may borrow from the State of Connecticut (the "State") an amount not to exceed \$22,000,000 for the fiscal years ending June 30, 2003 and June 30, 2004, and an amount not to exceed \$93,000,000 for fiscal years ending subsequent to June 30, 2004, all of which borrowings shall be for the purpose of supporting the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project. This Notice is a formal request for up to \$20.0 million to be loaned from the State to the Authority for the fiscal year ending June 30, 2005. Any borrowings from the State will result in a loan to be amortized in accordance with a loan agreement to be entered into between the State and the Authority. Please note that the

Authority is currently completing the Mid-Connecticut budget for fiscal year 2005, which will be presented to the Authority's Board of Directors ("Board") for approval at its regularly scheduled February 2004 meeting. Accordingly, the projected tip fee assumptions used to prepare the estimates for the State Loan borrowing contained herein are subject to approval by the Board.

On May 5, 2003, the Authority submitted its Financial Mitigation Plan for the Fiscal Year 2004 (the "Plan"). In accordance with such submission, both the Treasurer and OPM approved a loan agreement entered into between the State and the Authority permitting the Authority to borrow up to \$22 million during its fiscal year 2004, ending June 30, 2004. To date, the Authority has borrowed \$6,342,298 from the State.

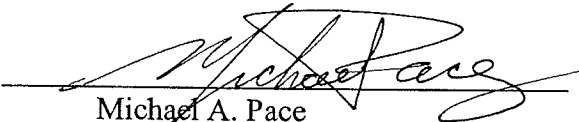
On August 16, 2003, Public Act 03-5 amended the Statute. The amended Statute requires the Authority to submit quarterly reports detailing the status of the Plan, and/or supplements to the original Plan, to the Treasurer, the Secretary of OPM and also to the Joint Standing Committee of the General Assembly on Finance, Revenue and Bonding. Under the terms of the Statute, such quarterly report "...shall include information detailing the efforts that the authority has made to reduce the amount necessary to borrow from the state, including, but not limited to, the reduction of general administration and costs, renegotiation of vendor contracts, efforts to increase the price paid for the sale of steam or electricity, efforts to assess the viability of the sale of hard assets of the project and an analysis of the staffing levels, performance and qualifications of staff and members of the board of directors. In addition, the authority shall provide the State Treasurer and the Secretary with its proposed budget for the ensuing fiscal year, a three year financial plan, a cash flow analysis showing the need for the current and projected future borrowings, and the most recent certified audit of the authority, on an annual basis."


This Statute further requires that the "...Authority shall enter into discussions with municipalities that have entered into solid waste disposal services contracts with the Mid-Connecticut project to determine the interest of said municipalities in extending these contracts beyond the fiscal year ending June 30, 2012. The Connecticut Resources Recovery Authority shall include the status of these discussions in the quarterly reports required under subsection (b) of this section."

In accordance with such requirements, the enclosed document constitutes the Authority's submission of its First Supplement to the Plan, its quarterly status report for the quarter ending December 31, 2003, as well as the Authority's request for funding for the fiscal year 2005.

Dated: December 18, 2003

Respectfully Submitted On Behalf
of the Connecticut Resources Recovery Authority

By: 
Michael A. Pace
Chairman

By: 
Thomas D. Kirk
President


By: 
James P. Bolduc
Chief Financial Officer

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PLAN TO MINIMIZE TIPPING FEES FOR MID-CONNECTICUT MUNICIPALITIES

Since the Steering Committee issued its report in December 2002 and the Authority submitted its Financial Mitigation Plan in May of 2003, a number of administrative, financial, operational and procedural changes have been implemented at the Authority and efforts on others have begun. Central to these initiatives has been the orderly transition by the new senior management to a renewed focus by the Authority on the solid waste business in Connecticut. The challenge of overcoming the significant loss of approximately \$26 million (\$30/ton) in annual cash revenue to the Mid-Connecticut project cannot be accomplished in one year or through a singular solution. It will be overcome through a series of actions over an extended time horizon.

This year, the Authority successfully undertook numerous steps to mitigate the impact of substantially increasing the tip fees in the near term, while at the same time being mindful of its obligations under the Mid-Connecticut bond resolution to avoid a default situation. The major components of these efforts are as follows:

1. Negotiations with CL&P culminated in the receipt of \$9.5 million in past due funds related to outstanding billings for electric sales.
2. The FY04 tip fee was increased to \$63.75/ton from \$57.00/ton recognizing that market conditions allowed for a more competitive situation.
3. The Authority has set as a goal to establish tip fees in line with market rates to avoid potential issues regarding flow control.
4. The Board approved the Financial Mitigation Plan and a Master Loan Agreement with the State of Connecticut was negotiated for \$22.0 million available through June 30, 2004. These funds are required to be repaid by June 30, 2012. Current projections are to utilize less than the \$22.0 million thereby mitigating the impact on future tip fees.
5. An energy agreement for the first 250 gigawatt hours of production from the South Meadows facility was bid successfully with the result being incremental revenues of \$4.2 million over the two-year contract term.
6. Implemented cost containment efforts to identify both minor and major cost drivers and begin the process of renegotiations. The Authority forecasts that successful renegotiations with one vendor alone could save approximately \$1.5 million per year.
7. Miscellaneous revenue streams were sought out in the form of landfill cover and generated approximately \$123,000 in fiscal year 2003.
8. Certain legal contracts for Enron litigation were renegotiated from an hourly charge to a success contingency basis.
9. Pursued legislation to access escheat funds of approximately \$16 million associated with uncollected bottle and can redemption.

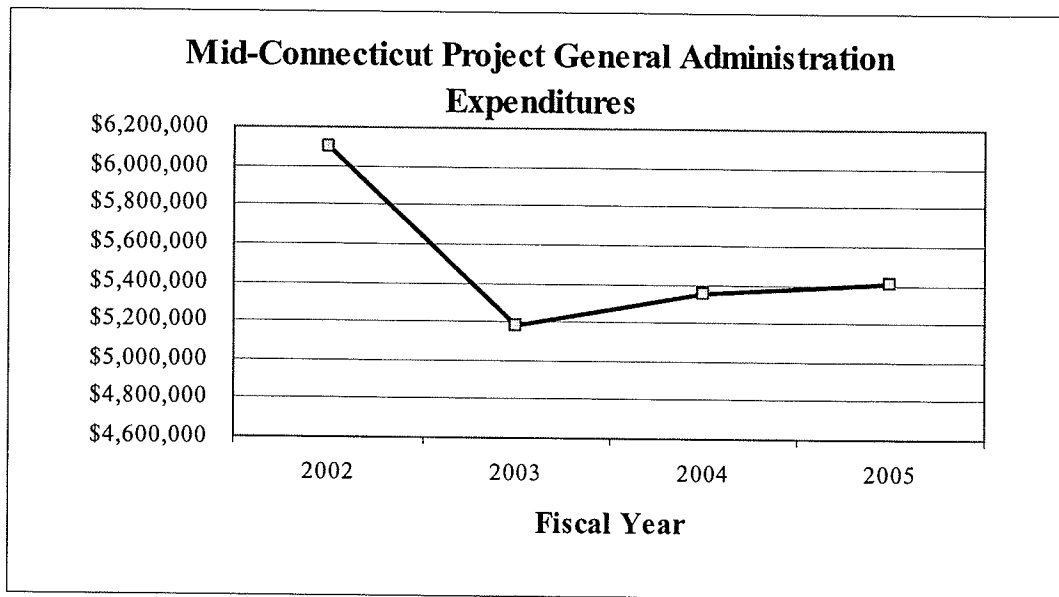
The next phase of the mitigation plan will continue to focus on a mixture of both near term and longer term needs through the end of the current solid waste disposal contracts with member and contract municipalities, which expire in 2012. The actions will vary but the central theme of an ongoing business model post 2012 will be paramount in overcoming the sizable financial impact. Looking ahead, the Authority will be focusing its efforts as follows:

1. Continuance of vendor contract negotiations and/or renegotiation to improve costs and/or improve efficiency.
2. Filing with the State of Connecticut for access to FY05 portion of the \$93.0 million in loans as authorized in the legislation (Public Act 03-5).
3. Continuance of one-on-one meetings with officials of member and contract towns to discuss the extension of their solid waste contracts and also to provide information on the future of solid waste disposal options in the State and region.
4. Implementation of a reorganization plan to focus on greater internal effectiveness and efficiency.
5. Commence the process of developing a business model for the post 2012 period with the eventual renegotiation of contract extensions with member and contract towns as well as new towns.
6. Identify, develop and implement cost-effective solutions for the disposal of residue and ash.
7. Evaluate the financial option for refinancing beyond 2012 that would provide necessary cash flows at terms that incorporate longer maturities than currently available, which should lessen the impact on tip fees and support contract extension with the municipalities.
8. Maintain least cost strategies in administrative costs.
9. Pursue the recovery of settlement funds arising from Enron-related litigation.
10. Continue efforts to access escheat funds associated with uncollected bottle and can redemption.

The ultimate success of the efforts to mitigate the impact on tip fees rests in the ability to successfully extend the operations of the Authority beyond 2012, renegotiation of member and contract town agreements, and most importantly to restructure the outstanding Mid-Connecticut bonded debt over a longer time horizon.

AUTHORITY EFFORTS TO REDUCE ADMINISTRATIVE COSTS

In response to the Cibes Advisory Panel Report (March 2002) and the Authority Steering Committee Report (December 2002), the Authority has been successful in reducing administrative costs at the Mid-Connecticut facility. As the chart below illustrates, the Authority has decreased expenditures by 15.2% at the Mid-Connecticut project. The Authority has finished its most stringent cost-cutting measures and currently is maintaining its level of expenditures, factoring in inflationary increases, as necessary. Future efforts will focus on least cost strategies and continuance of vendor contract negotiations and/or renegotiations.



Note: For every \$100,000 change in expenditures, Mid-Connecticut project tip fees are adjusted by approximately \$0.10 per ton.

AUTHORITY EFFORTS TO RENEGOTIATE VENDOR CONTRACTS

The Authority is continuing to investigate renegotiating vendor contracts to improve cashflow. The following provides a status report as to the progress the Authority has made pertaining to these efforts:

1. The agreement between the Authority and CWPM (a Connecticut-based waste hauler) has been amended to include lease payments due for Authority vehicles used by CWPM. This equates to approximately \$50,000 in new revenues per year through 2006. This agreement also includes language whereby the Authority will receive a lump sum payment of \$149,000 at the end of the term should CWPM exercise their right to purchase the vehicles.
2. The Authority has continued to work with the Metropolitan District Commission ("MDC") to improve efficiencies and reduce costs in connection with the Mid-Connecticut Project. These efforts have included the participation in mediation. To date, the Authority remains hopeful that a solution will be achieved, which will be competitive with the market in regards to cost, quality, and performance.
3. The Authority, with the Attorney General's support, was able to renegotiate with the law firms involved in the Enron litigation to allow certain legal costs to be billed on a contingency basis.
4. As projected, the Authority has realized net savings in excess of \$200,000 annually for the operations and maintenance of the Mid-Connecticut Air Processing System ("MCAPS") and approximately another \$100,000 on fuel savings due to efficient usage of the MCAPS.
5. An assessment of the safety and efficiency impact of splitting the Energy Generating Facility ("EGF") and the Power Block Facility ("PBF") between two contracts revealed that it would not be feasible to have two separate contractors operating the facilities.
6. Contract discussions have been initiated with Covanta, which would result in the Mid-Connecticut Project processing the process residue in the boilers rather than landfilling this material.
7. The Authority has initiated discussions with Wheelabrator Putnam pertaining to the disposal of ash. The Mid-Connecticut Project will see an increase in future tip fees as a result of the Hartford Landfill closure. The Authority is proactively seeking alternative solutions to minimize future tip fee increases from this latter event.
8. The Authority has generated revenue for the Mid-Connecticut project through capture of contaminated soils for use as daily cover at the Hartford Landfill. Instead of

purchasing soil for use as daily cover, the Authority has charged for acceptance of contaminated soil that the Department of Environmental Protection (“DEP”) has approved for use as daily cover. The Authority signed a contract in May 2003 for delivery of soil, which generated revenue of approximately \$45,000. The Authority signed three contracts in July 2003 for delivery of soil that is anticipated to generate revenue of approximately \$304,000.

9. The Authority has renegotiated its lease agreement, which will involve the Authority moving its headquarters and renting less space at lower costs. The projected lease-to-lease savings to the Authority on a net present value basis, over the period to 2012, is approximately \$850,000.
10. The Authority continues to rigorously review all contracts as they terminate for suitability and value. Through this process a number of contracts have been discontinued or rebid.

