CONNECTICUT
RESOURCES
RECOVERY
AUTHORITY

100 CONSTITUTION PLAZA • 6th FLOOR • HARTFORD • CONNECTICUT • 06103-1722 • TELEPHONE (860) 757-7700
FAX (860) 757-7743

September 27, 2012

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

RE: Connecticut General Statutes, Section 22a-263b
Connecticut Resources Recovery Authority: Independent Audit Report for Fiscal Year 2012

Dear Joint Standing Committee Chairs:

Pursuant to the above-referenced State statute, the Board of Directors of the Connecticut Resources Recovery Authority (the "Authority")

> "...shall submit to the Joint Standing Committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding a copy of each audit of the authority conducted by an independent auditing firm, not later than seven days after the audit is received by said board of directors."

Today, the Authority's Board of Directors received the financial audit of the Authority for the fiscal year ending June 30, 2012. Accordingly, as Chairman of the Authority, I enclose the financial audit for the fiscal year ending 2012.

Sincerely,

Donald S. Stein
Chairman of the Board

Enclosure: Annual Financial Report Year Ended June 30, 2012

cc: Auditors of Public Accounts
Legislative Program Review and Investigations Committee (2 copies)
James Bolduc, Chief Financial Officer (without enclosure)
Laurie Hunt, Esq., Director of Legal Services (without enclosure)
Nhan Vo-Le, Director of Accounting and Financial Reporting (without enclosure)

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September 28, 2012

The Honorable Kevin Lembo
State Comptroller
Budget and Financial Analysis Division
Accounting Services
GAAP Reporting Unit
55 Elm Street
Hartford, CT 06106

Dear Mr. Lembo:

Enclosed please find a copy of the Authority's audited financial statements for the fiscal year ended June 30, 2012, to meet the GAAP Information Requirements requested by your office in its May 2012 communication to the Authority.

You may contact me directly at (860) 757-7710 to answer any questions or provide additional information.

Best regards,

JBolduc

James P. Bolduc
Chief Financial Officer

Enclosures – as stated

c. Gerry Villa, Assistant Director
W. David LeVasseur, Undersecretary Intergovernmental Policy Division
Jean M. Gula, Associate Accounts Examiner
Nhan Vo-Le, Director of Accounting and Financial Reporting-CRRA

CRRA

CONNECTICUT RESOURCES RECOVERY AUTHORITY

A Component Unit of the State of Connecticut

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
New York, New York

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, 2012 and 2011, 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, 2012 and 2011, 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 26 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 53 through 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Bollam Sheedy Torani & Co LLP

New York, New York
September 27, 2012

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, 2012 and 2011. 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 2012 total assets decreased by $18.9 million or 7.0% from fiscal year 2011 and total liabilities decreased by $6.9 million or 8.3%. Total assets exceeded total liabilities by $176.5 million as of June 30, 2012 as compared to $188.5 million as of June 30, 2011 or a net decrease of $12.0 million.

The 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.

BALANCE SHEETS
As of June 30,
(Dollars in Thousands)

	2012	2011	2010
ASSETS			
Current unrestricted assets	$ 101,160	$ 95,885	$ 106,047
Current restricted assets	22,875	35,134	46,979
Total current assets	124,035	131,019	153,026
Non-current assets:			
Restricted cash and cash equivalents	-	14,724	22,434
Restricted investments	8,177	817	817
Capital assets, net	119,385	123,543	129,521
Development and bond issuance costs, net	1,576	1,984	2,727
Total non-current assets	129,138	141,068	155,499
TOTAL ASSETS	$ 253,173	$ 272,087	$ 308,525
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current unrestricted liabilities	$ 7,792	$ 8,473	$ 10,688
Current restricted liabilities	17,984	21,296	23,088
Total current liabilities	25,776	29,769	33,776
Long-term unrestricted liabilities	42,713	41,429	38,566
Long-term restricted liabilities	8,183	12,390	18,340
Total long-term liabilities	50,896	53,819	56,906
TOTAL LIABILITIES	76,672	83,588	90,682
NET ASSETS			
Invested in capital assets, net of related debt	116,348	117,634	120,895
Restricted	11,050	24,837	44,381
Unrestricted	49,103	46,028	52,567
TOTAL NET ASSETS	176,501	188,499	217,843
TOTAL LIABILITIES AND NET ASSETS	$ 253,173	$ 272,087	$ 308,525

FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets as of June 30, 2012 and 2011:

ASSETS

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

SUMMARY OF CURRENT AND NON-CURRENT ASSETS
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2012	2011	2012 Increase/ (Decrease) from 2011	2012 Percent Increase/ (Decrease)	2010	2011 Increase/ (Decrease) from 2010	2011 Percent Increase/ (Decrease)
CURRENT ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	$ 76,331	$ 73,499	$ 2,832	3.9%	$ 78,462	$ (4,963)	(6.3%)
Accounts receivable, net of allowances	14,009	17,528	(3,519)	(20.1%)	22,571	(5,043)	(22.3%)
Inventory	6,370	3,973	2,397	60.3%	3,870	103	2.7%
Prepaid expenses	4,450	885	3,565	402.8%	1,144	(259)	(22.6%)
Total Unrestricted Assets	101,160	95,885	5,275	5.5%	106,047	(10,162)	(9.6%)
Restricted Assets:							
Cash and cash equivalents	22,875	35,127	(12,252)	(34.9%)	46,954	(11,827)	(25.2%)
Accrued interest receivable	-	7	(7)	(100.0%)	25	(18)	(72.0%)
Total Restricted Assets	22,875	35,134	(12,259)	(34.9%)	46,979	(11,845)	(25.2%)
TOTAL CURRENT ASSETS	124,035	131,019	(6,984)	(5.3%)	153,026	(22,007)	(14.4%)
NON-CURRENT ASSETS							
Restricted cash and cash equivalents	-	14,724	(14,724)	(100.0%)	22,434	(7,710)	(34.4%)
Restricted investments	8,177	817	7,360	900.9%	817	-	0.0%
Capital Assets:							
Depreciable, net	85,262	91,400	(6,138)	(6.7%)	100,480	(9,080)	(9.0%)
Nondepreciable	34,123	32,143	1,980	6.2%	29,041	3,102	10.7%
Development and bond issuance costs, net	1,576	1,984	(408)	(20.6%)	2,727	(743)	(27.2%)
TOTAL NON-CURRENT ASSETS	129,138	141,068	(11,930)	(8.5%)	155,499	(14,431)	(9.3%)
TOTAL ASSETS	$ 253,173	$ 272,087	$ (18,914)	(7.0%)	$ 308,525	(36,438)	(11.8%)

Current unrestricted assets increased by $5.3 million or 5.5% from fiscal year 2011, which decreased by $10.2 million or 9.6% over fiscal year 2010. The fiscal year 2012 increase is primarily due to:

- Unrestricted cash and cash equivalents increased by $2.8 million primarily as a result of the following:
  - Contributions of $13.8 million for operating requirements at the Mid-Connecticut Project for costs associated with on-going legal matters; expiration of the project and transitioning from original operators to a new operator contract; capital expenditures; recycling education program; and funding solid waste reduction activities in support

of the Connecticut Department of Energy and Environmental Protection ("DEEP") Solid Waste Management Plan; and

- o Funds transfer, net of $6.9 million. Of the $6.9 million, net, $8.7 million reflects funds transferred from Mid-Connecticut current restricted Revenue Fund for potential project exposure, risks, and liabilities ($6.5 million), and operating and capital expenditures ($2.2 million); respectively, less funds transferred to the Mid-Connecticut current restricted Revenue Fund to defray the estimated impact of fiscal year 2012 tip fees ($1.8 million); and
- o Electric revenue increased by $1.1 million at the Southeast Project as a result of higher electricity generated and increasing electricity rates; partially offset by:
- o Payments for equipment purchases, plant improvements, and transition costs at the Mid-Connecticut Waste Processing Facility ("WPF") and Power Block Facility ("PBF"); spare parts inventory at the PBF; closure costs at the Hartford Landfill; and post-closure costs at the Shelton, Wallingford, and Waterbury Landfills ($12.4 million); and
- o An increase in payments for ash and non-processible waste transportation and disposal services at the Mid-Connecticut Project as a result of higher waste deliveries and unanticipated outages ($2.5 million); and
- o A distribution of Southeast Project prior year's surplus funds ($1.4 million) to Southeastern Connecticut Regional Resources Recovery Authority ("SCRRRA"); and
- o Contributions to SCRRRA Future Needs Reserve increased by $2.2 million as a result of the continuous impact of increased electricity revenues due to higher electric rates and prior year project surpluses; and
- o A net decrease of $0.5 million in cash balances at the General Fund, Bridgeport, and Wallingford Projects, as well as the Landfill, Property, and Recycling Divisions.

- <u>Accounts receivable, net</u> decreased by $3.6 million. This occurred due to timely receipt of electric revenue at the Southeast Project, lower member waste deliveries at the Mid-Connecticut Project and SouthWest Division, decreased other operating revenues at the Property Division, which is partially offset by increased non-member charges and other operating revenues at the Mid-Connecticut Project.
- <u>Inventory</u>, including spare parts and fuel inventory, increased by $2.4 million. This increase is a result of spare parts acquired from the Connecticut Light and Power Company, the purchase of PBF spare parts inventory upon a contract expiration with a Mid-Connecticut former operator, and fuel purchases for the Jet Turbine Facility ("JTF").
- <u>Prepaid expenses</u>, reflecting payments to Mid-Connecticut vendors for insurance and contract operating charges that are applicable to future accounting periods, increased by $3.6 million.

The fiscal year 2011 decrease was 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 WPF and PBF ($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 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 Property Division 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 Mid-Connecticut Project current restricted Revenue Fund to offset fiscal year 2012 debt payments ($0.4 million) and to use as a credit in the Mid-Connecticut Project adopted tip fee of $69 per ton of solid waste delivered ($0.4 million); partially offset by:

    - A $5.2 million receipt from the DEEP 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

    - 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 was 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 was due to timing in payment for contract operating charges; and

    - A transfer of $1.1 million from 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 DEEP 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.

Current restricted assets decreased by $12.3 million or 34.9% from fiscal year 2011, which decreased by $11.8 million or 25.2% from fiscal year 2010. The fiscal year 2012 decrease is primarily due to:

- Payments for various expenses as follows:
  - Regular principal and interest due on the Authority's Mid-Connecticut bonds in November 2011 ($4.1 million); and
  - Reconstruction of a fuel tank, rebuilding of two power turbines, and fuel purchases at the JTF ($4.2 million); and
  - Prepayments to the Mid-Connecticut operator for July 2012 operational and capital expenditures pursuant to the Mid-Connecticut Operations and Management Agreement ($3.5 million); and
- Various funds transfer as follows:
  - $6.5 million to Mid-Connecticut current unrestricted Risk Fund (the "Risk Fund") for potential project exposure, risks, and liabilities; and
  - $2.2 million to Mid-Connecticut current unrestricted Facility Modifications Fund for capital expenditures incurred during fiscal year 2012 and Jets Operating Fund to subsidize fiscal year 2012 expenditures, ($0.5 million) and ($1.7 million); respectively; and
- Use of funds from the Mid-Connecticut current restricted Revenue Fund to pay for costs and fees incurred during fiscal year 2012 ($6.8 million); partially offset by:
- The $1.8 million transferred from the Risk Fund to defray the estimated impact of fiscal year 2012 tip fees; and

- Contributions of $2.8 million at the EGF and JTF and the Southeast Montville Landfill for capital costs ($2.4 million) and monitoring and maintenance of the Montville Landfill post-closure care costs ($0.4 million); respectively; and
- A total of $7.4 million reclassified from Mid-Connecticut non-current Special Capital Reserve Fund and other Trustee accounts for the final year's debt service payments on the Mid-Connecticut 1996 Series A Project Refinancing (the "Mid-Connecticut bonds") due in November 2012 ($4.4 million) and remaining trustee funds that will be released to the Authority after the Mid-Connecticut bonds are paid off in pursuant with the Mid-Connecticut bond indentures ($3.0 million); respectively; and
- Timely receipt of electric revenue at the Southeast Project ($2.8 million).

