

**CONNECTICUT RESOURCES**

**RECOVERY AUTHORITY**

**A Component Unit of the State of Connecticut**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2011**

**TOGETHER WITH**

**INDEPENDENT AUDITOR'S REPORT**

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2011**

<u><b>TABLE OF CONTENTS</b></u>	<u><b>PAGE(S)</b></u>	<u><b>EXHIBIT</b></u>
Independent Auditor's Report	1 - 2	--
Management's Discussion and Analysis	3 - 26	--
Basic Financial Statements:		
Balance Sheets	27	I
Statements of Revenues, Expenses and Changes in Net Assets	28	II
Statements of Cash Flows	29	III
Notes to the Financial Statements	30 - 48	--
Supplementary Information:		
Combining Schedule of Balance Sheets	49 - 50	A
Combining Schedule of Revenues, Expenses and Changes in Net Assets	51	B
Combining Schedule of Cash Flows	52 - 53	C
Combining Schedule of Net Assets	54 - 55	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>	56 - 57	--

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

**THIS PAGE LEFT INTENTIONALLY BLANK**

**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, 2011 and 2010, 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 audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide 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, 2011 and 2010, 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 27, 2011, 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.

The accompanying Management's Discussion and Analysis on pages 3 through 26, is not a required part of the basic financial statements but is supplemental 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 required supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining schedules on pages 49 through 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules have been subjected to the auditing procedures applied in the audit of the basic financials statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bollam Sheedy Torani & Co LLP*

New York, New York  
September 27, 2011

# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

## 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, 2011 and 2010. 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 2011 total assets decreased by \$36.4 million or 11.8% from fiscal year 2010 and total liabilities decreased by \$7.1 million or 7.8%. Total assets exceeded total liabilities by \$188.5 million as of June 30, 2011 as compared to \$217.8 million as of June 30, 2010 or a net decrease of \$29.3 million.

The 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.

<b>BALANCE SHEETS</b>			
<b>As of June 30,</b>			
<b>(Dollars in Thousands)</b>			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>			
Current unrestricted assets	\$ 95,885	\$ 106,047	\$ 123,081
Current restricted assets	31,606	46,979	28,639
Total current assets	<u>127,491</u>	<u>153,026</u>	<u>151,720</u>
Non-current assets:			
Restricted cash and cash equivalents	18,252	22,434	33,390
Restricted investments	817	817	817
Capital assets, net	123,543	129,521	144,559
Development and bond issuance costs, net	1,984	2,727	3,190
Total non-current assets	<u>144,596</u>	<u>155,499</u>	<u>181,956</u>
<b>TOTAL ASSETS</b>	<u>\$ 272,087</u>	<u>\$ 308,525</u>	<u>\$ 333,676</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current liabilities	\$ 29,769	\$ 33,776	\$ 37,659
Long-term liabilities	53,819	56,906	69,356
<b>TOTAL LIABILITIES</b>	<u>83,588</u>	<u>90,682</u>	<u>107,015</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	117,634	120,895	133,360
Restricted	25,735	44,381	36,646
Unrestricted	45,130	52,567	56,655
<b>TOTAL NET ASSETS</b>	<u>188,499</u>	<u>217,843</u>	<u>226,661</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 272,087</u>	<u>\$ 308,525</u>	<u>\$ 333,676</u>

# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

## FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2011 and 2010:

### ASSETS

**Current unrestricted assets** decreased by \$10.2 million or 9.6% from fiscal year 2010, which decreased by \$16.5 million or 13.4% over fiscal year 2009. The fiscal year 2011 decrease is primarily due to:

- Unrestricted cash and cash equivalents decreased by \$5.0 million primarily as a result of the following:
  - Payments of \$7.6 million for equipment purchases and plant improvements at the Mid-Connecticut Waste Processing and Power Block Facilities (\$4.5 million), closure costs at the Hartford Landfill (\$2.6 million), and post-closure costs at the Shelton Landfill (\$0.5 million); and
  - A transfer of \$3.3 million to the Mid-Connecticut Project current restricted Revenue Fund to pay for Mid-Connecticut capital expenditures incurred during fiscal year 2011; and
  - Distributions of Authority's project-related funds to its former Wallingford and Bridgeport Projects member towns of \$5.0 million and \$1.0 million, respectively; and
  - A transfer of \$1.7 million to the Property non-current restricted Post-Closure Trust Fund as a result of a new Stewardship Permit at the Wallingford Landfill; and
  - Funds transfer for a total of \$0.8 million to the Mid-Connecticut Project current restricted Revenue Fund to offset fiscal year 2012 debt payments (\$0.4 million) and to use 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 (\$0.4 million); and
  - Payments of \$0.5 million to 19 Mid-Connecticut Project members for fiscal year 2010 tip fee credit; partially offset by:
    - A \$5.2 million receipt from the Connecticut Department of Environmental Protection ("CTDEP") in October 2010 as reimbursement for costs previously incurred by the Authority in the closure of the Hartford Landfill (\$5.0 million) and the Waterbury Landfill (\$0.2 million); and
    - Contributions of \$4.6 million toward operating cash requirements at the Mid-Connecticut Project for capital expenditures associated with the Mid-Connecticut facilities, future Energy Generating Facility ("EGF") operating costs, and recycling education program; and

# Connecticut Resources Recovery Authority

## A Component Unit of the State of Connecticut

---

- Operating Fund balances increased by a total of \$4.1 million at two projects; the Southeast Project (\$2.8 million) and the SouthWest Division (\$1.3 million). The increase at the Southeast Project is due to project surplus, timing in payments to certain member towns for credit associated with fiscal year 2011 waste delivered and Southeast Project operator for the balance of fiscal year 2011 service fee. The increase at the SouthWest Division is due to timing in payment for contract operating charges.
- A transfer of \$1.1 million from the Mid-Connecticut Project current restricted Revenue Fund for fiscal year 2010 contributions toward operating cash requirements for future EGF operating costs.
- Accounts receivable, net decreased by \$5.0 million primarily due to:
  - A decrease of \$4.4 million at the Mid-Connecticut Project as a result of the \$5.0 million receipt from the CTDEP in October 2010 as State grant-in-aid to reimburse for costs previously incurred by the Authority in the closure of the Hartford Landfill; partially offset by an increase of \$0.4 million in service payment receivables as a result of no tip fee subsidy credit to the Mid-Connecticut Project's member and contract towns and higher spot waste revenues as a result of waste delivery settlements with various hauling companies for diversion of waste from the Authority's Mid-Connecticut Project less the impact of lower member waste deliveries occurring state-wide; and
  - A decrease of \$0.8 million at the Wallingford Project resulting from the closure of the project as of June 30, 2010.
- Inventory remained relatively flat, increasing by \$103,000.
- Prepaid expenses remained fairly flat, decreasing by \$259,000.

The fiscal year 2010 decrease was 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 EGF; 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 account 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



## Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

- 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 account 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 fuel tank at the Jet Turbine Facility; 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 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.

# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

**Current restricted assets** decreased by \$15.4 million or 32.7% from fiscal year 2010, which increased by \$17.8 million or 62.1% from fiscal year 2009. The fiscal year 2011 decrease is primarily due to:

- Tip Fee Stabilization Fund at the Wallingford Project decreased by \$14.5 million due to distribution of funds to the former Wallingford Project member towns; and
- Debt Service Fund balances decreased by a total of \$3.0 million at two projects; the Mid-Connecticut Project (\$2.6 million) and the Southeast Project (\$0.4 million). This decrease is as a result of regular principal and interest payments due on Authority bonds in November 2010 and May 2011 less additional debt service deposits for regular principal payments due in November 2011; partially offset by:
- Revenue Fund balance at the Mid-Connecticut Project increased by \$1.8 million mainly due to a combination of the following:
  - Funds transfer of \$2.8 million and \$0.5 million from the Mid-Connecticut Project current unrestricted Landfill Development Fund and Risk Fund, respectively, to pay for Mid-Connecticut capital expenditures incurred during fiscal year 2011; and
  - A balance in advanced payments of \$0.7 million from the Mid-Connecticut customers for future solid waste deliveries; and
  - A transfer of \$0.7 million from the Mid-Connecticut non-current restricted General Fund to offset Mid-Connecticut Project fiscal year 2012 debt service; and
  - Funds released by the Trustee from the Mid-Connecticut non-current restricted Equipment Replacement Fund and Operating and Maintenance Fund totaled \$544,000 (\$272,000 each) for amount in excess of minimum funding requirement of \$1.5 million for each fund as defined in the Mid-Connecticut Bond Resolution; and
  - A transfer of \$0.4 million from the Mid-Connecticut Project current unrestricted Debt Service Stabilization Fund to offset fiscal year 2012 debt payments; partially offset by:
  - Non-transference from the Mid-Connecticut current unrestricted Debt Service Stabilization Fund (\$2.5 million) due to depletion of funds in prior periods; and
  - The transfer of \$1.1 million to the Mid-Connecticut Project current unrestricted Jets Operating Fund. This transfer represents fiscal year 2010 contributions toward operating cash requirements for future EGF operating costs; and
  - Contributions toward reserve requirements of \$0.5 million at the Mid-Connecticut Project for recycling education program and Southeast Project for monitoring and maintenance of the Montville landfill post-closure care costs.

# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

The fiscal year 2010 increase was 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 account 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.

**Non-current assets** decreased by \$10.9 million or 7.0% from fiscal year 2010, which decreased by \$26.5 million or 14.5% from fiscal year 2009. The fiscal year 2011 decrease occurred primarily due to:

- Restricted cash and cash equivalents decreased by \$4.2 million. This decrease occurred primarily due to:
  - Payments of \$5.3 million for fuel tank at the Jet Turbine Facility; turbine controls upgrade and new turbine diaphragms at the EGF; and rebuild two free (power) turbines at the Jet Turbine Facility; and

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

- A decrease in Special Capital Reserve Fund of \$886,000 at the Southeast Project resulting from the refunding of the Southeast Project 1998 Series A Bonds in December 2010; and
  - The transfer of \$0.7 million to the Mid-Connecticut current restricted General Fund to offset Mid-Connecticut Project fiscal year 2012 debt service; and
  - The \$544,000 released by the Trustee to the Mid-Connecticut current restricted Revenue Fund for amount in excess of minimum funding requirement of \$1.5 million for each fund as defined in the Mid-Connecticut Bond Resolution; partially offset by:
  - A purchase of \$1.7 million U.S. Treasury Bill for the Wallingford Landfill Post-Closure Trust Fund; and
  - A \$1.7 million contribution to Jets reserve to cover for some of the replacement costs for the fuel tank and turbine rebuild.
- Restricted investments remained unchanged.
  - Capital assets – depreciable, net decreased by \$9.1 million due to a \$17.6 million of depreciation expense and a \$1.2 million loss on write-off of various Mid-Connecticut assets as a result of plant improvements and equipment disposals and sales; partially offset by \$2.1 million in plant improvements and equipment purchases and a reclass of \$7.6 million in construction in progress (“CIP”) from the nondepreciable capital assets. The \$7.6 million CIP projects represent capital projects that have been completed or substantially completed as of June 30, 2011.
  - Capital assets – nondepreciable increased by \$3.1 million due to an increase in CIP of \$10.7 million; partially offset by the \$7.6 million reclass of CIP to the depreciable capital assets, net. The balance in CIP of \$3.1 million represents installation of fuel tank and rebuild of a spare jet engine at the Jet Turbine Facility as well as other miscellaneous projects.
  - Development and bond issuance costs, net decreased by \$0.7 million due to amortization expense and a write-off of unamortized bond issuance costs as a result of the Southeast Project refunding.

