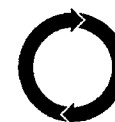


**CONNECTICUT RESOURCES  
RECOVERY AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2010**

**TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**



# ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2010

<u>TABLE OF CONTENTS</u>	<u>PAGE(S)</u>	<u>EXHIBIT</u>
Independent Auditor's Report	1 - 2	--
Management's Discussion and Analysis	3 - 21	--
Basic Financial Statements:		
Balance Sheets	22 - 23	I
Statements of Revenues, Expenses and Changes in Net Assets	24	II
Statements of Cash Flows	25	III
Notes to the Financial Statements	26 - 45	--
Supplementary Information:		
Combining Schedule of Balance Sheets	47- 48	A
Combining Schedule of Revenues, Expenses and Changes in Net Assets	49	B
Combining Schedule of Cash Flows	50 - 51	C
Combining Schedule of Net Assets	52 - 53	D
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54 – 55	--



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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Connecticut Resources Recovery Authority  
Hartford, Connecticut

We have audited the accompanying balance sheets of the Connecticut Resources Recovery Authority (Authority), a component unit of the State of Connecticut, as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and supplementary information on pages 3 through 21 and 47 through 53, respectively, are not a required part of the basic financial statements but are Supplementary information required by the Governmental 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 supplementary information. However, we did not audit the information and express no opinion on it.

*Bollam Sheedy Torani & Co LLP*

New York, New York  
September 29, 2010



**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following Management’s Discussion and Analysis (“MD&A”) of the Connecticut Resources Recovery Authority’s (the “Authority”) activities and financial performance provides an introduction to the audited financial statements for the fiscal years ended June 30, 2010 and 2009. 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 2010 total assets decreased by \$25.2 million or 7.5% from fiscal year 2009 and total liabilities decreased by \$16.3 million or 15.3%. Total assets exceeded total liabilities by \$217.8 million as of June 30, 2010 as compared to \$226.7 million as of June 30, 2009 or a net decrease of \$8.9 million.

The fiscal year 2009 total assets decreased by \$26.3 million or 7.3% from fiscal year 2008 and total liabilities decreased by \$3.4 million or 3.1%. Total assets exceeded total liabilities by \$226.7 million as of June 30, 2009 as compared to \$249.5 million as of June 30, 2008, or a net decrease of \$22.8 million.

**BALANCE SHEETS**  
As of June 30,  
(In Thousands)

	2010	2009	2008
<b>ASSETS</b>			
Current unrestricted assets	\$ 106,616	\$ 123,081	\$ 133,044
Current restricted assets	46,410	28,639	37,409
<b>Total current assets</b>	<u>153,026</u>	<u>151,720</u>	<u>170,453</u>
Non-current assets:			
Restricted cash and cash equivalents	22,434	33,390	36,472
Restricted investments	817	817	809
Capital assets, net	129,521	144,559	148,216
Development and bond issuance costs, net	2,727	3,190	3,978
<b>Total non-current assets</b>	<u>155,499</u>	<u>181,956</u>	<u>189,475</u>
<b>TOTAL ASSETS</b>	<u>\$ 308,525</u>	<u>\$ 333,676</u>	<u>\$ 359,928</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 33,776	\$ 37,659	\$ 40,607
Long-term liabilities	56,906	69,356	69,849
<b>TOTAL LIABILITIES</b>	<u>90,682</u>	<u>107,015</u>	<u>110,456</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	120,895	133,360	135,575
Restricted	37,015	36,646	45,876
Unrestricted	59,933	56,655	68,021
<b>Total net assets</b>	<u>217,843</u>	<u>226,661</u>	<u>249,472</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 308,525</u>	<u>\$ 333,676</u>	<u>\$ 359,928</u>



## FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2010 and 2009:

### ASSETS

**Current unrestricted assets** decreased by \$16.5 million or 13.4% from fiscal year 2009, which decreased by \$10.0 million or 7.5% over fiscal year 2008. The fiscal year 2010 decrease is primarily due to:

- Unrestricted cash and cash equivalents decreased by \$18.9 million. This occurred primarily due to:
  - Payments of \$13.2 million for closure costs at the Hartford landfill, equipment purchases and plant improvements at the Mid-Connecticut Waste Processing and Power Block Facilities; fiscal year 2009 service fee at the Southeast Project; various capital expenditures at the Energy Generating Facility; costs associated with the landfill development; post-closure costs at the Shelton landfill; and a claim in connection with a Mid-Connecticut operator; and
  - A transfer of \$5.7 million to the Property Division non-current restricted Post-closure Trust Fund as a result of a new Stewardship Permit at the Shelton Landfill; and
  - A \$3.5 million transfer of funds, net to the Mid-Connecticut Project current restricted Revenue Fund for credit to the Mid-Connecticut Project members to offset the fiscal year 2010 adopted tip fee of \$69 per ton of solid waste delivered; and
  - A \$1.6 million distribution of Bridgeport Project-related funds to the former Bridgeport Project town members; and
  - Higher disbursement of funds for goods and services received at the Mid-Connecticut Project (\$1.5 million); and
  - Lower transfer of funds from the Mid-Connecticut current restricted Revenue Fund for operating activities due to timing (\$1.1 million); and
  - A transfer of \$500,000 to the Authority's current restricted Escrow Account in accordance with the Connecticut Transfer Act for the conveyance of the Wallingford Resource Recovery Facility to the Covanta Projects of Wallingford, LP.; partially offset by:
    - Contributions toward operating cash requirements of \$4.4 million at the Mid-Connecticut Project for monitoring and maintenance of the Hartford and Ellington landfills post-closure care costs and capital expenditures at the Mid-Connecticut Project facilities; and
    - A \$1.7 million transfer of funds from the Wallingford Project non-current restricted assets to stabilize the project fiscal year 2010 tip fee of \$60 per ton; and
    - A \$1.2 million transfer of funds from the Mid-Connecticut Project non-current restricted assets for a purchase of a new jet fuel tank at the Mid-Connecticut Jet Turbine Facility scheduled in fiscal year 2011; and



- A receipt of \$495,000 settlement funds (net of attorneys' fees and costs of litigation of \$55,000) at the Mid-Connecticut Project as a result of an Enron-related lawsuit settlement.
- Accounts receivable, net increased by \$2.9 million as a result of the following:
  - Increased accounts receivable at the Mid-Connecticut Project. This increase reflects an increase in miscellaneous receivables as a result of a \$5.0 million State grant receivable from the Connecticut Department of Environmental Protection ("CTDEP") as reimbursement of additional costs previously incurred by the Authority in the closure of the Hartford Landfill; partially offset by a decrease in service payment receivables as a result of the credit to the Mid-Connecticut Project town members and improved collection in other miscellaneous receivables; and
  - Decreased accounts receivable at the Wallingford Project due to decreases in electricity generation and contract rates.
- Prepaid expenses decreased by \$645,000, reflecting payments to vendors for insurance expenses and payments in lieu of taxes ("PILOT") that are applicable to future accounting periods. These payments are recorded as prepaid items as of June 30, 2010.

The fiscal year 2009 decrease was primarily due to:

- A \$26.7 million distribution of Wallingford Project reserves to the Wallingford Project member towns; and
- Payments of \$19.0 million for the design, upgrade, and retrofit of the Mid-Connecticut Regional Recycling Center, equipment purchases, and plant improvements at the Mid-Connecticut Waste Processing Facility and Power Block Facility, closure costs at the Hartford landfill, costs associated with the purchase option for the Wallingford plant, and landfill development; and
- Decreased accounts receivable, net of \$2.5 million at the Bridgeport Project due to the Bridgeport Project municipal service agreements ("MSA") with the towns terminating on December 31, 2008; offset by:
- Contributions toward operating cash requirements for a total of \$22.7 million at the Bridgeport Project (\$1.6 million), Mid-Connecticut Project (\$17.5 million), and Wallingford Project (\$3.6 million) for specific purposes; and
- Increased operating cash balance of \$5.4 million mainly due to timely transfers of funds from the Mid-Connecticut restricted Revenue Fund for operating activities and an increase in tipping fees enacted at the Bridgeport, Mid-Connecticut, and Wallingford Projects; and
- Settlement funds of \$3.5 million (net of attorneys' fees and costs of litigation) at the Mid-Connecticut Project as a result of a litigation-related settlement; and
- A \$3.0 million grant received from the CTDEP in January 2009 as reimbursement of costs previously incurred by the Authority in the closure of the Hartford landfill; and
- Interest earned on current unrestricted cash and cash equivalents of \$1.8 million; and
- A \$1.2 million transfer of funds from the Bridgeport Project current restricted assets as a result of the bonds maturities in January 2009.





**Current restricted assets** increased by \$17.8 million or 62.1% from fiscal year 2009, which decreased by \$8.8 million or 23.4% from fiscal year 2008. The fiscal year 2010 increase is primarily due to:

- A reclass of \$14.4 million from the non-current restricted Wallingford Tip Fee Stabilization Fund as a result of the Wallingford Project expiration with the town members and operator as of June 30, 2010; and
- The transfer of \$500,000 from the Authority's current unrestricted Risk Fund to the Authority's current restricted Escrow Account in accordance with the Connecticut Transfer Act for the conveyance of the Wallingford Resource Recovery Facility to the Covanta Projects of Wallingford, LP.; and
- Contributions toward reserve requirements of \$500,000 at the Mid-Connecticut Project for recycling education program and Southeast Project for monitoring and maintenance of the Montville landfill post-closure care costs ; and
- Revenue Fund balance at the Mid-Connecticut Project increased by \$5.0 million. This increase is attributable to the following:
  - The impact of lower debt service transfer during fiscal year 2010 as a result of the fiscal year 2009 debt service transfer in advance resulting from the indenture rate covenant calculation; and
  - The transfer of funds from the Mid-Connecticut Project current unrestricted Debt Service Stabilization Fund for credit to the Mid-Connecticut Project members to offset the fiscal year 2010 adopted tip fee of \$69 per ton of solid waste delivered; and
  - The impact of lower transfers of funds to the Mid-Connecticut unrestricted Operating Fund for operating activities due to timing; partially offset by:
- Debt Service Fund balances at the Mid-Connecticut and Southeast Projects decreased by \$2.9 million as a result of regular principal and interest payments due on Authority bonds in November 2009 and May 2010; which is partially offset by additional debt service deposits for regular principal payments due in November 2010.

The fiscal year 2009 decrease was primarily due to:

- Revenue Fund balances at two projects decreased by a total of \$7.8 million; the Mid-Connecticut Project (\$5.7 million) and the Wallingford Project (\$2.1 million). The decrease at the Mid-Connecticut Project is mainly due to the timely transfers of funds to the Mid-Connecticut unrestricted assets for operating activities. The decrease at the Wallingford Project is due to decreases in electricity generation and contract rates; and
- The \$1.2 million transfer of funds to the Bridgeport Project current unrestricted assets as the result of the bonds maturities in January 2009; offset by:
- Interest earned on current restricted assets of \$0.7 million.

**Non-current assets** decreased by \$26.5 million or 14.5% from fiscal year 2009, which decreased by \$7.5 million or 4.0% from fiscal year 2008. The fiscal year 2010 decrease occurred primarily due to:



- Restricted cash and cash equivalents decreased by \$11.0 million. This decrease reflects a combination of the following:
  - The reclass of \$14.4 million to the Wallingford Project current restricted assets as the result of the Wallingford Project expiration with the town members and operator as of June 30, 2010; and
  - The \$1.2 million transfer of funds to the Mid-Connecticut Project current unrestricted Facility Modifications Fund for the purchase of a new jet fuel tank at the Mid-Connecticut Jet Turbine Facility scheduled in fiscal year 2011; and
  - The \$1.7 million transfer of funds to the Wallingford Project current unrestricted Operating Fund for stabilizing the project fiscal year 2010 tip fee of \$60 per ton; partially offset by:
    - The transfer of \$5.7 million from the Property Division current unrestricted Post-closure Fund to establish the Shelton Landfill Post-closure Trust Fund as a result of the new Stewardship Permit; and
    - A \$1.1 million contribution toward reserve cash requirement.
- Capital assets – depreciable, net decreased by \$5.0 million due to a \$16.8 million of depreciation expense, offset by \$1.3 million in plant improvements and equipment purchases and a reclass of \$10.5 million in construction in progress from the nondepreciable capital assets.
- Capital assets – nondepreciable decreased by \$10.0 million due to the reclass of \$10.5 million in construction in progress to the depreciable capital assets, net and a write-off of \$1.6 million in deferred acquisition costs in association with the licensing and development of the Franklin landfill as a result of the suspension of landfill development in the State of Connecticut; partially offset by an increase of \$2.1 million in construction in progress.
- Development and bond issuance costs, net decreased by \$463,000 due to amortization expense.

The fiscal year 2009 decrease was primarily due to:

- Payments of \$3.3 million for two gas turbines and the rebuild of a turbine at the Energy Generating Facility; and
- Decreased capital assets, net of \$3.6 million due to \$16.6 million of depreciation expense and a \$2.4 million loss on a write-off of assets that were transferred to certain Bridgeport Project member towns on January 1, 2009; offset by \$15.7 million in plant improvements, equipment purchases, construction in progress, and deferred acquisition costs; and
- Decreased development and bond issuance costs, net of \$0.8 million due to amortization expense.



## LIABILITIES

**Current liabilities** decreased by \$3.9 million or 10.3% compared to fiscal year 2009, which decreased by \$2.9 million or 7.3% compared to fiscal year 2008. The fiscal year 2010 decrease from 2009 is primarily due to:

- An \$861,000 decrease in net current portion of landfill closure and post-closure care mainly due to lower costs anticipated to be incurred at the Hartford Landfill within the next twelve months; and
- A \$3.3 million decrease in accounts payable and accrued expenses due to a lower accrued expenses balance at the Bridgeport, Mid-Connecticut, and Wallingford Projects.

The fiscal year 2009 decrease from 2008 was primarily due to:

- A decrease in net current portion of closure and post-closure care of landfills of \$1.1 million as a result of lower costs anticipated to be incurred at the Hartford and Waterbury landfills within the next twelve months; and
- A decrease in accounts payable and accrued expenses of \$3.0 million due to lower accrued expenses balance at the Bridgeport Project as a result of the closure of the Bridgeport Project on December 31, 2008; partially offset by higher accrued expenses balance at the Southeast Project; offset by:
- An increase in current portion of bonds payable, net of \$1.1 million as a result of the resumption of principal payments for the Mid-Connecticut 1996 Series A Bonds scheduled in November 2009; partially offset by the three bond issues maturing during fiscal year 2009: Bridgeport Project Refinancing Bonds 1999 Series A, Bridgeport Refinancing Bonds 2000 Series A, and Wallingford Project Refinancing Bonds 1998 Series A.