The fiscal year 2011 decrease was 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:
- A $3.5 million reclassified from Mid-Connecticut non-current restricted assets for capital expenditures to be incurred during fiscal year 2012; and
- 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 Mid-Connecticut non-current restricted General Fund to offset Mid-Connecticut Project fiscal year 2012 debt service; and
  - Funds released by Authority 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 Mid-Connecticut Project current unrestricted Debt Service Stabilization Fund to offset fiscal year 2012 debt payments; partially offset by:

- Non-transference from 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 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.

Non-current assets decreased by \$11.9 million or 8.5% from fiscal year 2011, which decreased by \$14.4 million or 9.3% from fiscal year 2010. The fiscal year 2012 decrease occurred primarily due to:

- <u>Restricted cash and cash equivalents</u> decreased by \$14.7 million due to:
  - Purchases of \$7.3 million U.S. Treasury Bills for landfill post-closure trust funds, which is classified as non-current restricted investments; and
  - The reclassification of \$7.4 million of debt service reserve funds to current restricted assets for the final debt service payment on the Mid-Connecticut bonds due in November 15, 2012 (\$4.4 million) and the other Trustee funds that will be released to the Authority after the bonds are paid off (\$3.0 million).
- <u>Capital assets, net</u>, consisting of depreciable and nondepreciable assets, decreased by \$4.1 million. The component of net capital assets fluctuated as follows:
  - <u>Captial assets – depreciable, net</u> decreased by \$6.1 million primarily due to \$15.8 million of depreciation expense; partially offset by \$1.4 million in equipment purchases and plant improvements and a reclassification of \$8.2 million in construction in progress ("CIP") from the nondepreciable capital assets. The \$8.2 million CIP projects represent capital projects that have been completed as of June 30, 2012 including purchases of a new primary superheater for PBF boilers, installation of a fuel tank as well as rebuilding a spare jet engine and turbines at the JTF, and installation of a video monitoring system at the WPF; partially offset by:
  - <u>Captial assets – nondepreciable</u> increased by \$2.0 million due to an increase in construction in progress of \$10.1 million; partially offset by the \$8.2 million reclassification of CIP to the depreciable capital assets, net.
- <u>Development and bond issuance costs, net,</u> slightly decreased by \$0.4 million due to amortization.
- <u>Restricted investments</u> increased by \$7.4 million due to the purchases of U.S. Treasury Bills for the landfill post-closure trust funds with maturities over three months.

The fiscal year 2011 decrease occurred primarily due to:

- Restricted cash and cash equivalents decreased by $7.7 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
  - The $3.5 million reclassified to Mid-Connecticut current restricted assets for capital expenditures to be incurred during fiscal year 2012; and
  - 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, net, consisting of depreciable and nondepreciable assets, decreased by $6.0 million. The component of net capital assets fluctuated as follows:
  - Captial 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 reclassification 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.
  - Captial assets – nondepreciable increased by $3.1 million due to an increase in CIP of $10.7 million; partially offset by the $7.6 million reclassification 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 JTF 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.

LIABILITIES

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

SUMMARY OF CURRENT AND LONG-TERM LIABILITIES
Fiscal Years Ended June 30,
(Dollars in Thousands)

	2012	2011	2012 Increase/ (Decrease) from 2011	2012 Percent Increase/ (Decrease)	2010	2011 Increase/ (Decrease) from 2010	2011 Percent Increase/ (Decrease)
CURRENT LIABILITIES							
Payable from unrestricted assets:							
Closure and post-closure care of landfills	$ 1,330	$ 4,193	$ (2,863)	(68.3%)	$ 5,593	$ (1,400)	(25.0%)
Accounts payable	1,658	1,671	(13)	(0.8%)	1,730	(59)	(3.4%)
Acccrued expenses and other current liabilities	4,804	2,609	2,195	84.1%	3,365	(756)	(22.5%)
Total payable from unrestricted assets	7,792	8,473	(681)	(8.0%)	10,688	(2,215)	(20.7%)
Payable from restricted assets:							
Bonds payable, net	4,134	3,906	228	5.8%	4,280	(374)	(8.7%)
Closure and post-closure care of landfills	1,298	1,196	102	8.5%	4,650	(3,454)	(74.3%)
Accounts payable	850	3,650	(2,800)	(76.7%)	1,009	2,641	261.7%
Acccrued expenses and other current liabilities	11,702	12,544	(842)	(6.7%)	13,149	(605)	(4.6%)
Total payable from restricted assets	17,984	21,296	(3,312)	(15.6%)	23,088	(1,792)	(7.8%)
TOTAL CURRENT LIABILITIES	25,776	29,769	(3,993)	(13.4%)	33,776	(4,007)	(11.9%)
LONG-TERM LIABILITIES							
Payable from unrestricted assets:							
Closure and post-closure care of landfills	39,213	37,929	1,284	3.4%	38,566	(637)	(1.7%)
Other liabilities	3,500	3,500	-	0.0%	-	3,500	100.0%
Total payable from unrestricted assets	42,713	41,429	1,284	3.1%	38,566	2,863	7.4%
Payable from restricted assets:							
Bonds payable, net	-	4,134	(4,134)	(100.0%)	11,664	(7,530)	(64.6%)
Closure and post-closure care of landfills	7,359	7,358	1	0.0%	5,672	1,686	29.7%
Other liabilities	824	898	(74)	(8.2%)	1,004	(106)	(10.6%)
Total payable from restricted assets	8,183	12,390	(4,207)	(34.0%)	18,340	(5,950)	(32.4%)
TOTAL LONG-TERM LIABILITIES	50,896	53,819	(2,923)	(5.4%)	56,906	(3,087)	(5.4%)
TOTAL LIABILITIES	$ 76,672	$ 83,588	$ (6,916)	(8.3%)	$ 90,682	(7,094)	(7.8%)

Current liabilities decreased by $4.0 million or 13.4% compared to fiscal year 2011, which also decreased by $4.0 million or 11.9% compared to fiscal year 2010. The fiscal year 2012 decrease from 2011 is due to:

- **Current liabilities payable from unrestricted assets** decreased by $0.7 million due to:
  - Closure and post-closure care of landfills decreased by $2.9 million primarily as a result of delayed closure activities as the Authority prepares for final closure at the

Hartford Landfill by bringing soil in and using the soil to adjust the grade of the landfill to accept the final cap.

- Accounts payable and accrued expenses and other current liabilities increased by $2.2 million due to timing in payments for goods and services received.

- **Current liabilities payable from restricted assets** decreased by $3.3 million. This occurred due to:

    - Accounts payable and accrued expenses and other current liabilities decreased by $3.6 million as a result of disbursements of funds for goods and services received.
    - Bonds payable, net, remained fairly constant, increasing by $228,000. This increase reflects a reclassification of debt service from long-term restricted liabilities for the Mid-Connecticut 1996 Series A Bonds Project Refinancing that is due on November 15, 2012; partially offset by the regular principal payment made on the Authority's Mid-Connecticut bonds in November 2011.
    - Closure and post-closure care of landfills, remained relatively flat, increasing by $102,000.

The fiscal year 2011 decrease from 2010 was due to:

- **Current liabilities payable from unrestricted assets** decreased by $2.2 million due to:

    - Closure and post-closure care of landfills decreased by $1.4 million primarily 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 decreased by $0.8 million mainly due to the closure of the Wallingford Project as of June 30, 2010.

- **Current liabilities payable from restricted assets** decreased by $1.8 million. This occurred due to:
    - Bonds payable, net, remained fairly constant, decreasing by $374,000.
    - Closure and post-closure care of landfills decreased by $3.5 million primarily as a result of lower construction and engineering costs at the Hartford Landfill.
    - Accounts payable and accrued expenses and other current liabilities increased by $2.0 million due to timing in payments for goods and services received at the Southeast Project and the SouthWest Division.

Long-term liabilities decreased by $2.9 million or 5.4% compared to fiscal year 2011, which decreased by $3.1 million or 5.4% compared to fiscal year 2010. The fiscal year 2012 decrease from 2011 is primarily due to:

- **Long-term liabilities payable from unrestricted assets** increased by $1.3 million due to a reduction in the long-term portion of closure and post-closure care costs as a result of payments for closure and post-closure costs less the impact of decreased current closure and post-closure care costs.

- **Long-term liabilities payable from restricted assets** decreased by $4.2 million as a result of the following:
  - Bonds payable, net decreased by $4.1 million. This decrease occurred due to the reclassification of the debt service amount to current restricted liabilities for the Mid-Connecticut 1996 Series A Bonds Project Refinancing that is due on November 15, 2012.
  - Other liabilities remained flat, decreasing by $74,000.
  - Closure and post-closure care of landfills remained unchanged.

The fiscal year 2011 decrease from 2010 was due to:

- **Long-term liabilities payable from unrestricted assets** increased by $2.9 million due to a $3.5 million increase in other liabilities; partially offset by a $637,000 decrease in closure and post-closure care of landfills. The increase in other liabilities was due to potential end of project transition costs. The decrease in closure and post-closure care of landfills was due to payments for closure and post-closure care costs at the Ellington, Hartford, Shelton, Waterbury, and Wallington landfills.

- **Long-term liabilities payable from restricted assets** decreased by $5.9 million 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.
  - Other liabilities remained relatively flat, decreasing by $106,000.
  - Closure and post-closure care of landfills increased by $1.7 million due to the impact of decreased current portion of closure and post-closure liabilities.

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)

	2012	2011	2010
Operating revenues	$ 132,043	$ 132,067	$ 138,122
Operating expenses	127,799	144,121	135,011
Income (loss) before depreciation and amortization and other non-operating revenues and (expenses)	4,244	(12,054)	3,111
Depreciation and amortization	16,242	18,009	17,292
Loss before other non-operating revenues and (expenses), net	(11,998)	(30,063)	(14,181)
Non-operating revenues (expenses), net	-	(1,614)	5,363
Loss before special item	(11,998)	(31,677)	(8,818)
Special item:			
Gain on early retirement of debt, net	-	2,333	-
Change in net assets	(11,998)	(29,344)	(8,818)
Total net assets, beginning of year	188,499	217,843	226,661
Total net assets, end of year	$ 176,501	$ 188,499	$ 217,843

Operating revenues remained flat, decreasing by $24,000 during fiscal year 2012 from fiscal year 2011 and $6.1 million or 4.4% during fiscal year 2011 from fiscal year 2010. The fiscal year 2012 decrease is primarily due to:

- A $923,000 decrease in member service charges; and
- A $545,000 decrease in other operating revenues; partially offset by:
- A $1.4 million increase in other services charges; and

The fiscal year 2011 decrease was primarily due to:

- A $7.5 million decrease in member service charges; and
- A $2.7 million decrease in energy sales; partially offset by:
- An increase of $1.8 million in other services charges; and
- A $2.3 million increase in other operating revenues.

Operating expenses decreased by $16.3 million or 11.3% during fiscal year 2012 primarily due to:

- A $20.7 million decrease in distribution to member towns; partially offset by:
- An increase of $3.0 million in solid waste operations; and
- A $1.4 million of distribution to SCRRRA.

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; partially offset by:
- A $12.2 million decrease in solid waste operations; and
- A $0.5 million decrease in legal services – external.

Depreciation and amortization decreased by $1.8 million or 9.8% during fiscal year 2012 as a result of the Jets asset being fully depreciated. During fiscal year 2011, depreciation and amortization increased by $0.7 million or 4.1% as a result of additional plant improvements and equipment purchases.

Non-operating revenues (expenses), net decreased by $1.6 million during fiscal year 2012 from fiscal year 2011 and $7.0 million during fiscal year 2011. The fiscal year 2012 decrease is due to:

- Investment income decreased by $114,000; partially offset by:
- Other income (expenses), net decreased by $1.3 million; and
- Interest expense decreased by $369,000.