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

The fiscal year 2010 decrease was 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 fuel tank at the Jet Turbine Facility; 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 CIP from the nondepreciable capital assets.
- Capital assets – nondepreciable decreased by \$10.0 million due to the reclass of \$10.5 million in CIP 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 CIP.
- Development and bond issuance costs, net decreased by \$463,000 due to amortization expense.

## **LIABILITIES**

**Current liabilities** decreased by \$4.0 million or 11.9% compared to fiscal year 2010, which decreased by \$3.9 million or 10.3% compared to fiscal year 2009. The fiscal year 2011 decrease from 2010 is primarily due to:

- Current bonds payable, net remained fairly constant, decreasing by \$374,000.

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

- Current portion of closure and post-closure care of landfills decreased by \$4.9 million as a result of lower construction and engineering costs at the Hartford Landfill as the closure activities are approximately 65% completed.
- Accounts payable and accrued expenses and other current liabilities increased by \$1.2 million primarily due to timing in payments for goods and services received at the Southeast Project and the SouthWest Division; partially offset by a decrease of \$1.0 million at the Wallingford Project due to the closure of the Project as of June 30, 2010.

The fiscal year 2010 decrease from 2009 was 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.

**Long-term liabilities** decreased by \$3.1 million or 5.4% compared to fiscal year 2010, which decreased by \$12.5 million or 18.0% compared to fiscal year 2009. The fiscal year 2011 decrease is primarily due to:

- Bonds payable, net decreased by \$7.5 million as a result of regular principal payments due on Authority bonds in November 2010 (\$4.4 million), principal payment on the outstanding Southeast Project 1998 Series A Bonds as of December 15, 2010 (\$3.8 million), and write-off of unamortized premium on sale of bonds and other deferred amounts as a result of the Southeast Project refunding.
- Closure and post-closure care of landfills increased by \$1.0 million due to the impact of decreased current portion of closure and post-closure liabilities; partially offset by payments for closure and post-closure care costs at the Ellington, Hartford, Shelton, Waterbury, and Wallingford landfills.
- Other liabilities increased by \$3.4 million due to potential end of project transition costs.

The fiscal year 2010 decrease from 2009 was 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:

# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

- Hartford Landfill: Fiscal year 2010 actual expenditures were less than estimated costs; 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.

## 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,

(Dollars in Thousands)

	2011	2010	2009
Operating revenues	\$ 132,067	\$ 138,122	\$ 171,703
Operating expenses	144,121	135,011	183,553
Income (loss) before depreciation and amortization and other non-operating revenues and (expenses)	(12,054)	3,111	(11,850)
Depreciation and amortization	18,009	17,292	17,398
Loss before other non-operating revenues and (expenses), net	(30,063)	(14,181)	(29,248)
Non-operating revenues (expenses), net	(1,614)	5,363	6,437
Loss before special item	(31,677)	(8,818)	(22,811)
Special item: Gain on early retirement of debt, net	2,333	-	-
Change in net assets	(29,344)	(8,818)	(22,811)
Total net assets, beginning of year	217,843	226,661	249,472
Total net assets, end of year	\$ 188,499	\$ 217,843	\$ 226,661

**Operating revenues** decreased by \$6.1 million or 4.4% during fiscal year 2011 from fiscal year 2010 and \$33.6 million or 19.6% during fiscal year 2010 from fiscal year 2009. The fiscal year 2011 decrease is primarily due to:

- A \$7.5 million decrease in member service charges; and
- A \$2.7 million decrease in energy sales; partially offset by:

# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

- A \$1.8 million increase in other services charges; and
- A \$2.3 million increase in other operating revenues.

The fiscal year 2010 decrease was primarily due to:

- A \$12.9 million decrease in member service charges; and
- A \$9.2 million decrease in other service charges; and
- A \$5.4 million decrease in energy sales; and
- A \$2.5 million decrease in ash disposal reimbursement; and
- A \$3.6 million decrease in other operating revenues.

**Operating expenses** increased by \$9.1 million or 6.7% during fiscal year 2011 primarily due to:

- A \$19.0 million increase in distribution to member towns; and
- A \$2.7 million increase in closure and post-closure care of landfills; and
- A \$2.0 million increase in General and Administrative services; partially offset by:
- A \$12.2 million decrease in solid waste operations; and
- A \$1.6 million decrease in Operational and Environmental services; and
- A \$0.5 million decrease in legal services – external.

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; and
- A \$13.0 million decrease in landfill closure and post-closure care of landfills; and
- A \$9.5 million decrease in solid waste operations; and
- 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.

**Depreciation and amortization** increased by \$0.7 million or 4.1% during fiscal year 2011 as a result of additional plant improvements and equipment purchases. During fiscal year 2010, depreciation and amortization remained relatively flat, decreasing by \$106,000 or 0.6%.

**Non-operating revenues (expenses), net** decreased by \$7.0 million during fiscal year 2011 primarily due to the \$5.0 million decrease in State grant as reimbursement of additional costs previously incurred by the Authority in the closure of the Hartford Landfill, the loss on the write-off of various Mid-Connecticut assets, a loss on a transfer of the Wallingford Project equipment to its former operator on July 1, 2010, distribution of remaining balance in the Southeast Project Rebate Fund to the Southeastern Connecticut Regional Resources Recovery Authority (“SCRRRA”) for its future needs, decreased investment income; partially offset by decreased interest expense.

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;



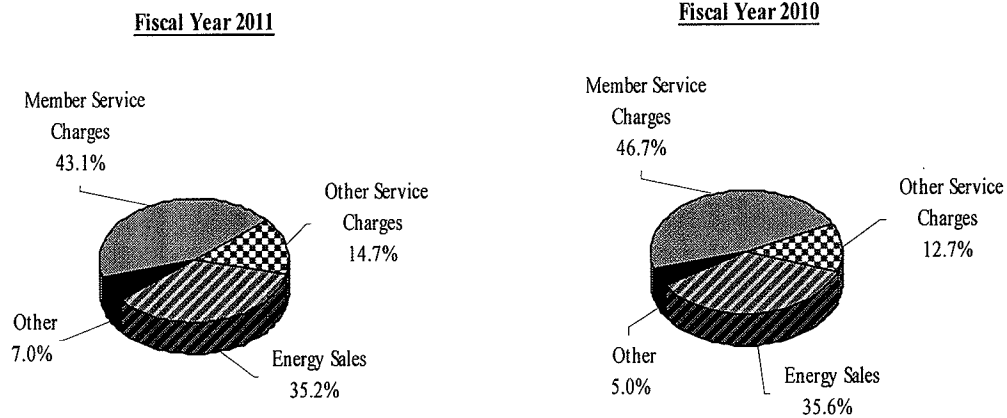
**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

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.

**SUMMARY OF OPERATING REVENUES**

The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2011 and 2010:



During fiscal year 2011, Solid Waste tipping fees (member service and other service charges) account for 57.8% of the Authority's operating revenues. Energy sales make up another 35.2% of operating revenues. During fiscal year 2010, Solid Waste tipping fees (member service and other service charges) accounted for 59.4% of the Authority's operating revenues. Energy sales made up another 35.6% of operating revenues.

# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

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,**  
**(Dollars in Thousands)**

	2011	2010	2011 Increase/ (Decrease) from 2010	2011 Percent Increase/ (Decrease)	2009	2010 Increase/ (Decrease) from 2009	2010 Percent Increase/ (Decrease)
<b>Operating Revenues:</b>							
Member service charges	56,889	64,393	\$ (7,504)	(11.7%)	\$ 77,236	\$ (12,843)	(16.6%)
Other service charges	19,439	17,597	1,842	10.5%	26,838	(9,241)	(34.4%)
Energy sales	46,524	49,203	(2,679)	(5.4%)	54,568	(5,365)	(9.8%)
Ash disposal reimbursement	-	-	-	-	2,511	(2,511)	(100.0%)
Other operating revenues	9,215	6,929	2,286	33.0%	10,550	(3,621)	(34.3%)
<b>Total Operating Revenues</b>	<b>132,067</b>	<b>138,122</b>	<b>(6,055)</b>	<b>(4.4%)</b>	<b>171,703</b>	<b>(33,581)</b>	<b>(19.6%)</b>
<b>Non-Operating Revenues:</b>							
Litigation-related settlements	-	-	-	-	4,250	(4,250)	(100.0%)
Investment income	306	556	(250)	(45.0%)	2,818	(2,262)	(80.3%)
Other income	255	5,912	(5,657)	(95.7%)	3,871	2,041	52.7%
<b>Total Non-Operating Revenues</b>	<b>561</b>	<b>6,468</b>	<b>(5,907)</b>	<b>(91.3%)</b>	<b>10,939</b>	<b>(4,471)</b>	<b>(40.9%)</b>
<b>Total Revenues</b>	<b>132,628</b>	<b>144,590</b>	<b>\$ (11,962)</b>	<b>(8.3%)</b>	<b>\$ 182,642</b>	<b>\$ (38,052)</b>	<b>(20.8%)</b>

Overall, fiscal year 2011 total revenues decreased by \$12.0 million or 8.3% from fiscal year 2010. Fiscal year 2010 total revenues decreased by \$38.1 million or 20.8% from fiscal year 2009. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Member service charges decreased by \$7.5 million and \$12.8 million in fiscal years 2011 and 2010, respectively. The fiscal year 2011 decrease is primarily due to:
  - A decrease of \$8.5 million at the Wallingford Project due to the closure of the project as of June 30, 2010; and
  - A decrease of \$1.2 million at the Southeast Project. This occurred due to a reduction in member revenues as a result of rebates to certain member towns for fiscal years 2010 and 2011 waste delivered and paid under the minimum commitment pursuant to the Municipal Service Agreement between those towns and the SCRRA plus the impact of lower member waste deliveries; partially offset by:
  - An increase of \$2.0 million at the Mid-Connecticut Project. This increase reflects higher member revenues received as a result of no tip fee subsidy credit to the Mid-Connecticut Project's member towns less the impact of lower member waste deliveries occurring state-wide.

The fiscal year 2010 decrease was 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

## Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

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.

- Other service charges to both contract towns and spot waste haulers increased by \$1.8 million in fiscal year 2011 and decreased by \$9.2 million in fiscal year 2010. The fiscal year 2011 increase is primarily a result of no tip fee subsidy credit to the Mid-Connecticut Project's contract towns and higher spot waste revenues as a result of waste delivery settlements with various hauling companies for diversion of waste from the Authority's Mid-Connecticut Project. The fiscal year 2010 decrease was 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.
- Energy sales decreased by \$2.7 million and \$5.4 million during fiscal years 2011 and 2010, respectively. The fiscal year 2011 decrease is due to:
  - A decrease of \$2.4 million at the Wallingford Project due to the closure of the Project as of June 30, 2010; and
  - A decrease of \$1.0 million at the Mid-Connecticut Project due to turbines performance issues; partially offset by:
  - An increase of \$0.7 million at the Southeast Project as a result of a slight increase in electricity rates less the impact of lower electricity generated.

The fiscal year 2010 decrease was 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.

- Other operating revenues increased by \$2.3 million in fiscal years 2011 and decreased by \$3.6 million in fiscal year 2010. The fiscal year 2011 increase reflects higher metal and recycling sales at the Mid-Connecticut Project as a result of favorable market conditions and higher rental income at the Property Division as a result of leasing land located at Stratford to the Authority's former operator. The fiscal year 2010 decrease was 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.