**Long-term liabilities** decreased by \$12.5 million or 18.0% compared to fiscal year 2009, which decreased by \$490,000 or 0.7% compared to fiscal year 2008. The fiscal year 2010 decrease is primarily due to:

- Decreased bonds payable, net of \$4.3 million due to regular principal payment due on Authority bonds in November 2009; and
- Decreased landfill closure and post-closure care of \$8.0 million. This occurred due to a \$6.4 million reduction in the long-term liability accounts as a result of payments for closure and post-closure care costs and a \$2.5 million decrease in projected costs at the Ellington, Hartford, Shelton, Wallingford, and Waterbury landfills; partially offset by the impact of lower current portion of closure and post-closure care costs of \$861,000. The decrease in projected costs is a combination of the following:
  - Hartford Landfill: Fiscal year 2010 actual expenditures were less than estimated; and
  - Shelton Landfill:
    - Estimated cost for permit fees was decreased as a result of the Stewardship Permit; and
    - Certain other estimated costs were decreased based on improved maintenance and operating for the gas system and re-analysis of costs required; and



- Wallingford Landfill:
  - Certain estimated costs were decreased as a result of the Stewardship Permit.

The fiscal year 2009 decrease from 2008 was due to:

- Decreased bonds payable, net of \$4.0 million due to regular principal payments on Authority bonds and the three bond issues maturing during fiscal year 2009: Bridgeport Project Refinancing Bonds 1999 Series A, Bridgeport Refinancing Bonds 2000 Series A, and Wallingford Project Refinancing Bonds 1998 Series A; offset by:
- Increased landfill closure and post-closure care of \$3.7 million due to:
  - Increased projected costs of \$10.0 million. This increase is due to increased post-closure monitoring and maintenance costs at the Ellington, Hartford, Shelton, and Wallingford landfills and increased pollution legal liability insurance at the Shelton landfill; and
  - Increased estimated total current costs of \$1.3 million at the Hartford landfill due to an increase in the Hartford landfill capacity used; and
  - Lower current portion of closure and post-closure care costs of \$1.1 million; offset by:
    - A reduction of \$7.9 million in the long-term liability accounts as a result of payments for closure and post-closure care costs at the Ellington, Hartford, Shelton, Wallingford, and Waterbury landfills; and
    - Decreased projected costs of \$770,000 at the Waterbury landfill due to lower actual closure costs and a decrease in the estimated cost for pollution legal liability insurance.



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

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

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

	2010	2009	2008
Operating revenues	\$ 138,122	\$ 171,703	\$ 189,988
Operating expenses	135,011	183,553	170,954
Income (loss) before depreciation and amortization and other non-operating revenues and (expenses)	3,111	(11,850)	19,034
Depreciation and amortization	17,292	17,398	18,184
Income (loss) before other non-operating revenues and (expenses), net	(14,181)	(29,248)	850
Non-operating revenues, net	5,363	6,437	9,851
Change in net assets	(8,818)	(22,811)	10,701
Total net assets, beginning of year	226,661	249,472	238,771
Total net assets, end of year	\$ 217,843	\$ 226,661	\$ 249,472

**Operating revenues** decreased by \$33.6 million or 19.6% during fiscal year 2010 from fiscal year 2009 and decreased by \$18.3 million or 9.6% during fiscal year 2009 from fiscal year 2008. The fiscal year 2010 decrease is primarily due to a \$12.9 million decrease in member service charges, a \$9.2 million decrease in other service charges, a \$5.4 million decrease in energy sales, a \$2.5 million decrease in ash disposal reimbursement, and a \$3.6 million decrease in other operating revenues.

The fiscal year 2009 decrease was primarily due to a \$15.7 million decrease in member and contract service charges, a \$2.2 million decrease in ash disposal reimbursement, and a \$511,000 decrease in other operating revenues.

**Operating expenses** decreased by \$48.5 million or 26.4% during fiscal year 2010 primarily due to a \$25.0 million decrease in distribution to member towns, a \$13.0 million decrease in landfill closure and post-closure care costs, a \$9.5 million decrease in solid waste operations, a \$1.6 million decrease in General and Administrative services, and an \$865,000 decrease in legal services – external; partially offset by an \$805,000 increase in Operational and Environmental services.

Operating expenses increased by \$12.6 million or 7.4% during fiscal year 2009 primarily due to a \$26.7 million distribution to the Wallingford Project member towns and a \$5.4 million increase in landfill closure and post-closure care costs, offset by a \$16.9 million decrease in solid waste operations and a \$2.7 million decrease in maintenance and utilities.

**Depreciation and amortization** remained relatively flat, decreasing by \$106,000 or 0.6% during fiscal year 2010. During fiscal year 2009, depreciation and amortization decreased by \$786,000



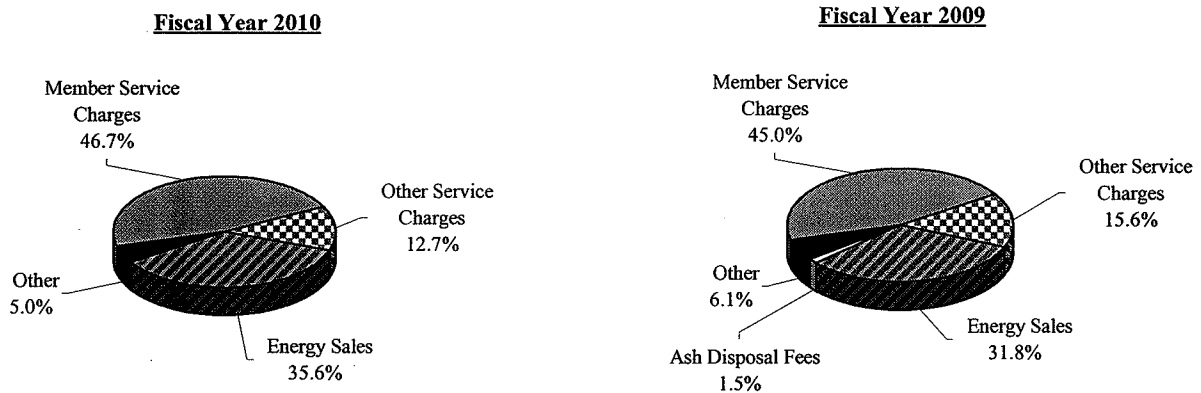
or 4.3%. The fiscal year 2009 decrease was primarily due to the transfers of the Bridgeport Project assets to the towns on January 1, 2009, and other fully depreciated assets.

**Non-operating revenues, net** decreased by \$1.1 million during fiscal year 2010 primarily due to a \$2.3 million decrease in investment income and a \$4.3 million decrease in litigation-related settlement income resulting from various Enron-related lawsuits during fiscal year 2009; partially offset by the \$5.0 million State grant as reimbursement of additional costs previously incurred by the Authority in the closure of the Hartford Landfill.

Non-operating revenues, net decreased by \$3.4 million during fiscal year 2009 primarily due to the loss on the transfers of the Bridgeport Project assets to the towns, and decreased investment income, which is partially offset by the \$3.0 million State grant as reimbursement of costs previously incurred by the Authority in the closure of the Hartford landfill.

**SUMMARY OF OPERATING REVENUES**

The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2010 and 2009:



During fiscal year 2010, Solid Waste tipping fees (member service and other service charges) account for 59.4% of the Authority’s operating revenues. Energy sales make up another 35.6% of operating revenues. During fiscal year 2009, Solid Waste tipping fees (member service and other service charges) plus ash disposal reimbursement account for 62.1% of the Authority’s operating revenues. Energy sales make up another 31.8% of operating revenues.



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

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

	2010	2009	2010 Increase/ (Decrease) from 2009	2010 Percent Increase/ (Decrease)	2008	2009 Increase/ (Decrease) from 2008	2009 Percent Increase/ (Decrease)
<b>Operating Revenues:</b>							
Member service charges	\$ 64,393	\$ 77,236	\$ (12,843)	(16.6%)	\$ 86,455	\$ (9,219)	(10.7%)
Other service charges	17,597	26,838	(9,241)	(34.4%)	33,308	(6,470)	(19.4%)
Energy sales	49,203	54,568	(5,365)	(9.8%)	54,460	108	0.2%
Ash disposal reimbursement	-	2,511	(2,511)	(100.0%)	4,704	(2,193)	(46.6%)
Other operating revenues	6,929	10,550	(3,621)	(34.3%)	11,061	(511)	(4.6%)
<b>Total Operating Revenues</b>	<b>138,122</b>	<b>171,703</b>	<b>(33,581)</b>	<b>(19.6%)</b>	<b>189,988</b>	<b>(18,285)</b>	<b>(9.6%)</b>
<b>Non-Operating Revenues:</b>							
Litigation-related settlements	-	4,250	(4,250)	(100.0%)	4,745	(495)	(10.4%)
Investment income	556	2,818	(2,262)	(80.3%)	7,208	(4,390)	(60.9%)
Other income	5,912	3,871	2,041	52.7%	292	3,579	1225.7%
<b>Total Non-Operating Revenues</b>	<b>6,468</b>	<b>10,939</b>	<b>(4,471)</b>	<b>(40.9%)</b>	<b>12,245</b>	<b>(1,306)</b>	<b>(10.7%)</b>
<b>TOTAL</b>	<b>\$ 144,590</b>	<b>\$ 182,642</b>	<b>\$ (38,052)</b>	<b>(20.8%)</b>	<b>\$ 202,233</b>	<b>\$ (19,591)</b>	<b>(9.7%)</b>

Overall, fiscal year 2010 total revenues decreased by \$38.1 million or 20.8% from fiscal year 2009. Fiscal year 2009 total revenues decreased by \$19.6 million or 9.7% from fiscal year 2008. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Member service charges decreased by \$12.8 million and \$9.2 million in fiscal years 2010 and 2009, respectively. The fiscal year 2010 decrease is primarily due to an \$18.7 million decrease in member revenues at the Bridgeport Project as a result of the closure of the Bridgeport Project as of December 31, 2008, a \$2.3 million decrease in member revenues at the Mid-Connecticut Project as a result of the credit to the Mid-Connecticut Project members, which is partially offset by an \$8.0 million increase in member revenues at the SouthWest Division as a result of the commencement of operations at the Wheelabrator Bridgeport Facility since January 2009. The fiscal year 2009 decrease was primarily due to the closure of the Bridgeport Project, lower member deliveries at the Mid-Connecticut and Southeast Projects; partially offset by an increase in member revenues at the SouthWest Division.
- Other service charges to both contract towns and spot waste haulers decreased by \$9.2 million and \$6.5 million in fiscal years 2010 and 2009, respectively. The fiscal year 2010 decrease is primarily at the Bridgeport and Mid-Connecticut Projects. The \$7.6 million decrease at the Bridgeport Project is due to the closure of the project. The \$1.6 million decrease at the Mid-Connecticut Project is mainly as a result of the credit to the Mid-Connecticut Project members. The fiscal year 2009 decrease was primarily due to the closure of the Bridgeport Project as of December 31, 2008, and lower contract deliveries



at the Southeast Project; which is partially offset by increased contract deliveries at the Mid-Connecticut Project and increased spot waste deliveries at the Southeast Project.

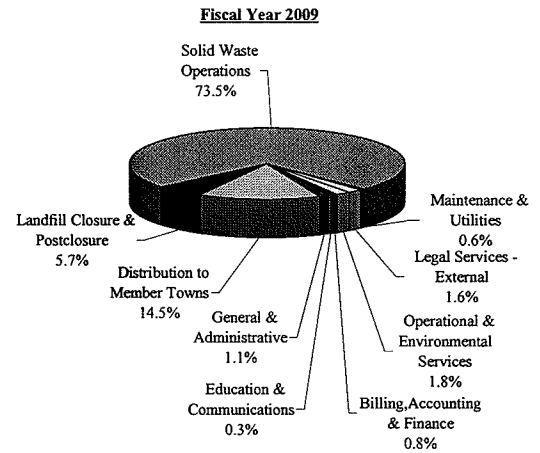
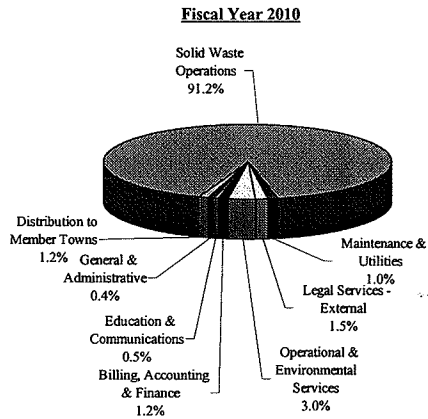
- Energy sales decreased by \$5.4 million during fiscal year 2010 and slightly increased by \$108,000 in fiscal year 2009. The fiscal year 2010 decrease is due to a \$5.9 million decreased energy sales at the Wallingford Project as a result of decreases in electricity generation and contract rates and a \$500,000 decreased energy sales at the Mid-Connecticut Project as a result of major outages, which is offset by a \$1.0 million increased energy sales at the Southeast Project as a result of higher electricity generation. The fiscal year 2009 increase was due to increased contract electricity rates received for the first 250 million kilowatts generated at the Mid-Connecticut Project; partially offset by a decrease in electricity revenue received at the Wallingford Project due to decreases in electricity generation and contract rates.
- Ash disposal reimbursement decreased by \$2.5 million and \$2.2 million in fiscal years 2010 and 2009, respectively. Both of the fiscal years 2010 and 2009 decreases are due to the closure of the Bridgeport Project as of December 31, 2008.
- Other operating revenues decreased by \$3.6 million and \$511,000 in fiscal years 2010 and 2009, respectively. The fiscal year 2010 decrease is due to a \$2.6 million decrease in other operating revenues at the Bridgeport Project as a result of the closure of the Bridgeport Project, a \$1.9 million decrease in commercial bulky waste and DEP certified materials at the Mid-Connecticut Project; which is partially offset by a \$1.0 million increase in other operating revenues at the Property Division as a result of the creation of the Property Division to reflect certain transactions that used to be accounted for under the Bridgeport Project. The fiscal year 2009 decrease was due to decreased recycling sales.
- Litigation-related settlements: There were no litigation-related settlements during fiscal year 2010. Litigation-related settlements of \$4.3 million during fiscal year 2009 represent settlements of various Enron-related lawsuits.
- Investment income decreased by \$2.3 million from fiscal year 2009 to 2010 and \$4.4 million from fiscal year 2008 to 2009. The fiscal year 2010 decrease is mainly due to lower reserve balances due to the utilization of certain operating cash and reserves for the distributions of funds to the Wallingford Project town members in April 2009 and the former Bridgeport Project town members in November 2009. In addition, continued low interest rates resulting from the overall global recession and depressed market conditions is also attributable to the decrease in investment income in fiscal year 2010. The fiscal year 2009 decrease was mainly due to lower interest rate resulting from the overall global recession and depressed market conditions.
- Other income of \$5.9 million for fiscal year 2010 represents the \$5.0 million State grant as reimbursement of additional costs previously incurred by the Authority in the closure of the Hartford landfill, reimbursement from the Southeastern Connecticut Regional Resources Recovery Authority (“SCRRA”) for fiscal year 2009 service fee, gains on sales of equipment, and miscellaneous income. Other income of \$3.9 million for fiscal year 2009 represents the \$3.0 million State grant as reimbursement of costs previously incurred by the Authority in the closure of the Hartford landfill, gains on sales of equipment, and miscellaneous income.