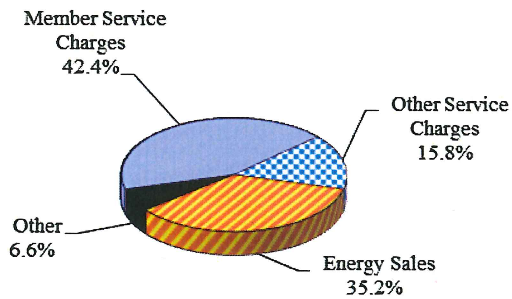
The fiscal year 2011 decrease is due to:

- Investment income decreased by $250,000; and
- Other income (expenses), net decreased by $7.1 million; partially offset by:
- Interest expense decreased by $377,000.

SUMMARY OF OPERATING REVENUES

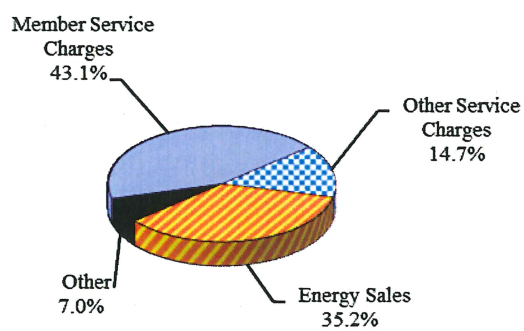
The following charts show the major sources and the percentage of operating revenues for the fiscal years ended June 30, 2012 and 2011:

Fiscal Year 2012



During fiscal year 2012 Solid Waste tipping fees (member service and other service charges) account for 58.2% of the Authority's operating revenues. Energy sales make up another 35.2% of operating revenues.

Fiscal Year 2011



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.

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)

	2012	2011	2012 Increase/ (Decrease) from 2011	2012 Percent Increase/ (Decrease)	2010	2011 Increase/ (Decrease) from 2010	2011 Percent Increase/ (Decrease)
Operating Revenues:							
Member service charges	$ 55,966	$ 56,889	$ (923)	(1.6%)	$ 64,393	$ (7,504)	(11.7%)
Other service charges	20,860	19,439	1,421	7.3%	17,597	1,842	10.5%
Energy sales	46,547	46,524	23	0.0%	49,203	(2,679)	(5.4%)
Other operating revenues	8,670	9,215	(545)	(5.9%)	6,929	2,286	33.0%
Total Operating Revenues	132,043	132,067	(24)	(0.0%)	138,122	(6,055)	(4.4%)
Non-Operating Revenues:							
Investment income	192	306	(114)	(37.3%)	556	(250)	(45.0%)
Other income	560	255	305	119.6%	5,912	(5,657)	(95.7%)
Total Non-Operating Revenues	752	561	191	34.0%	6,468	(5,907)	(91.3%)
Total Revenues	$ 132,795	$ 132,628	$ 167	0.1%	$ 144,590	$ (11,962)	(8.3%)

Overall, fiscal year 2012 total revenues remained flat, increasing by $167,000 or 0.1% from fiscal year 2011. Fiscal year 2011 total revenues decreased by $12.0 million or 8.3% from fiscal year 2010. The following discusses the major changes in operating and non-operating revenues of the Authority:

- Member service charges decreased by $923,000 and $7.5 million in fiscal years 2012 and 2011, respectively. The fiscal year 2012 decrease is primarily due to anticipated decrease in member deliveries at the Mid-Connecticut Project and SouthWest Division.

  The fiscal year 2011 decrease was 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 SCRRRA 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.

- Other service charges to both contract towns and spot waste haulers increased by $1.4 million and $1.8 million in fiscal years 2012 and 2011; respectively. The fiscal year 2012 increase is primarily as a result of unexpected higher spot waste deliveries at the Mid-Connecticut Project that includes a slight increase in waste delivery settlements (the "waste settlements") with various hauling companies for diversion of waste from the Authority's Mid-Connecticut Project. The fiscal year 2011 increase was 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 the waste settlements.

- Energy sales remained flat, increasing by $23,000 during fiscal year 2012 and decreased by $2.7 million during fiscal year 2011. The fiscal year 2012 net increase is due to an increase of $1,075,000 at the Southeast Project a result of higher electricity generated and contract rates; partially offset by a decrease of $1,052,000 at the Mid-Connecticut Project due to lower contract rates offset by higher electricity generated.

  The fiscal year 2011 decrease was 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.

- Other operating revenues decreased by $545,000 in fiscal year 2012 and increased by $2.3 million in fiscal years 2011. The fiscal year 2012 decrease is mainly due to decreased residual revenue share and rental income at the Recycling Division resulting upon the expiration of a contract between the Authority and its former operator, which is offset by higher metal and recycling sales at the Mid-Connecticut Project as a result of favorable market conditions.

  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.

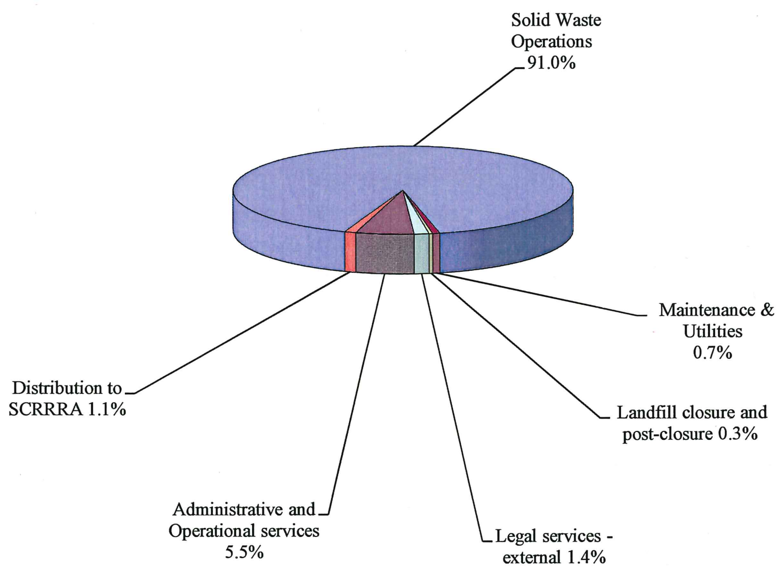
- Investment income for both fiscal years 2012 and 2011 remained fairly constant, decreasing by $114,000 from fiscal year 2011 and $250,000 from fiscal year 2010; respectively. The decreases for both fiscal years are due to low cash balances and continued low interest rates.

- Other income of $560,000 for fiscal year 2012 represents settlement income in association with one of the lawsuits at the Mid-Connecticut Project, gains on sales of equipment and miscellaneous income. Other income of $255,000 for fiscal year 2011 represents gains on sales of equipment and miscellaneous income.

SUMMARY OF OPERATING EXPENSES

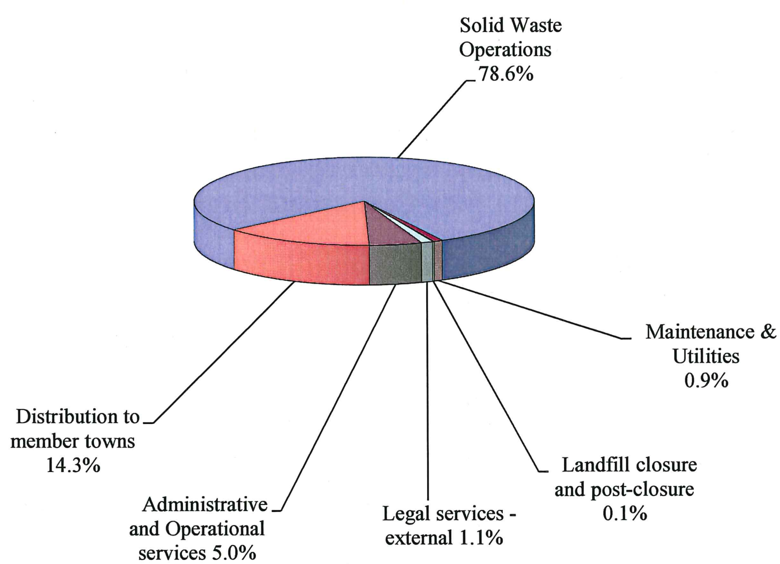
The following charts show the major sources and the percentage of operating expenses for the fiscal years ended June 30, 2012 and 2011:

Fiscal Year 2012



Solid Waste Operations are the major component of the Authority's operating expenses, accounting for 91.0% of operating expenses in fiscal year 2012.

Fiscal Year 2011



During fiscal year 2011, Solid Waste Operations accounted for 78.4% 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)

	2012	2011	2012 Increase/ (Decrease) from 2011	2012 Percent Increase/ (Decrease)	2010	2011 Increase/ (Decrease) from 2010	2011 Percent Increase/ (Decrease)
Operating Expenses:							
Solid waste operations	$ 116,261	$ 113,219	$ 3,042	2.7%	$ 125,407	$ (12,188)	(9.7%)
Maintenance and utilities	900	1,237	(337)	(27.2%)	1,365	(128)	(9.4%)
Landfill closure and post-closure	415	214	201	93.9%	(2,495)	2,709	(108.6%)
Legal services - external	1,803	1,601	202	12.6%	2,055	(454)	(22.1%)
Administrative and operational services	7,019	7,194	(175)	(2.4%)	7,040	154	2.2%
Distribution to member towns	-	20,656	(20,656)	(100.0%)	1,639	19,017	1160.3%
Distribution to SCRRRA	1,401	-	1,401	100.0%	-	-	0.0%
Total Operating Expenses	127,799	144,121	(16,322)	(11.3%)	135,011	9,110	6.7%
Depreciation and amortization	16,242	18,009	(1,767)	(9.8%)	17,292	717	4.1%
Non-Operating Expenses:							
Interest expense	317	686	(369)	(53.8%)	1,063	(377)	(35.5%)
Other expenses	435	1,489	(1,054)	(70.8%)	42	1,447	3445.2%
Total Non-Operating Expenses	752	2,175	(1,423)	(65.4%)	1,105	1,070	96.8%
Total Expenses	$ 144,793	$ 164,305	(19,512)	(11.9%)	$ 153,408	$ 10,897	7.1%

The Authority's total expenses decreased by $19.5 million or 11.9% between fiscal years 2012 and 2011. Fiscal year 2011 total expenses increased by $10.9 million or 7.1% from fiscal year 2010. Notable differences between the fiscal years include:

- Solid waste operations increased by $3.0 million from fiscal year 2011 to 2012. This occurred primarily due to the following:
  - Greater ash and non-processible waste transportation and disposal services as a result of higher waste deliveries and unanticipated outages, increased payments in lieu of taxes, and transition costs for the new operator at the Mid-Connecticut Project; partially offset by lower contract operating charges resulting from a new Operations and Management Agreement to operate the Mid-Connecticut's Waste to Energy Facility effective on December 31, 2011 for the WPF; and
  - Higher distribution of funds to SCRRRA for future expenses at the Southeast Project; partially offset by:
  - Decreased contract operating charges at the SouthWest Division due to lower member waste deliveries; and
  - Decreased operating fee of recyclables at the Recycling Division as a result of the contract expiration with the Authority's former operator.

Solid waste operations decreased by $12.2 million from fiscal year 2010 to 2011 primarily due to:

- 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 SCRRRA 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:

- 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.

- Maintenance and utilities expenses remained relatively flat, decreasing by $337,000 and $128,000 during fiscal years 2012 and 2011; respectively.

- Landfill closure and post-closure care costs remained flat, increasing by $201,000 during fiscal year 2012. During fiscal year 2011, landfill closure and post-closure care costs increased by $2.7 million due to the increase in estimated costs at the Hartford Landfill; partially offset by decreases in estimated costs at the Shelton and Wallingford landfills.

- Legal services – external remained flat, increasing by $202,000 during fiscal year 2012. 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.

- Administrative and operational services for both fiscal years remained relatively flat, decreasing by $175,000 from fiscal year 2011 and increasing by $154,000 from fiscal year 2010.

- Distribution to member towns decreased by $20.6 million from fiscal year 2011. During fiscal year 2011, the Authority distributed $19.4 million and $1.2 million to its former Wallingford and Bridgeport Projects town members, respectively.