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

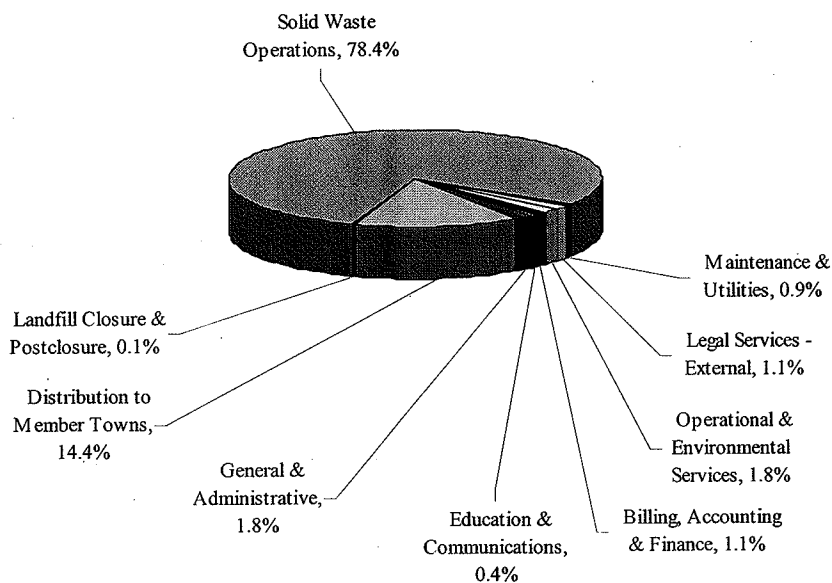
- Investment income for fiscal year 2011 remained fairly constant, decreasing by \$250,000 from fiscal year 2010 mainly due to continued lower market returns. Investment income for fiscal year 2010 decreased by \$2.3 million from fiscal year 2009. The fiscal year 2010 decrease was mainly due to lower reserve balances resulting from 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 was also attributable to the decrease in investment income in fiscal year 2010.
  
- Other income of \$255,000 for fiscal year 2011 represents gains on sales of equipment and miscellaneous income. 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 SCRRRA for fiscal year 2009 service fee, gains on sales of equipment, and miscellaneous income.

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

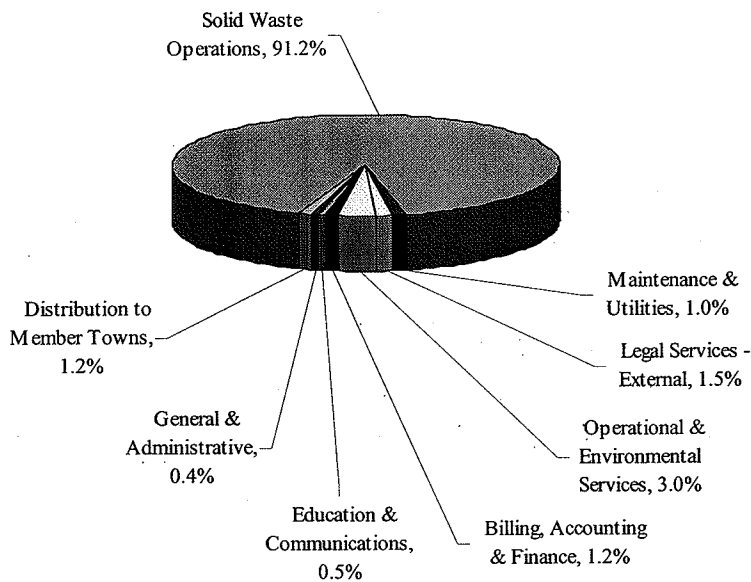
**SUMMARY OF OPERATING EXPENSES**

The following charts show the major sources and the percentage of operating expenses for the fiscal years ended June 30, 2011 and 2010:

**Fiscal Year 2011**



**Fiscal Year 2010**



# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 78.4% of operating expenses in fiscal year 2011. During fiscal year 2010, Solid Waste Operations accounted for 91.2% 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,**  
**(Dollars in Thousands)**

	2011	2010	2011 Increase/ (Decrease) from 2010	2011 Percent Increase/ (Decrease)	2009	2010 Increase/ (Decrease) from 2009	2010 Percent Increase/ (Decrease)
<b>Operating Expenses:</b>							
Solid waste operations	\$ 113,219	\$ 125,407	\$ (12,188)	(9.7%)	\$ 134,944	\$ (9,537)	(7.1%)
Maintenance and utilities	1,237	1,365	(128)	(9.4%)	1,168	197	16.9%
Landfill closure and post-closure	214	(2,495)	2,709	(108.6%)	10,507	(13,002)	(123.7%)
Legal services - external	1,601	2,055	(454)	(22.1%)	2,920	(865)	(29.6%)
Operational & Environmental services	2,551	4,112	(1,561)	(38.0%)	3,307	805	24.3%
Billing, Accounting & Finance services	1,592	1,651	(59)	(3.6%)	1,462	189	12.9%
Education & Communications services	530	754	(224)	(29.7%)	477	277	58.1%
General & Administrative services	2,521	523	1,998	382.0%	2,093	(1,570)	(75.0%)
Distribution to member towns	20,656	1,639	19,017	1160.3%	26,675	(25,036)	0.0%
<b>Total Operating Expenses</b>	<b>144,121</b>	<b>135,011</b>	<b>9,110</b>	<b>6.7%</b>	<b>183,553</b>	<b>(48,542)</b>	<b>(26.4%)</b>
Depreciation and amortization	18,009	17,292	717	4.1%	17,398	(106)	(0.6%)
<b>Non-Operating Expenses:</b>							
Interest expense	686	1,063	(377)	(35.5%)	1,284	(221)	(17.2%)
Other expenses	1,489	42	1,447	3445.2%	3,218	(3,176)	(98.7%)
<b>Total Non-Operating Expenses</b>	<b>2,175</b>	<b>1,105</b>	<b>1,070</b>	<b>96.8%</b>	<b>4,502</b>	<b>(3,397)</b>	<b>(75.5%)</b>
<b>Total Expenses</b>	<b>\$ 164,305</b>	<b>\$ 153,408</b>	<b>10,897</b>	<b>7.1%</b>	<b>\$ 205,453</b>	<b>\$ (52,045)</b>	<b>(25.3%)</b>

The Authority's total expenses increased by \$10.9 million or 7.1% between fiscal years 2011 and 2010. Fiscal year 2010 total expenses decreased by \$52.0 million or 25.3% from fiscal year 2009. Notable differences between the fiscal years include:

- Solid waste operations decreased by \$12.2 million from fiscal year 2010 to 2011. This occurred primarily due to the following:
  - Operating expenses decreased by \$11.9 million at the Wallingford Project as a result of the closure of the Project as of June 30, 2010; and
  - Operating expenses decreased by \$1.1 million at the Southeast Project as a result of lower distribution of funds to the SCRRA for future expenses due to the impact of increased electric revenues and prior year project surpluses, plus a slight decrease in contract operating charges; partially offset by:

## Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

- Operating expenses increased by \$0.6 million at the Bridgeport Project due to a write-off in bad debt expense resulting from collections of service payment receivables from certain former Bridgeport Project member towns.

Solid waste operations decreased by \$9.5 million from fiscal year 2009 to 2010 primarily due to:

- 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 WPF; 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.
- Maintenance and utilities expenses remained relatively flat, decreasing by \$128,000 during fiscal year 2011 and increasing by \$197,000 during fiscal year 2010.
- Landfill closure and post-closure costs of \$214,000 for fiscal year 2011 represents the increase in estimated costs at the Hartford Landfill; partially offset by decreases in estimated costs at the Shelton and Wallingford landfills. 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.
- Legal services - external decreased by \$454,000 during fiscal year 2011 as a result of a legal matter that was settled in favor of the Authority in July 2010. During fiscal year 2010, legal services – external decreased by \$865,000 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.

## Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

- Operational and Environmental services decreased by \$1.6 million from fiscal year 2010 and increased by \$805,000 from fiscal year 2009. The fiscal year 2011 decrease is due to reclassification of salaries and overhead costs to reflect the relationships between job functions and the applicable department. The fiscal year 2010 increase was primarily due to the allocation of legal consulting costs from the General and Administrative department.
- Billing, Accounting and Finance services, remained flat, decreasing by \$59,000 from fiscal year 2010 and increasing by \$189,000 from fiscal year 2009.
- Education and Communication services decreased by \$224,000 from fiscal year 2010 and increased by \$277,000 from fiscal year 2009.
- General and Administrative services increased by \$2.0 million from fiscal year 2010 and decreased by \$1.6 million from fiscal year 2009. The fiscal year 2011 increase is due to reclassification of salaries and overhead costs to reflect the relationships between job functions and the applicable department. The fiscal year 2010 decrease was primarily due to the allocation of legal consulting costs to other departments.
- Distribution to member towns increased by \$19.0 million. During fiscal year 2011, distribution to member towns of \$20.6 million represents the distribution of funds to the former Wallingford and Bridgeport Projects member towns of \$19.4 million and \$1.2 million, respectively. During fiscal year 2010, distribution to member towns of \$1.6 million represents the distribution of funds to the former Bridgeport Project member towns.
- Interest expense, remain fairly constant, decreasing by \$337,000 and \$221,000 during fiscal years 2011 and 2010, respectively, due to decreases in the principal amount of bonds payable.
- Other expenses of \$1.5 million during fiscal year 2011 represents the losses on the write-off of various Mid-Connecticut assets as a result of plant improvements and equipment disposals and sales and the transfer of the Wallingford Project equipment to its former operator on July 1, 2010, distribution of remaining balance in the Southeast Project Rebate Fund to SCRRA for its future needs, and trustee fees. During fiscal year 2010, other expenses of \$42,000 represent trustee fees, letter of credit fees, and other miscellaneous expenses.



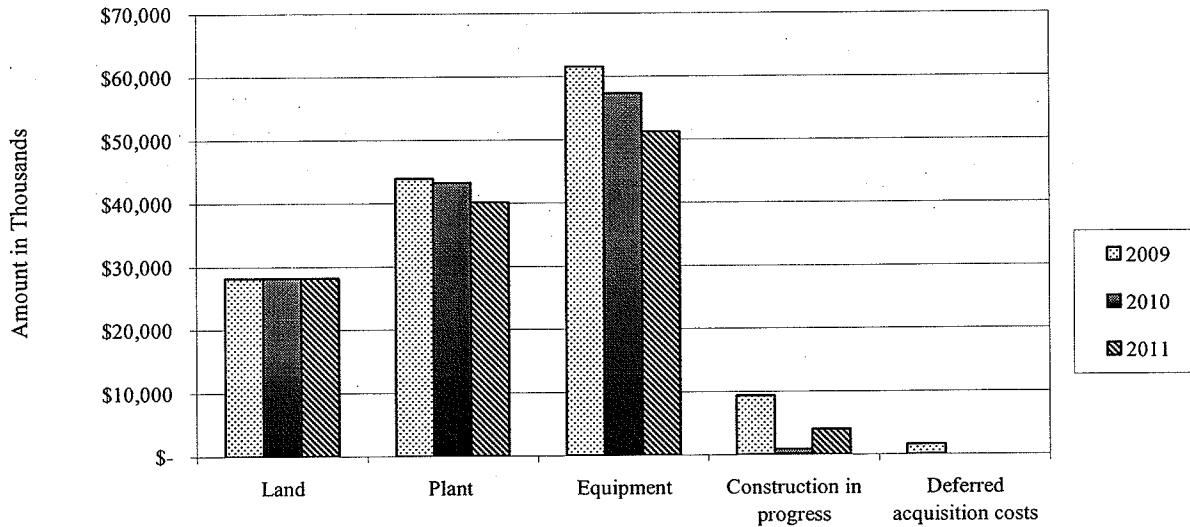
**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

**CAPITAL ASSETS**

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)**

	2009	2010	2011
Land	\$ 28,180	\$ 28,180	\$ 28,180
Plant	43,917	43,189	40,158
Equipment	61,566	57,291	51,242
Construction-in-progress	9,330	861	3,963
Deferred acquisition costs	1,566	-	-
<b>Totals</b>	<b>\$ 144,559</b>	<b>\$ 129,521</b>	<b>\$ 123,543</b>



The Authority's investment in capital assets for its activities as of June 30, 2011 and 2010 totaled \$123.5 million and \$129.5 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 2011 and 2010 decrease in the Authority's investment in capital assets was 4.6% and 10.4%, respectively. The fiscal year 2011 decrease is due to depreciation expense and the losses on the write-off of various Mid-Connecticut assets and the transfer of the Wallingford Project equipment to its former operator; partially offset by plant improvements, equipment purchases, and CIP. The fiscal year 2010 decrease was due to depreciation expense; partially offset by plant improvements, equipment purchases, and CIP.