AUTHORITY EFFORTS TO INCREASE ELECTRICITY AND STEAM REVENUES

The Authority has made significant progress in the sale of electricity generated at the Mid-Connecticut project. The following provides a status report on this progress as of the date of this report:

1. On November 6, 2002, the Authority received its Electric Supplier license from the Department of Public Utility Control ("DPUC"). However, the decision required a second DPUC approval for any retail sales from the South Meadows facility. This restriction is currently under appeal in Superior Court.
2. On June 2, 2003, the Authority was accepted by the Federal Energy Regulatory Commission ("FERC") as a member of NEPOOL (the New England Power Pool), which provides the opportunity for the Authority to sell power directly to the grid, effective July 1, 2003.
3. On June 30, 2003, the Authority entered into a new two-year Energy Purchase Agreement with Select Energy for the sale of the first 250,000 megawatt hours of electricity produced at the Mid-Connecticut plant. The price received is variable, based on off-peak and on-peak hours. The total revenue increase to be realized over the prior Enron electricity contract is approximately \$4.2 million for the two-year contract term.

AUTHORITY EFFORTS TO ASSESS VIABILITY OF THE SALE OF HARD ASSETS

The Authority continues to review the sale of hard assets. Below is a status of on-going investigation into this review.

1. Sale of the Jet Turbines: The Authority is reviewing its options with respect to the long-term disposition of the peaking jet turbines. The contracts with Select Energy for the output of the units and with Northeast Generating System for the operation and maintenance of the units terminate in 2010, with provisions to terminate as early as May 2005. A sale of the units in 2005 is one option being considered. In early 2004, the Authority will prepare an analysis including long-term projections as they relate to the continued operations of the Jet Turbines. Recently, the Authority was able to negotiate for additional Black Start revenues, which resulted in additional revenues in excess of \$600,000 annually.
2. Collins Building, Hartford: In November 2003, the Authority entered into renegotiations of its administrative lease agreement. As part of the evaluation for this renegotiation, the Authority had an appraisal completed on the Collins Building. The building was appraised at \$690,000. The Authority is currently evaluating its future option(s) in regard to this asset.
3. Portions of the South Meadows property (a total of approximately 90 acres) may be available for the Authority to sell. Site remediation, being performed as required by the property transfer act, is approximately 17% complete. Significant activities that have taken place include the decontamination and demolition of the mercury boiler building and the removal of approximately 7,000 tons of contaminated soil from the site.
4. The Authority is currently evaluating the development of other parcels within the South Meadows site and is developing a strategic plan for the property.
5. Gas Rights at the Ellington Landfill: Conversations were held with development companies regarding gas rights at the Ellington Landfill. Due to the age, gas flow rates, and methane concentration at the landfill there was little interest from the developers to pursue this further.
6. Miscellaneous Equipment: The Authority auctioned off some of its vehicles resulting in additional revenues of \$55,300.

ANALYSIS OF STAFFING LEVELS, PERFORMANCE & QUALIFICATIONS OF STAFF

Staffing

Over the past two years the Authority has undergone significant changes and is in a rebuilding phase. We filled the key positions of Chief Executive Officer and Chief Financial Officer as well as vital leadership and staff positions, such as Operations Division Head, Communications Coordinator, Human Resources Administrator, and Director of Accounting. Current vacancies consist of Enforcement/Scale Operations Specialists and a number of previously established positions. Current staffing levels are as follows:

	Full Time	Part Time	Total	% of Total
Administration	2	--	2	4.3%
Environmental	11	--	11	23.4
Finance & Accounting	13	--	13	27.6
Legal Services	3	--	3	6.4
Operations	8	2	10	21.2
Public Affairs	1	5	6	12.8
Recycling	2	--	2	4.3
Total	40	7	47	100.0%

Workforce Performance

Human Resources initiatives for the Authority this year include development of a compensation plan coupled with a performance management plan to aid the organization in a competitive labor marketplace. The compensation and management plans will help employees to realize a sense of commitment to the Authority with an effort to help the organization meet its goals. The goal of the plans is a system that focuses attention on important actions and outcomes, and recognizes and rewards desired employee behavior and results. An additional goal of the plans is to ensure that the plan is fair, consistent, competitive, and easy to understand as well as clearly communicated to our employees.

The performance management plan will include qualitative and quantitative measurements of employee performance. The President and his management team will identify measurable competencies and a way to measure those competencies.

Workforce Qualifications

The Authority's employee's educational qualifications are as follows:

EDUCATION LEVEL	Number of Employees	% of Total
High School Diploma	6	12.8%
Completed Some College	3	6.4
Associate's Degree	4	8.5
Bachelor's Degree	26	55.3
Master's Degree	8	17.0
Total	47	100.0%

SUMMARY OF BOARD OF DIRECTORS' QUALIFICATIONS AND ANALYSIS

The reconstituted Board of Directors of the Authority was appointed in accordance with the revised and amended Statutes: three members by the Governor of the State, and two members appointed by each of the President Pro-Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives. Directors were selected based on criteria including: municipal officials representing member towns with populations greater and less than 50,000; and public members with experience in finance, business or industry, the environmental field and the energy field. In addition there are four appointed Ad Hoc members, each representing one of the Authority's four projects. The current Ad Hoc members are: the Honorable Timothy Griswold, First Selectman of Old Lyme (Mid-Connecticut project); Jeffrey Hedberg of Newington (Mid-Connecticut project); the Honorable Arthur Lathrop, Mayor of Norwich (Southeast Project); and Sherwood Lovejoy, Public Works Director - Town of Monroe (Bridgeport project). The Wallingford project does not currently have Ad Hoc representation.

Board Member	Qualification	Appointed by	Total Board Meetings	Participation	% of Total	Committee Representation
M. Pace, Chair	First Selectman, Old Saybrook	Governor	20	19	95	(B)
R.C. Blake, Esq.	Former Head of Prosecutorial Division - DPUC	Governor	(A)	(A)	(A)	(A)
S. Cassano	Mayor, Manchester	Senate Pro Tempore	20	15	75	SC, HR (Chair)
B. Cohn	Retired, State of Connecticut	Governor	20	16	80	SC, PP (Chair), FC
M. Cooper	First Selectman, Southbury	Senate Minority Leader	20	17	85	HR
J. Francis	Finance Director, West Hartford	Senate Pro Tempore	20	18	90	HR, PP
A. Knopp	Mayor, Norwalk	Speaker of the House	20	12	60	PP
M. Laretti	Mayor, Shelton	House Minority Leader	20	18	90	FC
T. Martland	Martland Management, Inc.	Senate Minority Leader	20	16	80	FC, PP
R. O'Brien	Retired	House Minority Leader	20	19	95	FC, PP
A. Sullivan, Jr., CPA	Tax Consultant Retired, KPMG	Speaker of the House	20	15	75	SC, FC (Chair)
Average	--	--	200	165	82.5%	--

Key:

- SC Steering Committee Member
- FC Finance Committee Member
- HR Human Resources Committee Member
- PP Policy & Procurement Committee Member
- (A) Subsequent to June 2003, R. Blake discontinued his representation on the Authority Board.
- (B) The Authority Chair is also the Chair of the Steering Committee and is an Ad Hoc member of all standing committees.

PLAN TO EXTEND SOLID WASTE DISPOSAL CONTACTS WITH MID-CONNECTICUT PROJECT MUNICIPALITIES

The importance of the Authority entering extension discussions with the municipalities that have existing solid waste disposal service contracts is well understood and appreciated by the Authority. More importantly, the overshadowing question concerning the State of Connecticut views on solid waste disposal has not been forthcoming. While the Authority's financial mitigation plan is focused on June 2012, when contracts for the Mid-Connecticut Project expire, a pivotal point for the Authority will probably come much earlier, in 2008, when the Bridgeport Project is reconstituted and the Authority's role is re-defined. To begin extensive discussions with the Mid-Connecticut member and contract municipalities will require that the Authority strengthen its current financial position and be able to offer all its municipal members credible service opportunities in the future.

The Authority's Board of Directors and senior management are keenly aware of the daunting task of regaining credibility. They are working diligently towards the goal of positioning the Authority to negotiate extended agreements with the member and contract municipalities.

To reach this goal key steps have been identified and work has begun. The initial steps are singularly focused on defining the Authority's future business model and how the Authority can best serve the State's municipal solid waste needs. The following is a summary of the process.

Process for Positioning the Authority to Commence Contract Renegotiations

Projected Time Frame

- | | |
|--|------------|
| 1. Rebuild relationships with municipalities, operators, haulers and public officials through a series of meetings, communications and discussions (see attached Schedule H) | Ongoing |
| 2. Stabilize the financial situation for the Mid-Connecticut project | Ongoing |
| 3. Commence strategic plan development with Board of Directors and Senior Management | 12/19/2003 |
| 4. Finalize the Authority's strategic plan process | mid- 2004 |
| 5. Develop operational and action plans to implement the strategic plan and monitor results | mid-2004 |
| 6. Develop municipal flow control options for member communities | mid-2004 |
| 7. Develop and long term plans for Mid-Connecticut project residue and ash disposal | 2004 - 05 |
| 8. Support the Department of Environmental Protection in revising the State Solid Waste Management Plan, so that it prescribes an appropriate solid waste management program for the future. | 2004 - 05 |

- | | |
|--|-----------------|
| 9. Develop a viable business model that will provide competitive tip fees. | 2004 - 05 |
| 10. Outline the Authority's role in the future of the Bridgeport Project | 2004 - 05 |
| 11. Commencement of contract renegotiations with existing Mid-Connecticut municipalities and other non-member Connecticut municipalities | 2005 and beyond |

We have begun the process. To date we have:

- Held numerous meetings and discussions with member municipalities, regional government organizations and legislative leaders (see attached Schedule H)
- Engaged Engineering and Economic Advisory Services to assist in the strategic planning process through a Request for Qualifications process.
- Completed a comprehensive Solid Waste Market Survey
- Commenced the Strategic Planning process with the Board and Senior Management

SCHEDULE H

Municipal meetings held during 2003

In September 2003, Authority management began an ongoing series of meetings with its member/shareholder cities and towns. Since then, meetings have been held with the following municipalities:

- Darien
- Fairfield
- Glastonbury
- Greenwich
- Naugatuck
- South Windsor
- Torrington
- Trumbull
- Waterbury
- Watertown
- West Hartford
- Wethersfield
- Windsor

Regional Authority meetings held during 2003

CRRA has also made presentations to these regional governmental organizations:

- Litchfield Hills Council of Elected Officials (Norfolk, Colebrook, Hartland, Goshen, Winchester, Barkhamsted, New Hartford, Torrington, Harwinton, Litchfield, Morris)
- Capitol Region Council of Governments (Hartford, East Hartford, West Hartford, Granby, Suffield, Enfield, Somers, Ellington, East Windsor, Windsor Locks, East Granby, Canton, Simsbury, Bloomfield, Windsor, South Windsor, Vernon, Tolland, Bolton, Manchester, Avon, Farmington, Newington, Wethersfield, Rocky Hill, Glastonbury, Marlborough, Hebron, Andover)
- Lower Connecticut Valley Selectmen's Association/Connecticut River Estuary Regional Planning Agency (Killingworth, Chester, Lyme, Old Lyme, Old Saybrook, Essex, Deep River, Westbrook, Clinton)
- Northwestern Connecticut Council of Governments (Salisbury, North Canaan, Canaan, Sharon, Cornwall, Kent, Warren, Washington, Roxbury)

**PROPOSED MID-CONNECTICUT BUDGET FOR FISCAL YEAR 2005 AND
THREE YEAR FINANCIAL PLAN**

**SUMMARY OF KEY FACTORS AND ASSUMPTIONS
December 18, 2003**

1. Tip Fees are projected to approximate market to assure flow control. In FY05, FY06 and FY07 they are assumed to be \$70.00, \$71.50 and \$73.00, respectively. The assumed rates are preliminary and efforts will be directed to minimize the levels as the final budget(s) are prepared for Board approval in February 2004 during the respective budget years.
2. 100% of payment of interest from day one of borrowing on State loan.
3. Equal payments of principal from day of borrowing until 2012 maturity on State loan.
4. Interest rate of 4.0% assumed as average over life of the State loan.
5. Assumed vendor savings of \$1.5 million in FY05 and additional \$1.2 million in FY06 and an additional \$2.5 million in FY07.
6. Assumed processed residue burned in FY06 and FY07 at an incremental cost of \$3.0 million per year as alternative to landfill availability.
7. Construction expenditure for the Waste Processing Facility in FY06 and FY07 reflects \$836,384 and \$2,215,465 respectively for potential construction related to the disposal of ash/residue through a rail system.
8. Tip Fees are set to bring revenue into equilibrium with expenses. Any deficiencies are offset by utilization of the State Loan and/or other supplemental sources.
9. Tonnage delivered to facility projected at 890,000 annual tons and total tons processed are projected at 820,000 annual tons.
10. Assumes 100% of municipal commitments continue to be applied to project.
11. Due to the closure of the Municipal Solid Waste Hartford Landfill in FY 06, all revenues and expenses associated with this portion of the landfill will end upon final closure.