### SUMMARY OF OPERATING EXPENSES

The following charts show the major sources and the percentage of operating expenses for the fiscal years ended June 30, 2010 and 2009:



Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 91.2% of operating expenses in fiscal year 2010. During fiscal year 2009, Solid Waste Operations accounted for 73.5% of operating expenses.



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

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

	2010	2009	2010 Increase/ (Decrease) from 2009	2010 Percent Increase/ (Decrease)	2008	2009 Increase/ (Decrease) from 2008	2009 Percent Increase/ (Decrease)
<b>Operating Expenses:</b>							
Solid waste operations	\$ 125,407	\$ 134,944	\$ (9,537)	(7.1%)	\$ 151,887	\$ (16,943)	(11.2%)
Maintenance and utilities	1,365	1,168	197	16.9%	3,862	(2,694)	(69.8%)
Landfill closure and post-closure	(2,495)	10,507	(13,002)	(123.7%)	5,114	5,393	105.5%
Legal services - external	2,055	2,920	(865)	(29.6%)	2,804	116	4.1%
Operational & Environmental services	4,112	3,307	805	24.3%	3,118	189	6.1%
Billing, Accounting & Finance services	1,651	1,462	189	12.9%	1,527	(65)	(4.3%)
Education & Communications services	754	477	277	58.1%	484	(7)	(1.4%)
General & Administrative services	523	2,093	(1,570)	(75.0%)	2,158	(65)	(3.0%)
Distribution to member towns	1,639	26,675	(25,036)	0.0%	-	26,675	0.0%
<b>Total Operating Expenses</b>	<b>135,011</b>	<b>183,553</b>	<b>(48,542)</b>	<b>(26.4%)</b>	<b>170,954</b>	<b>12,599</b>	<b>7.4%</b>
<b>Depreciation and amortization</b>	<b>17,292</b>	<b>17,398</b>	<b>(106)</b>	<b>(0.6%)</b>	<b>18,184</b>	<b>(786)</b>	<b>(4.3%)</b>
<b>Non-Operating Expenses:</b>							
Interest expense	1,063	1,284	(221)	(17.2%)	1,863	(579)	(31.1%)
Other expenses	42	3,218	(3,176)	(98.7%)	531	2,687	506.0%
<b>Total Non-Operating Expenses</b>	<b>1,105</b>	<b>4,502</b>	<b>(3,397)</b>	<b>(75.5%)</b>	<b>2,394</b>	<b>2,108</b>	<b>88.1%</b>
<b>TOTAL</b>	<b>\$ 153,408</b>	<b>\$ 205,453</b>	<b>(52,045)</b>	<b>(25.3%)</b>	<b>\$ 191,532</b>	<b>\$ 13,921</b>	<b>7.3%</b>

The Authority's total expenses decreased by \$52.04 million or 25.3% between fiscal years 2010 and 2009. Fiscal year 2009 total expenses increased by \$14.0 million or 7.3% from fiscal year 2008. Notable differences between the fiscal years include:

- Solid waste operations decreased by \$9.5 million from fiscal year 2009 to 2010. This occurred primarily due to the following:
  - Operating expenses at the Bridgeport Project decreased by \$25.1 million due to the closure of the project; and
  - Operating expenses at the Southeast Project decreased by \$1.2 million due to decreased contract operating charges and lower distribution of funds to the SCRRA for future expenses; and
  - Operating expenses at the Wallingford Project decreased by \$765,000 due to lower contract operating charges; partially offset by:
  - Operating expenses at the Mid-Connecticut Project increased by \$9.2 million primarily due to higher ash transportation and disposal services as a result of the closure of the Hartford landfill, the impact on the write-off of prior years' deferred



acquisition costs, and higher contract operating charges at the Waste Processing Facility; which is partially offset by decreased landfill development costs and lower contract operating charges at the waste transport and the Hartford Landfill; and

- Operating expenses at the SouthWest Division increased by \$7.7 million due to the commencement of operations at the Wheelabrator Bridgeport Facility; and
- Operating expenses at the Property Division increased by \$674,000 due to the creation of the Property Division in January 2009 to reflect certain transactions that used to be accounted for under the Bridgeport Project.

Solid waste operations decreased by \$16.9 million from fiscal year 2008 to 2009 primarily due to:

- Operating expenses at the Bridgeport Project decreased due to the closure of the project as of December 31, 2008; and
- Operating expenses at the Wallingford Project decreased due to lower operating contract charges; partially offset by:
  - Operating expenses at the Mid-Connecticut Project increased due to an increase in ash disposal costs associated with the closing of the Hartford landfill including waste transportation; and
  - Operating expenses at the SouthWest Division increased due the commencement of operations at the Wheelabrator Bridgeport facility; and
  - Operating expenses at the Southeast Project increased due to higher distribution of funds to the SCRRA for future expenses and an increase in the per ton processing fee as a result of a decrease in the project tonnage offset by savings in ash disposal.
- Maintenance and utilities expenses remained relatively flat, increasing by \$197,000 during fiscal year 2010. During fiscal year 2009, maintenance and utilities expenses decreased by \$2.7 million primarily due to lower closure costs at the Hartford landfill.
- Landfill closure and post-closure costs of (\$2.5 million) for fiscal year 2010 represents the decreases in estimated costs at the Hartford, Shelton, and Wallingford landfills. Landfill closure and post-closure costs of \$10.5 million for fiscal year 2009 represents the increases in post-closure monitoring and maintenance costs at the Ellington, Hartford, Shelton, and Wallingford landfills, the increase in pollution legal liability insurance at the Shelton landfill, and the increase in the Hartford landfill capacity used, which is offset by the decreases in closure costs and pollution legal liability insurance at the Waterbury landfill.
- Legal services - external decreased by \$865,000 during fiscal year 2010 as a result of higher legal fees and costs incurred during fiscal year 2009 in association with the closure of the Bridgeport Project, the Enron litigation-related settlement and the purchase option for the Wallingford plant. During fiscal year 2009, legal services – external remained relatively flat, increasing by \$116,000.
- Operational and Environmental services increased by \$805,000 from fiscal year 2009 and \$189,000 from fiscal year 2008. The fiscal year 2010 increase is primarily due to the allocation of legal consulting costs from the General and Administrative department.



- General and Administrative services decreased by \$1.6 million from fiscal year 2009 and \$65,000 from fiscal year 2008. The fiscal year 2010 decrease is primarily due to the allocation of legal consulting costs to other departments.
- Distribution to member towns of \$1.6 million during fiscal year 2010 represents the distribution of funds to the former Bridgeport Project town members. During fiscal year 2009, distribution to member towns of \$26.7 million represents the distribution of funds to the Wallingford Project member towns.
- Interest expense decreased by \$221,000 during fiscal year 2010 and \$579,000 during fiscal year 2009 due to decreases in the principal amount of bonds.
- Other expenses during fiscal year 2010 of \$42,000 represents trustee fees, letter of credit fees, and other miscellaneous expenses. Other expenses during fiscal year 2009 of \$3.2 million include the \$2.4 million loss on the write-off of the Bridgeport assets, costs associated with the purchase option for the Wallingford plant, plus trustee fees and letter of credit fees.

## CAPITAL ASSETS

The Authority's investment in capital assets for its activities as of June 30, 2010 and 2009 totaled \$129.5 million and \$144.6 million, respectively (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, equipment, gas and steam turbines, land, landfills, roadways, rolling stock and vehicles.

The total fiscal year 2010 and 2009 decrease in the Authority's investment in capital assets was 10.4% and 2.5%, respectively. The fiscal year 2010 decrease is due to depreciation expense; partially offset by plant improvements, equipment purchases, and construction in progress. The fiscal year 2009 decrease was due to depreciation expense and the loss on the transfers of the Bridgeport Project assets, offset by plant improvements, equipment purchases, construction in progress and deferred acquisition costs.

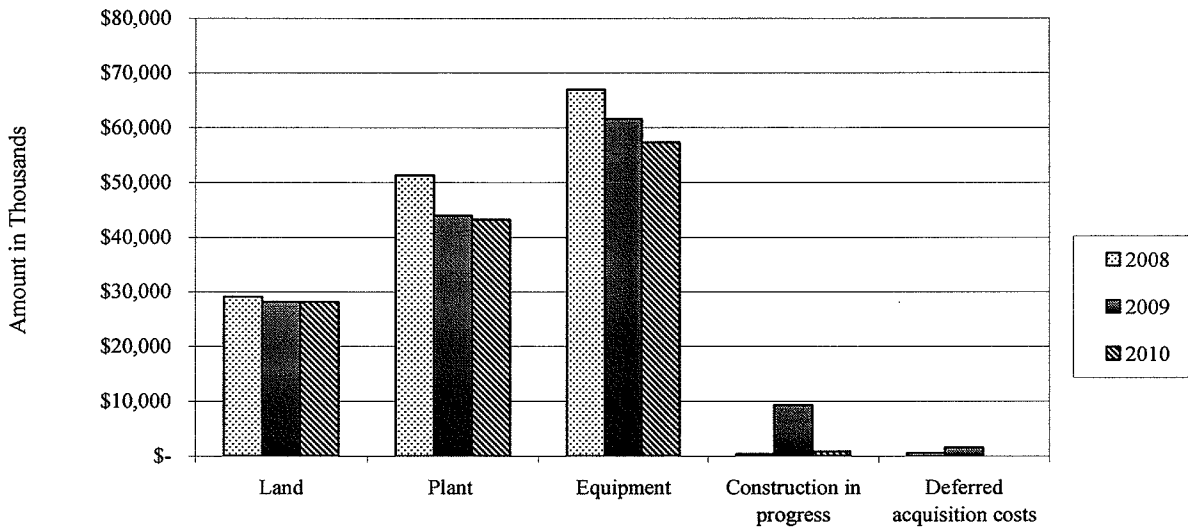
Major capital asset events during the current and immediate prior two fiscal years included purchases of new boiler pressure parts for the Mid-Connecticut Power Block Facility and two new gas turbines for the Mid-Connecticut Jet Turbine Facility, conversion of the Mid-Connecticut Regional Recycling Facility, renovations of the ash loadout area, improvements of the HVAC system at the Mid-Connecticut Waste Processing Facilities, land purchase, landfill development costs, conveyor rebuilds, overhaul of turbines #5 and #6, and upgrade of the automation system.



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

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

	2008	2009	2010
Land	\$ 29,079	\$ 28,180	\$ 28,180
Plant	51,293	43,917	43,189
Equipment	66,958	61,566	57,291
Construction-in-progress	327	9,330	861
Deferred acquisition costs	559	1,566	-
<b>Totals</b>	<b>\$ 148,216</b>	<b>\$ 144,559</b>	<b>\$ 129,521</b>



Additional information on the Authority's capital assets can be found in Notes 1K, 1L, and 3 on pages 30 - 31 and 35 of this report.

**LANDFILL ACTIVITY**

Ash Landfill Initiative

In August 2009, the Authority decided, based on direction being promulgated by the State leaders, to suspend its efforts to develop an ash landfill in the State of Connecticut, and instead, focus on consideration of other environmentally sound options for long-term disposal of ash residue from its resource recovery facilities, including disposal at other in-state and out-of-state landfills.



### Hartford Landfill

The Connecticut State Legislature approved legislation that provides \$13.0 million, for the Authority, for costs associated with the closure of the Hartford landfill, with \$3.0 million allocated in fiscal year 2008, and \$10.0 million allocated in fiscal year 2009. In March 2008, the State Bond Commission appropriated \$3.0 million. The Authority received the \$3.0 million in January 2009. In July 2010, the State Bond Commission appropriated another \$5.0 million. The Authority expects to receive the \$5.0 million by the end of this calendar year.

In June and July 2007, the Authority awarded two closure construction contracts, together valued at approximately \$15.0 million. These construction activities proceeded during fiscal 2008 and continued into fiscal year 2009. In July 2009, the Authority awarded a closure contract for the final portion Phase I ash area valued at approximately \$2.5 million. The closure construction activities associated with the Phase I ash area were completed in fiscal year 2010 and the closure construction activities associated with the MSW/Interim ash area will continue into fiscal year 2011. It is expected that these closure activities will be completed during calendar year 2012.

### Waterbury Landfill

The Authority's Waterbury Bulky Waste Landfill, a small, 5.5 acre landfill, was permitted in the mid-1980's by Waterbury Landfill Associates to accept waste such as land clearing debris and construction and demolition debris. The landfill was subsequently purchased by the Authority in 1986 and made part of its Bridgeport Project. The landfill reached the end of its economically useful life in fiscal year 2008 and the Authority initiated closure activities at the beginning of fiscal year 2009. Closure construction work was completed in November 2008. The Authority inspected the closure construction activities in summer 2009 and confirmed that the vegetative support layer of the landfill had been satisfactorily established. The Authority submitted a closure construction certification report on September 18, 2009, and received a notice for CTDEP certifying compliant closure of the landfill dated November 19, 2009.

### Shelton and Wallingford Landfills

These two landfills are both closed and are being compliantly managed in accordance with CTDEP's regulations governing post-closure management of solid waste landfills and the specific environmental permits that govern post-closure requirements at these landfills. In January 2009, CTDEP advised the Authority that it was finally in a position to issue Stewardship permits to the Shelton and Wallingford landfills. The Authority had submitted post-closure permit applications to the U.S. Environmental Protection Agency ("USEPA") under the federal hazardous waste program in December 1991 for both landfills. Both of these permits were issued on September 16, 2009. Both landfills are subject to this permit program because both have metal hydroxide waste (hazardous waste) disposal areas. In general, these Stewardship permits will incorporate and subsume permit conditions and regulatory requirements currently found in the solid waste and groundwater discharge permits for the landfills, in addition to the requirements specified in the hazardous waste regulations. One change that CTDEP is requiring as part of issuance of these permits is that the Authority adds a 15% contingency to the post-closure cost estimate for each landfill (15% above the Authority's estimate).