Additional information on the Authority's capital assets can be found in Notes 1K, 1L, and 3 on pages 34 and 38 of this report.

# Connecticut Resources Recovery Authority

A Component Unit of the State of Connecticut

---

## LANDFILL ACTIVITY

### Ash Landfill Initiative

In August 2009, the Authority decided, based on clear indication from 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.

In December 2010, the Authority exercised its option to extend the contract with Wheelabrator Technologies, Inc. for disposal of ash residue generated by the Authority's Mid-Connecticut Project. The contract now extends through December 2016. At the same time, the Authority extended its contract for disposal of ash residue generated at the Southeast Project through June 2015.

### 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 received the \$5.0 million in October 2010.

In June and July 2007, the Authority awarded two closure construction contracts, one to cap approximately seven acres in the Phase 1 Ash Area, and the other to cap approximately 45 acres in the Municipal Solid Waste ("MSW")/Interim Ash Area, 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 remaining 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. The closure construction activities associated with the 45 acre portion of the MSW/Interim ash area are substantially complete. In early fiscal year 2012, the Authority anticipates submitting an application to CTDEP for a modification of the existing Closure Plan to allow for the installation of an exposed membrane/solar landfill cap over the remaining 35 acres of the landfill. It is expected that closure activities associated with the remaining 35 acres will be completed by the end of calendar year 2013.

### 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 during the Summer of 2008, which was completed in November 2008. The Authority inspected the closure construction activities in summer 2009 and confirmed that the vegetative support layer of the

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

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.

In December 2000, the State Bond Commission appropriated \$200,000 for costs associated with the closure of the Waterbury Landfill. The Authority received the \$200,000 in October 2010.

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 previously 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 the new Stewardship 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 include an additional 15% contingency to the post-closure cost estimate for each landfill.

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

**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 SCRRRA. 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 4,5</b>		<b>SouthWest Division 5</b>	<b>Wallingford 6</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	\$63.00	\$60.00	\$60.00
2010	\$69/\$63	N/A	N/A	\$63.00	\$60.00	\$60.00
2011	\$69.00	N/A	N/A	\$64.16	N/A	\$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 authorized a \$6 per ton credit to the Mid-Connecticut Project tip fee.

<sup>4</sup> The Bridgeport Project charged a split rate; the first rate was for actual tons delivered and the second rate was 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.

<sup>6</sup> The Authority's operating contract with the Wallingford Project expired on June 30, 2010. The original Wallingford Project towns subsequently signed solid waste delivery agreements with the operator.

**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, 2011 the Authority had \$79.3 million of outstanding debt. Of this amount, \$8.05 million comprises debt issued for the Mid-Connecticut Project. This issue is further 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.

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

In December 2010, the Authority issued \$27.8 million of 2010 Series A Project Refunding Bonds as a conduit for the Southeast Project. This issuance refunded the Southeast Project's outstanding 1998 Series A Bonds and were additionally secured by the SCRF. Due to contractual arrangements, the 2010 Series A Bonds are not carried on the Authority's books.

The Authority previously served as conduit issuer on \$43.5 million of bonds for the Southeast Project in connection with the Covanta Southeastern Connecticut Company, which are not carried on the Authority's books.

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 and the subsequent recalibration of municipal bond ratings by the major rating agencies.

Additional information on the Authority's long-term debt can be found in Note 4 on pages 38 - 40 of this report.

**STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2011**

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	\$8,050	\$8,050
								8,050	8,050
<b>SOUTHEAST PROJECT</b>									
2010 Series A - Project Refunding <sup>2</sup>	Aa2	AA	--	X	12/02/10	11/15/15	27,750	27,750	0
<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
								71,250	0
<b>TOTAL PRINCIPAL BONDS OUTSTANDING</b>								<u>\$79,300</u>	<u>\$8,050</u>

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

<sup>2</sup> The 2010 Series A Bonds refunded the 1998 Series A Bonds originally issued in the amount of \$87,650,000 on August 18, 1998.

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.

## CONNECTICUT RESOURCES RECOVERY AUTHORITY

EXHIBIT I

## A Component Unit of the State of Connecticut

## BALANCE SHEETS

AS OF JUNE 30, 2011 AND 2010

(Dollars in Thousands)

ASSETS	2011	2010
<b>CURRENT ASSETS</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 73,499	\$ 78,462
Accounts receivable, net of allowances	17,528	22,571
Inventory	3,973	3,870
Prepaid expenses	885	1,144
Total Unrestricted Assets	<u>95,885</u>	<u>106,047</u>
Restricted Assets:		
Cash and cash equivalents	31,599	46,954
Accrued interest receivable	7	25
Total Restricted Assets	<u>31,606</u>	<u>46,979</u>
<b>TOTAL CURRENT ASSETS</b>	<u>127,491</u>	<u>153,026</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	18,252	22,434
Restricted investments	817	817
Capital Assets:		
Depreciable, net	91,400	100,480
Nondepreciable	32,143	29,041
Development and bond issuance costs, net	1,984	2,727
<b>TOTAL NON-CURRENT ASSETS</b>	<u>144,596</u>	<u>155,499</u>
<b>TOTAL ASSETS</b>	<u>\$ 272,087</u>	<u>\$ 308,525</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of:		
Bonds payable, net	\$ 3,906	\$ 4,280
Closure and post-closure care of landfills	5,389	10,243
Accounts payable	5,321	2,739
Accrued expenses and other current liabilities	15,153	16,514
<b>TOTAL CURRENT LIABILITIES</b>	<u>29,769</u>	<u>33,776</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, net	4,134	11,664
Closure and post-closure care of landfills	45,287	44,238
Other liabilities	4,398	1,004
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>53,819</u>	<u>56,906</u>
<b>TOTAL LIABILITIES</b>	<u>83,588</u>	<u>90,682</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	<u>117,634</u>	<u>120,895</u>
Restricted for:		
Revenue fund	13,134	9,003
Debt service reserve funds	3,267	4,016
Equipment replacement	1,501	1,770
Operating and maintenance	1,501	1,770
Energy generating facility	1,421	7,099
Montville landfill post-closure	1,228	1,097
Select Energy escrow	1,000	1,000
Shelton landfill future use	848	872
DEP trust - landfills	818	817
Covanta Wallingford escrow	500	500
City of Hartford recycling education fund	364	213
Other restricted net assets	153	227
Tip fee stabilization	-	14,454
Debt service funds	-	1,543
Total Restricted	<u>25,735</u>	<u>44,381</u>
Unrestricted	<u>45,130</u>	<u>52,567</u>
<b>TOTAL NET ASSETS</b>	<u>188,499</u>	<u>217,843</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 272,087</u>	<u>\$ 308,525</u>

The accompanying notes are an integral part of these financial statements

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**  
**(Dollars in Thousands)**

**EXHIBIT II**

	2011	2010
<b>Operating Revenues</b>		
Service charges:		
Members	\$ 56,889	\$ 64,393
Others	19,439	17,597
Energy sales	46,524	49,203
Other operating revenues	9,215	6,929
<b>Total Operating Revenues</b>	<b>132,067</b>	<b>138,122</b>
<b>Operating Expenses</b>		
Solid waste operations	113,219	125,407
Depreciation and amortization	18,009	17,292
Maintenance and utilities	1,237	1,365
Closure and post-closure care of landfills	214	(2,495)
Legal services - external	1,601	2,055
Operational and Environmental services	2,551	4,112
Billing, Accounting and Finance services	1,592	1,651
Education and Communications services	530	754
General and Administrative services	2,521	523
Distribution to member towns	20,656	1,639
<b>Total Operating Expenses</b>	<b>162,130</b>	<b>152,303</b>
<b>Operating Loss</b>	<b>(30,063)</b>	<b>(14,181)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	306	556
Other income (expenses), net	(1,234)	5,870
Interest expense	(686)	(1,063)
<b>Non-Operating Revenues (Expenses), Net</b>	<b>(1,614)</b>	<b>5,363</b>
<b>Loss before Special Item</b>	<b>(31,677)</b>	<b>(8,818)</b>
Special item:		
Gain on early retirement of debt, net	2,333	-
<b>Change in Net Assets</b>	<b>(29,344)</b>	<b>(8,818)</b>
<b>Total Net Assets, beginning of year</b>	<b>217,843</b>	<b>226,661</b>
<b>Total Net Assets, end of year</b>	<b>\$ 188,499</b>	<b>\$ 217,843</b>

The accompanying notes are an integral part of these financial statements

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**  
(Dollars in Thousands)

**EXHIBIT III**

	2011	2010
<b>Cash Flows Provided (Used) by Operating Activities</b>		
Payments received from providing services	\$ 137,183	\$ 141,714
Payments to suppliers for goods and services	(114,179)	(133,550)
Payments to employees for services	(4,420)	(4,532)
Distribution to member towns	(20,656)	(1,639)
Net Cash Provided (Used) by Operating Activities	(2,072)	1,993
<b>Cash Flows Provided (Used) by Investing Activities</b>		
Interest on investments	327	770
Net Cash Provided by Investing Activities	327	770
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities</b>		
Proceeds from sales of equipment	108	126
Payments for landfill closure and post-closure care liabilities	(4,019)	(6,413)
Acquisition and construction of capital assets	(12,829)	(3,225)
Interest paid on long-term debt	(677)	(987)
Principal paid on long-term debt	(5,324)	(4,143)
Net Cash Used by Capital and Related Financing Activities	(22,741)	(14,642)
<b>Cash Flows Used by Non-Capital Financing Activities</b>		
Other interest and fees	(14)	(16)
Net Cash Used by Non-Capital Financing Activities	(14)	(16)
<b>Net decrease in cash and cash equivalents</b>	(24,500)	(11,895)
<b>Cash and cash equivalents, beginning of year</b>	147,850	159,745
<b>Cash and cash equivalents, end of year</b>	\$ 123,350	\$ 147,850
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>		
Operating loss	\$ (30,063)	\$ (14,181)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:		
Depreciation of capital assets	17,577	16,829
Amortization of development and bond issuance costs	433	463
Write-off of deferred acquisition costs	-	1,566
Provision for closure and post-closure care of landfills	214	(2,495)
Other income (expenses)	(97)	5,643
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	5,043	(2,856)
Inventory	(103)	(242)
Prepaid expenses and other current assets	259	645
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	4,665	(3,379)
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ (2,072)	\$ 1,993

The accompanying notes are an integral part of these financial statements



**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**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, 2011, 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 two comprehensive solid waste disposal systems, two divisions, a General Fund, and two inactive projects. Each of the operating systems has a unique legal, contractual, financial, and operational structure described as follows:

**Mid-Connecticut Project**

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill, and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal and recycling services to 70 Connecticut municipalities through service contract arrangements. The Authority owns the Resources Recovery Facility, the transfer stations, the Ellington Landfill, and the Regional Recycling Center. The Authority leases the land for the Essex transfer station. The Authority controls the Hartford Landfill under a long-term lease with the City of Hartford. The Hartford Landfill was closed as of December 31, 2008. The Authority now ships ash to the 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.

**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 12

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

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. 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.