- Distribution to SCRRRA increased by $1.4 million from fiscal year 2011. During fiscal year 2012, the Authority transferred $1.4 million of the Southeast Project surplus funds to SCRRRA for its future needs.

- Interest expense decreased by $369,000 and $337,000 during fiscal years 2012 and 2011; respectively, due to principal paydowns on outstanding bonds.

- Other expenses of $435,000 during fiscal year 2012 represents the write-off of various Mid-Connecticut assets as a result of equipment disposals, future use expense at the Shelton Landfill, and miscellaneous expenses. Other expenses of $1.5 million during fiscal year 2011 represents the write-off of various Mid-Connecticut assets as a result of plant improvements and equipment disposals and sales, as well as the transfer of the Wallingford

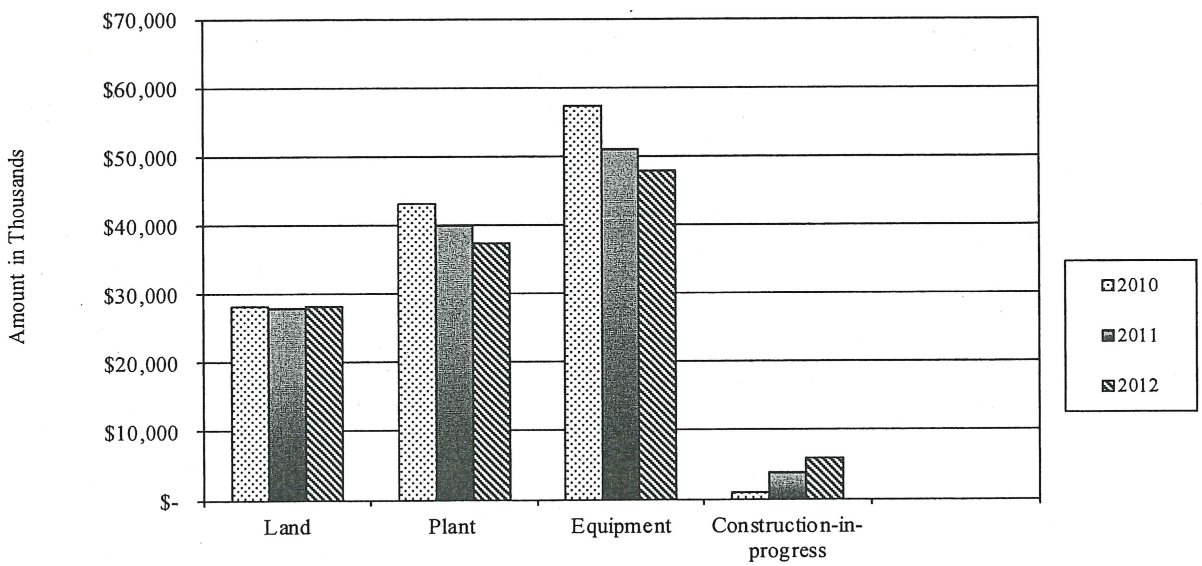
Project equipment to its former operator on July 1, 2010, distribution of the remaining balance in the Southeast Project Rebate Fund to SCRRRA for its future needs, and trustee fees.

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)

	2010	2011	2012
Land	$ 28,180	$ 28,180	$ 28,180
Plant	43,189	40,158	37,338
Equipment	57,291	51,242	47,924
Construction-in-progress	861	3,963	5,943
Totals	$ 129,521	$ 123,543	$ 119,385



The Authority's investment in capital assets for its activities as of June 30, 2012 and 2011 totaled $119.4 million and $123.5 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 2012 and 2011 decrease in the Authority's investment in capital assets was 3.4% and 4.6%, respectively. The fiscal year 2012 decrease is due to depreciation expense; partially offset by plant improvements, equipment purchases, and CIP. The fiscal year 2011 decrease was due to depreciation expense and 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.

Additional information on the Authority's capital assets can be found in Notes 1J and 3 on pages 36 – 37 and 41 of this report; respectively.

LANDFILL ACTIVITY

Hartford Landfill

The Connecticut State Legislature approved legislation that provides $13.0 million to 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. Subsequent legislation was approved that reduced the amount reimbursable to the Authority to $8.0 million, a reduction of $5.0 million. Therefore, the Authority has received all of the money available to it ($8.0 million) for costs associated with the closure of the Hartford Landfill.

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 were completed in 2011. In July 2011, the Authority submitted an application to DEEP for a modification of the existing Closure Plan to allow for the installation of an exposed membrane/solar landfill cap over the remaining, uncapped, 35 acres of the landfill. In December 2011, DEEP issued an approval of the Closure Plan Modification, which approved two different exposed membrane/solar technologies. The Authority anticipates advertising a request for bids in early fiscal year 2013 for construction of either of the two exposed membrane/solar technologies to be completed during the calendar year. It is expected that the Authority will receive certification of closure from DEEP for the entire landfill by January 1, 2014.

Waterbury Landfill

The Authority's Waterbury Bulky Waste Landfill, a 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 submitted a closure construction certification report on September 18, 2009, and received a notice for DEEP 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 DEEP'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, DEEP 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 incorporated and subsumed permit conditions and regulatory requirements found in the solid waste and groundwater discharge permits for the landfills, in addition to the requirements specified in the hazardous waste regulations.

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 SCRRRA. The following table presents a history of the tip fees for each of the projects:

TIP FEE HISTORY BY PROJECT (Dollars charged per ton of solid waste delivered)						
Fiscal Year	Mid-Connecticut [1,2,3]	Bridgeport [4, 5]		SouthWest Division [5]	Wallingford [6]	Southeast
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
2012	$69.00	N/A	N/A	$65.11	N/A	$60.00

[1] 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.

[2] The Mid-Connecticut Project tip fee was reduced to $62.00 per ton for the period January 1 – June 30, 2009.

[3] On June 18, 2009, the Board of Directors authorized a $6 per ton credit to the Mid-Connecticut Project tip fee.

[4] 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.

[5] 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 beginning January 1, 2009.

[6] 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, 2012 the Authority had $70.4 million of outstanding debt. Of this amount, $4.1 million comprises debt issued for the Mid-Connecticut Project. This issue is further secured 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.

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. Based on the 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 41 - 43 of this report.

STATUS OF OUTSTANDING BONDS ISSUED AS OF JUNE 30, 2012

PROJECT / Series	Moody's Rating	Standard & Poor's Rating	X= SCRF-Backed[1]	Dated	Maturity Date	Original Principal ($000)	Principal Outstanding ($000)	On Authority's Books ($000)
MID-CONNECTICUT PROJECT								
1996 Series A - Project Refinancing	Aa3	AA	X	08/20/96	11/15/12	$209,675	$4,134	$4,134
							4,134	4,134
SOUTHEAST PROJECT								
2010 Series A - Project Refunding[2]	Aa3	AA	X	12/02/10	11/15/15	27,750	22,760	-
CORPORATE CREDIT REVENUE BONDS								
1992 Series A - Corporate Credit	Bal	NR	--	09/01/92	11/15/22	30,000	30,000	-
2001 Series A - Covanta Southeastern Connecticut Company-I	Bal	NR	--	11/15/01	11/15/15	6,750	6,750	-
2001 Series A - Covanta Southeastern Connecticut Company-II	Bal	NR	--	11/15/01	11/15/15	6,750	6,750	-
							66,260	-
TOTAL PRINCIPAL BONDS OUTSTANDING							$70,394	$4,134

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

[2] 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 – 6th Floor, Hartford, CT 06103.

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CONNECTICUT RESOURCES RECOVERY AUTHORITY
A Component Unit of the State of Connecticut
BALANCE SHEETS
AS OF JUNE 30, 2012 AND 2011
(Dollars in Thousands)

ASSETS	2012	2011
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$ 76,331	$ 73,499
Accounts receivable, net of allowances	14,009	17,528
Inventory	6,370	3,973
Prepaid expenses	4,450	885
Total Unrestricted Assets	101,160	95,885
Restricted Assets:		
Cash and cash equivalents	22,875	35,127
Accrued interest receivable	-	7
Total Restricted Assets	22,875	35,134
TOTAL CURRENT ASSETS	124,035	131,019
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	-	14,724
Restricted investments	8,177	817
Capital Assets:		
Depreciable, net	85,262	91,400
Nondepreciable	34,123	32,143
Development and bond issuance costs, net	1,576	1,984
TOTAL NON-CURRENT ASSETS	129,138	141,068
TOTAL ASSETS	$ 253,173	$ 272,087

The accompanying notes are an integral part of these financial statements

CONNECTICUT RESOURCES RECOVERY AUTHORITY

A Component Unit of the State of Connecticut
BALANCE SHEETS (Continued)
AS OF JUNE 30, 2012 AND 2011
(Dollars in Thousands)

	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable from unrestricted assets:		
Closure and post-closure care of landfills	1,330	4,193
Accounts payable	1,658	1,671
Acccrued expenses and other current liabilities	4,804	2,609
Total payable from unrestricted assets	7,792	8,473
Payable from restricted assets:		
Bonds payable, net	4,134	3,906
Closure and post-closure care of landfills	1,298	1,196
Accounts payable	850	3,650
Acccrued expenses and other current liabilities	11,702	12,544
Total payable from restricted assets	17,984	21,296
TOTAL CURRENT LIABILITIES	25,776	29,769
LONG-TERM LIABILITIES		
Payable from unrestricted assets:		
Closure and post-closure care of landfills	39,213	37,929
Other liabilities	3,500	3,500
Total payable from unrestricted assets	42,713	41,429
Payable from restricted assets:		
Bonds payable, net	-	4,134
Closure and post-closure care of landfills	7,359	7,358
Other liabilities	824	898
Total payable from restricted assets	8,183	12,390
TOTAL LONG-TERM LIABILITIES	50,896	53,819
TOTAL LIABILITIES	76,672	83,588
NET ASSETS		
Invested in capital assets, net of related debt	116,348	117,634
Restricted for:		
Revenue fund	2,408	13,134
Energy generating facility	1,516	1,421
Equipment replacement	1,504	1,501
Operating and maintenance	1,504	1,501
Select Energy escrow	1,000	1,000
DEEP trust - landfills	818	818
Shelton landfill future use	700	848
Montville landfill post-closure	680	330
Covanta Wallingford escrow	500	500
City of Hartford recycling education fund	189	364
Other restricted net assets	135	153
Debt service funds	96	-
Debt service reserve funds	-	3,267
Total Restricted	11,050	24,837
Unrestricted	49,103	46,028
TOTAL NET ASSETS	176,501	188,499
TOTAL LIABILITIES AND NET ASSETS	$ 253,173	$ 272,087

The accompanying notes are an integral part of these financial statements

CONNECTICUT RESOURCES RECOVERY AUTHORITY **EXHIBIT II**

A Component Unit of the State of Connecticut

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

(Dollars in Thousands)

	2012	2011
Operating Revenues		
Service charges:		
Members	$ 55,966	$ 56,889
Others	20,860	19,439
Energy sales	46,547	46,524
Other operating revenues	8,670	9,215
Total Operating Revenues	132,043	132,067
Operating Expenses		
Solid waste operations	116,261	113,219
Depreciation and amortization	16,242	18,009
Maintenance and utilities	900	1,237
Closure and post-closure care of landfills	415	214
Legal services - external	1,803	1,601
Administrative and Operational services	7,019	7,194
Distribution to member towns	-	20,656
Distribution to SCRRRA	1,401	-
Total Operating Expenses	144,041	162,130
Operating Loss	(11,998)	(30,063)
Non-Operating Revenues (Expenses)		
Investment income	192	306
Other income (expenses), net	125	(1,234)
Interest expense	(317)	(686)
Non-Operating Revenues (Expenses), Net	-	(1,614)
Loss before Special Item	(11,998)	(31,677)
Special item:		
Gain on early retirement of debt, net	-	2,333
Change in Net Assets	(11,998)	(29,344)
Total Net Assets, beginning of year	188,499	217,843
Total Net Assets, end of year	$ 176,501	$ 188,499