MID-CONNECTICUT PROJECT

Draft For Discussion Purposes Only
Revenue And Expenditure Summary

December 16, 2003

MID-CONNECTICUT PROJECT THREE YEAR PROJECTONS

REVENUE AND EXPENDITURE SUMMARY

REVENUES

Account	Description	ACTUAL FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07
41-001-000-40101	Service Charges Solid Waste-Members	\$37,703,214	\$41,284,364	\$45,638,100	\$46,117,500	\$47,085,000
41-001-000-40102	Service Charges Solid Waste-Contracts	\$13,893,153	\$15,487,824	\$16,634,600	\$16,809,300	\$17,161,800
41-001-000-40103	Service Charges Solid Waste-Spot	\$846,314	\$272,500	\$120,000	\$120,000	\$120,000
41-001-000-41101	Bulky Waste - Municipal	\$936,716	\$1,813,000	\$888,000	\$0	\$0
41-001-000-41102	Bulky Waste - Commercial	\$72,600	\$85,000	\$42,500	\$0	\$0
41-001-000-41103	DEP Certified Materials	\$129,903	\$229,750	\$300,500	\$0	\$0
41-001-000-41104	Metal Sales	\$29,406	\$0	\$0	\$0	\$0
41-001-000-42101	Recycling Sales	\$1,479,756	\$1,467,600	\$1,407,270	\$1,407,270	\$1,407,270
	Recycling Tip Fee Revenue	\$0	\$0	\$0	\$0	\$0
41-001-000-42103	Metals Service Charge	\$10,346	\$5,230	\$5,200	\$0	\$0
41-001-000-43101	Electricity	\$15,549,275	\$14,462,500	\$15,373,400	\$15,099,200	\$15,099,200
41-001-000-45150	Miscellaneous Income	\$577,858	\$536,386	\$436,000	\$322,300	\$326,700
41-001-000-46101	Interest Income	\$908,910	\$354,600	\$1,000,000	\$1,000,000	\$1,000,000
	Supplemental Sources	\$17,572,107	\$18,421,399	\$14,055,866	\$18,838,001	\$19,171,101
41-001-000-xxxxx	Jets / EGF	\$6,369,376	\$6,067,737	\$6,751,500	\$6,920,000	\$7,093,000
	Total Revenues	\$96,078,934	\$100,487,890	\$102,652,936	\$106,633,571	\$108,464,071

EXPENDITURES

Account	Description	ACTUAL FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07
41-001-501-xxxxx	General Administration	\$5,174,781	\$5,351,482	\$5,406,090	\$5,212,100	\$5,320,800
41-001-502-xxxxx	Debt Service/Administration	\$26,090,416	\$26,893,541	\$29,297,586	\$32,311,070	\$35,337,651
41-001-505-xxxxx	Waste Transport	\$12,794,229	\$13,901,762	\$10,732,200	\$10,542,700	\$10,752,400
41-001-506-xxxxx	Regional Recycling	\$2,116,490	\$2,798,781	\$3,095,200	\$3,102,580	\$3,162,280
41-001-601-xxxxx	Waste Processing Facility	\$19,695,090	\$20,316,311	\$21,940,530	\$21,241,330	\$19,264,930
41-001-602-xxxxx	Power Block Facility	\$16,510,327	\$16,775,052	\$17,499,455	\$20,983,655	\$21,327,955
41-001-603-xxxxx	Energy Generating Facility	\$1,425,818	\$1,461,706	\$1,498,750	\$1,536,050	\$1,574,250
41-001-604-xxxxx	Landfill - Hartford	\$3,445,561	\$4,241,332	\$3,985,000	\$2,284,650	\$2,081,750
41-001-605-xxxxx	Landfill - Ellington	\$168,310	\$397,281	\$388,845	\$392,675	\$396,675
41-001-61x-xxxxx	Transfer Stations	\$2,246,686	\$2,242,348	\$2,011,480	\$2,059,661	\$2,104,480
41-001-620-xxxxx	171 Murphy Road	\$41,851	\$40,556	\$46,300	\$47,100	\$47,900
	Jets / EGF	\$5,119,234	\$6,067,737	\$6,751,500	\$6,920,000	\$7,093,000
	Total Expenditures	\$94,828,793	\$100,487,889	\$102,652,936	\$106,633,571	\$108,464,071
	Balance	\$1,250,141	\$0	\$0	(\$0)	(\$0)

MID-CONNECTICUT PROJECT THREE YEAR PROJECTONS

EXPENDITURE DETAIL

Account	Description	ACTUAL FY03	ADOPTED FY04	Preliminary FY05	PROJECTED FY06	PROJECTED FY07
GENERAL ADMINISTRATION						
41-001-501-52101	Postage & Delivery Fees	\$7,231	\$12,000	\$12,400	\$12,800	\$13,200
41-001-501-52104	Telephone & Pagers	\$20,236	\$14,000	\$14,400	\$14,800	\$15,200
41-001-501-52111	Outside Copying	\$7,198	\$10,000	\$10,300	\$10,600	\$10,900
41-001-501-52115	Advertising	\$18,297	\$20,000	\$20,600	\$21,200	\$21,800
41-001-501-52201	Office Equipment	\$850	\$500	\$500	\$500	\$500
41-001-501-52202	Office Supplies	\$3,882	\$10,000	\$10,300	\$10,600	\$10,900
41-001-501-52211	Protect Clothing/Safety Equip.	\$334	\$3,000	\$8,100	\$8,300	\$8,500
41-001-501-52302	Miscellaneous Services	\$17,439	\$5,000	\$5,200	\$5,400	\$5,600
41-001-501-52305	Business Meetings and Travel	\$1,552	\$1,000	\$1,500	\$1,500	\$1,500
41-001-501-52355	Mileage Reimbursement	\$3,824	\$5,000	\$5,000	\$5,000	\$5,000
41-001-501-52401	Vehicle Repair / Maintenance	\$787	\$6,000	\$6,200	\$6,400	\$6,600
41-001-501-52403	Office Equipment Service	\$14,471	\$15,000	\$15,500	\$16,000	\$16,500
41-001-501-52404	Building Operations	\$40,659	\$71,960	\$74,100	\$76,300	\$78,600
41-001-501-52415	Grounds Maintenance	\$43,111	\$26,500	\$28,600	\$29,500	\$30,400
41-001-501-52502	Fees/Licenses/Permits	\$180	\$500	\$500	\$500	\$500
41-001-501-52505	Claims/Losses	\$13,921	\$8,500	\$10,000	\$10,000	\$10,000
41-001-501-52602	Bad Debt Expense	\$1,000	\$10,000	\$10,000	\$10,000	\$10,000
41-001-501-52612	Fuel	\$294	\$4,000	\$4,100	\$4,200	\$4,300
41-001-501-52856	Legal	\$2,290,716	\$1,500,000	\$1,000,000	\$750,000	\$750,000
41-001-501-52859	Financial	\$0	\$65,000	\$67,000	\$69,000	\$71,100
41-001-501-52863	Auditor	\$1,815	\$30,000	\$40,000	\$40,000	\$40,000
41-001-501-52875	Insurance, Consulting, Brokerage Serv	\$62,583	\$86,500	\$68,800	\$70,500	\$72,300
41-001-501-52899	Other Consulting Services	\$28,665	\$150,000	\$154,500	\$154,500	\$154,500
41-001-501-53301	Gas	\$6,479	\$7,850	\$8,100	\$8,300	\$8,500
41-001-501-53304	Electricity	\$55,679	\$55,000	\$57,800	\$60,700	\$63,700
41-001-501-54482	Computer Hardware	\$4,389	\$10,000	\$5,000	\$5,000	\$5,000
41-001-501-54483	Computer Software	\$719	\$4,000	\$1,000	\$1,000	\$1,000
41-001-501-52853	Information Technology	\$0	\$80,000	\$50,000	\$0	\$0
41-001-501-57840	Allocation - Salaries	\$1,381,034	\$1,731,582	\$2,077,160	\$2,129,100	\$2,182,300
41-001-501-57850	Allocation - Overhead	\$1,147,436	\$1,408,590	\$1,639,430	\$1,680,400	\$1,722,400
	Subtotal	\$5,174,781	\$5,351,482	\$5,406,090	\$5,212,100	\$5,320,800
			3.4%	1.0%	-3.6%	2.1%

MID-CONNECTICUT PROJECT THREE YEAR PROJECTONS

EXPENDITURE DETAIL

Account	Description	ACTUAL FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07
DEBT SERVICE/ADMINISTRATION						
41-001-502-5525	Interest - 96 Series	\$10,464,441	\$9,704,513	\$8,836,975	\$7,879,045	\$6,866,625
41-001-502-5526	Interest - 97 Series	\$199,180	\$157,406	\$113,420	\$67,135	\$18,545
41-001-502-55536	Interest - 01 Series	\$686,623	\$686,623	\$686,625	\$686,625	\$681,575
41-001-502-55560	Principal Repayment	\$14,725,000	\$15,470,000	\$16,333,125	\$17,373,750	\$17,858,750
41-001-502-55585	Trustee Fees	\$15,075	\$15,000	\$17,000	\$17,000	\$17,000
	Loan Repayment	\$97	\$860,000	\$3,310,441	\$6,287,515	\$9,895,156
	Subtotal	\$26,090,416	\$26,893,541	\$29,297,586	\$32,311,070	\$35,337,651
			3.1%	8.9%	10.3%	9.4%
WASTE TRANSPORT						
41-001-505-52409	Other Repairs & Maintenance	\$0	\$2,000	\$2,000	\$2,000	\$2,000
41-001-505-52509	Transfer / Transport Subsidy	\$253,706	\$229,794	\$283,300	\$283,300	\$283,300
41-001-505-52658	Rolling Stock Reserve	\$750,000	\$750,000	\$350,000	\$350,000	\$350,000
41-001-505-52701	Contract Operating Charges	\$5,824,860	\$5,401,100	\$4,731,200	\$4,445,300	\$4,556,900
	Ash Loading	\$0	\$159,013	\$129,200	\$129,200	\$129,200
41-001-505-52706	Ash Hauling	\$445,346	\$426,855	\$461,500	\$483,900	\$508,000
41-001-505-52707	Contract Hauling - Other	\$89,046	\$23,000	\$100,000	\$104,000	\$108,000
41-001-505-52899	Other Consulting Services	\$45,038	\$60,000	\$40,000	\$40,000	\$40,000
	<i>Subtotal - Comparable charges</i>	<i>\$7,407,996</i>	<i>\$7,051,762</i>	<i>\$6,097,200</i>	<i>\$5,837,700</i>	<i>\$5,977,400</i>
41-001-505-52710	Disposal Fees - Solid Waste (Tipping Fees/Exports)	\$5,386,233	\$6,850,000	\$4,635,000	\$4,705,000	\$4,775,000
	Subtotal - Waste Transport	\$12,794,229	\$13,901,762	\$10,732,200	\$10,542,700	\$10,752,400
			8.7%	-22.8%	-1.8%	2.0%
REGIONAL RECYCLING						
41-001-506-52118	Marketing & Public Relations	\$75	\$40,000	\$40,000	\$40,000	\$40,000
41-001-506-52202	Office Supplies	\$3,294	\$10,000	\$10,000	\$10,000	\$10,000
41-001-506-52302	Miscellaneous Services	\$190	\$2,000	\$2,000	\$2,000	\$2,000
41-001-506-52303	Subscriptions/Publications/Ref. Material	\$160	\$200	\$200	\$200	\$200
41-001-506-52305	Bus. Meetings & Travel	\$42	\$0	\$100	\$100	\$100
41-001-506-52355	Mileage Reimbursement	\$76	\$0	\$100	\$100	\$100
41-001-506-52404	Building Operations	\$2,190	\$25,000	\$25,000	\$25,000	\$25,000
41-001-506-52407	Project Equipment Maintenance	\$23,601	\$38,000	\$38,000	\$38,000	\$38,000
41-001-506-52418	Education Exhibits Maintenance	\$0	\$35,000	\$35,000	\$35,000	\$35,000
41-001-506-52502	Fees/Licenses/Permits	\$9,330	\$13,000	\$6,000	\$6,000	\$6,000
41-001-506-52652	Equipment Replacement Reserve	\$125,000	\$125,000	\$50,880	\$50,880	\$50,880
	Recycling Education Reserve	\$0	\$0	\$100,000	\$100,000	\$100,000
41-001-506-52701	Contract Operating Charges	\$708,257	\$1,076,044	\$711,900	\$724,100	\$736,600
41-001-506-52709	Other Operating Charges	\$5,039	\$50,000	\$50,000	\$50,000	\$50,000
41-001-506-52810	Contract Services	\$21,770	\$50,000	\$50,000	\$50,000	\$50,000
41-001-506-52858	Engineering	\$31,269	\$100,000	\$100,000	\$50,000	\$50,000
41-001-506-52901	Environmental Testing	\$336	\$6,500	\$6,500	\$6,500	\$6,500
41-001-506-54482	Computer Hardware	\$0	\$1,000	\$1,500	\$500	\$500
41-001-506-56605	Construction	\$5,738	\$25,000	\$25,000	\$25,000	\$25,000
41-001-508-xxxxx	Sweroc Education and Other Programs	\$195,266	\$168,386	\$171,000	\$175,300	\$179,700
41-001-506-57840	Allocation - Salaries	\$537,725	\$669,722	\$925,030	\$948,200	\$971,900
41-001-506-57850	Allocation - Overhead	\$447,132	\$532,315	\$746,990	\$765,700	\$784,800
	Subtotal	\$2,116,490	\$2,798,781	\$3,095,200	\$3,102,580	\$3,162,280
			32.2%	10.6%	0.2%	1.9%