**AUTHORITY RATES AND CHARGES**

During the months of January and February each year, as required under the various project bond resolutions, the Authority’s Board of Directors approves the succeeding fiscal year tip fees for all of the projects except the Southeast Project, which is subject to approval by the SCRRA. The following table presents a history of the tip fees for each of the projects:

<b>TIP FEE HISTORY BY PROJECT</b>						
(Dollars charged per ton of solid waste delivered)						
<b>Fiscal Year</b>	<b>Mid-Connecticut 1,2,3</b>	<b>Bridgeport <sup>4</sup></b>		<b>SouthWest Division <sup>5</sup></b>	<b>Wallingford</b>	<b>Southeast</b>
2001	\$50.00	\$60.00	\$7.00	N/A	\$56.00	\$58.00
2002	\$51.00	\$60.00	\$7.00	N/A	\$55.00	\$57.00
2003	\$57.00	\$62.00	\$7.00	N/A	\$55.00	\$57.00
2004	\$63.75	\$63.00	\$8.00	N/A	\$55.00	\$60.00
2005	\$70.00	\$64.50	\$8.00	N/A	\$56.00	\$60.00
2006	\$70.00	\$66.00	\$8.00	N/A	\$57.00	\$60.00
2007	\$69.00	\$70.00	\$8.00	N/A	\$58.00	\$60.00
2008	\$69/\$60.96	\$76.00	\$5.00	N/A	\$59.00	\$60.00
2009	\$72/\$62	\$80.00	\$18.50	N/A	\$60.00	\$60.00
2010	\$69/\$63	N/A	N/A	\$63.00	\$60.00	\$60.00

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

<sup>2</sup> The Mid-Connecticut Project tip fee was reduced to \$62.00 per ton for the period January 1 – June 30, 2009.

<sup>3</sup> On June 18, 2009, the Board of Directors extended a \$6 per ton credit to the Mid-Connecticut Project tip fee.

<sup>4</sup> The Bridgeport Project charges a split rate; the first rate is for actual tons delivered and the second rate is based on the minimum commitment tonnage.

<sup>5</sup> Contracts with the towns within the Bridgeport Project expired on December 31, 2008. Many former Bridgeport Project towns entered into contracts with the Authority for disposal at the Bridgeport facility at a rate of \$63.00 per ton for the period January 1 – June 30, 2009.

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

As detailed in the table on the following page, as of the fiscal year ended June 30, 2010 the Authority had \$95.1 million of outstanding debt. Of this amount, \$39.9 million comprises debt issued by the Authority as a conduit issuer for the Southeast Project in connection with the Covanta Southeastern Connecticut Company and is not carried on the Authority’s books. In addition, \$35.4 million of the outstanding bonds pertaining to the Southeast Project do not appear on the books of the Authority as these bonds were issued to fund construction of waste processing facilities operated by independent contractors who have commitments to repay the debt that is not allocable to Authority purposes.

With the exception of the Southeast Project conduit bonds, the other bonds issued by the Authority are secured by credit enhancement in the form of municipal bond insurance and by the Special Capital Reserve Fund (“SCRF”) of the State. The SCRF is a contingent liability of the State available to replenish any debt service reserve fund draws on bonds that have the SCRF



designation. The funds used to replenish a debt service reserve draw are provided by the State's General Fund and are deemed appropriated by the Connecticut legislature.

The current ratings of the Authority's outstanding bonds reflect the upheaval in the credit markets following the sub-prime mortgage crisis of 2007 and 2008. As a result, most of the major bond insurers suffered rating downgrades reflecting their sub-prime mortgage exposure.

The Authority did not issue long-term debt for any purpose during the fiscal year ended June 30, 2010.

Additional information on the Authority's long-term debt can be found in Note 4 on pages 35 and 36 of this report.

**STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2010**

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	Credit Enhancement	X= SCRF-Backed <sup>1</sup>	Dated	Maturity Date	Original Principal (\$000)	Principal Outstanding (\$000)	On Authority's Books (\$000)
<b>MID-CONNECTICUT PROJECT</b>									
1996 Series A - Project Refinancing	Aa3	AA	MBIA	X	08/20/96	11/15/12	\$209,675	\$11,765	\$11,765
								11,765	11,765
<b>SOUTHEAST PROJECT</b>									
1998 Series A - Project Refinancing	Aa3	AA	MBIA	X	08/18/98	11/15/15	87,650	39,855	4,435
<b>CORPORATE CREDIT REVENUE BONDS</b>									
1992 Series A - Corporate Credit	Ba2	BB+	--	--	09/01/92	11/15/22	30,000	30,000	0
2001 Series A - Covanta Southeastern Connecticut Company-I	Ba2	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
2001 Series A - Covanta Southeastern Connecticut Company-II	Ba2	NR	--	--	11/15/01	11/15/15	6,750	6,750	0
								83,355	4,435
<b>TOTAL PRINCIPAL BONDS OUTSTANDING</b>								<b>\$95,120</b>	<b>\$16,200</b>

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

NR = Not Rated

**REQUESTS FOR INFORMATION**

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





**BALANCE SHEETS  
AS OF JUNE 30, 2010 AND 2009  
(Dollars in Thousands)**

**EXHIBIT I  
Page 1 of 2**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 79,031	\$ 97,949
Accounts receivable, net of allowances	22,571	19,715
Inventory	3,870	3,628
Prepaid expenses	<u>1,144</u>	<u>1,789</u>
Total Unrestricted Assets	<u>106,616</u>	<u>123,081</u>
Restricted Assets:		
Cash and cash equivalents	46,385	28,406
Accrued interest receivable	<u>25</u>	<u>233</u>
Total Restricted Assets	<u>46,410</u>	<u>28,639</u>
Total Current Assets	<u>153,026</u>	<u>151,720</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	22,434	33,390
Restricted investments	817	817
Capital Assets:		
Depreciable, net	100,480	105,483
Nondepreciable	29,041	39,076
Development and bond issuance costs, net	<u>2,727</u>	<u>3,190</u>
Total Non-Current Assets	<u>155,499</u>	<u>181,956</u>
<b>TOTAL ASSETS</b>	<u>\$ 308,525</u>	<u>\$ 333,676</u>

The accompanying notes are an integral part of these financial statements



**BALANCE SHEETS (Continued)**  
**AS OF JUNE 30, 2010 AND 2009**  
(Dollars in Thousands)

**EXHIBIT I**  
Page 2 of 2

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of:		
Bonds payable, net	\$ 4,280	\$ 4,039
Closure and post-closure care of landfills	10,243	11,104
Accounts payable	2,739	4,867
Accrued expenses and other current liabilities	<u>16,514</u>	<u>17,649</u>
Total Current Liabilities	<u>33,776</u>	<u>37,659</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, net	11,664	15,944
Closure and post-closure care of landfills	44,238	52,285
Other liabilities	<u>1,004</u>	<u>1,127</u>
Total Long-Term Liabilities	<u>56,906</u>	<u>69,356</u>
<b>TOTAL LIABILITIES</b>	<u>90,682</u>	<u>107,015</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	<u>120,895</u>	<u>133,360</u>
Restricted for:		
Tip fee stabilization	14,454	16,154
Energy generating facility	7,099	7,566
Debt service reserve funds	4,016	4,037
Equipment replacement	1,770	1,764
Operating and maintenance	1,770	1,764
Revenue fund	1,637	-
Debt service funds	1,543	1,525
Montville landfill post-closure	1,097	719
Select Energy escrow	1,000	1,000
Shelton landfill future use	872	870
DEP trust - landfills	817	817
Covanta Wallingford escrow	500	-
Recycling education fund	213	201
Rebate fund	179	178
Other restricted net assets	<u>48</u>	<u>51</u>
Total Restricted	<u>37,015</u>	<u>36,646</u>
Unrestricted	<u>59,933</u>	<u>56,655</u>
Total Net Assets	<u>217,843</u>	<u>226,661</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 308,525</u>	<u>\$ 333,676</u>



STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Dollars in Thousands)

EXHIBIT II

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Service charges:		
Members	\$ 64,393	\$ 77,236
Others	17,597	26,838
Energy sales	49,203	54,568
Ash disposal reimbursement	-	2,511
Other operating revenues	<u>6,929</u>	<u>10,550</u>
 Total operating revenues	 <u>138,122</u>	 <u>171,703</u>
 <b>Operating Expenses</b>		
Solid waste operations	125,407	134,944
Depreciation and amortization	17,292	17,398
Maintenance and utilities	1,365	1,168
Closure and post-closure care of landfills	(2,495)	10,507
Legal services - external	2,055	2,920
Operational and Environmental services	4,112	3,307
Billing, Accounting and Finance services	1,651	1,462
Education and Communications services	754	477
General and Administrative services	523	2,093
Distribution to member towns	<u>1,639</u>	<u>26,675</u>
 Total operating expenses	 <u>152,303</u>	 <u>200,951</u>
 Operating Loss	 <u>(14,181)</u>	 <u>(29,248)</u>
 <b>Non-Operating Revenues (Expenses)</b>		
Investment income	556	2,818
Litigation-related settlements	-	4,250
Other income, net	5,870	653
Interest expense	<u>(1,063)</u>	<u>(1,284)</u>
 Net Non-Operating Revenues	 <u>5,363</u>	 <u>6,437</u>
 Change in Net Assets	 <u>(8,818)</u>	 <u>(22,811)</u>
 <b>Total Net Assets, beginning of year</b>	 <u>226,661</u>	 <u>249,472</u>
 <b>Total Net Assets, end of year</b>	 <u>\$ 217,843</u>	 <u>\$ 226,661</u>



**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**  
**(Dollars in Thousands)**

**EXHIBIT III**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows Provided (Used) by Operating Activities</b>		
Payments received from providing services	\$ 141,714	\$ 177,862
Proceeds from settlements	-	4,675
Payments to suppliers for goods and services	(133,550)	(146,079)
Payments to employees for services	(4,532)	(4,522)
Distribution to member towns	(1,639)	(26,675)
Net Cash Provided by Operating Activities	<u>1,993</u>	<u>5,261</u>
<b>Cash Flows Provided (Used) by Investing Activities</b>		
Interest on investments	770	2,968
Net Cash Provided by Investing Activities	<u>770</u>	<u>2,968</u>
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities</b>		
Proceeds from sales of equipment	126	174
Payments for landfill closure and post-closure care liabilities	(6,413)	(7,936)
Acquisition and construction of capital assets	(3,225)	(15,575)
Interest paid on long-term debt	(987)	(1,216)
Principal paid on long-term debt	(4,143)	(3,003)
Net Cash Used by Capital and Related Financing Activities	<u>(14,642)</u>	<u>(27,556)</u>
<b>Cash Flows Used by Non-Capital Financing Activities</b>		
Other interest and fees	(16)	(528)
Net Cash Used by Non-Capital Financing Activities	<u>(16)</u>	<u>(528)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(11,895)</b>	<b>(19,855)</b>
Cash and cash equivalents, beginning of year	<u>159,745</u>	<u>179,609</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 147,850</u></b>	<b><u>\$ 159,754</u></b>
<b>Reconciliation of Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating loss	\$ (14,181)	\$ (29,248)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:		
Depreciation of capital assets	16,829	16,611
Amortization of development and bond issuance costs	463	787
Write-off of deferred acquisition costs	1,566	-
Provision for closure and post-closure care of landfills	(2,495)	10,507
Other income	5,643	3,622
Litigation-related settlements	-	4,250
(Increase) decrease in:		
Accounts receivable, net	(2,856)	2,487
Inventory	(242)	(18)
Prepaid expenses and other current assets	645	(661)
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	<u>(3,379)</u>	<u>(3,076)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 1,993</u></b>	<b><u>\$ 5,261</u></b>

The accompanying notes are an integral part of these financial statements



## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Entity and Services

The Connecticut Resources Recovery Authority (the "Authority") is a body politic and corporate, created in 1973 by the State Solid Waste Management Services Act, constituting Chapter 446e of the Connecticut General Statutes. The Authority is a public instrumentality and political subdivision of the State of Connecticut (the "State") and is included as a component unit in the State's Comprehensive Annual Financial Report. As of June 30, 2010, the Authority is authorized to have a board consisting of eleven directors and eight ad-hoc members. The Governor of the State appoints three directors and all eight ad-hoc members. The remaining eight directors are appointed by various state legislative leaders. All appointments require the advice and consent of both houses of the General Assembly.

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

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

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

#### Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill, and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal and recycling services to 70 Connecticut municipalities through service contract arrangements. The initial contracts with the municipalities begin to expire in November 2012 in conjunction with the final Bond payments. In January 2010, the Authority began development of new municipal solid waste agreements and in April 2010 presented draft copies of these Agreements to the current 70 Connecticut municipalities delivering solid waste to the Mid-Connecticut Project. The Authority anticipates finalizing these agreements by October 2010 for consideration by the municipalities. The Authority owns the Resources Recovery Facility, the transfer stations, the Ellington Landfill, and the Regional Recycling Center. The Authority leases the land for the Essex transfer station. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. The Hartford landfill has been closed as of December 31, 2008. The Authority is shipping ash to Putnam Landfill. 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.

Starting December 31, 2011, the Resources Recovery Facility's initial operating agreements begin to expire. The Authority began an extensive bidding process in August 2009 to secure new Resources Recovery Facility operating contracts. The Authority expects to receive the results from this process in September 2010.

### **Bridgeport Project**

The Authority's contract with the Bridgeport Project's municipalities ended on December 31, 2008, as did the Authority's agreement with the Bridgeport Project's operator. As a result, the Bridgeport Project is no longer accepting solid waste and has effectively ceased operations. On January 1, 2009, the Authority transferred seven Bridgeport Project transfer stations, which are included in the capital assets in the accompanying balance sheet, to their host towns. In addition, certain other capital assets included in the accompanying balance sheet will be transferred to the Authority and be used for payment of the Bridgeport Project's current and projected liabilities and future obligations for post-closure care of the Bridgeport Project's landfills. The Authority has executed a new five-and-a-half-year service agreement with an operator, to commence on January 1, 2009, for the disposal of approximately 265,000 tons of municipal solid waste ("MSW") annually from 12 of the Project's municipalities. These Bridgeport Project municipalities have signed service agreements with the Authority's SouthWest Division for waste deliveries beginning on January 1, 2009.

### **SouthWest Division**

The Authority's contracts with the towns that delivered solid waste to the former Bridgeport Project expired on December 31, 2008. The Authority had proposed a new solid waste agreement to commence on January 1, 2009 and 12 of the former 20 Bridgeport Project towns accepted and entered into a new five-and-a-half year (with one year extension) solid waste disposal contract with the Authority for disposal

at the Wheelabrator facility located in Bridgeport. These 12 towns are collectively referred to as the SouthWest Division towns. The Bridgeport Facility formerly operated under an operating agreement and site lease agreement between the Authority and Wheelabrator Bridgeport, both of which expired December 31, 2008. Subsequently, on December 31, 2008, the Authority and Wheelabrator Bridgeport entered into a First Amendment and Renewal of Site Lease whereby Wheelabrator Bridgeport purchased the Authority's nominal interest in the Facility and will make annual lease payment to the Authority.