The accompanying notes are an integral part of these financial statements

CONNECTICUT RESOURCES RECOVERY AUTHORITY — EXHIBIT III

A Component Unit of the State of Connecticut

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

(Dollars in Thousands)

	2012	2011
Cash Flows Provided (Used) by Operating Activities		
Payments received from providing services	$ 136,561	$ 137,183
Payments to suppliers for goods and services	(129,867)	(114,179)
Payments to employees for services	(4,384)	(4,420)
Distribution to member towns	-	(20,656)
Distribution to SCRRRA	(1,401)	-
Net Cash Provided (Used) by Operating Activities	909	(2,072)
Cash Flows Provided (Used) by Investing Activities		
Interest on investments	197	327
Purchases of investments	(7,357)	-
Net Cash Provided (Used) by Investing Activities	(7,160)	327
Cash Flows Provided (Used) by Capital and Related Financing Activities		
Proceeds from sales of equipment	54	108
Payments for landfill closure and post-closure care liabilities	(1,891)	(4,019)
Acquisition and construction of capital assets	(11,793)	(12,829)
Interest paid on long-term debt	(335)	(677)
Principal paid on long-term debt	(3,915)	(5,324)
Net Cash Used by Capital and Related Financing Activities	(17,880)	(22,741)
Cash Flows Used by Non-Capital Financing Activities		
Other interest and fees	(13)	(14)
Net Cash Used by Non-Capital Financing Activities	(13)	(14)
Net decrease in cash and cash equivalents	(24,144)	(24,500)
Cash and cash equivalents, beginning of year	123,350	147,850
Cash and cash equivalents, end of year	$ 99,206	$ 123,350
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Operating loss	$ (11,998)	$ (30,063)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Depreciation of capital assets	15,835	17,577
Amortization of development and bond issuance costs	407	433
Provision for closure and post-closure care of landfills	415	214
Other income (expenses)	197	(97)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	3,519	5,043
Inventory	(2,397)	(103)
Prepaid expenses and other current assets	(3,564)	259
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(1,505)	4,665
Net Cash Provided (Used) by Operating Activities	$ 909	$ (2,072)

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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, 2012, 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: Mid-Connecticut Project and Southeast Project, four divisions: Property Division, SouthWest Division, Landfill Division, and Recycling Division (South Unit), a General Fund, and two inactive projects: Wallingford Project and Bridgeport Project. Each of the operating systems has a unique legal, contractual, financial, and operational structure described as follows:

Mid-Connecticut Project

The Mid-Connecticut Project consists of a 2,850 ton per day municipal solid waste / 2,030 ton per day refuse derived fuel Resources Recovery Facility located in Hartford, Connecticut, four transfer stations, the Hartford Landfill, the Ellington Landfill, and a Regional Recycling Center located in Hartford, Connecticut. This system of facilities provides solid waste disposal and recycling services to 70 Connecticut municipalities through service contract arrangements. The initial contracts with the municipalities begin to expire in November 2012. 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. Under a contractual arrangement, the Authority currently ships ash to the privately owned 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 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.

Landfill Division

The Landfill Division was created during fiscal year 2012 to account for specific costs associated with post-closure reserves for the Shelton, Waterbury, and Wallingford landfills. As a result, certain assets; liabilities; and net assets previously reported in the Property Division were transferred into the Landfill Division. Following the expiration of the Mid-Connecticut Project, the Ellington and Hartford landfills will also become part of the Landfill Division.

Recycling Division (South Unit)

A new division called the Recycling Division (South Unit) was created during fiscal year 2012 to account for the Stratford recycling activity that was originally part of the Bridgeport Project. As a result, certain assets, liabilities, and net asset related to the Stratford recycling, which was previously reported in the Property Division following the closure of the Bridgeport Project, were transferred into the Recycling Division (South Unit). A Recycling Division (North Unit) will be created following the expiration of the Mid-Connecticut Project to account for the recycling operations of Mid-Connecticut.

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 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/or other, 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.

D. 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.

E. Accounts Receivable, Net

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. The Authority performs ongoing credit evaluations and generally requires a guarantee of payment form of collateral. The Authority has established an allowance for the estimated portion that is not expected to be collected of $468,000 at June 30, 2012 and $115,000 at June 30, 2011.

F. Inventory

The Authority's spare parts inventory is stated at the lower of cost or market using the weighted-average cost method. The Authority's fuel inventory is stated at the lower of cost or market using the FIFO method. Inventories at June 30, 2012 and 2011 are summarized as follows:

Inventories	Fiscal Year 2012 ($000)	Fiscal Year 2011 ($000)
Spare Parts	$ 5,390	$ 3,973
Fuel	980	-
Total	$ 6,370	$ 3,973

G. Investments

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

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

H. Restricted Assets

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

I. Development and Bonds Issuance Costs

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

At June 30, 2012 and 2011, development and bond issuance costs for the projects are as follows:

Project	Fiscal Year 2012 ($000)	Fiscal Year 2011 ($000)
Southeast		
Development Costs	10,006	10,006
Less:		
Accummulated amortization	8,438	8,045
Total development costs, net	1,568	1,961
Mid-Connecticut		
Bond Issuance Costs	239	239
Less:		
Accummulated amortization	231	216
Total bond issuance costs, net	$ 8	$ 23
Totals, net	$ 1,576	$ 1,984

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

Fiscal year ending June 30,	Project: Mid-Connecticut ($000)	Project: Southeast ($000)
Bond Issuance Costs		
2013	8	-
	$ 8	$ -
Development Costs		
2013	-	392
2014	-	392
2015	-	392
2016	-	392
	$ -	$ 1,568
Total	$ 8	$ 1,568

J. Capital Assets

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

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

The Authority's capitalization threshold 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, 2012 and 2011, no impairment losses were recognized. Management does not believe that the value of its properties is impaired as of June 30, 2012.

K. 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. Accumulated vacation and personal time earned and not paid at June 30, 2012 and 2011 was $475,000 and $409,000, respectively.

L. Net Assets

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

Unrestricted net assets may be divided into designated and undesignated portions. Designated net assets represent the Authority's self-imposed limitations on the use of otherwise unrestricted net assets. Unrestricted net assets have been designated by the Board of Directors of the Authority for various purposes. Such designations totaled $34.9 million and $27.3 million as of June 30, 2012 and 2011, respectively. Unrestricted net assets at June 30, 2012 and 2011 are summarized as follows:

Unrestricted Net Assets	2012 ($000)	2011 ($000)
Undesignated	$ 14,251	$ 18,744
Designated:		
Non-GASB #18 post-closure	7,628	10,379
Future loss contingencies	12,262	10,600
Facility modifications	6,351	3,004
Litigation reserve	2,358	-
Transition costs	2,029	-
Rolling stock	1,033	1,031
Recycling	678	677
Recycling Education solid waste initiative reserve	500	-
Post-litigation expense	459	511
Post-project	1,053	393
Project-closure	117	305
Landfill development	296	296
South Meadows site remediation	88	88
	34,852	27,284
Total Unrestricted Net Assets	$ 49,103	$ 46,028

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 $11.1 million and $24.8 million as of June 30, 2012 and 2011, respectively.

As of June 30, 2012 and 2011, the Authority has no restricted net assets that are restricted by enabling legislation.

M. Reclassifications

Certain reclassifications have been made to the 2011 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, 2012 and 2011:

Cash and Cash Equivalents	2012 ($000)	2011 ($000)
Unrestricted:		
Cash deposits	$ 1,326	$ 1,218
Cash equivalents:		
STIF *	75,005	72,281
	76,331	73,499
Restricted – current:		
Cash deposits	3,628	1,511
Cash equivalents:		
STIF *	18,106	33,116
U.S. Treasuries	-	500
Money Market Funds	1,141	-
	22,875	35,127
Restricted – non-current:		
Cash equivalents:		
STIF *	-	7,366
U.S. Treasuries	-	7,358
	-	14,724
Total	$ 99,206	$123,350

* 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, 2012 and 2011, approximately $2.3 million and $5.2 million, respectively, of the Authority's bank balance of cash deposits were exposed to custodial credit risk as follows:

Custodial Credit Risks	2012 ($000)	2011 ($000)
Uninsured and Uncollateralized	$ 1,941	$ 4,423
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	406	802
Total	$2,347	$5,225

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

Investments in the Short-Term Investment Fund ("STIF"), U.S. Treasuries, and Money Market Funds as of June 30, 2012 and 2011 are included in cash and cash equivalents in the accompanying balance sheet. For purposes of disclosure under GASB Statement No. 40, such amounts are considered investments and are included in the investment disclosures that follow.

B. Investments

Interest Rate Risk

As of June 30, 2012, the Authority's investments consisted of the following debt securities:

Investment Type	Fair Value ($000)	Investment Maturities (In Years) Less than 1	1 to 5	6 to 10	More than 10
STIF	$ 93,111	$ 93,111	$ -	$ -	$ -
U.S. Treasuries	8,177	8,177	-	-	-
Total	$101,288	$101,288	$ -	$ -	$ -

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

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

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 both June 30, 2012 and 2011, STIF had a weighted average maturity of 31 days. The U.S. Treasury Securities are U.S. Treasury Bills that had 180-day and 90-day maturities as of June 30, 2012 and 2011, respectively. The Money Market Funds invest exclusively in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. This fund complies with Securities and Exchange Commission regulations regarding money market fund maturities, which requires that the weighted average maturity be 90 days or less. As of June 30, 2012, the weighted average maturity of this fund was 49 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, 2012, the Authority's investments were rated as follows:

Security	Fair Value ($000)	Standard & Poor's	Moody's Investor Service	Fitch Ratings
STIF	$ 93,111	AAAm	Not Rated	Not Rated
U.S. Treasuries	$ 8,177	AA+	Aaa	AAA
Money Market Funds	$ 1,141	AAAm	Aaa	AAAmmf

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

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, 2012 and 2011, approximately 90.9% and 92.9%, respectively, of the Authority's investments are in the STIF, which is rated in the highest rating category by Standard & Poor's and provides daily liquidity, thereby satisfying the primary objectives of the Authority's investment policy.

3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2011 and 2012:

	Balance at June 30, 2010 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2011 ($000)	Additions ($000)	Transfers ($000)	Sales and Disposals ($000)	Balance at June 30, 2012 ($000)
Depreciable assets:									
Plant	$ 185,853	$ 654	$ 3,134	$ (625)	$ 189,016	407	$ 3,031	$ (274)	$ 192,180
Equipment	218,834	1,574	4,408	(1,894)	222,921	1,265	$ 5,122	$ (787)	228,521
Total at cost	404,687	2,228	7,541	(2,519)	411,937	1,672	8,153	(1,061)	420,701
Less accumulated depreciation for:									
Plant	(142,664)	(6,379)	-	186	(148,858)	(6,192)	$ -	$ 208	(154,842)
Equipment	(161,543)	(11,198)	-	1,062	(171,679)	(9,643)	$ -	$ 725	(180,597)
Total accumulated depreciation	(304,207)	(17,577)	-	1,248	(320,537)	(15,835)	-	933	(335,439)
Total depreciable assets, net	$ 100,480	$ (15,349)	$ 7,541	$ (1,271)	$ 91,400	$ (14,163)	$ 8,153	$ (128)	$ 85,262
Nondepreciable assets:									
Land	$ 28,180	$ -	$ -	$ -	$ 28,180	$ -	$ -	$ -	$ 28,180
Construction-in-progress	861	10,643	(7,541)	-	3,963	10,133	(8,153)	$ -	5,943
Total nondepreciable assets	$ 29,041	$ 10,643	$ (7,541)	$ -	$ 32,143	$ 10,133	$ (8,153)	$ -	$ 34,123
Total depreciable and nondepreciable assets	$ 129,521	$ (4,706)	$ -	$ (1,271)	$ 123,543	$ (4,030)	$ -	$ (128)	$ 119,385

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 2012 and 2011, 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, 2011 and 2012:

Bonds Payable	Balance at July 1, 2010 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2011 ($000)	Increases ($000)	Decreases ($000)	Balance at June 30, 2012 ($000)	Amounts Due Within One Year ($000)
Bonds payable - principal	$ 16,200	$ -	$ (8,151)	$ 8,049	$ -	$ (3,915)	$ 4,134	$ 4,134
Unamortized amounts:								
Premiums	188	-	(188)	-	-	-	-	-
Deferred amount on refunding	(444)	-	433	(11)	-	11	-	-
Total bonds payable	$ 15,944	$ -	$ (7,906)	$ 8,038	$ -	$ (3,904)	$ 4,134	$ 4,134

The long-term debt amounts for the projects in the table above have been reduced by the deferred amount on refunding of bonds at June 30, 2012 and 2011 as follows:

Deferred amount on refunding	2012 ($000)	2011 ($000)
Mid-Connecticut	$ -	$ 11
Total	$ -	$ 11

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, 2012 and 2011, which are backed by special capital reserve funds, are as follows:

Project	2012 ($000)	2011 ($000)
Mid-Connecticut	$ 4,134	$ 8,049
Total	$ 4,134	$ 8,049

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

Annual debt service requirements to maturity on bonds payable for the fiscal year ending June 30, 2013 are as follows:

Project	Principal ($000)	Interest ($000)
Mid-Connecticut	$ 4,134	$ 114
Total	$ 4,134	$ 114

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 ("SCRRRA") for all of its solid waste disposal facility bonds. SCRRRA 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 SCRRRA, 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 SCRRRA 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 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, 2012.