MID-CONNECTICUT PROJECT THREE YEAR PROJECTONS

EXPENDITURE DETAIL

Account	Description	ACTUAL FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07
WASTE PROCESSING FACILITY						
41-001-601-52404	Building Operations	\$15,793	\$10,000	\$25,000	\$25,000	\$25,000
41-001-601-52407	Project Equipment Maintenance	\$5,870	\$5,000	\$10,000	\$10,000	\$10,000
41-001-601-52502	Fees/Licenses/Permits	\$13,083	\$0	\$0	\$0	\$0
41-001-601-52507	Payments in Lieu of Taxes	\$2,890,921	\$2,471,211	\$2,606,100	\$2,634,700	\$2,700,600
41-001-601-52604	Rental / Lease	\$0	\$15,000	\$0	\$0	\$0
41-001-601-52640	Insurance Premium	\$1,185,601	\$1,567,600	\$2,314,700	\$2,430,400	\$2,551,900
41-001-601-52668	WPF Modification Reserve	\$500,000	\$500,000	\$750,000	\$750,000	\$750,000
41-001-601-52701	Contract Operating Charges	\$13,515,646	\$13,723,800	\$14,135,500	\$13,288,900	\$11,121,100
	Ferrous Metals Removal	\$113,147	\$178,200	\$184,500	\$184,500	\$184,500
	Dozing Costs	\$0	\$290,000	\$207,000	\$207,000	\$207,000
41-001-601-52709	Other Operating Charges	\$113,147	\$468,200	\$391,500	\$391,500	\$391,500
41-001-601-52858	Engineering	\$165,851	\$57,000	\$150,000	\$150,000	\$150,000
41-001-601-52899	Other Consulting Services	\$3,686	\$15,000	\$0	\$0	\$0
41-001-601-52901	Environmental Testing	\$7,562	\$25,000	\$25,000	\$25,000	\$25,000
41-001-601-53304	Electricity	\$207,592	\$300	\$330	\$330	\$330
41-001-601-54482	Computer Hardware	\$0	\$1,000	\$1,500	\$500	\$500
41-001-601-56605	Construction	\$566,262	\$750,000	\$0	\$0	\$0
	Contingency for Landfill Closure	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000
Mid-Connecticut Air Processing System (MCAPS)						
41-001-601-52616	Fuel	\$304,264	\$509,400	\$374,800	\$375,000	\$375,000
41-001-601-52713	Operating & Maintenance Costs	\$199,812	\$0	\$0	\$0	\$0
41-001-601-52713	Odor - Maintenance Costs	\$0	\$91,000	\$75,200	\$77,100	\$79,000
41-001-601-52713	Odor - Filter Maintenance	\$0	\$106,800	\$80,900	\$82,900	\$85,000
	<i>Subtotal (MCAPS)</i>	\$504,076	\$707,200	\$530,900	\$535,000	\$539,000
	Subtotal	\$19,695,090	\$20,316,311	\$21,940,530	\$21,241,330	\$19,264,930
			3.2%	8.0%	-3.2%	-9.3%
POWER BLOCK FACILITY						
41-001-602-52502	Fees/Licenses/Permits	\$205,522	\$126,000	\$323,755	\$323,755	\$323,755
41-001-602-52506	Dioxin Tax	\$730,463	\$693,416	\$1,043,000	\$1,036,900	\$1,036,900
41-001-602-52611	Revenue Sharing Expense (5.05)	\$3,863,516	\$3,724,713	\$3,689,900	\$3,721,600	\$3,754,200
41-001-602-52613	Coal	\$154,003	\$154,750	\$0	\$162,600	\$166,700
41-001-602-52614	Lime	\$755,445	\$747,502	\$768,300	\$782,900	\$802,400
41-001-602-52616	SNCR (Urea)	\$165,925	\$208,000	\$234,000	\$239,200	\$244,400
41-001-602-52702	Contract Ops Charge - Equipment (5.02)	\$3,584,677	\$3,753,030	\$3,846,900	\$3,943,000	\$4,041,600
41-001-602-52703	Contract Ops Charge - Management Fee (5.03)	\$1,414,259	\$1,505,439	\$1,543,100	\$4,581,700	\$4,621,200
41-001-602-52709	Contract Ops Charge - Personnel (5.01)	\$5,310,858	\$5,132,202	\$5,260,500	\$5,392,000	\$5,526,800
41-001-602-52858	Engineering	\$25,957	\$65,000	\$75,000	\$75,000	\$75,000
41-001-602-52899	Other Consulting Services	\$0	\$5,000	\$5,000	\$5,000	\$5,000
41-001-602-52901	Environmental Testing	\$119,926	\$170,000	\$170,000	\$180,000	\$190,000
41-001-602-52910	Continuous Emission Monitoring	\$118,001	\$175,000	\$200,000	\$200,000	\$200,000
41-001-602-53305	Electricity	\$0	\$250,000	\$275,000	\$275,000	\$275,000
41-001-602-56605	Construction	\$61,775	\$65,000	\$65,000	\$65,000	\$65,000
	Subtotal	\$16,510,327	\$16,775,052	\$17,499,455	\$20,983,655	\$21,327,955
			1.6%	4.3%	19.9%	1.6%
ENERGY GENERATING FACILITY						
41-001-603-52504	Assessment / Taxes	\$0	\$1,455,206	\$1,491,600	\$1,528,900	\$1,567,100
41-001-603-52507	Payments In Lieu of Taxes	\$1,425,818	\$0	\$0	\$0	\$0
41-001-603-53304	Electricity	\$0	\$6,500	\$7,150	\$7,150	\$7,150
	Subtotal	\$1,425,818	\$1,461,706	\$1,498,750	\$1,536,050	\$1,574,250
			2.5%	2.5%	2.5%	2.5%

MID-CONNECTICUT PROJECT THREE YEAR PROJECTONS

EXPENDITURE DETAIL

Account	Description	ACTUAL FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07
LANDFILL - HARTFORD						
41-001-604-52104	Telephone & Pagers	\$3,218	\$3,750	\$3,840	\$1,950	\$1,000
41-001-604-52404	Building Operations	\$10,119	\$13,000	\$15,200	\$7,800	\$4,000
41-001-604-52407	Project Equipment Maintenance	\$60,741	\$67,200	\$96,620	\$49,500	\$25,350
41-001-604-52415	Grounds Maintenance	\$169,060	\$242,500	\$321,400	\$329,400	\$337,600
41-001-604-52502	Fees/Licenses/Permits	\$15,388	\$14,500	\$21,750	\$21,750	\$21,750
41-001-604-52507	Payments in Lieu of Taxes	\$93,128	\$179,914	\$90,400	\$0	\$0
41-001-604-52604	Rental / Lease	\$525,000	\$525,000	\$525,000	\$262,500	\$262,500
41-001-604-52650	Post Closure Reserve	\$475,000	\$475,000	\$475,000	\$475,000	\$475,000
41-001-604-52701	Contract Operating Charges (MDC)	\$1,390,958	\$1,482,250	\$1,526,700	\$700,000	\$721,000
41-001-604-52709	Other Operating Charges	\$297,963	\$408,290	\$422,400	\$216,500	\$110,950
41-001-604-52858	Engineering	\$141,367	\$207,000	\$236,400	\$121,150	\$62,100
41-001-604-52901	Environmental Testing	\$116,210	\$106,528	\$139,000	\$71,250	\$36,500
41-001-604-53304	Electricity	\$232	\$13,900	\$15,290	\$7,850	\$4,000
41-001-604-54482	Computer Hardware	\$0	\$1,000	\$1,000	\$0	\$0
41-001-604-56605	Construction	\$147,177	\$500,000	\$75,000	\$0	\$0
41-001-604-58001	Contingency	\$0	\$1,500	\$20,000	\$20,000	\$20,000
	Subtotal	\$3,445,561	\$4,241,332	\$3,985,000	\$2,284,650	\$2,081,750
			23.1%	-6.0%	-42.7%	-8.9%
LANDFILL - ELLINGTON						
41-001-605-52407	Project Equipment Maintenance	\$959	\$4,000	\$4,000	\$4,000	\$4,000
41-001-605-52415	Grounds Maintenance	\$21,140	\$37,500	\$48,550	\$50,000	\$51,500
41-001-605-52502	Fees/Licenses/Permits	\$0	\$250	\$375	\$375	\$375
41-001-605-52650	Post Closure Reserve	\$50,000	\$175,000	\$175,000	\$175,000	\$175,000
41-001-605-52709	Other Operating Charges	\$52,262	\$117,281	\$79,420	\$81,800	\$84,300
41-001-605-52858	Engineering	\$1,843	\$12,000	\$20,000	\$20,000	\$20,000
41-001-605-52901	Environmental Testing	\$20,564	\$33,250	\$37,500	\$37,500	\$37,500
41-001-605-53304	Electricity	\$21,542	\$18,000	\$24,000	\$24,000	\$24,000
	Subtotal	\$168,310	\$397,281	\$388,845	\$392,675	\$396,675
			136.0%	-2.1%	1.0%	1.0%

MID-CONNECTICUT PROJECT THREE YEAR PROJECTONS

EXPENDITURE DETAIL

Account	Description	ACTUAL FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07
TRANSFER STATION - ELLINGTON						
41-001-610-52104	Telephone & Pagers	\$1,181	\$1,000	\$1,200	\$1,200	\$1,200
41-001-610-52302	Miscellaneous Services	\$0	\$500	\$0	\$0	\$0
41-001-610-52404	Building Operations	\$9,522	\$12,000	\$15,100	\$15,100	\$15,100
41-001-610-52502	Fees/Licenses/Permits	\$1,500	\$1,500	\$2,250	\$2,250	\$2,250
41-001-610-52508	Municipal Subsidy	\$6,505	\$6,188	\$6,800	\$6,800	\$6,800
41-001-610-52701	Contract Operating Charges	\$456,875	\$434,600	\$365,170	\$376,130	\$385,500
41-001-610-52858	Engineering	\$263	\$0	\$0	\$0	\$0
41-001-610-52901	Environmental Testing	\$625	\$1,200	\$1,200	\$1,200	\$1,200
41-001-610-53304	Electricity	\$0	\$1,800	\$1,980	\$1,980	\$1,980
41-001-610-54482	Computer Hardware	\$0	\$1,000	\$1,500	\$500	\$500
41-001-610-56605	Construction	\$33,720	\$16,000	\$16,000	\$16,000	\$16,000
	Subtotal	\$510,191	\$475,788	\$411,200	\$421,160	\$430,530
			-6.7%	-13.6%	2.4%	2.2%
TRANSFER STATION - ESSEX						
41-001-611-52404	Building Operations	\$25,940	\$30,000	\$30,100	\$30,100	\$30,100
41-001-611-52502	Fees/Licenses/Permits	\$1,500	\$1,500	\$2,250	\$2,250	\$2,250
41-001-611-52701	Contract Operating Charges	\$633,928	\$607,900	\$434,730	\$447,770	\$459,000
41-001-611-52858	Engineering	\$263	\$0	\$0	\$0	\$0
41-001-611-52901	Environmental Testing	\$1,472	\$3,500	\$3,500	\$3,500	\$3,500
41-001-611-54482	Computer Hardware	\$0	\$1,000	\$1,500	\$500	\$500
41-001-611-56605	Construction	\$27,791	\$16,000	\$16,000	\$16,000	\$16,000
41-001-611-57820	Local Administration	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000
	Subtotal	748,894	\$717,900	\$546,080	\$558,120	\$569,350
			-4.1%	-23.9%	2.2%	2.0%
TRANSFER STATION - TORRINGTON						
41-001-612-52404	Building Operations	\$19,913	\$35,000	\$30,100	\$30,100	\$30,100
41-001-612-52502	Fees/Licenses/Permits	\$1,500	\$1,500	\$2,250	\$2,250	\$2,250
41-001-612-52604	Rental / Lease	\$100	\$0	\$0	\$0	\$0
41-001-612-52701	Contract Operating Charges	\$444,559	\$455,829	\$469,500	\$483,590	\$495,700
41-001-612-52858	Engineering	\$263	\$0	\$0	\$0	\$0
41-001-612-52901	Environmental Testing	\$502	\$2,000	\$2,000	\$2,000	\$2,000
41-001-612-54482	Computer Hardware	\$0	\$1,000	\$1,500	\$500	\$500
41-001-612-56605	Construction	\$7,012	\$3,000	\$5,000	\$5,000	\$5,000
	Subtotal	\$473,849	\$498,329	\$510,350	\$523,440	\$535,550
			5.2%	2.4%	2.6%	2.3%