### **Property Division**

Following the expiration of the Bridgeport Project on December 31, 2008 and the simultaneous maturity of the Authority's bonds that had been issued to finance the construction of the Bridgeport Project, the Authority was the owner and holder of several funds, assets, and *liabilities*. These include numerous landfill post-closure reserves related to the former Bridgeport Project, the Shelton transfer station, and the Garbage Museum (located in Stratford). As these assets and *liabilities* are no longer project-specific, the Authority has created the Property Division to reflect their status. In addition, other landfill post-closure reserves related to the Wallingford and Mid-Connecticut Projects are anticipated to be transferred to the Property Division following the culmination of these two projects expected in July 2010 and July 2012, respectively.

### **Wallingford Project**

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



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

The operating contract between the Authority and the vendor expired on June 30, 2010. The contract has a provision whereby the Authority can exercise an option to purchase the facility when the contract ends. The Authority did not exercise its option to purchase and the vendor now owns the Facility. The Authority retained the right to deliver 25,000 tons per year of solid waste. The five original Wallingford Project towns signed agreements with the vendor and continue to deliver their solid waste to the Facility.

### **Southeast Project**

The Southeast Project consists of a 690 ton per day mass burn Resources Recovery Facility located in Preston, Connecticut and the Montville Landfill. The Southeast Project provides solid waste disposal services to 14 Connecticut municipalities in the eastern portion of the State through service contract arrangements. The initial contracts with the municipalities begin to expire in November 2015. The Authority owns the Resources Recovery Facility. It is leased to a private vendor under a long-term lease. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is obligated to operate and maintain the facility and service the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The Authority derives its revenues from service fees charged to participating municipalities and other system users. The Authority pays the vendor a contractually determined service fee. Electric energy revenues and certain other service charges are accrued by the vendor with certain

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

### **General Fund**

The Authority has a General Fund in which the costs of central overall expenditures are accumulated. These costs were historically allocated to the Authority's projects primarily based on time expended. Effective fiscal year 2010, these costs are allocated to the Authority's projects primarily based on a weighting of assets, revenues, number of towns, and tonnage deliveries, in order to be more indicative of cost causation.

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

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

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

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

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. The principal operating revenues of the Authority are charges to customers for user services and sales of electricity. Operating expenses include the cost



of solid waste operations, maintenance and utilities, closure and post-closure care of landfills, administrative expenses, distribution to member towns, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Authority has elected not to comply with authoritative pronouncements applicable to non-governmental entities (i.e., Financial Accounting Standards Board (FASB) statements), issued after November 30, 1989.

**C. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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**

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, Net**

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not expected to be collected of \$115,000 and \$808,000 at June 30, 2010 and 2009, respectively.

**G. Inventory**

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

Inventories at June 30, 2010 and 2009 are summarized as follows:

Inventories	2010 (\$000)	2009 (\$000)
Spare Parts	\$ 3,759	\$ 3,504
Coal	111	124
Total	<u>\$ 3,870</u>	<u>\$ 3,628</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 and permitting, and bond issuance costs are capitalized. When the project begins commercial operation, the development costs are amortized using the straight-line method over the estimated life of the project. Bond issuance costs are amortized over the life of the related bond issue using the straight-line method.

At June 30, 2010 and 2009, development and bond issuance costs for the projects are as follows:

Project	2010 (\$000)	2009 (\$000)
<b>Development Costs:</b>		
Mid-Connecticut	\$ 3,277	\$ 3,277
Wallingford	5,667	5,667
Southeast	10,006	10,006
	<u>18,950</u>	<u>18,950</u>
<b>Less accumulated amortization:</b>		
Mid-Connecticut	3,277	3,277
Wallingford	5,667	5,667
Southeast	7,653	7,261
	<u>16,597</u>	<u>16,205</u>
<b>Total development costs, net</b>	<u><b>\$ 2,353</b></u>	<u><b>\$ 2,745</b></u>
<b>Bond Issuance Costs:</b>		
Mid-Connecticut	239	239
Bridgeport	275	275
Wallingford	105	105
Southeast	1,008	1,008
	<u>1,627</u>	<u>1,627</u>
<b>Less accumulated amortization:</b>		
Mid-Connecticut	201	186
Bridgeport	275	275
Wallingford	105	105
Southeast	672	616
	<u>1,253</u>	<u>1,182</u>
<b>Total bond issuance costs, net</b>	<u><b>\$ 374</b></u>	<u><b>\$ 445</b></u>
<b>Totals, net</b>	<u><b>\$ 2,727</b></u>	<u><b>\$ 3,190</b></u>

A summary of future amortization for bond issuance costs is as follows:

June 30,	Amount (\$000)
2011	\$ 71
2012	71
2013	64
2014	56
2015	<u>56</u>
<b>Total</b>	<u><b>\$ 318</b></u>

**K. Capital Assets**

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

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



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

The Authority reviews its long-lived assets used in operations for impairment when there is an event or change in circumstances that indicates impairment in value. The Authority records impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Authority does not expect to recover its carrying costs on properties held for use, the Authority reduces its carrying cost to fair value, and for properties held for sale, the Authority reduces its carrying value to the fair value less costs to sell. During the fiscal years ended June 30, 2010 and 2009, no impairment losses were recognized. Management does not believe that the value of its properties is impaired as of June 30, 2010.

#### **L. Deferred Acquisition Costs**

Deferred acquisition costs include legal fees and permitting and engineering costs associated with the licensing and development (siting) of additional landfills, and certain costs incurred to ready additional landfill areas for use. These costs are deferred as they will be recoverable through future revenue or benefit future operations. If licensure or recoverability becomes doubtful, these costs are then charged to operations.

Deferred acquisition costs of \$1.567 million as of June 30, 2009, were classified as nondepreciable capital assets in the accompanying balance sheet. During fiscal year 2010, as a result of the suspension of landfill development in the State of Connecticut, the Authority wrote-off the \$1.567 million deferred

acquisition costs and charged these costs to operations.

#### **M. Accrued Compensation**

The Authority's liability for vested accumulated unpaid vacation and other employee benefit amounts is included in accrued expenses and other current liabilities in the accompanying balance sheet.

#### **N. Net Assets**

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

Unrestricted net assets may be divided into designated and undesignated portions. Designated net assets represent the Authority's self-imposed limitations on the use of otherwise unrestricted net assets. Unrestricted net assets have been designated by the Board of Directors of the Authority for various purposes. Such designations totaled \$31.7 million and \$34.6 million as of June 30, 2010 and 2009, respectively. Designated net assets at June 30, 2010 and 2009 are summarized as follows:



Unrestricted Designated Net Assets	2010 (\$000)	2009 (\$000)
Non-GASB #18 post-closure	\$ 10,379	\$ 10,354
Future loss contingencies	7,992	8,991
Landfill development	3,113	3,148
Rolling stock	2,784	2,950
Project closure	1,616	-
Future use	1,532	2,349
Facility modifications	1,493	285
Debt service stabilization	812	4,834
Recycling	709	758
Post-litigation expense	585	659
Deferred municipal credit	570	-
South Meadows site remediation	88	103
Benefit fund	-	217
<b>Total</b>	<b>\$ 31,673</b>	<b>\$ 34,648</b>

Cash and Cash Equivalents	2010 (\$000)	2009 (\$000)
<b>Unrestricted:</b>		
Cash deposits	\$ 2,209	\$ 2,218
Cash equivalents:		
STIF *	76,822	95,731
	<u>79,031</u>	<u>97,949</u>
<b>Restricted – current:</b>		
Cash deposits	399	321
Cash equivalents:		
STIF *	42,384	25,086
U.S. Treasuries	3,601	-
Money Market Funds	1	2,999
	<u>46,385</u>	<u>28,406</u>
<b>Restricted – non-current:</b>		
Cash equivalents:		
STIF *	16,761	33,390
U.S. Treasuries	5,673	-
	<u>22,434</u>	<u>33,390</u>
<b>Total</b>	<b>\$147,850</b>	<b>\$159,745</b>

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

Restrictions of net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes. Restricted net assets totaled \$37.0 million and \$36.6 million as of June 30, 2010 and 2009, respectively.

**2. CASH DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following as of June 30, 2010 and 2009:

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

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

As of June 30, 2010 and 2009, approximately \$5.4 million and \$3.2 million, respectively, of the Authority’s bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2010 (\$000)	2009 (\$000)
Uninsured and Uncollateralized	\$ 4,614	\$ 2,756
Uninsured but collateralized with securities held by the pledging bank’s trust department or agent but not in the Authority’s name	796	423
<b>Total</b>	<b>\$5,410</b>	<b>\$3,179</b>



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

Investments in the Short-Term Investment Fund (“STIF”), U.S. Treasuries, and Money Market Funds as of June 30, 2010 and 2009 are included in cash and cash equivalents in the accompanying balance sheet. For purposes of disclosure under GASB Statement No. 40, such amounts are considered investments and are included in the investment disclosures that follow.

**B. Investments**

**Interest Rate Risk**

As of June 30, 2010, the Authority’s investments consisted of the following debt securities:

Investment Type	Investment Maturities (In Years)				
	Fair Value (\$000)	Less than 1	1 to 5	6 to 10	More than 10
STIF	\$135,967	\$135,967	\$ -	\$ -	\$ -
U.S. Treasuries	10,091	10,091	-	-	-
Money Market Funds	1	1	-	-	-
<b>Total</b>	<b>\$146,059</b>	<b>\$146,059</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

As of June 30, 2009, the Authority’s investments consisted of the following debt securities:

Investment Type	Investment Maturities (In Years)				
	Fair Value (\$000)	Less than 1	1 to 5	6 to 10	More than 10
STIF	\$154,207	\$154,207	\$ -	\$ -	\$ -
U.S. Treasuries	817	817	-	-	-
Money Market Funds	2,999	2,999	-	-	-
<b>Total</b>	<b>\$158,023</b>	<b>\$158,023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly, and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The fair value of the position in the pool is the same as the value of the pool shares. As of June 30, 2010 and 2009, STIF had a weighted average maturity of 19 days and nine days, respectively. The U.S. Treasury Securities are U.S. Treasury Bills that had 90 day maturities as of both June 30, 2010 and 2009. The Money Market Funds invest exclusively in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. This fund complies with Securities and Exchange Commission regulations regarding money market fund maturities, which requires that the weighted average maturity be 90 days or less. As of June 30, 2010 and 2009, the weighted average maturity of these funds was 38 days and 46 days, respectively.

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



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

**Credit Risk**

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

As of June 30, 2010, the Authority’s investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF U.S. Treasuries	\$135,967	AAAm	Not Rated	Not Rated
Money	10,091	AAA	Aaa	AAA
Market Funds	1	AAAm	Aaa	AAAmmf

As of June 30, 2009, the Authority’s investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF U.S. Treasuries	\$154,207	AAAm	Not Rated	Not Rated
Money	817	AAA	Aaa	AAA
Market Funds	2,999	AAAm	Aaa	AAA

**Custodial Credit Risk**

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

**Concentration of Credit Risk**

The Authority’s investment policy places no limit on the amount of investment in any one issuer, but does require diversity of the investment portfolio if investments are made in non-U.S. government or U.S. agency securities to eliminate the risk of loss of over-concentration of assets in a specific class of security, a specific maturity and/or a specific issuer. The asset allocation of the investment portfolio should, however, be flexible enough to assure adequate liquidity for Authority and/or bond resolution needs. As of June 30, 2010 and 2009, approximately 93.1% and 97.6%, respectively, of the Authority’s investments are in the STIF, which is rated in the highest rating category by Standard & Poor’s and provides daily liquidity, thereby satisfying the primary objectives of the Authority’s investment policy.



### 3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2009 and 2010:

	Balance at June 30, 2008 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2009 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2010 (\$000)
<b>Nondepreciable assets:</b>									
Land	\$ 29,079	\$ -	\$ -	\$ (899)	\$ 28,180	\$ -	\$ -	\$ -	\$ 28,180
Construction-in-progress	327	11,236	(2,233)	-	9,330	2,000	(10,469)	-	861
Deferred acquisition costs	559	1,007	-	-	1,566	-	-	(1,566)	-
<b>Total nondepreciable assets</b>	<b>\$ 29,965</b>	<b>\$ 12,243</b>	<b>\$ (2,233)</b>	<b>\$ (899)</b>	<b>\$ 39,076</b>	<b>\$ 2,000</b>	<b>\$ (10,469)</b>	<b>\$ (1,566)</b>	<b>\$ 29,041</b>
<b>Depreciable assets:</b>									
Plant	\$ 190,555	\$ 383	\$ -	\$ (10,149)	\$ 180,789	166	\$ 4,931	\$ (33)	\$ 185,853
Equipment	212,369	3,025	2,069	(2,266)	215,197	1,214	\$ 5,537	\$ (3,114)	218,834
<b>Total at cost</b>	<b>402,924</b>	<b>3,408</b>	<b>2,069</b>	<b>(12,415)</b>	<b>395,986</b>	<b>1,380</b>	<b>10,469</b>	<b>(3,147)</b>	<b>404,687</b>
<b>Less accumulated depreciation for:</b>									
Plant	(139,262)	(6,370)	-	8,760	(136,872)	(5,822)	\$ -	\$ 30	(142,664)
Equipment	(145,411)	(10,245)	-	2,025	(153,631)	(11,006)	\$ -	\$ 3,094	(161,543)
<b>Total accumulated depreciation</b>	<b>(284,673)</b>	<b>(16,615)</b>	<b>-</b>	<b>10,785</b>	<b>(290,503)</b>	<b>(16,828)</b>	<b>-</b>	<b>3,124</b>	<b>(304,207)</b>
<b>Total depreciable assets, net</b>	<b>\$ 118,251</b>	<b>\$ (13,207)</b>	<b>\$ 2,069</b>	<b>\$ (1,630)</b>	<b>\$ 105,483</b>	<b>\$ (15,448)</b>	<b>\$ 10,469</b>	<b>\$ (23)</b>	<b>\$ 100,480</b>

Interest is capitalized on assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the projects with interest earned on invested debt proceeds over the same period. During fiscal 2010 and 2009, there was no capitalized interest as there was no new external borrowing.