As a result of the refunding, the Authority recognized $2.3 million in the accompanying statement of revenues, expenses and changes in net assets for the year ended June 30, 2011. 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 2011 and 2012 for the landfills, are presented in the following table:

Project/Landfill	Liability at July 1, 2010 ($000)	Expense ($000)	Paid ($000)	Liability at June 30, 2011 ($000)	Expense ($000)	Paid ($000)	Liability at June 30, 2012 ($000)	Amounts Due Within One Year ($000)
Mid-Connecticut:								
Hartford	$ 31,795	$ 853	$ (3,242)	$ 29,406	$ 418	$ (1,206)	$ 28,618	$ 1,223
Ellington	3,985	(107)	(140)	3,738	16	(140)	3,614	245
Landfill Division:								
Shelton	11,764	(170)	(456)	11,138	162	(394)	10,907	746
Waterbury	978	31	(28)	981	(1)	(29)	950	41
Wallingford	5,959	(393)	(153)	5,413	(180)	(122)	5,111	373
Total	$ 54,481	$ 214	$ (4,019)	$ 50,676	$ 415	$ (1,891)	$ 49,200	$ 2,628

The Connecticut Department of Environmental Protection ("DEEP") 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, DEEP 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.

In addition, the Authority has established Post-Closure Trust Funds as financial assurance mechanisms for the Shelton Landfill and the Wallingford Landfill. These trust funds are reflected as restricted investments and restricted cash and cash equivalents in the accompanying balance sheet as of June 31, 2012 and 2011; respectively.

6. MAJOR CUSTOMERS

Energy sales to Northeast Utilities and Constellation totaled 21.77% and 13.48%, respectively, of the Authority's operating revenues for the fiscal year ended June 30, 2012. 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.

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, 2012 and 2011.

7. RETIREMENT BENEFIT 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, 2012 and 2011 amounted to $404,000 and $415,000, respectively. Employees contributed $378,000 to the plan in fiscal year 2012 and $411,000 in fiscal year 2011.

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

The Authority has no post-employment benefit plans as of June 30, 2011 and 2012.

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 that can be done so at reasonable expense. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. In fiscal year 2012, 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, 2012 through July 1, 2013 and July 1, 2011 through July 1, 2012 was $60,000 and $74,000, respectively.

9. COMMITMENTS

The Authority has various operating leases for office space and office equipment, which totaled $362,000 and $363,000 for fiscal years 2012 and 2011, respectively. The lease for the office space expires on December 31, 2012, and the Authority intends to extend it for one year.

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, 2012 and 2011, the PILOT payments, which are included in the solid waste operations in the accompanying statements of revenues, expenses and changes in net assets, totaled $ 5,553,000 and $ 5,121,000, respectively. Future minimum rental commitments under non-cancelable operating leases and future PILOT payments as of June 30, 2012 are as follows:

Fiscal Year	Lease Amount ($000)	PILOT Amount ($000)
2013	349	3,308
2014	349	907
2015	344	949
2016	15	992
2017	15	1,037
Thereafter	150	224
Total	$ 1,222	$ 7,417

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, including transition costs incurred in connection with a new Operations and Management Agreements effective in 2012 ("O & M Agreements") to operate the Mid-Connecticut's Waste Processing Facility (the "WPF), the Power Block Facility, and the Energy Generation Facility, included in solid waste operations and maintenance and utilities expense for the years ended June 30, 2012 and 2011 was as follows:

Project	2012 ($000)	2011 ($000)
Mid-Connecticut	$ 67,943	$ 65,975
Southeast	21,046	20,521
SouthWest	13,218	13,830
Property	240	2,238
Landfill	123	-
Recycling	588	-
Wallingford	21	95
Total	$ 103,179	$ 102,659

There are no construction contracts executed during fiscal year 2012. During fiscal year 2011, the Authority executed construction contracts totaling approximately $2.0 million for construction of a new jet fuel storage tank at the Jet Turbine Facility. As of June 30, 2011, remaining commitments on executed construction contracts totaling approximately $303,000.

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, 2012 are as follows:

Project	Amount ($000)
Southeast -	
1992 Series A - Corp. Credit	$ 30,000
2001 Series A - Covanta Southeastern Connecticut Company - I	6,750
2001 Series A - Covanta Southeastern Connecticut Company - II	6,750
2010 Series A - Project Refunding	22,760
Total	$ 66,260

11. SEGMENT INFORMATION

The Authority has two projects that operate resources recovery and recycling facilities and landfills throughout the State, four 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, 2012 and 2011, respectively.

Fiscal Year 2012	Mid-Connecticut Project ($000)	Southeast Project ($000)	SouthWest Division ($000)	Property Division ($000)	Landfill Division ($000)	Recycling Division ($000)	Bridgeport (1) Project ($000)	Wallingford (2) Project ($000)
Condensed Balance Sheets								
Assets:								
Current unrestricted assets	$ 75,616	$ 5,766	$ 2,634	$ 1,681	$ 12,463	$ 1,446	$ -	$ -
Current restricted assets	15,823	5,843	-	500	700	9	-	-
Total current assets	91,439	11,609	2,634	2,181	13,163	1,455	-	-
Non-current assets:								
Restricted investments	490	-	-	-	7,687	-	-	-
Capital assets, net	102,601	-	-	5,663	10,838	-	-	-
Other assets, net	8	1,568	-	-	-	-	-	-
Total non-current assets	103,099	1,568	-	5,663	18,525	-	-	-
Total assets	$ 194,538	$ 13,177	$ 2,634	$ 7,844	$ 31,688	$ 1,455	$ -	$ -
Liabilities:								
Current liabilities	$ 17,808	$ 2,953	$ 2,539	$ 120	$ 1,217	$ 252	$ -	$ -
Long-term liabilities	34,264	824	-	-	15,808	-	-	-
Total liabilities	52,072	3,777	2,539	120	17,025	252	-	-
Net Assets:								
Invested in capital assets, net of related debt	99,564	-	-	5,663	10,838	-	-	-
Restricted	6,434	3,088	-	500	1,028	-	-	-
Unrestricted	36,468	6,312	95	1,561	2,797	1,203	-	-
Total net assets	142,466	9,400	95	7,724	14,663	1,203	-	-
Total liabilities and net assets	$ 194,538	$ 13,177	$ 2,634	$ 7,844	$ 31,688	$ 1,455	$ -	$ -
Condensed Statements of Revenues, Expenses, and Changes in Net Assets								
Operating revenues	$ 90,081	$ 26,751	$ 13,618	$ 738	$ 6	$ 1,117	$ -	$ -
Operating expenses	84,976	27,530	13,651	716	77	1,046	30	41
Depreciation and amortization expense	15,418	392	-	265	-	-	-	-
Operating (loss) income	(10,313)	(1,171)	(33)	(243)	(71)	71	(30)	(41)
Non-operating revenues (expenses):								
Investment income	157	3	1	3	25	2	-	1
Other income (expenses), net	320	13	-	(9)	(154)	-	-	(138)
Interest expense	(317)	-	-	-	-	-	-	-
Net non-operating revenues (expense)	160	16	1	(6)	(129)	2	-	(137)
Income (loss) before special item and transfers	(10,153)	(1,155)	(32)	(249)	(200)	73	(30)	(178)
Transfers in (out)	-	-	-	(14,840)	14,863	1,130	(363)	(790)
Change in net assets	(10,153)	(1,155)	(32)	(15,089)	14,663	1,203	(393)	(968)
Total net assets, July 1, 2011	152,619	10,555	127	22,813	-	-	393	968
Total net assets, June 30, 2012	$ 142,466	$ 9,400	$ 95	$ 7,724	$ 14,663	$ 1,203	$ -	$ -
Condensed Statements of Cash Flows								
Net cash provided (used) by:								
Operating activities	$ 1,050	$ 479	$ (24)	$ (208)	$ (314)	$ 111	$ (30)	$ (254)
Investing activities	160	4	1	3	(7,332)	2	-	2
Capital and related financing activities	(17,335)	-	-	-	(545)	-	-	-
Non-capital financing activities	(5)	-	-	(21,207)	21,223	1,130	(363)	(791)
Net (decrease) increase	(16,130)	483	(23)	(21,412)	13,032	1,243	(393)	(1,043)
Cash and cash equivalents, July 1, 2011	88,790	6,713	1,453	23,549	-	-	393	1,043
Cash and cash equivalents, June 30, 2012	$ 72,660	$ 7,196	$ 1,430	$ 2,137	$ 13,032	$ 1,243	$ -	$ -

(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 2011	Mid-Connecticut Project ($000)	Southeast Project ($000)	SouthWest Division ($000)	Property Division ($000)	Bridgeport (1) Project ($000)	Wallingford (2) Project ($000)
Condensed Balance Sheets						
Assets:						
Current unrestricted assets	$ 64,453	$ 10,886	$ 2,716	$ 15,018	$ 393	$ 1,043
Current restricted assets	30,917	2,813	-	1,404	-	-
Total current assets	95,370	13,699	2,716	16,422	393	1,043
Non-current assets:						
Restricted cash and cash equivalents	7,366	-	-	7,358	-	-
Restricted investments	490	-	-	327	-	-
Capital assets, net	106,339	-	-	16,766	-	-
Other assets, net	23	1,961	-	-	-	-
Total non-current assets	114,218	1,961	-	24,451	-	-
Total assets	$ 209,588	$ 15,660	$ 2,716	$ 40,873	$ 393	$ 1,043
Liabilities:						
Current liabilities	$ 19,906	$ 4,207	$ 2,589	$ 2,202	$ -	$ 75
Long-term liabilities	37,063	898	-	15,858	-	-
Total liabilities	56,969	5,105	2,589	18,060	-	75
Net Assets:						
Invested in capital assets, net of related debt	100,430	-	-	16,766	-	-
Restricted	22,779	1,228	-	1,728	-	-
Unrestricted	29,410	9,327	127	4,319	393	968
Total net assets	152,619	10,555	127	22,813	393	968
Total liabilities and net assets	$ 209,588	$ 15,660	$ 2,716	$ 40,873	$ 393	$ 1,043
Condensed Statements of Revenues, Expenses, and Changes in Net Assets						
Operating revenues	$ 89,411	$ 25,453	$ 14,361	$ 3,342	$ -	$ -
Operating expenses	83,388	23,378	14,390	2,399	1,317	19,749
Depreciation and amortization expense	17,101	418	-	299	-	-
Operating (loss) income	(11,078)	1,657	(29)	644	(1,317)	(19,749)
Non-operating revenues (expenses):						
Investment income	214	18	2	47	2	22
Other income (expenses), net	(1,004)	(179)	-	(32)	-	(166)
Interest expense	(533)	(153)	-	-	-	-
Net non-operating revenues (expense)	(1,323)	(314)	2	15	2	(144)
Income (loss) before special item and transfers	(12,401)	1,343	(27)	659	(1,315)	(19,893)
Special Item: Gain on early retirement of debt, net	-	2,333	-	-	-	-
Transfers in (out)	-	-	-	4,194	26	(4,220)
Change in net assets	(12,401)	3,676	(27)	4,853	(1,289)	(24,113)
Total net assets, July 1, 2010	165,020	6,879	154	17,960	1,682	25,081
Total net assets, June 30, 2011	$ 152,619	$ 10,555	$ 127	$ 22,813	$ 393	$ 968
Condensed Statements of Cash Flows						
Net cash provided (used) by:						
Operating activities	$ 14,450	$ 2,743	$ 1,372	$ 707	$ (1,348)	$ (20,055)
Investing activities	220	34	1	47	2	22
Capital and related financing activities	(20,348)	(1,743)	-	(650)	-	-
Non-capital financing activities	(5)	-	-	7,840	200	(8,046)
Net (decrease) increase	(5,683)	1,034	1,373	7,944	(1,146)	(28,079)
Cash and cash equivalents, July 1, 2010	94,473	5,679	80	15,605	1,539	29,122
Cash and cash equivalents, June 30, 2011	$ 88,790	$ 6,713	$ 1,453	$ 23,549	$ 393	$ 1,043

(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.