MID-CONNECTICUT PROJECT THREE YEAR PROJECTONS

EXPENDITURE DETAIL

Account	Description	ACTUAL FY03	ADOPTED FY04	PROJECTED FY05	PROJECTED FY06	PROJECTED FY07
TRANSFER STATION - WATERTOWN						
41-001-613-52404	Building Operations	\$12,955	\$14,000	\$20,100	\$20,100	\$20,100
41-001-613-52502	Fees/Licenses/Permits	\$1,500	\$1,500	\$2,250	\$2,250	\$2,250
41-001-613-52508	Municipal Subsidy	\$26,288	\$22,500	\$29,000	\$29,000	\$29,000
41-001-613-52701	Contract Operating Charges	\$445,554	\$455,831	\$469,500	\$483,591	\$495,700
41-001-613-52709	Other Operating	\$3,728	\$0	\$0	\$0	\$0
41-001-613-52858	Engineering	\$263	\$0	\$0	\$0	\$0
41-001-613-52901	Environmental Testing	\$502	\$1,500	\$1,500	\$1,500	\$1,500
41-001-613-54482	Computer Hardware	\$0	\$1,000	\$1,500	\$500	\$500
41-001-613-56605	Construction	\$22,962	\$54,000	\$20,000	\$20,000	\$20,000
	Subtotal	\$513,752	\$550,331	\$543,850	\$556,941	\$569,050
			7.1%	-1.2%	2.4%	2.2%
171 MURPHY ROAD (A)						
41-001-620-52404	Building Operations	\$12,767	\$10,000	\$15,000	\$15,000	\$15,000
41-001-620-52507	Payments in Lieu of Taxes	\$29,084	\$30,556	\$31,300	\$32,100	\$32,900
	Subtotal	\$41,851	\$40,556	\$46,300	\$47,100	\$47,900
			-3.1%	14.2%	1.7%	1.7%
Jets / EGF						
02-001-501-xxxx	General Administration	\$108,631	\$281,691	\$1,341,355	\$1,375,000	\$1,409,000
02-001-951-xxxx	Jets	\$3,574,643	\$1,687,961	\$1,789,235	\$1,834,000	\$1,880,000
02-001-952-xxxx	Energy Generating Facility	\$1,435,960	\$4,098,085	\$3,620,910	\$3,711,000	\$3,804,000
		\$5,119,234	\$6,067,737	\$6,751,500	\$6,920,000	\$7,093,000
			18.5%	11.3%	2.5%	2.5%

MID-CONNECTICUT PROJECT PROPOSED FY05 BUDGET

EXPANDED ASSUMPTIONS		ACTUAL FY03	ADOPTED FY04	Preliminary FY05	Projected FY06	Projected FY07	
Tip Fees	MSW Fees						
	Member	\$57.00	\$63.75	\$70.00	\$71.50	\$73.00	
	Contract	\$57.00	\$63.75	\$70.00	\$71.50	\$73.00	
	Spot	\$55.00	\$63.75	\$70.00	\$71.50	\$73.00	
	Recycling Residue	\$62.00	\$68.75	\$70.00	\$71.50	\$73.00	
	Landfill Fees						
	Metals	\$75.00	\$75.00	\$75.00	\$0.00	\$0.00	
	Bulky Waste - Commercial	\$85.00	\$85.00	\$85.00	\$0.00	\$0.00	
	Bulky Waste - Municipal	\$74.00	\$74.00	\$74.00	\$0.00	\$0.00	
	White Goods	\$74.00	\$74.00	\$74.00	\$0.00	\$0.00	
	Certified Soils	\$95.00	\$95.00	\$95.00	\$0.00	\$0.00	
	Unprocessable Fee	\$74.00	\$74.00	\$74.00	\$0.00	\$0.00	
	Cover Material - Charged		\$5 - \$25	\$5 - \$25	\$0.00	\$0.00	
	Cover Material - Charged	\$13.75	\$15.00	\$10.00	\$0.00	\$0.00	
	Other Fees						
	Ferrous Residue	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	
	Woodchips	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	RDF	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	
	Power Production	kwh/ton of MSW Processed	535	562	540	540	540
		Total kwh Sold	438,789,530	445,000,000	442,400,000	442,400,000	442,400,000
Rate Per kwh		\$0.03149	\$0.03250	\$0.03475	\$0.03413	\$0.03413	
Delivery / Processing	Member MSW	655,254	640,000	645,000	645,000	645,000	
	Contract MSW	237,096	240,000	235,000	235,000	235,000	
	Spot MSW	12,439	0	0	0	0	
	Recycling Residue	2,473	2,000	0	0	0	
	Ferrous Residue	9,499	10,000	10,000	10,000	10,000	
	Wood chips	2,530	1,000	0	0	0	
	RDF (Imported)	2,960	1,000	0	0	0	
	Deliveries to the System	922,252	894,000	890,000	890,000	890,000	
	Hauled Tons (MSW & Recyclables)						
	Ellington	66,294	70,000	67,000	67,000	67,000	
	Essex	81,734	78,000	82,000	82,000	82,000	
	Torrington	77,773	78,000	69,300	69,300	69,300	
	Watertown	124,901	112,000	125,000	125,000	125,000	
	Transfer to Southeast	12,647	12,000	0	0	0	
	Transfer to Bridgeport	32,411	10,000	45,000	45,000	45,000	
	Transfer to Wallingford	159	0	0	0	0	
	Export	40,005	80,000	25,000	25,000	25,000	
	Transfer/Export tons	86,183	102,000	70,000	70,000	70,000	
	Total Tons Processed	820,602	792,000	820,000	820,000	820,000	
	RDF Produced	727,401	693,416	695,360	691,260	691,260	
Residue							
Ash Rate (Per Ton of MSW)	21.3%	21.0%	21.0%	21.0%	21.0%		
Process Residue Rate (Per Ton of MSW)	9.0%	9.0%	12.0%	12.0%	12.0%		
Ferrous Metals Rate (Outbound) (Per Ton of MSW)	3.0%	3.0%	3.0%	3.0%	3.0%		
Ferrous Residue Rate (Inbound) (Per Ton of MSW)	1.2%	1.3%	1.3%	1.3%	1.3%		
Unprocessable Waste - From WPF (Per Ton of MSW)	1.2%	2.0%	1.5%	2.0%	2.0%		

MID-CONNECTICUT PROJECT PROPOSED FY05 BUDGET

EXPANDED ASSUMPTIONS, CONTINUED		ACTUAL FY03	ADOPTED FY04	Preliminary FY05	Projected FY06	Projected FY07
Hartford Landfill	Waste Deliveries tons					
	Ash	175,020	166,320	172,200	172,200	172,200
	Process Residue	73,542	71,280	98,400	98,400	98,400
	Ferrous Metals	24,609	23,760	24,600	24,600	24,600
	Unprocessable Waste - Direct	8,491	9,000	9,000	0	0
	Unprocessable Waste - from WPF	10,039	15,840	12,300	16,400	16,400
	Metals	87	50	50	0	0
	Bulky Waste - Commercial	878	1,000	500	0	0
	Bulky Waste - Municipal	12,652	24,500	12,000	0	0
	White Goods	52	20	20	0	0
	Certified Soils	6	50	5	0	0
	Cover Material - Charged	8,955	15,000	30,000	0	0
	Recycling	Containers	22,537	22,000	22,000	22,000
Paper (total)		56,939	60,000	56,000	56,000	56,000
Recyclables Delivered to the System		79,476	82,000	78,000	78,000	78,000
Revenues						
Containers		\$45.45	\$40.00	\$41.00	\$41.00	\$41.00
Paper Contract		\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
Residue Rate- Containers		8.19%	7.00%	7.00%	7.00%	7.00%
Residue Rate- Paper		5.00%	2.00%	2.00%	2.00%	2.00%
Expenditures						
Container Processing Fee (FCR)		\$21.10	\$21.64	\$22.18	\$22.73	\$23.30
Paper Processing Fee (CROC)		\$4.00	\$10.00	\$4.00	\$4.00	\$4.00
Recycling Tip Fee (Member Towns)		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Municipal Payments		Fees				
	Canton (\$/ Ton)	\$4.42	\$4.42	\$4.42	\$4.42	\$4.42
	East Granby (\$/ Ton)	\$8.38	\$8.38	\$8.38	\$8.38	\$8.38
	Ellington (East Windsor to Ellington TS) (\$/ Ton)	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25
	Granby (\$/Ton)	\$7.90	\$7.90	\$7.90	\$7.90	\$7.90
	Simsbury (\$/Ton)	\$8.13	\$8.13	\$8.13	\$8.13	\$8.13
	RRDD#1 Recyclables (\$/Load)	\$60.00	\$60.00	n/a	n/a	n/a
	RRDD#1 MSW (\$/Load)	n/a	n/a	\$75.00	\$75.00	\$75.00
	Sharon/Salisbury (Transportation Offset) - (\$/Ton)	n/a	n/a	\$10.50	\$10.50	\$10.50
	Watertown (City of Waterbury to Watertown TS) (\$/Ton)	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
	Watertown (Settlement - Residential Drop Off) (Fixed)	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
	Waterbury Residential Drop Off (\$/Ton)	\$23.00	\$24.00	\$25.00	\$26.00	\$27.00
	Tonnage					
	Canton	5,827	5,500	5,500	5,500	5,500
	East Granby	3,490	3,500	3,500	3,500	3,500
	Ellington (East Windsor to Ellington TS)	2,879	2,750	3,000	3,000	3,000
	Granby (TS Subsidy)	5,903	5,700	5,700	5,700	5,700
	Simsbury (TS Subsidy)	15,704	14,800	14,800	14,800	14,800
	RRDD#1 Recyclables	897	900	n/a	n/a	n/a
	RRDD#1 MSW	3,742	n/a	4,000	4,000	4,000
	Sharon/Salisbury (Transportation Offset)	4,622	n/a	4,700	4,700	4,700
	Watertown (City of Waterbury to Watertown TS)	35,642	45,000	40,000	40,000	40,000
	Waterbury Residential Drop Off	3,836	n/a	4,000	4,000	4,000
Transportation Fees	Ellington	n/a	n/a	\$8.57	\$8.82	\$9.04
	Essex	n/a	n/a	\$11.16	\$11.49	\$11.78
	Torrington	\$12.18	\$12.55	\$12.93	\$13.31	\$13.64
	Watertown	\$11.60	\$11.95	\$12.30	\$12.67	\$12.99
	Southeast Project Diversion Fee (per ton)	\$59.00	\$60.00	\$61.00	\$61.00	\$76.00
	Bridgeport Project Diversion Fee (per ton)	\$58.00	\$61.00	\$63.00	\$64.00	\$65.00
	Wallingford Project Diversion Fee (per ton)	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00
	Exports Fee (average per ton)		\$69.00	\$72.00	\$73.00	\$74.00
	Process Residue Hauling (per ton)	n/a	n/a	\$5.21	\$0.00	\$0.00
	Non-Processible/Bulky (per load)	n/a	n/a	\$240.40	\$247.61	\$253.80
	Ash Hauling (per ton)	\$2.55	\$2.57	\$2.68	\$2.81	\$2.95

MID-CONNECTICUT PROJECT PROPOSED FY05 BUDGET

EXPANDED ASSUMPTIONS, CONTINUED		ACTUAL FY03	ADOPTED FY04	Preliminary FY05	Projected FY06	Projected FY07
Miscellaneous Fees	Coal Price (per ton)	\$61.90	\$61.90	\$63.45	\$65.03	\$66.66
	PILOT - Bulky Waste (per ton)		\$7.06	\$7.23	\$7.41	\$7.60
	Ash Loading (per ton)	n/a	\$0.96	\$0.75	\$0.75	\$0.75
	Lime (per ton)	\$98.42	\$98.00	\$100.45	\$102.96	\$105.53
	Urea (per gallon)	\$0.85	\$0.80	\$0.90	\$0.92	\$0.94
	Ferrous Residue (wTe)	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
Miscellaneous Data	Lime (Lbs/Ton of RDF Burned)	22.3	22.0	22.0	22.0	22.0
	Coal Purchase (Tons)	2,813	2,500	0	2,500	2,500
	Coal Use (Tons)	2,491	2,500	2,500	2,500	2,500
	Urea (gallons per year)	270,845	260,000	260,000	260,000	260,000
	Inflation Estimate		2.50%	2.50%	2.50%	2.50%

CASHFLOW ANALYSIS THROUGH FISCAL YEAR 2007

**MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS
(TRUSTEE REVENUE FUND)**

Lockbox Receipts:

Represent tip fee payments. Monthly estimates assume historical tonnage amount at market rate assumptions:
Fiscal Year 2004 Tip fee is \$63.75 per ton.
Fiscal Year 2005 Tip fee estimated at \$70.00 per ton
Fiscal Year 2006 Tip fee projected at \$71.50 per ton
Fiscal Year 2007 Tip fee projected at \$73.00 per ton

The assumed rates are preliminary and efforts will be directed to minimize the levels as the final budgets are prepared for Board approval in February, during the respective budget years.