### 4. LONG-TERM DEBT

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, 2009 and 2010:

Bonds Payable	Balance at July 1, 2008 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2009 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2010 (\$000)	Amounts Due Within One Year (\$000)
Bonds payable - principal	\$ 23,346	\$ -	\$ (3,003)	\$ 20,343	\$ -	\$ (4,143)	\$ 16,200	\$ 4,366
<b>Unamortized amounts:</b>								
Premiums	330	-	(77)	254	-	(66)	188	57
Deferred amount on refunding	(808)	-	195	(614)	-	170	(444)	(143)
<b>Total bonds payable</b>	<b>\$ 22,868</b>	<b>\$ -</b>	<b>\$ (2,885)</b>	<b>\$ 19,983</b>	<b>\$ -</b>	<b>\$ (4,039)</b>	<b>\$ 15,944</b>	<b>\$ 4,280</b>



**Connecticut Resources Recovery Authority**

The long-term debt amounts for the projects in the table above have been reduced by the deferred amount on refunding of bonds, net of the unamortized premium on the sale of bonds at June 30, 2010 and 2009 as follows:

Project	2010 (\$000)	2009 (\$000)
Deferred amount on refunding:		
Mid-Connecticut	\$ 26	\$ 48
Southeast	418	566
Subtotal	<u>444</u>	<u>614</u>
Reduced by unamortized premium:		
Southeast	<u>(188)</u>	<u>(254)</u>
Subtotal	<u>(188)</u>	<u>(254)</u>
Net Reduction	<u>\$ 256</u>	<u>\$ 360</u>

Certain of the Authority's bonds are secured by special capital reserve funds. Each fund is equal to the highest annual amount of debt service remaining on the issue. The State is contingently liable to restore any deficiencies that exist in these funds in the event that the Authority must draw from the fund. Bond principal amounts recorded as long-term debt at June 30, 2010 and 2009, which are backed by special capital reserve funds, are as follows:

Project	2010 (\$000)	2009 (\$000)
Mid-Connecticut	\$ 11,765	\$ 15,290
Southeast	<u>4,435</u>	<u>5,053</u>
Total	<u>\$ 16,200</u>	<u>\$ 20,343</u>

These special capital reserve funds are presented as net assets, restricted for debt service reserve funds on the Authority's balance sheet.

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

Year ending June 30,	Mid-Connecticut		Southeast		Total	
	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)	Principal (\$000)	Interest (\$000)
2011	3,715	542	650	215	4,365	757
2012	3,915	335	684	179	4,599	514
2013	4,135	114	720	141	4,855	255
2014	-	-	756	103	756	103
2015	-	-	793	63	793	63
Thereafter	-	-	<u>832</u>	<u>21</u>	<u>832</u>	<u>21</u>
	<u>\$ 11,765</u>	<u>\$ 991</u>	<u>\$ 4,435</u>	<u>\$ 722</u>	<u>\$ 16,200</u>	<u>\$ 1,713</u>
Interest Rates	5.375-5.5%		5.125-5.5%			



**5. LONG-TERM LIABILITIES FOR CLOSURE AND POST-CLOSURE 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 Post-Closure Care Costs," applies to closure and post-closure care costs that are paid near or after the date a landfill stops accepting waste. In accordance with GASB Statement No. 18, the Authority estimates its liability for these closure

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

Actual costs may be higher due to inflation or changes in permitted capacity, technology or regulation. The closure and post-closure care liabilities including the amounts paid and accrued for fiscal 2009 and 2010 for the landfills, are presented in the following table:

Project/Landfill	Liability at July 1, 2008 (\$000)	Expense (\$000)	Paid (\$000)	Transfer in / (out) (\$000)	Liability at June 30, 2009 (\$000)	Expense (\$000)	Paid (\$000)	Liability at June 30, 2010 (\$000)	Amounts Due Within One Year (\$000)
Mid-Connecticut:									
Hartford	\$ 38,265	\$ 6,481	\$ (6,633)	\$ -	\$ 38,113	\$ (593)	\$ (5,725)	\$ 31,795	\$ 8,630
Ellington	3,805	584	(173)	-	4,216	(90)	(141)	3,985	246
Bridgeport:									
Shelton	10,669	-	(223)	(10,446)	-	-	-	-	-
Waterbury	2,338	-	(559)	(1,779)	-	-	-	-	-
Property Division:									
Shelton	-	3,047	(191)	10,446	13,302	(1,156)	(382)	11,764	775
Waterbury	-	(771)	(1)	1,779	1,007	3	(32)	978	29
Wallingford:	<u>5,741</u>	<u>1,166</u>	<u>(156)</u>	<u>-</u>	<u>6,751</u>	<u>(659)</u>	<u>(133)</u>	<u>5,959</u>	<u>563</u>
Total	<u>\$ 60,818</u>	<u>\$ 10,507</u>	<u>\$ (7,936)</u>	<u>\$ -</u>	<u>\$ 63,389</u>	<u>\$ (2,495)</u>	<u>\$ (6,413)</u>	<u>\$ 54,481</u>	<u>\$ 10,243</u>





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

The Authority has placed funds in trust accounts for the Ellington, Waterbury, and Wallingford Landfills for financial assurance purposes. These trust accounts are reflected as restricted investments in the accompanying balance sheet.

At June 30, 2009, a letter of credit for \$305,000 was outstanding for financial assurance of the Shelton Landfill. No funds were drawn on this letter during fiscal year 2009. The annual fee for this letter of credit was two percent, paid quarterly in advance. Due to a new Stewardship Permit, the Authority no longer needs this letter of credit. On May 26, 2010, the Authority established a post-closure trust fund with its trustee in the amount of \$5,671,800 as a new financial assurance mechanism for the Shelton Landfill. This trust fund is reflected as restricted investments in the accompanying balance sheet.

## **6. MAJOR CUSTOMERS**

Energy sales to CL&P and Constellation totaled 16.99% and 13.94%, respectively, of the Authority's operating revenues for the fiscal year ended June 30, 2010. Energy sales to CL&P and Constellation totaled 16.6% and 11.6%, respectively, of the Authority's operating revenues for the fiscal year ended June 30, 2009.

Service charge revenues from All Waste, Inc. totaled 7% and 6% of the Authority's operating revenues for fiscal year ended June 30, 2010 and 2009, respectively.

## **7. RETIREMENT PLAN**

The Authority is the Administrator of its 401(k) Employee Savings Plan. This defined contribution retirement plan covers all eligible employees.

Under the Amended and Restated 401(k) Employee Savings Plan, effective July 1, 2000, Authority contributions are five percent of payroll plus a dollar for dollar match of employees' contributions up to five percent of employee wages. Authority contributions for the years ended June 30, 2010 and 2009 amounted to \$417,000 and \$431,000, respectively. Employees contributed \$414,000 to the plan in fiscal year 2010 and \$425,000 in fiscal year 2009.

In addition, the Authority is a participating employer in the State of Connecticut's defined contribution 457(b) Plan, which allows Authority employees to participate in the State of Connecticut's deferred compensation plan created in accordance with Internal Revenue Code Section 457. All amounts of compensation deferred under the 457(b) plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Authority holds no fiduciary responsibility for the plan; rather, fiduciary responsibility rests with the State Comptroller's office.

The Authority has no postemployment benefit plans as of June 30, 2009 and 2010.

## **8. RISK MANAGEMENT**

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



The Authority is a member of the Connecticut Interlocal Risk Management Agency's ("CIRMA") Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is a guaranteed cost program. The premium for each of the policy periods from July 1, 2010 through July 1, 2011 and July 1, 2009 through July 1, 2010 was \$71,000 and \$59,000, respectively.

**9. COMMITMENTS**

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

Fiscal year	2010 (\$000)	2009 (\$000)
Minimum rentals	\$ 119	\$ 379
Contingent rentals	<u>320</u>	<u>326</u>
Total	<u>\$ 439</u>	<u>\$ 705</u>

The Authority also has agreements with various municipalities for payments in lieu of taxes ("PILOT") for personal and real property. For the years ended June 30, 2010 and 2009, the PILOT payments, which are included in the solid waste operations in the accompanying statements of revenues, expenses and changes in net assets, totaled \$6,435,000 and \$7,697,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2010 are as follows:

Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2011	118	5,124
2012	118	5,247
2013	6	846
2014	6	885
2015	-	926
Thereafter	<u>-</u>	<u>1,985</u>
Total	<u>\$ 248</u>	<u>\$ 15,013</u>

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

The approximate amount of contract operating charges included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2010 and 2009 was as follows:

Project	2010 (\$000)	2009 (\$000)
Mid-Connecticut	\$ 62,824	\$ 55,313
Bridgeport	-	21,143
Property	1,686	1,062
SouthWest	14,165	6,458
Wallingford	9,587	10,961
Southeast	<u>20,809</u>	<u>21,542</u>
Total	<u>\$ 109,071</u>	<u>\$ 116,479</u>

As of June 30, 2010 and 2009, the Authority has executed construction contracts totaling approximately \$0.0 and \$18.0 million, respectively, for construction activities at the Mid-Connecticut Hartford landfill and Regional Recycling Facility. Remaining commitments on construction contracts executed as of June 30, 2010 and 2009 totaling approximately \$1.9 million and \$4.4 million, respectively.



**10. OTHER FINANCING**

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

The Authority is not involved in the repayment of debt on these issues except for the portion of the bonds allocable to Authority purposes. In the event of default, and except in cases where the State has a contingent liability discussed below, the payment of debt is not guaranteed by the Authority or the State. Therefore, the Authority does not record the assets and liabilities related to these bond issues on its financial statements. The principal amounts of these bond issues outstanding at June 30, 2010 (excluding portions allocable to Authority purposes) are as follows:

Project	Amount (\$000)
Southeast -	
1992 Series A - Corp. Credit	30,000
1998 Series A - Project	35,420
2001 Series A - Covanta Southeastern Connecticut Company - I	6,750
2001 Series A - Covanta Southeastern Connecticut Company - II	<u>6,750</u>
Total	<u>\$ 78,920</u>

**11. SEGMENT INFORMATION**

The Authority has three projects that operate resources recovery and recycling facilities and landfills throughout the State plus two divisions and are required to be self-supporting through user service fees and sales of electricity. The Authority has issued various revenue bonds to provide financing for the design, development, and construction of these resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts, and monies pledged in the respective bond indentures. Financial segment information is presented below as of and for the years ended June 30, 2010 and 2009, respectively.

**Connecticut Resources Recovery Authority**



Fiscal Year 2010	Mid-Connecticut Project (\$000)	Bridgeport (1) Project (\$000)	Property Division (\$000)	SouthWest Division (\$000)	Wallingford Project (\$000)	Southeast Project (\$000)
<b>Condensed Balance Sheets</b>						
Assets:						
Current unrestricted assets	\$ 69,385	\$ 1,559	\$ 9,372	\$ 1,535	\$ 14,990	\$ 8,562
Current restricted assets	27,530	-	872	-	15,012	2,996
Total current assets	<u>96,915</u>	<u>1,559</u>	<u>10,244</u>	<u>1,535</u>	<u>30,002</u>	<u>11,558</u>
Non-current assets:						
Restricted cash and cash equivalents	15,698	-	5,672	-	-	1,064
Restricted investments	490	174	-	-	153	-
Capital assets, net	111,717	-	15,072	-	2,145	-
Other assets, net	38	-	-	-	-	2,689
Total non-current assets	<u>127,943</u>	<u>174</u>	<u>20,744</u>	<u>-</u>	<u>2,298</u>	<u>3,753</u>
Total assets	<u>\$ 224,858</u>	<u>\$ 1,733</u>	<u>\$ 30,988</u>	<u>\$ 1,535</u>	<u>\$ 32,300</u>	<u>\$ 15,311</u>
Liabilities:						
Current liabilities	\$ 24,895	\$ 51	\$ 1,090	\$ 1,381	\$ 1,823	\$ 3,803
Long-term liabilities	34,943	-	11,938	-	5,396	4,629
Total liabilities	<u>59,838</u>	<u>51</u>	<u>13,028</u>	<u>1,381</u>	<u>7,219</u>	<u>8,432</u>
Net Assets:						
Invested in capital assets, net of related debt	103,090	-	15,072	-	2,145	-
Restricted	19,533	174	872	-	15,107	1,329
Unrestricted	42,397	1,508	2,016	154	7,829	5,550
Total net assets	<u>165,020</u>	<u>1,682</u>	<u>17,960</u>	<u>154</u>	<u>25,081</u>	<u>6,879</u>
Total liabilities and net assets	<u>\$ 224,858</u>	<u>\$ 1,733</u>	<u>\$ 30,988</u>	<u>\$ 1,535</u>	<u>\$ 32,300</u>	<u>\$ 15,311</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>						
Operating revenues	\$ 84,422	\$ (39)	\$ 2,298	\$ 14,664	\$ 11,083	\$ 25,872
Operating expenses	81,996	1,123	1,041	14,662	12,028	24,339
Depreciation and amortization expense	16,296	11	303	-	33	448
Operating (loss) income	<u>(13,870)</u>	<u>(1,173)</u>	<u>954</u>	<u>2</u>	<u>(978)</u>	<u>1,085</u>
Non-operating revenues (expenses):						
Investment income	338	9	49	1	98	58
Other income (expenses), net	5,092	-	197	-	(5)	325
Interest expense	(735)	-	-	-	-	(328)
Net non-operating revenues (expense)	<u>4,695</u>	<u>9</u>	<u>246</u>	<u>1</u>	<u>93</u>	<u>55</u>
Income (loss) before transfers	<u>(9,175)</u>	<u>(1,164)</u>	<u>1,200</u>	<u>3</u>	<u>(885)</u>	<u>1,140</u>
Transfers in (out)	-	(2,087)	2,087	-	-	-
Change in net assets	<u>(9,175)</u>	<u>(3,251)</u>	<u>3,287</u>	<u>3</u>	<u>(885)</u>	<u>1,140</u>
Total net assets, July 1, 2009	174,195	4,933	14,673	151	25,966	5,739
Total net assets, June 30, 2010	<u>\$ 165,020</u>	<u>\$ 1,682</u>	<u>\$ 17,960</u>	<u>\$ 154</u>	<u>\$ 25,081</u>	<u>\$ 6,879</u>
<b>Condensed Statements of Cash Flows</b>						
Net cash provided (used) by:						
Operating activities	\$ 5,165	\$ (1,680)	\$ 182	\$ 54	\$ (1,170)	\$ (567)
Investing activities	349	7	50	1	259	95
Capital and related financing activities	(13,227)	-	(414)	-	(133)	(868)
Non-capital financing activities	(8)	(2,087)	2,084	-	(5)	-
Net (decrease) increase	<u>(7,721)</u>	<u>(3,760)</u>	<u>1,902</u>	<u>55</u>	<u>(1,049)</u>	<u>(1,340)</u>
Cash and cash equivalents, July 1, 2009	102,194	5,299	13,703	25	30,171	7,019
Cash and cash equivalents, June 30, 2010	<u>\$ 94,473</u>	<u>\$ 1,539</u>	<u>\$ 15,605</u>	<u>\$ 80</u>	<u>\$ 29,122</u>	<u>\$ 5,679</u>

(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.