**Property Division**

The Property Division was created on January 1, 2009, 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, including 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 were no longer project-specific, the Authority created the Property Division to reflect their status. On July 1, 2010, the Authority transferred similar assets and liabilities associated with the Wallingford Project following the expiration of that Project on June 30, 2010. In addition, other post-closure reserves related to the Mid-Connecticut Project are anticipated to be transferred to the Property Division following the culmination of that Project on November 15, 2012.

**SouthWest Division**

The Authority provides disposal services to 12 of the former 20 Bridgeport Project towns for disposal at the Wheelabrator facility located in

Bridgeport. 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.

**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.

**Wallingford Project**

The Authority's contract with the Wallingford Project's municipalities ended on June 30, 2010. The operating contract between the Authority and the Wallingford Project also expired on June 30, 2010. The contract had a provision; whereby the Authority could exercise an option to purchase the facility under certain conditions when the contract ended. 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.

**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. The Authority executed a new five-and-a-half-year service agreement with an operator, commencing 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

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

Bridgeport Project municipalities have signed service agreements with the Authority's SouthWest Division for waste deliveries beginning on January 1, 2009.

**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.

**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 at both June 30, 2011 and 2010.

**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. During fiscal year 2011, the Authority wrote-off its coal inventory balance of \$111,000 that was identified as obsolete inventory.

Inventories at June 30, 2011 and 2010 are summarized as follows:

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

Inventories	Fiscal Year	
	2011 (\$000)	2010 (\$000)
Spare Parts	\$ 3,973	\$ 3,759
Coal	-	111
<b>Total</b>	<b>\$ 3,973</b>	<b>\$ 3,870</b>

**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, 2011 and 2010, development and bond issuance costs for the projects are as follows:

Project	Fiscal Year	
	2011 (\$000)	2010 (\$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>
Less accumulated amortization:		
Mid-Connecticut	3,277	3,277
Wallingford	5,667	5,667
Southeast	8,045	7,653
	<u>16,989</u>	<u>16,597</u>
Total development costs, net	<u>\$ 1,961</u>	<u>\$ 2,353</u>
<b>Bond Issuance Costs:</b>		
Mid-Connecticut	239	239
Southeast	-	1,008
	<u>239</u>	<u>1,247</u>
Less accumulated amortization:		
Mid-Connecticut	216	201
Southeast	-	672
	<u>216</u>	<u>873</u>
Total bond issuance costs, net	<u>\$ 23</u>	<u>\$ 374</u>
Totals, net	<u>\$ 1,984</u>	<u>\$ 2,727</u>

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

Fiscal year ending June 30,	Project	
	Mid-Connecticut (\$000)	Southeast (\$000)
<b>Bond Issuance Costs:</b>		
2012	\$ 15	\$ -
2013	8	-
	<u>\$ 23</u>	<u>\$ -</u>
<b>Development Costs:</b>		
2012	\$ -	\$ 392
2013	-	392
2014	-	392
2015	-	392
2016	-	393
	<u>\$ -</u>	<u>\$ 1,961</u>
Total	<u>\$ 23</u>	<u>\$ 1,961</u>

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

**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, 2011 and 2010, no impairment losses were recognized. Management does not believe that the value of its properties is impaired as of June 30, 2011.

**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.

During fiscal year 2010, as a result of the suspension of landfill development in the State of Connecticut, the Authority wrote-off \$1.567 million of previously deferred acquisition costs and charged these costs to operations.

There were no deferred acquisition costs at June 30, 2011 or 2010.

**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

**Connecticut Resources Recovery Authority**  
**A Component Unit of the State of Connecticut**

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 \$27.3 million and \$31.7 million as of June 30, 2011 and 2010, respectively. Unrestricted net assets at June 30, 2011 and 2010 are summarized as follows:

Unrestricted Net Assets	2011 (\$000)	2010 (\$000)
Undesignated	<u>\$ 17,846</u>	<u>\$ 20,894</u>
Designated:		
Non-GASB #18 post-closure	10,379	10,379
Future loss contingencies	10,600	7,992
Facility modifications	3,004	1,493
Rolling stock	1,031	2,784
Recycling	677	709
Post-litigation expense	511	585
Post-project	393	795
Project-closure	305	821
Landfill development	296	3,113
South Meadows site remediation	88	88
Future use	-	1,532
Debt service stabilization	-	812
Deferred municipal credit	-	570
	<u>27,284</u>	<u>31,673</u>
Total Unrestricted Net Assets	<u>\$ 45,130</u>	<u>\$ 52,567</u>

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 \$25.7 million and \$44.4 million as of June 30, 2011 and 2010, respectively.

As of June 30, 2011 and 2010, the Authority has no restricted net assets that are restricted by enabling legislation.

**O. Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to conform to the current year presentation.

**2. CASH DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following as of June 30, 2011 and 2010:

Cash and Cash Equivalents	2011 (\$000)	2010 (\$000)
Unrestricted:		
Cash deposits	\$ 1,218	\$ 1,640
Cash equivalents:		
STIF *	<u>72,281</u>	<u>76,822</u>
	<u>73,499</u>	<u>78,462</u>
Restricted – current:		
Cash deposits	1,511	968
Cash equivalents:		
STIF *	29,588	42,384
U.S. Treasuries	500	3,601
Money Market Funds	-	1
	<u>31,599</u>	<u>46,954</u>
Restricted – non-current:		
Cash equivalents:		
STIF *	10,894	16,761
U.S. Treasuries	<u>7,358</u>	<u>5,673</u>
	<u>18,252</u>	<u>22,434</u>
Total	<u>\$123,350</u>	<u>\$147,850</u>

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

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

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

As of June 30, 2011 and 2010, approximately \$5.2 million and \$5.4 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

Custodial Credit Risks	2011	2010
	(\$000)	(\$000)
Uninsured and Uncollateralized	\$4,423	\$4,614
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	802	796
<b>Total</b>	<b>\$5,225</b>	<b>\$5,410</b>

Investment Type	Fair Value (\$000)	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
STIF	\$112,763	\$112,763	\$ -	\$ -	\$ -
U.S. Treasuries	8,675	8,675	-	-	-
<b>Total</b>	<b>\$121,438</b>	<b>\$121,438</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

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.

Investment Type	Fair Value (\$000)	Investment Maturities (In Years)			
		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>

Investments in the Short-Term Investment Fund ("STIF"), U.S. Treasuries, and Money Market Funds as of June 30, 2011 and 2010 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.

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, 2011 and 2010, STIF had a weighted average maturity of 31 days and 19 days, respectively. The U.S. Treasury Securities are U.S. Treasury Bills that had 90 day maturities as of both June 30, 2011 and 2010. 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

**B. Investments**

**Interest Rate Risk**

As of June 30, 2011, the Authority's investments consisted of the following debt securities:

**Connecticut Resources Recovery Authority**  
**A Component Unit of the State of Connecticut**

90 days or less. As of June 30, 2010, the weighted average maturity of this fund was 38 days.

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, 2011, the Authority's investments were rated as follows:

Security	Fair Value (\$000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	\$112,763	AAAm	Not Rated	Not Rated
U.S. Treasuries	\$ 8,675	AAA	Aaa	AAA

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	\$135,967	AAAm	Not Rated	Not Rated
U.S. Treasuries	\$ 10,091	AAA	Aaa	AAA
Money Market Funds	\$ 1	AAAm	Aaa	AAAmf

**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, 2011 and 2010, approximately 92.9% and 93.1%, 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.



**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

**3. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended June 30, 2010 and 2011:

	Balance at June 30, 2009 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2010 (\$000)	Additions (\$000)	Transfers (\$000)	Sales and Disposals (\$000)	Balance at June 30, 2011 (\$000)
<b>Depreciable assets:</b>									
Plant	\$ 180,789	\$ 166	\$ 4,931	\$ (33)	\$ 185,853	654	\$ 3,134	\$ (625)	\$ 189,016
Equipment	215,197	1,214	5,537	(3,114)	218,834	1,574	4,408	(1,894)	222,921
Total at cost	<u>395,986</u>	<u>1,380</u>	<u>10,469</u>	<u>(3,147)</u>	<u>404,687</u>	<u>2,228</u>	<u>7,541</u>	<u>(2,519)</u>	<u>411,937</u>
<b>Less accumulated depreciation for:</b>									
Plant	(136,872)	(5,822)	-	30	(142,664)	(6,379)	\$ -	\$ 186	(148,858)
Equipment	(153,631)	(11,006)	-	3,094	(161,543)	(11,198)	\$ -	\$ 1,062	(171,679)
Total accumulated depreciation	<u>(290,503)</u>	<u>(16,828)</u>	<u>-</u>	<u>3,124</u>	<u>(304,207)</u>	<u>(17,577)</u>	<u>-</u>	<u>1,248</u>	<u>(320,537)</u>
Total depreciable assets, net	<u>\$ 105,483</u>	<u>\$ (15,448)</u>	<u>\$ 10,469</u>	<u>\$ (23)</u>	<u>\$ 100,480</u>	<u>\$ (15,349)</u>	<u>\$ 7,541</u>	<u>\$ (1,271)</u>	<u>\$ 91,400</u>
<b>Nondepreciable assets:</b>									
Land	\$ 28,180	\$ -	\$ -	\$ -	\$ 28,180	\$ -	\$ -	\$ -	\$ 28,180
Construction-in-progress	9,330	2,000	(10,469)	-	861	10,643	(7,541)	\$ -	3,963
Deferred acquisition costs	1,566	-	-	(1,566)	-	-	-	\$ -	-
Total nondepreciable assets	<u>\$ 39,076</u>	<u>\$ 2,000</u>	<u>\$ (10,469)</u>	<u>\$ (1,566)</u>	<u>\$ 29,041</u>	<u>\$ 10,643</u>	<u>\$ (7,541)</u>	<u>\$ -</u>	<u>\$ 32,143</u>
Total depreciable and nondepreciable assets	<u>\$ 144,559</u>	<u>\$ (13,448)</u>	<u>\$ -</u>	<u>\$ (1,589)</u>	<u>\$ 129,521</u>	<u>\$ (4,706)</u>	<u>\$ -</u>	<u>\$ (1,271)</u>	<u>\$ 123,543</u>

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 years 2011 and 2010, 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, 2010 and 2011:

	Balance at July 1, 2009 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2010 (\$000)	Increases (\$000)	Decreases (\$000)	Balance at June 30, 2011 (\$000)	Amounts Due Within One Year (\$000)
Bonds Payable								
Bonds payable - principal	\$ 20,343	\$ -	\$ (4,143)	\$ 16,200	\$ -	\$ (8,150)	\$ 8,050	\$ 3,915
Unamortized amounts:								
Premiums	254	-	(66)	188	-	(188)	-	-
Deferred amount on refunding	(614)	-	170	(444)	-	433	(11)	(9)
Total bonds payable	<u>\$ 19,983</u>	<u>\$ -</u>	<u>\$ (4,039)</u>	<u>\$ 15,944</u>	<u>\$ -</u>	<u>\$ (7,905)</u>	<u>\$ 8,039</u>	<u>\$ 3,906</u>

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

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, 2011 and 2010 as follows:

Project	2011 (\$000)	2010 (\$000)
Deferred amount on refunding:		
Mid-Connecticut	\$ 11	\$ 26
Southeast	-	418
Subtotal	<u>11</u>	<u>444</u>
Reduced by unamortized premium:		
Southeast	-	(188)
Subtotal	<u>-</u>	<u>(188)</u>
Net Reduction	<u>\$ 11</u>	<u>\$ 256</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, 2011 and 2010, which are backed by special capital reserve funds, are as follows:

Project	2011 (\$000)	2010 (\$000)
Mid-Connecticut	\$ 8,050	\$ 11,765
Southeast	-	4,435
Total	<u>\$ 8,050</u>	<u>\$ 16,200</u>

These special capital reserve funds are presented as net assets, restricted for debt service reserve funds on the Authority's balance sheet. The Southeast Project only reflects the portion recorded on the Authority's books as further described under "Early Retirement of Debt".