Key Assumptions:

Energy Payments:

Current energy contract rates for electricity produced:

July 1, 2003 - December 31, 2003: \$0.0463 per kilowatt hour (based on weighted average per kilowatt hour)
January 1, 2004 - June 30, 2004: \$0.033 per kilowatt hour
July 1, 2004 - December 31, 2004: \$0.0463 per kilowatt hour (based on weighted average per kilowatt hour)
January 1, 2005 - June 30, 2005: \$0.033 per kilowatt hour
July 1, 2005 - December 31, 2005: \$0.035 per kilowatt hour
January 1, 2006 - June 30, 2006: \$0.033 per kilowatt hour
July 1, 2006 - December 31, 2006: \$0.035 per kilowatt hour
January 1, 2007 - June 30, 2007: \$0.033 per kilowatt hour

Debt Service Reserve Fund Adjustment:

The Trustee reviews the funding requirements of the Debt Service Reserve Funds to determine adequacy each January. The Trustee may determine that the Debt Service Reserve Funds exceed their Bond Resolution funding requirement and will release any excess amounts into the Revenue Fund.

Operating Expenses:

February and August Operating Expenses include \$1.7 million PILOT (Payment In Lieu Of Taxes) payment to the City of Hartford.

Debt Service Existing:

Effective with Amended and Restated Master Loan Agreement executed 10/29/03, State Loan draws are deposited directly to the Debt Service Fund and do not flow through the Revenue Fund.

Debt Service - State Supplemental Financing:

Assumes monthly P & I repayment of amount borrowed each month at average rate of 4.00%.

Supplemental Cash Sources:

In Fiscal Year 2006 and 2007 the projections reflect additional borrowings from the State Supplemental Financing. However, the Authority anticipates that other cash sources from either additional revenues from tip fees, where market competitive economies allow for an increase and/or settlement funds from current litigation matters may be available.

State Supplemental Financing:

Authorization for the period June 1, 2003 through June 30, 2004 is \$22 million. Additional authorization for the balance of the Legislatively-approved \$115 million is being sought.

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**MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS
(OPERATION OF TRUSTEE REVENUE FUND)**

Payment Received/Due	ESTIMATED												FY 04
	July	August	September	October	November	December	January	February	March	April	May	June	
BEGINNING CASH BALANCE:	\$4,813,876	\$5,094,780	\$3,948,431	\$3,471,711	\$3,832,233	\$3,558,923	\$5,293,606	\$5,347,592	\$3,781,115	\$2,476,272	\$2,743,667	\$2,417,277	
SOURCES OF FUNDS:													
Lockbox	5,663,387	4,728,889	5,275,000	6,000,000	4,100,000	5,011,000	4,853,000	5,038,000	4,294,000	4,760,000	5,472,000	5,715,000	
Energy payments	1,215,128	1,803,127	1,768,776	1,570,659	1,630,824	1,875,563	1,354,400	964,524	1,299,705	1,292,412	1,285,152	1,266,903	
Interest *	3,442	3,774	5,294	2,983	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
Trustec: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	556,400	0	0	0	0	0	
Total	\$ 6,881,957	\$ 6,535,791	\$ 7,049,070	\$ 7,573,642	\$ 5,733,824	\$ 6,889,563	\$ 6,766,800	\$ 6,005,524	\$ 5,596,705	\$ 6,055,412	\$ 6,760,152	\$ 6,984,903	
USES OF FUNDS:													
Covanta invoice	1,230,501	1,238,829	1,288,565	1,340,285	1,224,587	1,233,551	1,162,000	1,175,000	1,126,000	1,151,000	1,195,000	1,213,000	
Operating Expenses	5,370,552	4,251,813	4,024,031	5,831,189	2,709,102	3,855,000	5,471,000	4,122,000	3,474,000	3,734,000	4,290,000	4,239,000	
Debt service - Existing	2,171,149	2,171,149	2,171,149	2,171,149	2,031,407	2,166,449	2,166,449	2,166,449	2,166,449	2,166,449	2,166,449	2,166,449	
Debt service - State Supplemental Financing	0	20,348	42,044	41,647	42,037	65,880	79,365	108,552	135,098	136,568	135,092	155,281	
Total	\$ 8,772,202	\$ 7,682,140	\$ 7,525,790	\$ 9,384,269	\$ 6,007,134	\$ 7,320,880	\$ 8,878,814	\$ 7,572,001	\$ 6,901,548	\$ 7,188,017	\$ 7,786,541	\$ 7,773,731	
Excess/(Deficit) in current month:	(1,890,246)	(1,146,349)	(476,720)	(1,810,627)	(273,310)	(431,317)	(2,112,014)	(1,566,477)	(1,304,843)	(1,132,605)	(1,026,389)	(788,828)	
SUBTOTAL CASH BALANCE	\$2,923,631	\$3,948,431	\$3,471,711	\$1,661,084	\$3,558,923	\$3,127,606	\$3,181,592	\$3,781,115	\$2,476,272	\$1,343,667	\$1,717,277	\$1,628,450	
SUPPLEMENTAL SOURCES	2,171,149	0	0	2,171,149	0	2,166,000	2,166,000	0	0	1,400,000	700,000	2,166,000	
ENDING CASH BALANCE	\$5,094,780	\$3,948,431	\$3,471,711	\$3,832,233	\$3,558,923	\$5,293,606	\$5,347,592	\$3,781,115	\$2,476,272	\$2,743,667	\$2,417,277	\$3,794,450	
CUMULATIVE SUPPLEMENTAL SOURCES	\$4,171,149	\$4,171,149	\$4,171,149	\$6,342,298	\$6,342,298	\$8,508,298	\$10,674,298	\$10,674,298	\$10,674,298	\$12,074,298	\$12,774,298	\$14,940,298	
FISCAL YEAR TOTAL													\$ 12,940,298

CONFIDENTIAL - FOR DISCUSSION PURPOSES ONLY

**MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS**
(OPERATION OF TRUSTEE REVENUE FUND)

	ESTIMATED												FY05
	July	August	September	October	November	December	January	February	March	April	May	June	
BEGINNING CASH BALANCE:	\$3,794,450	\$5,393,094	\$2,591,397	\$3,228,376	\$4,767,192	\$3,317,066	\$3,290,897	\$5,461,053	\$3,523,117	\$3,560,343	\$3,107,915	\$2,301,655	
SOURCES OF FUNDS:													
Lockbox	5,442,720	5,728,850	5,085,090	5,631,090	5,244,530	5,077,730	5,282,470	4,479,670	4,936,860	5,688,380	5,964,630	5,590,144	
Energy payments	1,578,404	1,671,923	1,145,448	1,118,822	1,226,187	1,397,856	1,127,710	964,524	1,299,705	1,292,412	1,285,152	1,266,903	
Interest *	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	1,000,000	0	0	0	0	0	
Total	\$ 7,024,124	\$ 7,403,773	\$ 6,233,538	\$ 6,752,912	\$ 6,473,717	\$ 6,478,586	\$ 7,413,180	\$ 5,447,194	\$ 6,239,565	\$ 6,983,792	\$ 7,252,782	\$ 6,860,047	
USES OF FUNDS:													
Covantia invoice	1,191,000	1,204,000	1,219,000	1,182,000	1,212,000	1,193,000	1,184,000	1,196,000	1,148,000	1,172,000	1,217,000	1,234,000	
Operating Expenses	4,070,781	6,640,513	4,152,360	3,809,729	4,291,044	3,863,775	3,775,058	5,891,008	3,471,177	3,740,387	4,308,380	4,249,235	
Debt service - Existing	2,166,449	2,166,449	2,166,449	2,166,449	2,166,449	2,165,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	
Debt service - State Supplemental Financing	163,249	194,508	224,749	221,917	254,350	282,980	283,965	298,123	322,162	360,832	370,663	372,243	
Total	\$ 7,591,480	\$ 10,205,470	\$ 7,762,559	\$ 7,380,096	\$ 7,923,843	\$ 7,504,755	\$ 7,406,023	\$ 9,548,131	\$ 7,104,339	\$ 7,436,219	\$ 8,059,043	\$ 8,018,478	
Excess/(Deficit) in current month:	(567,356)	(2,801,697)	(1,529,021)	(627,184)	(1,450,126)	(1,026,169)	7,157	(4,100,937)	(864,774)	(452,427)	(806,261)	(1,158,431)	
SUBTOTAL CASH BALANCE	\$3,227,094	\$2,591,397	\$1,062,376	\$2,601,192	\$3,317,066	\$2,290,897	\$3,298,053	\$1,360,117	\$2,658,343	\$3,107,915	\$2,301,655	\$1,143,223	
SUPPLEMENTAL SOURCES	2,166,000	0	2,166,000	2,166,000	0	1,000,000	2,163,000	2,163,000	902,000	0	0	1,300,000	
ENDING CASH BALANCE	\$5,393,094	\$2,591,397	\$3,228,376	\$4,767,192	\$3,317,066	\$3,290,897	\$5,461,053	\$3,523,117	\$3,560,343	\$3,107,915	\$2,301,655	\$2,443,223	
CUMULATIVE SUPPLEMENTAL SOURCES	\$17,106,298	\$17,106,298	\$19,272,298	\$21,438,298	\$21,438,298	\$22,438,298	\$24,601,298	\$26,764,298	\$27,666,298	\$27,666,298	\$27,666,298	\$28,966,298	
FISCAL YEAR TOTAL													\$ 14,026,000

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**MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS
(OPERATION OF TRUSTEE REVENUE FUND)**