## Connecticut Resources Recovery Authority

Fiscal Year 2009	Mid-Connecticut Project (\$000)	Bridgeport (1) Project (\$000)	Property Division (\$000)	SouthWest Division (\$000)	Wallingford Project (\$000)	Southeast Project (\$000)
<b>Condensed Balance Sheets</b>						
Assets:						
Current unrestricted assets	\$ 75,782	\$ 5,437	\$ 12,978	\$ 1,411	\$ 15,754	\$ 10,557
Current restricted assets	25,167	-	870	-	224	2,378
Total current assets	<u>100,949</u>	<u>5,437</u>	<u>13,848</u>	<u>1,411</u>	<u>15,978</u>	<u>12,935</u>
Non-current assets:						
Restricted cash and cash equivalents	16,168	-	-	-	16,154	1,068
Restricted investments	490	174	-	-	153	-
Capital assets, net	126,357	10	15,375	-	2,177	-
Other assets, net	53	-	-	-	-	3,137
Total non-current assets	<u>143,068</u>	<u>184</u>	<u>15,375</u>	<u>-</u>	<u>18,484</u>	<u>4,205</u>
Total assets	<u>\$ 244,017</u>	<u>\$ 5,621</u>	<u>\$ 29,223</u>	<u>\$ 1,411</u>	<u>\$ 34,462</u>	<u>\$ 17,140</u>
Liabilities:						
Current liabilities	\$ 25,851	\$ 688	\$ 960	\$ 1,260	\$ 2,033	\$ 6,069
Long-term liabilities	43,971	-	13,590	-	6,463	5,332
Total liabilities	<u>69,822</u>	<u>688</u>	<u>14,550</u>	<u>1,260</u>	<u>8,496</u>	<u>11,401</u>
Net Assets:						
Invested in capital assets, net of related debt	115,156	11	15,375	-	2,178	-
Restricted	18,340	174	870	-	16,307	955
Unrestricted	40,699	4,748	(1,572)	151	7,481	4,784
Total net assets	<u>174,195</u>	<u>4,933</u>	<u>14,673</u>	<u>151</u>	<u>25,966</u>	<u>5,739</u>
Total liabilities and net assets	<u>\$ 244,017</u>	<u>\$ 5,621</u>	<u>\$ 29,223</u>	<u>\$ 1,411</u>	<u>\$ 34,462</u>	<u>\$ 17,140</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>						
Operating revenues	\$ 90,732	\$ 31,412	\$ 1,324	\$ 6,632	\$ 16,979	\$ 24,774
Operating expenses	81,036	25,466	3,488	6,483	41,676	25,554
Depreciation and amortization expense	15,806	464	153	-	326	448
Operating (loss) income	<u>(6,110)</u>	<u>5,482</u>	<u>(2,317)</u>	<u>149</u>	<u>(25,023)</u>	<u>(1,228)</u>
Non-operating revenues (expenses):						
Litigation-related settlements	4,250	-	-	-	-	-
Investment income	1,533	212	60	2	778	226
Other income (expenses), net	3,064	(2,444)	-	-	(230)	-
Interest expense	(859)	(41)	-	-	(12)	(372)
Net non-operating revenues (expense)	<u>7,988</u>	<u>(2,273)</u>	<u>60</u>	<u>2</u>	<u>536</u>	<u>(146)</u>
Income (loss) before transfers	1,878	3,209	(2,257)	151	(24,487)	(1,374)
Transfers in (out)	-	(16,930)	16,930	-	-	-
Change in net assets	1,878	(13,721)	14,673	151	(24,487)	(1,374)
Total net assets, July 1, 2008	172,317	18,654	-	-	50,453	7,113
Total net assets, June 30, 2009	<u>\$ 174,195</u>	<u>\$ 4,933</u>	<u>\$ 14,673</u>	<u>\$ 151</u>	<u>\$ 25,966</u>	<u>\$ 5,739</u>
<b>Condensed Statements of Cash Flows</b>						
Net cash provided (used) by:						
Operating activities	\$ 23,965	\$ 5,069	\$ 208	\$ 23	\$ (24,252)	\$ 257
Investing activities	1,592	212	60	2	743	343
Capital and related financing activities	(22,926)	(2,686)	(192)	-	(883)	(869)
Non-capital financing activities	<u>(10)</u>	<u>(13,645)</u>	<u>13,627</u>	<u>-</u>	<u>(500)</u>	<u>-</u>
Net (decrease) increase	2,621	(11,050)	13,703	25	(24,892)	(269)
Cash and cash equivalents, July 1, 2008	99,573	16,349	-	-	55,063	7,288
Cash and cash equivalents, June 30, 2009	<u>\$ 102,194</u>	<u>\$ 5,299</u>	<u>\$ 13,703</u>	<u>\$ 25</u>	<u>\$ 30,171</u>	<u>\$ 7,019</u>

(1) Contracts with the Bridgeport Project's municipalities and operator ended on December 31, 2008.



## 12. SIGNIFICANT EVENTS

During fiscal years 2009 and 2010, the Authority received a total of \$3,456,000 (net of attorneys' fees and costs of litigation of \$677,000) and \$495,000 (net of attorneys' fees and costs of litigation of \$55,000) from settlements resulting from various Enron-related lawsuits, respectively. The \$3.456 million, net settlement contains a contingency, whereby if the Authority fails to settle with any other of a specified group of settling parties for more than the settlement amount of \$4.1 million, the Authority shall rebate this settling party an amount equal to the sum of the difference between \$4.1 million and the next largest settling party and an additional \$50,000, but in no event shall the rebate amount exceed \$425,000. The Authority has reported both gains as non-operating revenues in the accompanying statement of revenues, expenses and changes in net assets and deferred the \$425,000 contingency as accrued expenses and other current liabilities in the accompanying balance sheets.

During fiscal year 2010, the Authority settled with its waste hauling companies for diversion of waste from the Authority's Mid-Connecticut Project. As a result of the settlements, the Authority will receive from the haulers approximately \$8,350,000 as revenues for wastes to be delivered to the Mid-Connecticut facility through December 2012.

## 13. CONTINGENCIES

### Mid-Connecticut Project:

On October 7, 2009, The Metropolitan District Commission ("MDC") initiated an arbitration proceeding against the Authority seeking a declaratory judgment that the Authority is responsible for certain post-employment benefits and other costs that MDC may incur upon the expiration of its contract for the operation of a portion of the Mid-Connecticut Project on December 30, 2011. The MDC did not specify the amount of its monetary claim in its demand for arbitration, but has separately set forth the amount as a range of \$32.0 million to \$36.0 million. The Authority has denied such

alleged responsibility. The arbitration is not proceeding at this time because the Authority has challenged the impartiality of the MDC party-appointed arbitrator. MDC filed a motion in Connecticut Superior Court to compel the arbitration to proceed, and the Authority filed a counterclaim requesting that the court disqualify MDC's party-appointed arbitrator. On April 28, 2010, the court ruled that the parties may appoint non-neutral arbitrators. The Authority subsequently appealed that ruling, and the appeal is currently pending. The matter is too preliminary to estimate any potential exposure.

On May 27, 2010, Tabacco & Son Builders, Inc. brought suit against the Authority and one of the Authority's former employees, for breach of contract, slander, libel, and various other legal and equitable causes of action, and seeking damages. The claim has been tendered to the Authority's insurer, which is defending. The matter is too preliminary to estimate any potential exposure.

In January 2006, the Authority's pollution liability insurance carrier, American International Specialty Lines Insurance Company ("AISLIC") settled with numerous commercial and residential neighbors of the Hartford Landfill who had filed suit against the Authority in 2001, claiming that the Authority negligently maintained and operated its Hartford Landfill and that the Hartford Landfill constituted a public nuisance. On May 4, 2006, AISLIC initiated a declaratory judgment action in federal district court seeking a declaration that AISLIC is not obligated to indemnify the Authority in connection with the settled lawsuit and that AISLIC should be awarded the amount it spent on defense and indemnification of the Authority. The Authority is defending against this action, and has counterclaimed, alleging bad faith and seeking recovery of attorneys' fees. Discovery is officially over, but the Authority has a motion to compel the production of additional documents from AISLIC pending. The matter is too preliminary to estimate any potential exposure.

On May 6, 2008, a Trustee of the Chapter 7 Bankruptcy Estate of O.N.E./C.H.A.N.E. brought suit against the Authority in Superior Court, claiming that the Authority breached the



October 6, 1999 Community Support Agreement between the Authority and O.N.E./C.H.A.N.E. and seeking damages of approximately \$20.0 million. The matter was tried to a jury in June 2010. The jury rendered its verdict in favor of the Authority on June 30, 2010, and judgment was entered on the verdict on July 20, 2010.

In January 2009, the Authority brought suit against Dainty Rubbish Services, Inc., alleging that Dainty has diverted substantial amounts of municipal solid waste to waste disposal facilities other than Authority facilities, contrary to Dainty's contractual obligations to deliver the waste to Authority facilities. On September 2, 2009, Dainty filed a counterclaim against the Authority alleging, among other things, breach of contract, misrepresentation, and fraud, and seeking rescission of all contracts, damages, interest and costs, and an accounting. The entire case was settled in principle at a mediation in December 2009 without payment or other compensation due from the Authority. Dainty agreed to compensate the Authority for past waste diversions. The parties are currently finalizing a settlement agreement and associated waste delivery agreement.

#### **Bridgeport Project:**

In the early 1990's, the Authority was named as a Potentially Responsible Party in the now-combined federal and State of New Jersey suits to recover the costs of remediation of the landfill known as Combe Fill South. The Authority's liability was substantially resolved in the spring of 2009 as a result of a mediated global settlement. However, one of the settling parties is pursuing a contribution action against certain non-settling entities. The Authority continues to monitor these remaining case activities to the extent they may implicate the Authority.

On January 21, 2009, a Complaint was filed against the Authority alleging injuries suffered by a Milford resident at the Milford Transfer Station and seeking monetary damages, including medical expenses and a new motor vehicle to accommodate Plaintiff's physical injuries. The claim was tendered to the Authority's insurer, which defended and indemnified the Authority, subject to a \$50,000

deductible. A mediated settlement was achieved in June 2010, and the case was subsequently withdrawn.

In February 2008, a Complaint was filed against the Authority alleging injuries suffered by an employee of Enviro Express, the operator of the Norwalk Transfer Station, and seeking damages, including medical expenses and lost wages. The claim was tendered to the insurer of Enviro Express, which defended the Authority pursuant to a reservation of rights. The matter was withdrawn on August 10, 2010.

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

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

#### **14. SUBSEQUENT EVENTS**

The Authority plans to refund its outstanding Resource Recovery Revenue Bonds (American Ref-Fuel Company of Southeastern Connecticut Project - 1998 Series A) relating to the Southeast Project sometime during the second quarter of fiscal year 2011. The amount of 1998 Series A Bonds currently outstanding is \$39,885,000. The purpose of the proposed refunding will be to achieve economic savings. The proposed refunding will not extend the current maturity of the bonds, which is November 15, 2015.

#### **15. CURRENT ACCOUNTING PRONOUNCEMENTS**

During November 2007, GASB issued *Statement No. 52, "Land and Other Real Estate Held as Investments by Endowment."* This statement requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. As



of June 30, 2010 and 2009, the Authority has no land and other real estate that are held as investments by endowments.

During June 2008, GASB issued *Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments."* This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. During fiscal years 2010 and 2009, the Authority did not enter into any derivative instrument arrangements.

During June 2007, GASB issued *Statement No. 51, "Accounting and Financial Reporting for Intangible Assets"* (GASB No. 51). This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. As of June 30, 2010 and 2009, the Authority has no intangible assets that apply to GASB No. 51, except two easements: (1) easement right to access land owned by a private party in order for the Authority to access certain areas of the land for which the Authority bought from this party, that is adjacent to the Ellington Landfill; and (2) easement right to a property owned by another private party that essentially enables the Authority to control the zone of influence of the Shelton Landfill leachate plume. The value for both of these easements is immaterial; therefore, is not reflected on the Authority's financial statements as intangible assets.

#### **16. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT EFFECTIVE YET**

During February 2009, GASB issued *Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions,"* (GASB No. 54) that will become effective for financial statements for periods beginning after June 15, 2010. This statement establishes accounting and financial reporting standards including criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.