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

Fiscal year ending June 30,	Mid-Connecticut	
	Principal (\$000)	Interest (\$000)
2012	3,915	335
2013	<u>4,135</u>	<u>114</u>
	<u>\$ 8,050</u>	<u>\$ 449</u>
Interest Rate	5.50%	

**Early Retirement of Debt**

The Authority has served as the conduit issuer on behalf of the Southeastern Connecticut Regional Resources Recovery Authority ("SCRRA") for all of its solid waste disposal facility bonds. SCRRA has a beneficial ownership arrangement with its facility operator Covanta Southeastern Connecticut Company ("Covanta") in which debt service obligations are shared. On December 15, 2010, the Authority issued Resource Recovery Revenue Refunding Bonds (Covanta Southeastern Connecticut Company Project - 2010 Series A) (the "2010 Series A Bonds") in the principal amount of \$27.750 million, which refunded the Authority's Resource Recovery Revenue Bonds (American REF-FUEL Company of Southeastern Connecticut Project - 1998 Series A) (the "1998 Series A Bonds"). Substantially all of the net proceeds of the 2010 Series A Bonds, together with other monies of SCRRA, were used to refund \$34.010 million of the outstanding 1998 Series A Bonds. The sale of the 2010 Series A Bonds generated savings totaling \$7,971,230 over the life of the issue.

Under an agreement between the Authority and Covanta, 11.129% of the 1998 Series A Bonds were carried on the books of the Authority as they reimbursed both the Authority and SCRRA for certain development costs in connection with the original construction of the solid waste disposal facility. With the issuance of the 2010 Series A Bonds, both the Authority and Covanta agreed that the amount carried on

**Connecticut Resources Recovery Authority**  
**A Component Unit of the State of Connecticut**

the books of the Authority be reduced from 11.129% to zero.

No other bonds were issued by the Authority during the fiscal year ended June 30, 2011.

As a result of the refunding, the Authority recognized \$2.3 million in the accompanying statement of revenues, expenses and changes in net assets. The amount is attributable to the repayment of the 1998 Series A Bonds outstanding principal as of December 15, 2010 and the write-off of unamortized amounts such as bond issuance costs, premium on sale of bonds, and other deferred amounts as a result of the Southeast Project refunding. The following table presents the calculation for gain on early retirement of debt, net:

	CRRA's Portion (\$000)
Funds provided for refunding:	
Transfer from:	
Debt Service Interest Account	\$ 16
Debt Service Principal account	57
Special Capital Reserve Fund	886
	959
Accrued interest	(16)
	\$ 943
Net carrying amounts:	
Principal	\$ 3,785
Unamortized premium on sale of bonds	161
Bonds issuance costs	(1,009)
Accum. amortization - bonds issuance costs	698
Deferred amount on 1998A refunding	(360)
	\$ 3,275
Gain	\$ 2,333

**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 that 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 2010 and 2011 for the landfills, are presented in the following table:

**Connecticut Resources Recovery Authority**  
**A Component Unit of the State of Connecticut**

Project/Landfill	Liability at July 1, 2009			Liability at June 30, 2010			Liability at June 30, 2011		
	Expense (\$000)	Paid (\$000)	Amounts Due Within One Year (\$000)	Expense (\$000)	Paid (\$000)	Amounts Due Within One Year (\$000)	Expense (\$000)	Paid (\$000)	Amounts Due Within One Year (\$000)
Mid-Connecticut:									
Hartford	\$ 38,113	\$ (593)	\$ (5,725)	\$ 31,795	\$ 853	\$ (3,242)	\$ 29,406	\$ 3,480	\$ 234
Ellington	4,216	(90)	(141)	3,985	(107)	(140)	3,738		
Property Division:									
Shelton	13,302	(1,156)	(382)	11,764	(170)	(456)	11,138	896	
Waterbury	1,007	3	(32)	978	31	(28)	981	63	
Wallingford	6,751	(659)	(133)	5,959	(393)	(153)	5,413	716	
Total	<u>\$ 63,389</u>	<u>\$ (2,495)</u>	<u>\$ (6,413)</u>	<u>\$ 54,481</u>	<u>\$ 214</u>	<u>\$ (4,019)</u>	<u>\$ 50,676</u>	<u>\$ 5,389</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 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.

On May 26, 2010 and June 28, 2011, the Authority established Post-Closure Trust Funds with its trustee in the amount of \$5,671,800 and \$1,680,400 as financial assurance mechanisms for the Shelton Landfill and the Wallingford Landfill, respectively. These trust funds are reflected as restricted cash and cash equivalents in the accompanying balance sheet.

## 6. MAJOR CUSTOMERS

Energy sales to Northeast Utilities and Constellation totaled 21.44% and 13.79%, respectively, of the Authority's operating revenues for the fiscal year ended June 30, 2011. Energy sales to Northeast Utilities and Constellation totaled 21.60% and 13.94%, respectively, of the Authority's operating revenues for the fiscal year ended June 30, 2010.

Service charge revenues from All Waste, Inc. totaled 7.00% of the Authority's operating revenues for each of the fiscal years ended June 30, 2011 and 2010.

## 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, 2011 and 2010 amounted to \$415,000 and \$417,000, respectively. Employees contributed \$411,000 to the plan in fiscal year 2011 and \$414,000 in fiscal year 2010.

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

**Connecticut Resources Recovery Authority**  
**A Component Unit of the State of Connecticut**

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 post-employment benefit plans as of June 30, 2010 and 2011.

**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, 2011 through July 1, 2012 and July 1, 2010 through July 1, 2011 was \$74,000 and \$71,000, respectively.

**9. COMMITMENTS**

The Authority has various operating leases for office space and office equipment, which totaled \$363,000 and \$439,000 for fiscal years 2011 and 2010, respectively. The lease for the office space expires on December 31, 2012, and provides for two three-year extensions through December 31, 2018.

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, 2011 and 2010, the PILOT payments, which are included in the solid waste operations in the accompanying statements of revenues, expenses and changes in net assets, totaled \$ 5,121,000 and \$ 6,435,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2011 are as follows:

Fiscal Year	Lease Amount (\$000)	PILOT Amount (\$000)
2012	362	5,324
2013	6	2,639
2014	6	885
2015	-	926
2016	-	970
Thereafter	-	1,015
Total	<u>\$ 374</u>	<u>\$ 11,759</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, 2011 and 2010 was as follows:

**Connecticut Resources Recovery Authority**  
**A Component Unit of the State of Connecticut**

Project	2011 (\$000)	2010 (\$000)	Project	Amount (\$000)
Mid-Connecticut	\$ 65,975	\$ 62,824	Southeast -	
Property	2,238	1,686	1992 Series A - Corp. Credit	\$ 30,000
SouthWest	13,830	14,165	2001 Series A - Covanta	
Wallingford	95	9,587	Southeastern Connecticut	
Southeast	20,521	20,809	Company - I	6,750
Total	\$ 102,659	\$ 109,071	2001 Series A - Covanta	
			Southeastern Connecticut	
			Company - II	6,750
			2010 Series A - Project Refunding	27,750
			Total	\$ 71,250

As of June 30, 2011, the Authority has executed construction contracts totaling approximately \$2.0 million for construction of a new jet fuel storage tank at the Jet Turbine Facility. There were no construction contracts executed during fiscal year 2010. As of June 30, 2011 and 2010, remaining commitments on executed construction contracts totaling approximately \$303,000 and \$1.9 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. In the event of default, and except in cases where the State has a contingent liability, 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, 2011 are as follows:

**11. SEGMENT INFORMATION**

The Authority has two projects that operate resources recovery and recycling facilities and landfills throughout the State, two divisions, and two inactive projects, 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, 2011 and 2010, respectively.

**Connecticut Resources Recovery Authority**  
**A Component Unit of the State of Connecticut**

Fiscal Year 2011	Mid-Connecticut Project (\$000)	Bridgeport (1) Project (\$000)	Property Division (\$000)	SouthWest Division (\$000)	Wallingford (2) Project (\$000)	Southeast Project (\$000)
<b>Condensed Balance Sheets</b>						
<b>Assets:</b>						
Current unrestricted assets	\$ 64,453	\$ 393	\$ 15,018	\$ 2,716	\$ 1,043	\$ 10,886
Current restricted assets	27,389	-	1,404	-	-	2,813
Total current assets	<u>91,842</u>	<u>393</u>	<u>16,422</u>	<u>2,716</u>	<u>1,043</u>	<u>13,699</u>
<b>Non-current assets:</b>						
Restricted cash and cash equivalents	10,894	-	7,358	-	-	-
Restricted investments	490	-	327	-	-	-
Capital assets, net	106,339	-	16,766	-	-	-
Other assets, net	23	-	-	-	-	1,961
Total non-current assets	<u>117,746</u>	<u>-</u>	<u>24,451</u>	<u>-</u>	<u>-</u>	<u>1,961</u>
Total assets	<u>\$ 209,588</u>	<u>\$ 393</u>	<u>\$ 40,873</u>	<u>\$ 2,716</u>	<u>\$ 1,043</u>	<u>\$ 15,660</u>
<b>Liabilities:</b>						
Current liabilities	\$ 19,906	\$ -	\$ 2,202	\$ 2,589	\$ 75	\$ 4,207
Long-term liabilities	37,063	-	15,858	-	-	898
Total liabilities	<u>56,969</u>	<u>-</u>	<u>18,060</u>	<u>2,589</u>	<u>75</u>	<u>5,105</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	100,430	-	16,766	-	-	-
Restricted	22,779	-	1,728	-	-	1,228
Unrestricted	29,410	393	4,319	127	968	9,327
Total net assets	<u>152,619</u>	<u>393</u>	<u>22,813</u>	<u>127</u>	<u>968</u>	<u>10,555</u>
Total liabilities and net assets	<u>\$ 209,588</u>	<u>\$ 393</u>	<u>\$ 40,873</u>	<u>\$ 2,716</u>	<u>\$ 1,043</u>	<u>\$ 15,660</u>
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets</b>						
Operating revenues	\$ 89,411	\$ -	\$ 3,342	\$ 14,361	\$ -	\$ 25,453
Operating expenses	83,388	1,317	2,399	14,390	19,749	23,378
Depreciation and amortization expense	17,101	-	299	-	-	418
Operating (loss) income	<u>(11,078)</u>	<u>(1,317)</u>	<u>644</u>	<u>(29)</u>	<u>(19,749)</u>	<u>1,657</u>
<b>Non-operating revenues (expenses):</b>						
Investment income	214	2	47	2	22	18
Other income (expenses), net	(1,004)	-	(32)	-	(166)	(179)
Interest expense	(533)	-	-	-	-	(153)
Net non-operating revenues (expense)	<u>(1,323)</u>	<u>2</u>	<u>15</u>	<u>2</u>	<u>(144)</u>	<u>(314)</u>
Income (loss) before special item and transfers	<u>(12,401)</u>	<u>(1,315)</u>	<u>659</u>	<u>(27)</u>	<u>(19,893)</u>	<u>1,343</u>
Special Item: Gain on early retirement of debt, net	-	-	-	-	-	2,333
Transfers in (out)	-	26	4,194	-	(4,220)	-
Change in net assets	<u>(12,401)</u>	<u>(1,289)</u>	<u>4,853</u>	<u>(27)</u>	<u>(24,113)</u>	<u>3,676</u>
Total net assets, July 1, 2010	<u>165,020</u>	<u>1,682</u>	<u>17,960</u>	<u>154</u>	<u>25,081</u>	<u>6,879</u>
Total net assets, June 30, 2011	<u>\$ 152,619</u>	<u>\$ 393</u>	<u>\$ 22,813</u>	<u>\$ 127</u>	<u>\$ 968</u>	<u>\$ 10,555</u>
<b>Condensed Statements of Cash Flows</b>						
<b>Net cash provided (used) by:</b>						
Operating activities	\$ 14,450	\$ (1,348)	\$ 707	\$ 1,372	\$ (20,055)	\$ 2,743
Investing activities	220	2	47	1	22	34
Capital and related financing activities	(20,348)	-	(650)	-	-	(1,743)
Non-capital financing activities	(5)	200	7,840	-	(8,046)	-
Net (decrease) increase	<u>(5,683)</u>	<u>(1,146)</u>	<u>7,944</u>	<u>1,373</u>	<u>(28,079)</u>	<u>1,034</u>
Cash and cash equivalents, July 1, 2010	<u>94,473</u>	<u>1,539</u>	<u>15,605</u>	<u>80</u>	<u>29,122</u>	<u>5,679</u>
Cash and cash equivalents, June 30, 2011	<u>\$ 88,790</u>	<u>\$ 393</u>	<u>\$ 23,549</u>	<u>\$ 1,453</u>	<u>\$ 1,043</u>	<u>\$ 6,713</u>

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

(2) Contracts with the Wallingford Project's municipalities and operator ended on June 30, 2010.