Payment Received/Due	ESTIMATED											
	July	August	September	October	November	December	January	February	March	April	May	June
BEGINNING CASH BALANCE:	\$2,443,223	\$2,977,211	\$4,337,570	\$2,768,161	\$2,063,272	\$2,671,552	\$3,310,963	\$3,885,906	\$4,482,747	\$4,846,920	\$3,530,849	\$2,381,967
SOURCES OF FUNDS:												
Lockbox	4,612,913	7,945,635	5,253,009	4,821,833	5,383,029	4,922,960	4,810,721	7,061,058	4,413,995	4,726,264	5,418,589	5,406,365
Energy payments	1,306,410	1,384,845	1,293,477	1,242,692	1,300,827	1,427,300	1,035,083	964,524	1,299,705	1,292,412	1,285,152	1,266,903
Interest *	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	1,000,000	0	0	0	0	0
Total	\$ 5,922,323	\$ 9,333,480	\$ 6,549,486	\$ 6,067,525	\$ 6,686,856	\$ 6,353,260	\$ 6,848,804	\$ 8,028,582	\$ 5,716,700	\$ 6,021,676	\$ 6,706,741	\$ 6,676,268
USES OF FUNDS:												
Covanta invoice	1,475,935	1,478,369	1,496,620	1,451,600	1,488,103	1,464,984	1,454,033	1,468,635	1,410,230	1,439,432	1,494,187	1,514,872
Operating Expenses	3,543,853	6,104,204	4,035,604	3,704,355	4,135,491	3,782,045	3,695,818	5,424,631	3,391,035	3,630,934	4,162,811	4,153,420
Debt service - Existing	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,166,000	2,170,000	2,170,000	2,170,000	2,170,000	2,170,000	2,170,000
Debt service - State Supplemental Financing	368,547	390,549	423,670	453,460	454,982	466,819	504,009	538,475	551,262	597,381	628,626	639,200
Total	\$ 7,551,335	\$ 10,136,121	\$ 8,118,894	\$ 7,772,415	\$ 8,241,576	\$ 7,879,848	\$ 7,823,861	\$ 9,601,741	\$ 7,522,526	\$ 7,837,747	\$ 8,455,623	\$ 8,477,491
Excess/(Deficit) in current month:	(1,629,012)	(802,642)	(1,569,408)	(1,704,889)	(1,554,720)	(1,526,588)	(975,057)	(1,573,159)	(1,805,827)	(1,816,072)	(1,748,882)	(1,801,223)
SUBTOTAL CASH BALANCE	\$814,211	\$2,174,570	\$2,768,161	\$1,063,272	\$508,552	\$1,144,963	\$2,335,906	\$2,312,747	\$2,676,920	\$3,030,849	\$1,781,967	\$580,744
SUPPLEMENTAL SOURCES	2,163,000	2,163,000	0	1,000,000	2,163,000	2,166,000	1,550,000	2,170,000	2,170,000	500,000	600,000	2,170,000
ENDING CASH BALANCE	\$2,977,211	\$4,337,570	\$2,768,161	\$2,063,272	\$2,671,552	\$3,310,963	\$3,885,906	\$4,482,747	\$4,846,920	\$3,530,849	\$2,381,967	\$2,750,744
CUMULATIVE SUPPLEMENTAL SOURCES	\$31,129,298	\$33,292,298	\$33,292,298	\$34,292,298	\$36,455,298	\$38,621,298	\$40,171,298	\$42,341,298	\$44,511,298	\$45,011,298	\$45,611,298	\$47,781,298
FISCAL YEAR TOTAL												\$ 18,815,000

CONFIDENTIAL - FOR DISCUSSION PURPOSES ONLY

**MID CONNECTICUT PROJECT
SOURCE AND USE OF CASH FUNDS**
(OPERATION OF TRUSTEE REVENUE FUND)

	ESTIMATED												FY07
	July	August	September	October	November	December	January	February	March	April	May	June	
BEGINNING CASH BALANCE:	\$2,750,744	\$3,329,021	\$4,732,849	\$5,235,366	\$4,910,106	\$4,760,477	\$3,154,008	\$4,193,081	\$4,766,701	\$4,983,835	\$4,360,295	\$2,582,965	
SOURCES OF FUNDS:													
Lockbox	5,131,656	8,093,588	5,323,069	4,883,814	5,451,416	4,985,606	4,872,749	7,137,626	4,467,793	4,786,447	5,487,928	5,479,077	
Energy payments	1,306,410	1,384,845	1,293,477	1,242,692	1,300,827	1,427,300	1,035,083	964,524	1,299,705	1,292,412	1,285,152	1,266,903	
Interest *	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
Trustee: Debt Service Reserve Fund Adjustment	0	0	0	0	0	0	1,000,000	0	0	0	0	0	
Total	\$ 6,441,066	\$ 9,481,433	\$ 6,619,546	\$ 6,129,506	\$ 6,755,243	\$ 6,415,906	\$ 6,910,832	\$ 8,105,150	\$ 5,770,498	\$ 6,081,859	\$ 6,776,080	\$ 6,748,980	
USES OF FUNDS:													
Covanta invoice	1,485,659	1,505,079	1,523,286	1,478,376	1,514,789	1,491,728	1,480,804	1,495,369	1,437,108	1,466,238	1,520,858	1,542,706	
Operating Expenses	3,733,381	5,888,246	3,872,638	3,553,071	3,966,013	3,627,127	3,545,022	5,192,765	3,250,408	3,482,235	3,992,577	3,986,137	
Debt service - Existing	2,170,000	2,170,000	2,170,000	2,170,000	2,129,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	
Debt service - State Supplemental Financing	643,748	684,280	721,105	753,318	795,070	815,520	845,935	843,397	865,848	918,925	951,976	979,187	
Total	\$ 8,032,788	\$ 10,247,605	\$ 8,287,029	\$ 7,954,766	\$ 8,404,872	\$ 8,022,375	\$ 7,959,760	\$ 9,619,530	\$ 7,641,364	\$ 7,955,399	\$ 8,553,411	\$ 8,596,030	
Excess/(Deficit) in current month:	(1,591,723)	(766,172)	(1,667,483)	(1,825,260)	(1,649,629)	(1,606,469)	(1,048,928)	(1,514,380)	(1,870,866)	(1,873,540)	(1,777,330)	(1,847,050)	
SUBTOTAL CASH BALANCE	\$1,159,021	\$2,562,849	\$3,065,366	\$3,410,106	\$3,260,477	\$3,154,008	\$2,105,081	\$2,678,701	\$2,895,835	\$3,110,295	\$2,582,965	\$735,914	
SUPPLEMENTAL SOURCES	2,170,000	2,170,000	2,170,000	1,500,000	1,500,000	0	2,088,000	2,088,000	2,088,000	1,250,000	0	2,088,000	
ENDING CASH BALANCE	\$3,329,021	\$4,732,849	\$5,235,366	\$4,910,106	\$4,760,477	\$3,154,008	\$4,193,081	\$4,766,701	\$4,983,835	\$4,360,295	\$2,582,965	\$2,823,914	
CUMULATIVE SUPPLEMENTAL SOURCES	\$49,951,298	\$52,121,298	\$54,291,298	\$55,791,298	\$57,291,298	\$57,291,298	\$59,379,298	\$61,467,298	\$63,555,298	\$64,805,298	\$64,805,298	\$66,893,298	
FISCAL YEAR TOTAL													\$ 19,112,000

CERTIFIED AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2003



**ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2003**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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



FINANCIAL POSITION SUMMARY

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

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

FINANCIAL HIGHLIGHTS

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

ASSETS

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

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

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



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

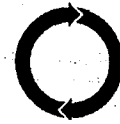
- Cash and cash equivalents increased by \$4.3 million as a result of the collection of past due electricity revenues from Enron/CL&P for the period 12/3/01 – 12/11/02 and the loan drawdown from the State loan to cover operating expenses in the Mid-Connecticut project due to a loss in fixed payments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

LIABILITIES

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

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

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



SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(In Thousands)

Fiscal Years Ending June 30,

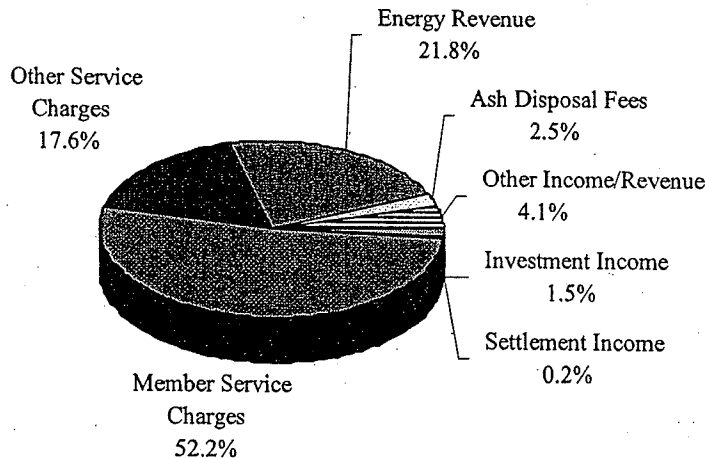
	2003	2002 (Restated)
Operating revenues	\$ 155,820	\$ 157,513
Operating expenses	<u>138,274</u>	<u>140,958</u>
Excess before depreciation and amortization and other non-operating income and expenses	17,546	16,555
Depreciation and amortization	<u>18,186</u>	<u>16,975</u>
Income before other non-operating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

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

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

SUMMARY OF REVENUES

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



Percentages may not add due to rounding.



Connecticut Resources Recovery Authority

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

SUMMARY OF REVENUES

(Dollars in Thousands)

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

Percentages may not add due to rounding.

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

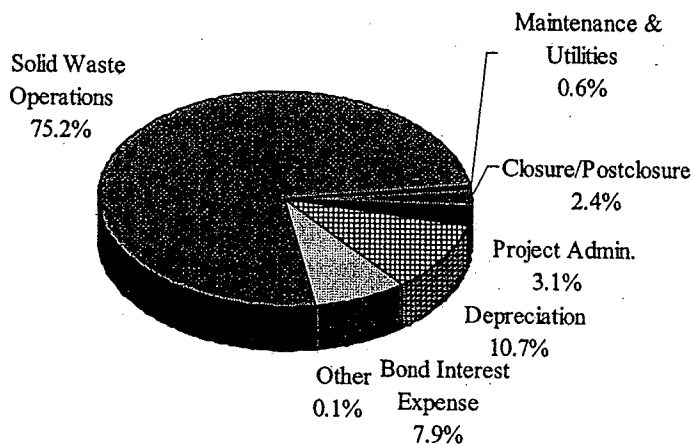
- Member service charges, which represents both contract and member towns, increased by 8.2% or \$6.3 million. This increase reflects the increase of the tipping fee enacted for fiscal 2003 at the Mid-Connecticut and Bridgeport facilities.
- Other service charges, which represent spot waste haulers,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



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

SUMMARY OF EXPENSES

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



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

SUMMARY OF EXPENSES
(Dollars in Thousands)

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



Connecticut Resources Recovery Authority

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

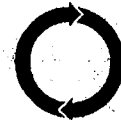
- Solid waste operations decreased by \$2.1 million or 1.6% primarily due to lower net service payments. While overall operating costs increased, they were offset by higher energy payment credits for the Southeast Project. In addition, fiscal year 2002 included a non-recurring, one-time expense related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

ENRON and COVANTA EXPOSURE

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

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

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



STATE LOAN

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

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

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



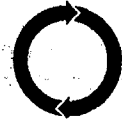
SUMMARY OF CASH FLOW ACTIVITIES

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

	STATEMENTS OF CASH FLOWS	
	(In Thousands)	
	Fiscal Years Ending June 30,	
	2003	2002
Cash flow from operating activities	<u>20,213</u>	<u>(Restated)</u>
Cash flow from investing activities	3,206	4,165
Cash flow from capital and related financing activities	(32,050)	(44,908)
Cash flow from non-capital and related financing activities	<u>(90)</u>	<u>(96)</u>
Net increase (decrease) in cash and cash equivalents	(8,721)	(23,559)
Cash and cash equivalents:		
Beginning of year	<u>154,146</u>	<u>177,705</u>
End of year	<u>\$ 145,425</u>	<u>\$ 154,146</u>

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

- Cash flow from operating activities for the fiscal years as indicated above represents the net difference between cash received for services and cash paid to suppliers and to employees for goods and services. For the fiscal year 2003, this net figure was \$3.0 million higher than fiscal year 2002 and was mainly due to increased tipping fees at the Mid-Connecticut and Bridgeport projects, collection of CL&P electricity payments from 12/3/01 – 12/11/02 offset by uncollected payments due from Enron (see Enron and Covanta Exposure section herein) and a settlement payment for \$2.2 million to settle claims and disputes related to the Mid-Connecticut Air Processing System.
- Cash flow from investing activities represents the net difference between interest on investments of Authority funds plus any maturing investments versus the purchase of investment securities. For the fiscal year 2003, this net figure was \$1.0 million less than fiscal year 2002 and was mainly due to a decrease of \$2.3 million in investment income representing the steady decline in interest rates experienced in the market during the year and decreased reserves in the Mid-Connecticut project, which was offset by an increase of \$638,000 for proceeds from maturities of U.S. Treasury Bills. These securities have been reinvested in U.S. Treasury Obligations with maturities of three months and are classified as cash and cash equivalents, which resulted in an increase of \$677,000 in cash flow from investing activities as compared to fiscal year 2002.
- Cash flow from capital and related financing activities represents the net difference between total proceeds from the State loan, sales of equipment and total costs involved with landfill closure and postclosure, debt service expenses, and capital acquisition. For



the fiscal year 2003, this net figure improved by \$12.8 million over fiscal year 2002 and was mainly due to a combination of proceeds from the \$2.0 million State loan received during 2003 and a \$10.8 million decrease in acquisition and construction of capital assets (\$6.3 million), payments of debt service (\$3.4 million), and payments of landfill closure and postclosure care (\$1.1 million).