12. SIGNIFICANT EVENTS

Several waste hauling companies have settled with the Authority for diversion of waste from the Authority's Mid-Connecticut Project. As of June 30, 2012 and 2011, remaining revenues for wastes to be delivered to the Mid-Connecticut facility totaled approximately $2.0 million and $4.8 million; respectively.

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 in excess of $60 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. On February 7, 2012, the Authority sent letters to all Mid-Connecticut Project municipalities advising them that, in the event that the Authority is ultimately determined to be responsible for any portion of MDC's claimed costs, each municipality will be responsible for its pro rata share of such costs. 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 the Authority's claim that the MDC party-appointed arbitrator should be disqualified. The lower court held that hearing in December 2011, and on August 20, 2012, denied the Authority's petition to disqualify MDC's party-appointed arbitrator. On September 6, 2012, the Authority filed an appeal of that ruling. 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 Harford Landfill constituted a public nuisance. On May 4, 2006, AISLIC initiated a declaratory judgment action in federal district court seeking a declaration that AISLIC is not obligated to indemnify the Authority in connection with the settled lawsuit and that AISLIC should be awarded the amount it spent on defense and indemnification of the Authority. The Authority is defending against this action, and has counterclaimed, alleging bad faith and seeking recovery of its attorneys' fees. AISLIC filed five dispositive motions in June 2011. On October 24, 2011, the Authority filed briefs in opposition to AISLIC's motions, together with the Authority's motion for summary judgment. On March 30, 2012, the Court denied four of AISLIC's five motions. Both AISLIC and the Authority have filed motions for reconsideration of that ruling. On September 10, 2012, the Court granted the Authority's motion for summary judgment as to AISLIC's defense costs, and denied it as to AISLIC's indemnity obligations. The matter is too preliminary to estimate any potential exposure.

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 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 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.

Future plans for dismantling and/or major renovations to the Mid-Connecticut facilities have not been determined. This matter is too preliminary to estimate any future costs.

14. SUBSEQUENT EVENTS

New Municipal Service Agreement ("MSA")

The Authority has MSAs with 70 municipalities for use of the Mid-Connecticut Project facilities. Under the MSAs, the municipalities commit to deliver their waste to the Authority and the Authority commits to disposal of the waste from the municipalities. Most of the MSAs expire on November 15, 2012. Several existing Mid-Connecticut Project towns have signed the new MSA with the Authority's Connecticut Solid Waste System ("CSWS") effective November 16, 2012, following expiration of the Mid-Connecticut Project on November 15, 2012. In addition to these towns, dozens of private haulers throughout the existing Mid-Connecticut territory have signed contracts with the CSWS.

Mid-Connecticut Bonds

The Authority's Mid-Connecticut bonds that had been issued to finance the design, development, and construction of the Mid-Connecticut Project will be matured on November 15, 2012.

15. NEW ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

GASB 62

In December 2010, the GASB issued *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements (GASB Statement No. 62).* This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do 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.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011.

GASB 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and*

Net Position. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

GASB 64

In June 2011, the GASB issued Statement No. 4, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.* This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This statement is effective for periods beginning after June 15, 2011, with earlier application encouraged.

GASB 65

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

GASB 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections – an amendment of Statements No. 10 and No. 62.* This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

GASB 67

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria. In addition, this Statement requires single-employer and cost-sharing pension plans to present certain information for each of the ten most recent fiscal years about employer and nonemployer contributing entity obligations for pensions provided through the pension plan in required supplementary information. This Statement is effective for periods beginning after June 15, 2013 with early implementation encouraged.

GASB 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement.

The scope of this Statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the Statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

Management has not estimated the extent of potential impact of these statements on the Authority's financial statements.

CONNECTICUT RESOURCES RECOVERY AUTHORITY
A Component Unit of the State of Connecticut
COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2012
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division (South Unit)	Bridgeport Project	Wallingford Project	Total
ASSETS										
CURRENT ASSETS										
Unrestricted Assets:										
Cash and cash equivalents	$ 1,508	$ 56,837	$ 1,353	$ 1,430	$ 1,637	$ 12,332	$ 1,234	$ -	$ -	$ 76,331
Accounts receivable, net of allowances	22	8,128	4,402	1,204	44	-	209	-	-	14,009
Inventory	-	6,370	-	-	-	-	-	-	-	6,370
Prepaid expenses	24	4,281	11	-	-	131	3	-	-	4,450
Total Unrestricted Assets	1,554	75,616	5,766	2,634	1,681	12,463	1,446	-	-	101,160
Restricted Assets:										
Cash and cash equivalents	-	15,823	5,843	-	500	700	9	-	-	22,875
Total Restricted Assets	-	15,823	5,843	-	500	700	9	-	-	22,875
TOTAL CURRENT ASSETS	1,554	91,439	11,609	2,634	2,181	13,163	1,455	-	-	124,035
NON-CURRENT ASSETS										
Restricted investments	-	490	-	-	-	7,687	-	-	-	8,177
Capital Assets:										
Depreciable:										
Plant	864	175,858	-	-	5,423	10,035	-	-	-	192,180
Equipment	1,233	224,927	-	-	2,203	158	-	-	-	228,521
	2,097	400,785	-	-	7,626	10,193	-	-	-	420,701
Less: Accumulated depreciation	(1,814)	(316,027)	-	-	(7,405)	(10,193)	-	-	-	(335,439)
Total Depreciable, net	283	84,758	-	-	221	-	-	-	-	85,262
Nondepreciable:										
Land	-	11,900	-	-	5,442	10,838	-	-	-	28,180
Construction in progress	-	5,943	-	-	-	-	-	-	-	5,943
Total Nondepreciable	-	17,843	-		5,442	10,838	-	-	-	34,123
Development and bond issuance costs, net	-	8	1,568	-	-	-	-	-	-	1,576
TOTAL NON-CURRENT ASSETS	283	103,099	1,568	-	5,663	18,525	-	-	-	129,138
TOTAL ASSETS	$ 1,837	$ 194,538	$ 13,177	$ 2,634	$ 7,844	$ 31,688	$ 1,455	$ -	$ -	$ 253,173

CONNECTICUT RESOURCES RECOVERY AUTHORITY
A Component Unit of the State of Connecticut
COMBINING SCHEDULE OF BALANCE SHEETS (Continued)
AS OF JUNE 30, 2012
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division (South Unit)	Bridgeport Project	Wallingford Project	Total
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Payable from unrestricted assets:										
Closure and post-closure care of landfills	$ -	$ 170	$ -	$ -	$ -	$ 1,160	$ -	$ -	$ -	1,330
Accounts payable	159	210	-	1,208	2	19	60	-	-	1,658
Acccrued expenses and other current liabilities	728	1,386	1,023	1,331	118	38	180	-	-	4,804
Due to other funds	-	-	-	-	-	-	-	-	-	-
Total payable from unrestricted assets	887	1,766	1,023	2,539	120	1,217	240	-	-	7,792
Payable from restricted assets:										
Bonds payable, net	-	4,134	-	-	-	-	-	-	-	4,134
Closure and post-closure care of landfills	-	1,298	-	-	-	-	-	-	-	1,298
Accounts payable	-	850	-	-	-	-	-	-	-	850
Acccrued expenses and other current liabilities	-	9,760	1,930	-	-	-	12	-	-	11,702
Total payable from restricted assets	-	16,042	1,930	-	-	-	12	-	-	17,984
TOTAL CURRENT LIABILITIES	887	17,808	2,953	2,539	120	1,217	252	-	-	25,776
LONG-TERM LIABILITIES										
Payable from unrestricted assets:										
Closure and post-closure care of landfills	-	30,764	-	-	-	8,449	-	-	-	39,213
Other liabilities	-	3,500	-	-	-	-	-	-	-	3,500
Total payable from unrestricted assets	-	34,264	-	-	-	8,449	-	-	-	42,713
Payable from restricted assets:										
Closure and post-closure care of landfills	-	-	-	-	-	7,359	-	-	-	7,359
Other liabilities	-	-	824	-	-	-	-	-	-	824
Total payable from restricted assets	-	-	824	-	-	7,359	-	-	-	8,183
TOTAL LONG-TERM LIABILITIES	-	34,264	824	-	-	15,808	-	-	-	50,896
TOTAL LIABILITIES	887	52,072	3,777	2,539	120	17,025	252	-	-	76,672

CONNECTICUT RESOURCES RECOVERY AUTHORITY

A Component Unit of the State of Connecticut

COMBINING SCHEDULE OF BALANCE SHEETS (Continued)

AS OF JUNE 30, 2012

(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division (South Unit)	Bridgeport Project	Wallingford Project	Total
NET ASSETS										
Invested in capital assets, net of related debt	283	99,564	-	-	5,663	10,838	-	-	-	116,348
Restricted for:										
Revenue fund	-	-	2,408	-	-	-	-	-	-	2,408
Energy generating facility	-	1,516	-	-	-	-	-	-	-	1,516
Equipment replacement	-	1,504	-	-	-	-	-	-	-	1,504
Operating and maintenance	-	1,504	-	-	-	-	-	-	-	1,504
Select Energy escrow	-	1,000	-	-	-	-	-	-	-	1,000
DEEP trust - landfills	-	490	-	-	-	328	-	-	-	818
Shelton landfill future use	-	-	-	-	-	700	-	-	-	700
Montville landfill post-closure	-	-	680	-	-	-	-	-	-	680
Covanta Wallingford escrow	-	-	-	-	500	-	-	-	-	500
City of Hartford recycling education fund	-	189	-	-	-	-	-	-	-	189
Debt service funds	-	96	-	-	-	-	-	-	-	96
Other restricted net assets	-	135	-	-	-	-	-	-	-	135
Total Restricted	-	6,434	3,088	-	500	1,028	-	-	-	11,050
Unrestricted	667	36,468	6,312	95	1,561	2,797	1,203	-	-	49,103
TOTAL NET ASSETS	950	142,466	9,400	95	7,724	14,663	1,203	-	-	176,501
TOTAL LIABILITIES AND NET ASSETS	$ 1,837	$ 194,538	$ 13,177	$ 2,634	$ 7,844	$ 31,688	$ 1,455	$ -	$ -	$ 253,173

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, 2012
(Dollars in Thousands)