**Connecticut Resources Recovery Authority**  
**A Component Unit of the State of Connecticut**

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>						
<b>Assets:</b>						
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>
<b>Non-current assets:</b>						
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>
<b>Liabilities:</b>						
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>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	103,090	-	15,072	-	2,145	-
Restricted	26,899	174	872	-	15,107	1,329
Unrestricted	35,031	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>
<b>Non-operating revenues (expenses):</b>						
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	<u>174,195</u>	<u>4,933</u>	<u>14,673</u>	<u>151</u>	<u>25,966</u>	<u>5,739</u>
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>						
<b>Net cash provided (used) by:</b>						
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	<u>102,194</u>	<u>5,299</u>	<u>13,703</u>	<u>25</u>	<u>30,171</u>	<u>7,019</u>
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**  
A Component Unit of the State of Connecticut

---

**12. SIGNIFICANT EVENTS**

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 \$39.6 million; MDC also has included certain amounts related to this matter in its monthly invoices for services. The Authority has denied such alleged responsibility and disputed such invoiced amounts. 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 appealed that ruling. On July 12, 2011, the Connecticut Appellate Court ruled that the Superior Court must hold a hearing on CRRA's claim that the MDC party-appointed arbitrator should be disqualified. A status conference is scheduled for September 22, 2011. 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 indemnification of the Authority. The Authority is defending against this action, and has counterclaimed, alleging bad faith and seeking recovery of its attorneys' fees. Discovery is officially over, but the Authority has a motion to compel the production of additional documents from AISLIC pending. AISLIC filed motions for summary judgment in June 2011. The deadline for CRRA to file a motion for summary judgment is October 9, 2011. 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 May 2010, the Authority issued a Request for Bids and Proposals for the operation and maintenance of the Mid-Connecticut Resource Recovery Facility, seeking a single company to assume operation and maintenance of the facility upon the approaching expiration of the current contracts. On November 30, 2010, MDC, one of the participants in the Authority's procurement initiative, filed a lawsuit against the Authority, seeking damages, a declaration that the contract awarded to NAES Corporation ("NAES") was void, and an order that the Authority begin its procurement anew. On August 18, 2011, the court issued its decision,

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

finding in favor of the Authority on all of the MDC's claims. MDC did not file an appeal.

**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.

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

The MDC has included in several monthly invoices to the Authority a claim for reimbursement of certain MDC legal and consulting fees. The Authority has disputed these charges on the grounds that they are not related to the MDC's obligation to operate, maintain, and repair the Waste Processing Facility ("WPF") during the term of the Authority-MDC Agreement.

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

**14. SUBSEQUENT EVENTS**

**New Municipal Service Agreement**

On November 15, 2012, the municipal solid waste contracts with the current 70 member towns of the Mid-Connecticut Project will terminate. In preparation for this event, management held numerous meetings and events with the member towns throughout the past fiscal year to discuss the future of their solid waste management plans. In coordination with town feedback, the Authority developed

five different new Municipal Service Agreements ("New MSA") for municipalities to select based on the level of service that best fits their solid waste management needs. The New MSAs vary from short-term (three years) to long-term (15 years) durations, with varying tonnage commitments and pricing mechanisms. The current 70 member towns have until October 2011 to inform the Authority of their renewal intentions by submitting a signed New MSA, after which the Authority will begin marketing solid waste capacity to other generators. It is anticipated that not all of the current 70 member towns will select a New MSA. Likewise, there may be opportunities for other Connecticut municipalities to sign a New MSA.

**Transition**

The Operations and Management Agreements ("O & M Agreements") to operate the Mid-Connecticut's Waste to Energy Facility expire on December 30, 2011 for the WPF and May 30, 2012 for the Power Block Facility (the "PBF") and the Energy Generation Facility (the "EGF"). The Authority completed an extensive competitive procurement process to establish a single new O & M Agreement for the entire Connecticut Solid Waste Facility (the "CSWF"). On December 16, 2010, the Authority's Board of Directors passed a resolution to award NAES the O & M Agreement to operate the WPF, PBF and EGF. As part of the new Agreement, NAES will complete the necessary activities to transition the CSWF from three Agreements with two contractors to one Agreement. This process includes retaining a work force, establishing accounting and control systems, and developing operating guidelines, protocols, and manuals. The Authority has budgeted and reserved specific funds for these activities. On July 1, 2011, the Authority gave NAES the notice to proceed with transition activities for the new O & M Agreement.

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

**15. NEW ACCOUNTING  
PRONOUNCEMENTS ISSUED AND  
NOT YET ADOPTED**

During December 2010, Statement No. 62 of the Governmental Accounting Standards Board (GASB), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued but not yet adopted by the Authority. The objective of the Statement is to incorporate into the GASB'S authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

This Statement is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The Authority has not yet adopted this Statement.

CONNECTICUT RESOURCES RECOVERY AUTHORITY  
A Component Unit of the State of Connecticut  
COMBINING SCHEDULE OF BALANCE SHEETS  
AS OF JUNE 30, 2011  
(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	\$ 1,409	\$ 50,513	\$ 393	\$ 14,787	\$ 1,453	\$ 1,043	\$ 3,901	\$ -	\$ 73,499
Accounts receivable, net of allowances	22	9,139	-	119	1,263	-	6,985	-	17,528
Inventory	-	3,973	-	-	-	-	-	-	3,973
Prepaid expenses	26	747	-	112	-	-	-	-	885
Due from other funds	-	81	-	-	-	-	-	(81)	-
Total Unrestricted Assets	1,457	64,453	393	15,018	2,716	1,043	10,886	(81)	95,885
Restricted Assets:									
Cash and cash equivalents	-	27,383	-	1,404	-	-	2,812	-	31,599
Accrued interest receivable	-	6	-	-	-	-	1	-	7
Total Restricted Assets	-	27,389	-	1,404	-	-	2,813	-	31,606
<b>TOTAL CURRENT ASSETS</b>	1,457	91,842	393	16,422	2,716	1,043	13,699	(81)	127,491
<b>NON-CURRENT ASSETS</b>									
Restricted cash and cash equivalents	-	10,894	-	7,358	-	-	-	-	18,252
Restricted investments	-	490	-	327	-	-	-	-	817
Capital Assets:									
Depreciable:									
Plant	864	172,695	616	14,841	-	-	-	-	189,016
Equipment	1,264	219,296	-	2,362	-	-	-	-	222,922
	2,128	391,991	616	17,203	-	-	-	-	411,938
Less: Accumulated depreciation	(1,690)	(301,515)	(616)	(16,717)	-	-	-	-	(320,538)
Total Depreciable, net	438	90,476	-	486	-	-	-	-	91,400
Nondepreciable:									
Land	-	11,900	-	16,280	-	-	-	-	28,180
Construction in progress	-	3,963	-	-	-	-	-	-	3,963
Total Nondepreciable	-	15,863	-	16,280	-	-	-	-	32,143
Development and bond issuance costs, net	-	23	-	-	-	-	1,961	-	1,984
Total NON-CURRENT ASSETS	438	117,746	-	24,451	-	-	1,961	-	144,596
<b>TOTAL ASSETS</b>	\$ 1,895	\$ 209,588	\$ 393	\$ 40,873	\$ 2,716	\$ 1,043	\$ 15,660	\$ (81)	\$ 272,087

CONNECTICUT RESOURCES RECOVERY AUTHORITY  
A Component Unit of the State of Connecticut  
COMBINING SCHEDULE OF BALANCE SHEETS (Continued)  
AS OF JUNE 30, 2011  
(Dollars in Thousands)

	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	\$ -	\$ 3,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,906
Closure and post-closure care of landfills	-	3,714	-	1,675	-	-	-	-	5,389
Accounts payable	54	3,894	-	70	1,273	-	30	-	5,321
Accrued expenses and other current liabilities	736	8,392	-	457	1,316	75	4,177	-	15,153
Due to other funds	81	-	-	-	-	-	-	(81)	-
<b>TOTAL CURRENT LIABILITIES</b>	871	19,906	-	2,202	2,589	75	4,207	(81)	29,769
<b>LONG-TERM LIABILITIES</b>									
Bonds payable, net	-	4,134	-	-	-	-	-	-	4,134
Closure and post-closure care of landfills	-	29,429	-	15,858	-	-	-	-	45,287
Other liabilities	-	3,500	-	-	-	-	898	-	4,398
<b>TOTAL LONG-TERM LIABILITIES</b>	-	37,063	-	15,858	-	-	898	-	53,819
<b>TOTAL LIABILITIES</b>	871	56,969	-	18,060	2,589	75	5,105	(81)	83,588
<b>NET ASSETS</b>									
Invested in capital assets, net of related debt	438	100,430	-	16,766	-	-	-	-	117,634
Restricted for:									
Revenue fund	-	13,134	-	-	-	-	-	-	13,134
Debt service reserve funds	-	3,267	-	-	-	-	-	-	3,267
Equipment replacement	-	1,501	-	-	-	-	-	-	1,501
Operating and maintenance	-	1,501	-	-	-	-	-	-	1,501
Energy generating facility	-	1,421	-	-	-	-	-	-	1,421
Montville landfill post-closure	-	-	-	-	-	-	1,228	-	1,228
Select Energy escrow	-	1,000	-	-	-	-	-	-	1,000
Shelton landfill future use	-	-	-	848	-	-	-	-	848
DEP trust - landfills	-	491	-	327	-	-	-	-	818
Covanta Wallingford escrow	-	-	-	500	-	-	-	-	500
City of Hartford recycling education fund	-	364	-	-	-	-	-	-	364
Other restricted net assets	-	100	-	53	-	-	-	-	153
Total Restricted	-	22,779	-	1,728	-	-	1,228	-	25,735
Unrestricted	586	29,410	393	4,319	127	968	9,327	-	45,130
<b>TOTAL NET ASSETS</b>	1,024	152,619	393	22,813	127	968	10,555	-	188,499
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,895	\$ 209,588	\$ 393	\$ 40,873	\$ 2,716	\$ 1,043	\$ 15,660	\$ (81)	\$ 272,087