# Supplementary Information

**COMBINING SCHEDULE OF BALANCE SHEETS**

**AS OF JUNE 30, 2010**  
**(Dollars in Thousands)**

ASSETS	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>CURRENT ASSETS</b>									
Unrestricted Assets:									
Cash and cash equivalents	\$ 1,352	\$ 51,253	\$ 1,539	\$ 9,061	\$ 80	\$ 14,110	\$ 1,636	\$ -	\$ 79,031
Accounts receivable, net of allowances	22	13,088	-	249	1,455	831	6,926	-	22,571
Inventory	-	3,870	-	-	-	-	-	-	3,870
Prepaid expenses	27	986	20	62	-	49	-	-	1,144
Due from other funds	-	188	-	-	-	-	-	(188)	-
Total Unrestricted Assets	1,401	69,385	1,559	9,372	1,535	14,990	8,562	(188)	106,616
Restricted Assets:									
Cash and cash equivalents	-	27,522	-	872	-	15,012	2,979	-	46,385
Accrued interest receivable	-	8	-	-	-	-	17	-	25
Total Restricted Assets	-	27,530	-	872	-	15,012	2,996	-	46,410
Total Current Assets	1,401	96,915	1,559	10,244	1,535	30,002	11,558	(188)	153,026
<b>NON-CURRENT ASSETS</b>									
Restricted cash and cash equivalents	-	15,698	-	5,672	-	-	1,064	-	22,434
Restricted investments	-	490	174	-	-	153	-	-	817
Capital Assets:									
Depreciable:									
Plant	864	169,546	616	14,827	-	-	-	-	185,853
Equipment	1,248	214,936	-	2,373	-	277	-	-	218,834
	2,112	384,482	616	17,200	-	277	-	-	404,687
Less: Accumulated depreciation	(1,525)	(285,526)	(616)	(16,429)	-	(111)	-	-	(304,207)
Total Depreciable, net	587	98,956	-	771	-	166	-	-	100,480
Nondepreciable:									
Land	-	11,900	-	14,301	-	1,979	-	-	28,180
Construction in progress	-	861	-	-	-	-	-	-	861
Total Nondepreciable	-	12,761	-	14,301	-	1,979	-	-	29,041
Development and bond issuance costs, net	-	38	-	-	-	-	2,689	-	2,727
Total Non-Current Assets	587	127,943	174	20,744	-	2,298	3,753	-	155,499
<b>TOTAL ASSETS</b>	\$ 1,988	\$ 224,858	\$ 1,733	\$ 30,988	\$ 1,535	\$ 32,300	\$ 15,311	\$ (188)	\$ 308,525



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF BALANCE SHEETS (Continued)**  
**AS OF JUNE 30, 2010**  
**(Dollars in Thousands)**

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

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Current portion of:									
Bonds payable, net	\$ -	\$ 3,699	\$ -	\$ -	\$ -	\$ -	\$ 581	\$ -	\$ 4,280
Closure and post-closure care of landfills	-	8,876	-	804	-	563	-	-	10,243
Accounts payable	119	2,252	-	44	2	316	6	-	2,739
Accrued expenses and other current liabilities	614	10,068	51	242	1,379	944	3,216	-	16,514
Due to other funds	188	-	-	-	-	-	-	(188)	-
Total Current Liabilities	921	24,895	51	1,090	1,381	1,823	3,803	(188)	33,776
<b>LONG-TERM LIABILITIES</b>									
Bonds payable, net	-	8,039	-	-	-	-	3,625	-	11,664
Closure and post-closure care of landfills	-	26,904	-	11,938	-	5,396	-	-	44,238
Other liabilities	-	-	-	-	-	-	1,004	-	1,004
Total Long-Term Liabilities	-	34,943	-	11,938	-	5,396	4,629	-	56,906
<b>TOTAL LIABILITIES</b>	921	59,838	51	13,028	1,381	7,219	8,432	(188)	90,682
<b>NET ASSETS</b>									
Invested in capital assets, net of related debt	588	103,090	-	15,072	-	2,145	-	-	120,895
Restricted:									
Tip fee stabilization	-	-	-	-	-	14,454	-	-	14,454
Energy generating facility	-	7,099	-	-	-	-	-	-	7,099
Debt service reserve funds	-	3,963	-	-	-	-	53	-	4,016
Equipment replacement	-	1,770	-	-	-	-	-	-	1,770
Operating and maintenance	-	1,770	-	-	-	-	-	-	1,770
Revenue fund	-	1,637	-	-	-	-	-	-	1,637
Debt service funds	-	1,543	-	-	-	-	-	-	1,543
Montville landfill post-closure	-	-	-	-	-	-	1,097	-	1,097
Select Energy escrow	-	1,000	-	-	-	-	-	-	1,000
Shelton landfill future use	-	-	-	872	-	-	-	-	872
DEP trust - landfills	-	490	174	-	-	153	-	-	817
Covanta Wallingford escrow	-	-	-	-	-	500	-	-	500
Recycling education fund	-	213	-	-	-	-	-	-	213
Rebate fund	-	-	-	-	-	-	179	-	179
Other restricted net assets	-	48	-	-	-	-	-	-	48
Total Restricted	-	19,533	174	872	-	15,107	1,329	-	37,015
Unrestricted	479	42,397	1,508	2,016	154	7,829	5,550	-	59,933
Total Net Assets	1,067	165,020	1,682	17,960	154	25,081	6,879	-	217,843
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,988	\$ 224,858	\$ 1,733	\$ 30,988	\$ 1,535	\$ 32,300	\$ 15,311	\$ (188)	\$ 308,525



# Connecticut Resources Recovery Authority

## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2010 (Dollars in Thousands)

EXHIBIT B

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	South West Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>Operating Revenues</b>									
Service charges:									
Members	\$ -	\$ 31,979	\$ -	\$ -	\$ 14,664	\$ 8,536	\$ 9,214	\$ -	\$ 64,393
Others	-	17,517	-	-	-	114	144	(178)	17,597
Energy sales	-	30,258	-	-	-	2,431	16,514	-	49,203
Other operating revenues	-	4,668	(39)	2,298	-	2	-	-	6,929
Total operating revenues	-	84,422	(39)	2,298	14,664	11,083	25,872	(178)	138,122
<b>Operating Expenses</b>									
Solid waste operations	-	73,936	(553)	1,692	14,179	12,146	24,185	(178)	125,407
Depreciation and amortization	201	16,296	11	303	-	33	448	-	17,292
Maintenance and utilities	-	1,272	-	86	-	7	-	-	1,365
Closure and post-closure care of landfills	-	(683)	-	(1,153)	-	(659)	-	-	(2,495)
Legal services - external	-	1,993	4	8	17	33	-	-	2,055
Operational and Environmental services	-	3,407	19	232	165	258	31	-	4,112
Billing, Accounting and Finance services	-	1,052	8	82	206	187	116	-	1,651
Education and Communications services	-	604	3	87	32	26	2	-	754
General and Administrative services	-	415	3	7	63	30	5	-	523
Distribution to member towns	-	-	1,639	-	-	-	-	-	1,639
Total operating expenses	201	98,292	1,134	1,344	14,662	12,061	24,787	(178)	152,303
Operating (Loss) Income	(201)	(13,870)	(1,173)	954	2	(978)	1,085	-	(14,181)
<b>Non-Operating Revenues (Expenses)</b>									
Investment income	3	338	9	49	1	98	58	-	556
Other income (expenses)	261	5,092	-	197	-	(5)	325	-	5,870
Interest expense	-	(735)	-	-	-	-	(328)	-	(1,063)
Net Non-Operating Revenues	264	4,695	9	246	1	93	55	-	5,363
Income (Loss) before Transfers	63	(9,175)	(1,164)	1,200	3	(885)	1,140	-	(8,818)
Transfers in (out)	-	-	(2,087)	2,087	-	-	-	-	-
Change in Net Assets	63	(9,175)	(3,251)	3,287	3	(885)	1,140	-	(8,818)
Total Net Assets, beginning year	1,004	174,195	4,933	14,673	151	25,966	5,739	-	226,661
Total Net Assets, end of year	\$ 1,067	\$ 165,020	\$ 1,682	\$ 17,960	\$ 154	\$ 25,081	\$ 6,879	\$ -	\$ 217,843



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Dollars in Thousands)**

**EXHIBIT C  
Page 1 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>Cash Flows Provided (Used) by Operating Activities</b>									
Payments received from providing services	\$ 117	\$ 86,485	\$ 42	\$ 2,358	\$ 14,595	\$ 12,103	\$ 26,192	\$ (178)	\$ 141,714
Payments received from other funds	-	108	-	-	-	-	-	(108)	-
Payments to suppliers for goods and services	-	(78,346)	(83)	(1,931)	(14,133)	(12,625)	(26,609)	178	(133,550)
Payments to employees for services	-	(3,082)	-	(245)	(408)	(648)	(150)	-	(4,532)
Distribution to member towns	-	-	(1,639)	-	-	-	-	-	(1,639)
Payments to other funds	(108)	-	-	-	-	-	-	108	-
Net Cash Provided (Used) by Operating Activities	9	5,165	(1,680)	182	54	(1,170)	(567)	-	1,993
<b>Cash Flows Provided (Used) by Investing Activities</b>									
Interest on investments	9	349	7	50	1	259	95	-	770
Net Cash Provided by Investing Activities	9	349	7	50	1	259	95	-	770
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities</b>									
Proceeds from sales of equipment	-	126	-	-	-	-	-	-	126
Payments for landfill closure and post-closure care liabilities	-	(5,866)	-	(414)	-	(133)	-	-	(6,413)
Acquisition and construction of capital assets	-	(3,225)	-	-	-	-	-	-	(3,225)
Interest paid on long-term debt	-	(737)	-	-	-	-	(250)	-	(987)
Principal paid on long-term debt	-	(3,525)	-	-	-	-	(618)	-	(4,143)
Net Cash Used by Capital and Related Financing Activities	-	(13,227)	-	(414)	-	(133)	(868)	-	(14,642)
<b>Cash Flows Provided (Used) by Non-Capital Financing Activities</b>									
Other interest and fees	-	(8)	-	(3)	-	(5)	-	-	(16)
Cash inflow / (outflow)	-	-	(2,087)	2,087	-	-	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(8)	(2,087)	2,084	-	(5)	-	-	(16)



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF CASH FLOWS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2010  
(Dollars in Thousands)**

**EXHIBIT C  
Page 2 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	South West Division	Wallingford Project	Southeast Project	Eliminations	Total
Net (decrease) increase in cash and cash equivalents	\$ 18	\$ (7,721)	\$ (3,760)	\$ 1,902	\$ 55	\$ (1,049)	\$ (1,340)	\$ -	\$ (11,895)
Cash and cash equivalents, beginning of year	1,334	102,194	5,299	13,703	25	30,171	7,019	-	159,745
Cash and cash equivalents, end of year	\$ 1,352	\$ 94,473	\$ 1,539	\$ 15,605	\$ 80	\$ 29,122	\$ 5,679	\$ -	\$ 147,850
<b>Reconciliation of Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:</b>									
Operating (loss) income	\$ (201)	\$ (13,870)	\$ (1,173)	\$ 954	\$ 2	\$ (978)	\$ 1,085	\$ -	\$ (14,181)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:									
Depreciation of capital assets	201	16,281	11	303	-	33	-	-	16,829
Amortization of development and bond issuance costs	-	15	-	-	-	-	448	-	463
Write-off of deferred acquisition costs	-	1,566	-	-	-	-	-	-	1,566
Provision for closure and post-closure care of landfills	-	(683)	-	(1,153)	-	(659)	-	-	(2,495)
Other income	107	5,011	-	200	-	-	325	-	5,643
Changes in assets and liabilities:									
(Increase) decrease in:									
Accounts receivable, net	-	(3,555)	81	(140)	(69)	832	(5)	-	(2,856)
Inventory	-	(242)	-	-	-	-	-	-	(242)
Prepaid expenses and other current assets	75	465	37	(26)	-	86	8	-	645
Due from other funds	-	108	-	-	-	-	-	(108)	-
(Decrease) increase in:									
Accounts payable, accrued expenses and other liabilities	(65)	69	(636)	44	121	(484)	(2,428)	-	(3,379)
Due to other funds	(108)	-	-	-	-	-	-	108	-
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ 9	\$ 5,165	\$ (1,680)	\$ 182	\$ 54	\$ (1,170)	\$ (567)	\$ -	\$ 1,993



**Connecticut Resources Recovery Authority**

**COMBINING SCHEDULE OF NET ASSETS  
AS OF JUNE 30, 2010  
(Dollars in Thousands)**

**EXHIBIT D  
Page 1 of 2**

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Total
<b>Net assets invested in capital assets, net of related debt</b>	\$ 588	\$ 103,090	\$ -	\$ 15,072	\$ -	\$ 2,145	\$ -	\$ 120,895
<b>Restricted net assets:</b>								
Current restricted cash and cash equivalents:								
Revenue fund	-	20,646	-	-	-	-	1,451	22,097
Tip fee stabilization	-	-	-	-	-	14,454	-	14,454
Debt service funds	-	5,322	-	-	-	-	399	5,721
Montville landfill post-closure	-	-	-	-	-	-	1,129	1,129
Select Energy escrow	-	1,000	-	-	-	-	-	1,000
Shelton landfill future use	-	-	-	872	-	-	-	872
Covanta Wallingford escrow	-	-	-	-	-	500	-	500
Recycling education fund	-	213	-	-	-	-	-	213
Customer guarantee of payment	-	293	-	-	-	58	-	351
Town of Ellington trust - pooled funds	-	48	-	-	-	-	-	48
Total current restricted cash and cash equivalents	-	27,522	-	872	-	15,012	2,979	46,385
<b>Non-current restricted cash and cash equivalents and investments:</b>								
Energy generating facility	-	7,099	-	-	-	-	-	7,099
Shelton landfill trust fund	-	-	-	5,672	-	-	-	5,672
Debt service reserve funds	-	5,059	-	-	-	-	885	5,944
Operating and maintenance	-	1,770	-	-	-	-	-	1,770
Equipment replacement	-	1,770	-	-	-	-	-	1,770
DEP trust - landfills	-	490	174	-	-	153	-	817
Rebate fund	-	-	-	-	-	-	179	179
Total non-current restricted cash and cash equivalents and investments	-	16,188	174	5,672	-	153	1,064	23,251
<b>Less liabilities to be paid with current restricted assets:</b>								
Bonds payable, net including accrued interest	-	3,779	-	-	-	-	399	4,178
Other liabilities	-	19,302	-	-	-	58	1,483	20,843
Total liabilities to be paid with current restricted assets	-	23,081	-	-	-	58	1,882	25,021
<b>Less liabilities to be paid with non-current restricted assets:</b>								
Bonds payable, net	-	1,096	-	-	-	-	832	1,928
Landfill post-closure care costs	-	-	-	5,672	-	-	-	5,672
Total liabilities to be paid with non-current restricted assets	-	1,096	-	5,672	-	-	832	7,600
<b>Total restricted net assets</b>	-	19,533	174	872	-	15,107	1,329	37,015



**Connecticut Resources Recovery Authority**

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

**EXHIBIT D**  
Page 2 of 2

AS OF JUNE 30, 2010  
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Total
<b>Unrestricted net assets:</b>								
Designated for:								
Non-GASB #18 post-closure	\$ -	\$ 4,831	\$ -	\$ 3,763	\$ -	\$ 1,785	\$ -	\$ 10,379
Future loss contingencies	-	7,191	-	-	-	549	252	7,992
Landfill development	-	3,113	-	-	-	-	-	3,113
Rolling stock	-	2,784	-	-	-	-	-	2,784
Project closure	-	-	795	-	-	821	-	1,616
Future use	-	-	-	-	-	1,532	-	1,532
Facility modifications	-	1,493	-	-	-	-	-	1,493
Debt service stabilization	-	812	-	-	-	-	-	812
Recycling	-	-	-	709	-	-	-	709
Post-litigation expense	-	585	-	-	-	-	-	585
Deferred municipal credit	-	570	-	-	-	-	-	570
South Meadows site remediation	-	88	-	-	-	-	-	88
Undesignated	479	20,930	713	(2,456)	154	3,142	5,298	28,260
Total unrestricted net assets	479	42,397	1,508	2,016	154	7,829	5,550	59,933
<b>Total Net Assets</b>	\$ 1,067	\$ 165,020	\$ 1,682	\$ 17,960	\$ 154	\$ 25,081	\$ 6,879	\$ 217,843



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Connecticut Resources Recovery Authority  
Harford, Connecticut

We have audited the financial statements of the Connecticut Resources Recovery Authority (Authority) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated September 29, 2010.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, the State of Connecticut and is not intended to be and should not be used by anyone other than these specified parties.

*Bollam Sheedy Torani & Co LLP*

New York, New York  
September 29, 2010



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