EXHIBIT B

	General Fund	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division (South Unit)	Bridgeport Project	Wallingford Project	Eliminations	Total
Operating Revenues											
Service charges:											
Members	$ -	$ 33,781	$ 8,272	$ 13,618	$ 295	$ -	$ -	$ -	$ -	$ -	$ 55,966
Others	-	21,025	103	-	-	-	-	-	-	(268)	20,860
Energy sales	-	28,171	18,376	-	-	-	-	-	-	-	46,547
Other operating revenues	-	7,104	-	-	443	6	1,117	-	-	-	8,670
Total Operating Revenues	-	90,081	26,751	13,618	738	6	1,117	-	-	(268)	132,043
Operating Expenses											
Solid waste operations	-	76,017	25,989	13,218	303	86	846	29	41	(268)	116,261
Depreciation and amortization	167	15,418	392	-	265	-	-	-	-	-	16,242
Maintenance and utilities	-	845	-	-	16	(24)	63	-	-	-	900
Closure and post-closure care of landfills	-	434	-	-	-	(19)	-	-	-	-	415
Legal services - external	-	1,793	2	7	-	-	-	1	-	-	1,803
Administrative and Operational services	-	5,887	138	426	397	34	137	-	-	-	7,019
Distribution to SCRRRA	-	-	1,401	-	-	-	-	-	-	-	1,401
Total Operating Expenses	167	100,394	27,922	13,651	981	77	1,046	30	41	(268)	144,041
Operating (Loss) Income	(167)	(10,313)	(1,171)	(33)	(243)	(71)	71	(30)	(41)	-	(11,998)
Non-Operating Revenues (Expenses)											
Investment income	-	157	3	1	3	25	2	-	1	-	192
Other income (expenses)	93	320	13	-	(9)	(154)	-	-	(138)	-	125
Interest expense	-	(317)	-	-	-	-	-	-	-	-	(317)
Non-Operating Revenues (Expenses), Net	93	160	16	1	(6)	(129)	2	-	(137)	-	-
Income (Loss) before Special Item and Transfers	(74)	(10,153)	(1,155)	(32)	(249)	(200)	73	(30)	(178)	-	(11,998)
Transfers in (out)	-	-	-	-	(14,840)	14,863	1,130	(363)	(790)	-	-
Change in Net Assets	(74)	(10,153)	(1,155)	(32)	(15,089)	14,663	1,203	(393)	(968)	-	(11,998)
Total Net Assets, beginning of year	1,024	152,619	10,555	127	22,813	-	-	393	968	-	188,499
Total Net Assets, end of year	$ 950	$ 142,466	$ 9,400	$ 95	$ 7,724	$ 14,663	$ 1,203	$ -	$ -	$ -	$ 176,501

CONNECTICUT RESOURCES RECOVERY AUTHORITY
A Component Unit of the State of Connecticut
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division (South Unit)	Bridgeport Project	Wallingford Project	Eliminations	Total
Cash Flows Provided (Used) by Operating Activities											
Payments received from providing services	$ 180	$ 91,930	$ 29,347	$ 13,677	$ 781	$ 6	$ 908	$ -	$ -	$ (268)	$ 136,561
Payments received from other funds	-	81	-	-	-	-	-	-	-	(81)	-
Payments to suppliers for goods and services	-	(87,393)	(27,409)	(13,359)	(681)	(284)	(725)	(30)	(254)	268	(129,867)
Payments to employees for services	-	(3,568)	(58)	(342)	(308)	(36)	(72)	-	-	-	(4,384)
Distribution to SCRRRA	-	-	(1,401)	-	-	-	-	-	-	-	(1,401)
Payments to other funds	(81)	-	-	-	-	-	-	-	-	81	-
Net Cash Provided (Used) by Operating Activities	99	1,050	479	(24)	(208)	(314)	111	(30)	(254)	-	909
Cash Flows Provided (Used) by Investing Activities											
Interest on investments	-	160	4	1	3	25	2	-	2	-	197
Purchases of investments	-	-	-	-	-	(7,357)	-	-	-	-	(7,357)
Net Cash Provided (Used) by Investing Activities	-	160	4	1	3	(7,332)	2	-	2	-	(7,160)
Cash Flows Provided (Used) by Capital and Related Financing Activities											
Proceeds from sales of equipment	-	54	-	-	-	-	-	-	-	-	54
Payments for landfill closure and post-closure care liabilities	-	(1,346)	-	-	-	(545)	-	-	-	-	(1,891)
Acquisition and construction of capital assets	-	(11,793)	-	-	-	-	-	-	-	-	(11,793)
Interest paid on long-term debt	-	(335)	-	-	-	-	-	-	-	-	(335)
Principal paid on long-term debt	-	(3,915)	-	-	-	-	-	-	-	-	(3,915)
Net Cash Used by Capital and Related Financing Activities	-	(17,335)	-	-	-	(545)	-	-	-	-	(17,880)
Cash Flows Used by Non-Capital Financing Activities											
Other interest and fees	-	(5)	-	-	-	(8)	-	-	-	-	(13)
Cash inflow / (outflow)	-	-	-	-	(21,207)	21,231	1,130	(363)	(791)	-	-
Net Cash Used by Non-Capital Financing Activities	-	(5)	-	-	(21,207)	21,223	1,130	(363)	(791)	-	(13)
Net decrease in cash and cash equivalents	$ 99	$ (16,130)	$ 483	$ (23)	$ (21,412)	$ 13,032	$ 1,243	$ (393)	$ (1,043)	$ -	$ (24,144)
Cash and cash equivalents, beginning of year	1,409	88,790	6,713	1,453	23,549	-	-	393	1,043	-	123,350
Cash and cash equivalents, end of year	$ 1,508	$ 72,660	$ 7,196	$ 1,430	$ 2,137	$ 13,032	$ 1,243	$ -	$ -	$ -	$ 99,206

CONNECTICUT RESOURCES RECOVERY AUTHORITY
A Component Unit of the State of Connecticut
COMBINING SCHEDULE OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division (South Unit)	Bridgeport Project	Wallingford Project	Eliminations	Total
Reconciliation of Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:											
Operating (loss) income	$ (167)	$ (10,313)	$ (1,171)	$ (33)	$ (243)	$ (71)	$ 71	$ (30)	$ (41)	$ -	$ (11,998)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:											
Depreciation of capital assets	167	15,403	-	-	265	-	-	-	-	-	15,835
Amortization of development and bond issuance costs	-	15	392	-	-	-	-	-	-	-	407
Provision for closure and post-closure care of landfills	-	434	-	-	-	(19)	-	-	-	-	415
Other income (expenses)	81	400	13	-	(9)	(150)		-	(138)	-	197
Changes in assets and liabilities:											
(Increase) decrease in:											
Accounts receivable, net	-	1,011	2,583	59	75	-	(209)	-	-	-	3,519
Inventory	-	(2,397)	-	-	-	-	-	-	-	-	(2,397)
Prepaid expenses and other current assets	2	(3,534)	(10)	-	112	(131)	(3)	-	-	-	(3,564)
Due from other funds	-	81	-	-	-	-	-	-	-	(81)	-
Increase (decrease) in:											
Accounts payable, accrued expenses and other liabilities	97	(50)	(1,328)	(50)	(408)	57	252	-	(75)		(1,505)
Due to other funds	(81)	-	-	-	-	-	-	-	-	81	-
Net Cash Provided (Used) by Operating Activities	$ 99	$ 1,050	$ 479	$ (24)	$ (208)	$ (314)	$ 111	$ (30)	$ (254)	$ -	$ 909

CONNECTICUT RESOURCES RECOVERY AUTHORITY
A Component Unit of the State of Connecticut
COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2012
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division (South Unit)	Bridgeport Project	Wallingford Project	Total
Net assets invested in capital assets, net of related debt	$ 283	$ 99,564	$ -	$ -	$ 5,663	$ 10,838	$ -	$ -	$ -	$ 116,348
Restricted net assets:										
Current restricted cash and cash equivalents:										
Revenue fund	-	5,183	4,226	-	-	-	-	-	-	9,409
Debt service funds	-	2,797	-	-	-	-	-	-	-	2,797
Energy generating facility	-	1,687	-	-	-	-	-	-	-	1,687
Montville landfill post-closure	-	-	1,617	-	-	-	-	-	-	1,617
Equipment replacement	-	1,504	-	-	-	-	-	-	-	1,504
Operating and maintenance	-	1,504	-	-	-	-	-	-	-	1,504
Debt service reserve funds	-	1,461	-	-	-	-	-	-	-	1,461
Select Energy escrow	-	1,000	-	-	-	-	-	-	-	1,000
Shelton landfill future use	-	-	-	-	-	700	-	-	-	700
Covanta Wallingford escrow	-	-	-	-	500	-	-	-	-	500
City of Hartford recycling education fund	-	396	-	-	-	-	-	-	-	396
Customer guarantee of payment	-	156	-	-	-	-	-	-	-	156
Museum	-	87	-	-	-	-	-	-	-	87
Town of Ellington trust - pooled funds	-	48	-	-	-	-	-	-	-	48
Commodity revenue share	-	-	-	-	-	-	9	-	-	9
Total current restricted cash and cash equivalents	-	15,823	5,843	-	500	700	9	-	-	22,875
Non-current restricted cash and cash equivalents and investments:										
Shelton landfill trust fund	-	-	-	-	-	5,678	-	-	-	5,678
Wallingford landfill trust fund	-	-	-	-	-	1,681	-	-	-	1,681
DEP trust - landfills	-	490	-	-	-	328	-	-	-	818
Total non-current restricted cash and cash equivalents and investments	-	490	-	-	-	7,687	-	-	-	8,177
Less liabilities to be paid with current restricted assets:										
Bonds payable, net including accrued interest	-	4,134	-	-	-	-	-	-	-	4,134
Other liabilities	-	5,745	2,755	-	-	-	9	-	-	8,509
Total liabilities to be paid with current restricted assets	-	9,879	2,755	-	-	-	9	-	-	12,643
Less liabilities to be paid with non-current restricted assets:										
Landfill post-closure care costs	-	-	-	-	-	7,359	-	-	-	7,359
Total liabilities to be paid with non-current restricted assets	-	-	-	-	-	7,359	-	-	-	7,359
Total restricted net assets	-	6,434	3,088	-	500	1,028	-	-	-	11,050

CONNECTICUT RESOURCES RECOVERY AUTHORITY
A Component Unit of the State of Connecticut
COMBINING SCHEDULE OF NET ASSETS (Continued)
AS OF JUNE 30, 2012
(Dollars in Thousands)

	General Fund	Mid-Connecticut Project	Southeast Project	SouthWest Division	Property Division	Landfill Division	Recycling Division (South Unit)	Bridgeport Project	Wallingford Project	Total
Unrestricted net assets:										
Designated for:										
Future loss contingencies	$ -	$ 11,347	$ 252	$ -	$ 663	$ -	$ -	$ -	$ -	$ 12,262
Non-GASB #18 post-closure	-	4,831	-	-	-	2,797	-	-	-	7,628
Facility modifications	-	6,351	-	-	-	-	-	-	-	6,351
Litigation reserve	-	2,358	-	-	-	-	-	-	-	2,358
Transition costs	-	2,029	-	-	-	-	-	-	-	2,029
Rolling stock	-	1,033	-	-	-	-	-	-	-	1,033
Post-project	-	690	-	-	363	-	-	-	-	1,053
Recycling	-	-	-	-	-	-	678	-	-	678
Recycling education solid waste initiative reserve	-	500	-	-	-	-	-	-	-	500
Post-litigation expense	-	459	-	-	-	-	-	-	-	459
Landfill development	-	296	-	-	-	-	-	-	-	296
Project closure	-	-	-	-	117	-	-	-	-	117
South Meadows site remediation	-	88	-	-	-	-	-	-	-	88
Undesignated	667	6,486	6,060	95	418	-	525	-	-	14,251
Total unrestricted net assets	667	36,468	6,312	95	1,561	2,797	1,203	-	-	49,103
Total Net Assets	$ 950	$ 142,466	$ 9,400	$ 95	$ 7,724	$ 14,663	$ 1,203	$ -	$ -	$ 176,501

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
New York, New York

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, 2012, and have issued our report thereon dated September 27, 2012. 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, 2012.

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, 2012