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(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	\$ -	\$ 34,004	\$ -	\$ 468	\$ 14,361	\$ -	\$ 8,056	\$ -	\$ 56,889
Others	-	19,843	-	-	-	-	96	(500)	19,439
Energy sales	-	29,223	-	-	-	-	17,301	-	46,524
Other operating revenues	-	6,341	-	2,874	-	-	-	-	9,215
<b>Total Operating Revenues</b>	-	<u>89,411</u>	-	<u>3,342</u>	<u>14,361</u>	-	<u>25,453</u>	<u>(500)</u>	<u>132,067</u>
<b>Operating Expenses</b>									
Solid waste operations	-	74,162	51	2,368	13,850	147	23,141	(500)	113,219
Depreciation and amortization	191	17,101	-	299	-	-	418	-	18,009
Maintenance and utilities	-	1,103	-	134	-	-	-	-	1,237
Closure and post-closure care of landfills	-	746	-	(532)	-	-	-	-	214
Legal services - external	-	1,503	8	6	4	76	4	-	1,601
Operational and Environmental services	-	2,236	-	85	139	34	57	-	2,551
Billing, Accounting and Finance services	-	1,154	16	92	199	35	96	-	1,592
Education and Communications services	-	418	-	78	20	4	10	-	530
General and Administrative services	-	2,066	6	168	178	33	70	-	2,521
Distribution to member towns	-	-	1,236	-	-	19,420	-	-	20,656
<b>Total Operating Expenses</b>	191	<u>100,489</u>	<u>1,317</u>	<u>2,698</u>	<u>14,390</u>	<u>19,749</u>	<u>23,796</u>	<u>(500)</u>	<u>162,130</u>
<b>Operating (Loss) Income</b>	(191)	(11,078)	(1,317)	644	(29)	(19,749)	1,657	-	(30,063)
<b>Non-Operating Revenues (Expenses)</b>									
Investment income	1	214	2	47	2	22	18	-	306
Other income (expenses)	147	(1,004)	-	(32)	-	(166)	(179)	-	(1,234)
Interest expense	-	(533)	-	-	-	-	(153)	-	(686)
<b>Non-Operating Revenues (Expenses), Net</b>	148	<u>(1,323)</u>	<u>2</u>	<u>15</u>	<u>2</u>	<u>(144)</u>	<u>(314)</u>	-	<u>(1,614)</u>
<b>Income (Loss) before Special Item and Transfers</b>	(43)	(12,401)	(1,315)	659	(27)	(19,893)	1,343	-	(31,677)
Special item:									
Gain on early retirement of debt, net	-	-	-	-	-	-	2,333	-	2,333
Transfers in (out)	-	-	26	4,194	-	(4,220)	-	-	-
<b>Change in Net Assets</b>	(43)	<u>(12,401)</u>	<u>(1,289)</u>	<u>4,853</u>	<u>(27)</u>	<u>(24,113)</u>	<u>3,676</u>	-	<u>(29,344)</u>
<b>Total Net Assets, beginning of year</b>	1,067	165,020	1,682	17,960	154	25,081	6,879	-	217,843
<b>Total Net Assets, end of year</b>	\$ 1,024	<u>\$ 152,619</u>	<u>\$ 393</u>	<u>\$ 22,813</u>	<u>\$ 127</u>	<u>\$ 968</u>	<u>\$ 10,555</u>	<u>\$ -</u>	<u>\$ 188,499</u>

CONNECTICUT RESOURCES RECOVERY AUTHORITY  
A Component Unit of the State of Connecticut  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011  
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	South West Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>Cash Flows Provided (Used) by Operating Activities</b>									
Payments received from providing services	\$ 166	\$ 93,423	\$ -	\$ 3,504	\$ 14,553	\$ 643	\$ 25,394	\$ (500)	\$ 137,183
Payments received from other funds	-	107	-	-	-	-	-	(107)	-
Payments to suppliers for goods and services	-	(75,529)	(90)	(2,516)	(12,839)	(1,172)	(22,533)	500	(114,179)
Payments to employees for services	-	(3,551)	(22)	(281)	(342)	(106)	(118)	-	(4,420)
Distribution to member towns	-	-	(1,236)	-	-	(19,420)	-	-	(20,656)
Payments to other funds	(107)	-	-	-	-	-	-	107	-
Net Cash Provided (Used) by Operating Activities	59	14,450	(1,348)	707	1,372	(20,055)	2,743	-	(2,072)
<b>Cash Flows Provided (Used) by Investing Activities</b>									
Interest on investments	1	220	2	47	1	22	34	-	327
Net Cash Provided by Investing Activities	1	220	2	47	1	22	34	-	327
<b>Cash Flows Provided (Used) by Capital and Related Financing Activities</b>									
Proceeds from sales of equipment	-	108	-	-	-	-	-	-	108
Payments for landfill closure and post-closure care liabilities	-	(3,383)	-	(636)	-	-	-	-	(4,019)
Acquisition and construction of capital assets	-	(12,815)	-	(14)	-	-	-	-	(12,829)
Interest paid on long-term debt	-	(543)	-	-	-	-	(134)	-	(677)
Principal paid on long-term debt	-	(3,715)	-	-	-	-	(1,609)	-	(5,324)
Net Cash Used by Capital and Related Financing Activities	-	(20,348)	-	(650)	-	-	(1,743)	-	(22,741)
<b>Cash Flows Used by Non-Capital Financing Activities</b>									
Other interest and fees	(3)	(5)	-	(6)	-	-	-	-	(14)
Cash inflow / (outflow)	-	-	200	7,846	-	(8,046)	-	-	-
Net Cash Used by Non-Capital Financing Activities	(3)	(5)	200	7,840	-	(8,046)	-	-	(14)
<b>Net decrease in cash and cash equivalents</b>	\$ 57	\$ (5,683)	\$ (1,146)	\$ 7,944	\$ 1,373	\$ (28,079)	\$ 1,034	\$ -	\$ (24,500)
<b>Cash and cash equivalents, beginning of year</b>	1,352	94,473	1,539	15,605	80	29,122	5,679	-	147,850
<b>Cash and cash equivalents, end of year</b>	\$ 1,409	\$ 88,790	\$ 393	\$ 23,549	\$ 1,453	\$ 1,043	\$ 6,713	\$ -	\$ 123,350

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**COMBINING SCHEDULE OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Bridgeport Project	Property Division	SouthWest Division	Wallingford Project	Southeast Project	Eliminations	Total
<b>Reconciliation of Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:</b>									
Operating (loss) income	\$ (191)	\$ (11,078)	\$ (1,317)	\$ 644	\$ (29)	\$ (19,749)	\$ 1,657	\$ -	\$ (30,963)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:									
Depreciation of capital assets	191	17,087	-	299	-	-	-	-	17,577
Amortization of development and bond issuance costs	-	15	-	-	-	-	418	-	433
Provision for closure and post-closure care of landfills	-	746	-	(532)	-	-	-	-	214
Other income (expenses)	108	-	-	(26)	-	-	(179)	-	(97)
Changes in assets and liabilities:									
(Increase) decrease in:									
Accounts receivable, net	-	3,949	-	130	192	831	(59)	-	5,043
Inventory	-	(103)	-	-	-	-	-	-	(103)
Prepaid expenses and other current assets	1	239	20	(50)	-	49	-	-	259
Due from other funds	-	107	-	-	-	-	-	(107)	-
Increase (decrease) in:									
Accounts payable, accrued expenses and other liabilities	57	3,488	(51)	242	1,209	(1,186)	906	-	4,665
Due to other funds	(107)	-	-	-	-	-	-	107	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 59</b>	<b>\$ 14,450</b>	<b>\$ (1,348)</b>	<b>\$ 707</b>	<b>\$ 1,372</b>	<b>\$ (20,055)</b>	<b>\$ 2,743</b>	<b>\$ -</b>	<b>\$ (2,072)</b>



**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**COMBINING SCHEDULE OF NET ASSETS**  
**AS OF JUNE 30, 2011**  
**(Dollars in Thousands)**

	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>	\$ 438	\$ 100,430	\$ -	\$ 16,766	\$ -	\$ -	\$ -	\$ 117,634
<b>Restricted net assets:</b>								
Current restricted cash and cash equivalents:								
Revenue fund	-	23,015	-	-	-	-	1,416	24,431
Debt service funds	-	2,685	-	-	-	-	-	2,685
Montville landfill post-closure	-	-	-	-	-	-	1,396	1,396
Select Energy escrow	-	1,000	-	-	-	-	-	1,000
Shelton landfill future use	-	-	-	848	-	-	-	848
Covanta Wallingford escrow	-	-	-	500	-	-	-	500
Recycling education fund	-	364	-	-	-	-	-	364
Customer guarantee of payment	-	219	-	-	-	-	-	219
Museum	-	52	-	56	-	-	-	108
Town of Ellington trust - pooled funds	-	48	-	-	-	-	-	48
<b>Total current restricted cash and cash equivalents</b>	-	<b>27,383</b>	-	<b>1,404</b>	-	-	<b>2,812</b>	<b>31,599</b>
<b>Non-current restricted cash and cash equivalents and investments:</b>								
Shelton landfill trust fund	-	-	-	5,677	-	-	-	5,677
Debt service reserve funds	-	4,363	-	-	-	-	-	4,363
Energy generating facility	-	3,528	-	-	-	-	-	3,528
Wallingford landfill trust fund	-	-	-	1,681	-	-	-	1,681
Operating and maintenance	-	1,501	-	-	-	-	-	1,501
Equipment replacement	-	1,501	-	-	-	-	-	1,501
DEP trust - landfills	-	491	-	327	-	-	-	818
<b>Total non-current restricted cash and cash equivalents and investments</b>	-	<b>11,384</b>	-	<b>7,685</b>	-	-	-	<b>19,069</b>
<b>Less liabilities to be paid with current restricted assets:</b>								
Bonds payable, net including accrued interest	-	2,685	-	-	-	-	-	2,685
Other liabilities	-	10,100	-	-	-	-	1,584	11,684
<b>Total liabilities to be paid with current restricted assets</b>	-	<b>12,785</b>	-	-	-	-	<b>1,584</b>	<b>14,369</b>
<b>Less liabilities to be paid with non-current restricted assets:</b>								
Bonds payable, net	-	1,096	-	-	-	-	-	1,096
Landfill post-closure care costs	-	-	-	7,361	-	-	-	7,361
Other liabilities	-	2,107	-	-	-	-	-	2,107
<b>Total liabilities to be paid with non-current restricted assets</b>	-	<b>3,203</b>	-	<b>7,361</b>	-	-	-	<b>10,564</b>
<b>Total restricted net assets</b>	-	<b>22,779</b>	-	<b>1,728</b>	-	-	<b>1,228</b>	<b>25,735</b>

**CONNECTICUT RESOURCES RECOVERY AUTHORITY**  
**A Component Unit of the State of Connecticut**  
**COMBINING SCHEDULE OF NET ASSETS (Continued)**  
**AS OF JUNE 30, 2011**  
**(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	\$ -	\$ 5,548	\$ -	\$ -	\$ -	\$ 10,379
Future loss contingencies	-	9,685	-	-	-	663	252	10,600
Facility modifications	-	3,004	-	-	-	-	-	3,004
Rolling stock	-	1,031	-	-	-	-	-	1,031
Recycling	-	-	-	677	-	-	-	677
Post-litigation expense	-	511	-	-	-	-	-	511
Post-project	-	-	393	-	-	-	-	393
Project closure	-	-	-	-	-	305	-	305
Landfill development	-	296	-	-	-	-	-	296
South Meadows site remediation	-	88	-	-	-	-	-	88
Undesignated	586	9,964	-	(1,906)	127	-	9,075	17,846
	586	29,410	393	4,319	127	968	9,327	45,130
Total unrestricted net assets	\$ 1,024	\$ 152,619	\$ 393	\$ 22,813	\$ 127	\$ 968	\$ 10,555	\$ 188,499

**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, 2011, and have issued our report thereon dated September 27, 2011. 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**

Management of the Authority is responsible for establishing and maintaining effective 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 27, 2011.

This report is intended solely for the information and use of management, the Board of Directors, others within the Authority, and 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 27, 2011

**Connecticut Resources Recovery Authority**  
A Component Unit of the State of Connecticut

---

**THIS PAGE LEFT INTENTIONALLY BLANK**