AUTHORITY RATES AND CHARGES

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

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



Connecticut Resources Recovery Authority

LONG-TERM DEBT ISSUANCE, ADMINISTRATION and CREDIT RATINGS

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

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2003

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

* Municipal Bond insurance providers: MBIA = MBIA Insurance Corporation

** SCRF = Special Capital Reserve Fund of the State of Connecticut

NR = Not Rated

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



CARLIN, CHARRON & ROSEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

628 Hebron Avenue
Building 3
Glastonbury, CT 06033
Tel: 860.659.1338
Fax: 860.633.0712
www.ccrgroup.com

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

WORCESTER

BOSTON

NEWTON

PROVIDENCE

GLASTONBURY

GROTON

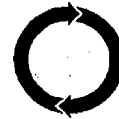
Members of CCR Advisory Group:

*Carlin, Charron & Rosen, LLP; CCR Assurance Services; CCR Cost Recovery Services, LLC; CCR Executive Search & Consulting, LLC;
CCR Retirement Plan Services, LLP; CCR Wealth Management, LLC; CCR Technology Services; CCR Turnaround Management; CCR Outsourcing & Recruitment
A Founding Member of the Leading Edge Alliance*

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

Caullin, Chamon & Rosen, LLP

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



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

EXHIBIT I

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

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



Connecticut Resources Recovery Authority

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
(In Thousands)**

EXHIBIT II

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

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

Connecticut Resources Recovery Authority



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

EXHIBIT III

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity and Services

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

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

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

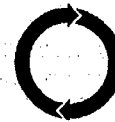
The Authority is comprised of four comprehensive solid waste disposal systems and an Administrative

Pool. Each of the operating systems has a unique legal, contractual, financial and operational structure described as follows:

Mid-Connecticut Project

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

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



Bridgeport Project

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

Wallingford Project

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

Southeast Project

The Southeast Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The system provides solid waste disposal services to

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

Administrative Pool

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

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

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

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

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

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



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

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

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

D. Estimates

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

E. Cash and Cash Equivalents

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

F. Accounts Receivable

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

G. Inventory

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

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

Inventories	2003 (\$000)	2002 (\$000)
Spare parts	\$3,285	\$3,224
Coal	<u>322</u>	<u>319</u>
Total	<u>\$3,607</u>	<u>\$3,543</u>

H. Investments

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

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

I. Restricted Assets

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



debt service reserve funds, development, construction and operating costs.

J. Development and Bonds Issuance Costs

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

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

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

K. Capital Assets

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

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

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

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

L. Accrued Compensation

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

M. Net Assets

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

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



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

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

N. Reclassifications

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term

money market indices and are generally reset daily, monthly, quarterly and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares.

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

A. Cash Deposits

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

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



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

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

B. Investments

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

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

3. CAPITAL ASSETS

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

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

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested proceeds over the same period. During fiscal 2003 and 2002,

there was no capitalized interest as there was no external borrowing.



4. LONG-TERM DEBT

A. Bonds Payable

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

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

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

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

Project	2003 (\$000)	2002 (\$000)
Deferred loss (gain):		
Mid-Connecticut	\$2,908	\$3,485
Bridgeport	(60)	(81)
Wallingford	38	52
Southeast	<u>1,842</u>	<u>2,111</u>
Subtotal	4,728	5,567
Reduced by unamortized premium:		
Mid-Connecticut	(453)	(504)
Bridgeport	(44)	(60)
Southeast	<u>(827)</u>	<u>(948)</u>
	<u>(1,324)</u>	<u>(1,512)</u>
Net Reduction	<u>\$3,404</u>	<u>\$4,055</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	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2004	\$14,995	\$10,651	\$1,620	\$525	\$1,339	\$252
2005	15,755	9,758	1,670	446	1,360	178
2006	16,680	8,761	1,740	363	1,133	112
2007	17,790	7,703	1,845	277	658	69
2008	17,900	6,646	1,955	185	684	42
2009-2013	113,865	17,014	1,705	86	712	14
2014-2017	-	-	-	-	-	-
	<u>\$196,985</u>	<u>\$60,533</u>	<u>\$10,535</u>	<u>\$1,882</u>	<u>\$5,886</u>	<u>\$667</u>
Interest Rates	4.25-6.25%		4.6-5.5%		3.63-6.85%	

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

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

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

B. Loan Payable

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



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

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

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

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

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

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

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



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

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

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

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

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



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

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

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

6. MAJOR CUSTOMERS

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

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

7. SETTLEMENT INCOME

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

8. RETIREMENT PLAN

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

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

\$299,000, respectively. Employees contributed \$211,000 to the plan in fiscal 2003 and \$252,000 in fiscal 2002.

9. RISK MANAGEMENT

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

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

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

10. COMMITMENTS

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



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

borrowing for the contractor/operator of the projects. The Authority does not become involved in the construction activities, and construction requisitions by the contractor are made from various trustee accounts.

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

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

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

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

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

The Authority has issued several bonds pursuant to Indenture Agreements to fund the construction of waste processing facilities built and operated by independent contractors. The revenue bonds were issued by the Authority to lower the cost of



12. SEGMENT INFORMATION

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

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



13. CONTINGENCIES

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

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

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

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

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

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, the Authority believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance,

will not have a material adverse effect on the consolidated financial position or results of operations of the Authority.

14. SIGNIFICANT EVENTS

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

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

15. RESTATEMENT

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

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



16. OPERATIONS

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

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

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

While the Authority was able to meet all of its debt service and operating expenses during fiscal years

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



Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF NET ASSETS

AS OF JUNE 30, 2003

(In Thousands)

EXHIBIT A

Page 1 of 2

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

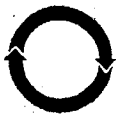


Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF NET ASSETS AS OF JUNE 30, 2003

EXHIBIT A
Page 2 of 2

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



Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2003

EXHIBIT B

(In Thousands)

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



Connecticut Resources Recovery Authority

COMBINING STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2003

EXHIBIT C
Page 1 of 2

(In Thousands)

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

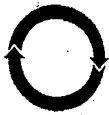


Connecticut Resources Recovery Authority

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

EXHIBIT C
Page 2 of 2

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



Connecticut Resources Recovery Authority

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

EXHIBIT D

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

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
CONNECTICUT RESOURCES RECOVERY AUTHORITY TO
AUTHORIZE THE APPLICATION TO THE STATE OF CONNECTICUT
CONCERNING THE ISSUANCE OF SUBORDINATED INDEBTEDNESS
UNDER THE GENERAL BOND RESOLUTION IN THE FORM
OF A LOAN NOT TO EXCEED \$93,000,000 FOR THE BENEFIT
OF THE MID-CONNECTICUT PROJECT**

WHEREAS, the Connecticut Resources Recovery Authority (the "Authority") has been duly established and constituted as a body politic and corporate, constituting a public instrumentality and political subdivision of the State of Connecticut, to carry out the purposes of Chapter 446e of the Connecticut General Statutes, Sections 22a-260 et. seq., as amended (the "Act"); and

WHEREAS, the Authority has, from time to time, issued bonds, pursuant to certain powers and duties expressly provided for in the Statute, and pursuant to the terms of its Resolution Authorizing the Issuance of Mid-Connecticut System Bonds, adopted on March 13, 1985, as amended (the "General Bond Resolution"), for the purpose of financing its Mid-Connecticut Project, a Waste Processing Facility and Power Block Facility of the Authority, pursuant to the powers vested in the Authority under the Statute (the "Mid-Connecticut Project"); and

WHEREAS, Section 2(a) of Public Act No. 03-5, as the same is codified under Section 22a-268d of the Act provides that the Authority may, upon the approval of two-thirds of the appointed directors of the Authority and subsequent approval of the State Treasurer and the Secretary of the Office of Policy and Management ("OPM"), borrow from the State of Connecticut (the "State"), for the fiscal years ending June 30, 2003 and June 30, 2004, an amount not to exceed twenty-two million dollars (\$22,000,000) and, for the fiscal years ending subsequent to June 30, 2004, an amount in the aggregate not to exceed ninety-three million dollars (\$93,000,000), which borrowing shall be for the purposes of supporting the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project, and shall be collateralized, as determined by the State Treasurer and the Secretary of OPM, to the extent possible under the Act; and

WHEREAS, the Act requires that any loan from the State to the Authority for such purpose as stated above shall be subordinate to all bonded indebtedness of the Authority; and

WHEREAS, on February 27, 2003, the Board of Directors of the Authority (the "Board"), adopted a resolution authorizing the members of the Steering Committee of the Board, the President and the Chief Financial Officer of the Authority (the "Officials") to, among other items: (i) submit an application to the State Treasurer and the Secretary of OPM for loans in an amount not to exceed \$115,000,000 in accordance with the

provisions of the Act; and (ii) negotiate and document such financing in connection with the Mid-Connecticut Project; and

WHEREAS, on April 10, 2003, the Board adopted a resolution supplementing the February 27, 2003 resolution, and authorizing the Officials, pending the final determination by the State as to the original \$115,000,000 application, to enter into an interim financing arrangement with the State in the form of a loan in an amount not to exceed twenty-two million dollars (\$22,000,000), the proceeds of which shall be expended by the Authority for the purpose of supporting the repayment of debt service on the Mid-Connecticut Project during the remainder of the Authority's fiscal year 2003 and fiscal year 2004; and

WHEREAS, on May 5, 2003, the Authority filed its Financial Mitigation Plan, as required to access any borrowing under the Act, with the State Treasurer and the Secretary of OPM (the "Financial Mitigation Plan"); and

WHEREAS, on June 27, 2003, the Authority and the State entered into an interim financing arrangement in the form of a credit facility from the State to the Authority in the aggregate amount of \$2,000,000, as the same is evidenced by a Master Loan Agreement, dated as of June 27, 2003, by and between the Authority and the State (the "\$2,000,000 Loan"); and

WHEREAS, on July 24, 2003, the Authority and the State entered into a second interim financing arrangement in the form of a credit facility from the State to the Authority in the aggregate amount of \$2,171,149, as the same is evidenced by a Master Loan Agreement, dated as of July 24, 2003, by and between the Authority and the State (the "\$2,171,149 Loan"); and

WHEREAS, on October 29, 2003, the Authority and the State entered into an aggregate \$22,000,000 financing arrangement, consisting of (i) the reclassification of both the \$2,000,000 Loan and the \$2,171,149 Loan as Subordinated Indebtedness under the General Bond Resolution, and (ii) the issuance of an additional \$17,828,851 financing arrangement, classified as Subordinated Indebtedness under the General Bond Resolution; and

WHEREAS, the Authority desires to borrow the remaining ninety-three million dollars (\$93,000,000) available to the Authority under the Act for the fiscal years ending subsequent to June 30, 2004, all for the purposes of supporting the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project; and

WHEREAS, the Board wishes to authorize the application to the State Treasurer and the Secretary of OPM for such remaining \$93,000,000 loan, with the understanding that the Authority expects to utilize a maximum of \$20,000,000 of such available funds for the fiscal year ending June 30, 2005; and

WHEREAS, the Board wishes to give the Officials the authority to submit such application, together with any and all necessary documentation including, but not limited

to a First Supplement to the Financial Mitigation Plan, and to document such actions authorized herein; and

WHEREAS, unless otherwise defined herein or in the body of this resolution, each capitalized term set forth herein shall have the meaning ascribed to it in the General Bond Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Connecticut Resources Recovery Authority:

Section 1. That the action of the Officials, in submitting an application to the State Treasurer and the Secretary of OPM, in the name of and on behalf of the Authority, in connection with the extension by the State of Connecticut of a loan to the Authority in an aggregate amount not to exceed ninety-three million dollars (\$93,000,000.00), in accordance with the provisions of the Act, to support the repayment of debt issued by the Authority on behalf of the Mid-Connecticut Project for the fiscal years ending subsequent to June 30, 2004, be and the same is hereby authorized and approved.

Section 2. That the Officials, in connection with such application for the \$93,000,000 loan, shall submit to the State Treasurer and the Secretary of OPM, those items required under the provisions of the Act including, but not limited to a First Supplement to the Financial Mitigation Plan substantially in the form attached hereto as *Exhibit A* and made a part hereof, all as previously reviewed and approved by the Board, as well as any other items reasonably requested by the State Treasurer and the Secretary of OPM in order to effectuate the loan.

Section 3. The Officials are authorized and directed to perform and take such other actions as may be desirable, necessary, proper or convenient to accomplish the intent and purposes expressed herein, and the performance thereof by such Officials shall be conclusive as to the approval by the Authority of the terms thereof.

Section 4. This resolution shall take effect immediately.

Date: December 18, 2003