

**BRISTOL RESOURCE RECOVERY  
FACILITY OPERATING COMMITTEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

# BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE

JUNE 30, 2011

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## Independent Auditors' Report

Board of Directors  
Bristol Resource Recovery Facility  
Operating Committee  
Bristol, Connecticut

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bristol Resource Recovery Facility Operating Committee (BRRFOC) as of and for the year ended June 30, 2011, which collectively comprise BRRFOC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of BRRFOC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BRRFOC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of BRRFOC as of June 30, 2011 and the respective changes in financial position thereof for the year 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 October 8, 2011 on our consideration of BRRFOC's internal control over financial reporting and on 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 conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 3 through 12 and budgetary comparison information on pages 37 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BRRFOC's basic financial statements. The supplemental schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

*Blum, Shapiro & Company, P.C.*

October 8, 2011

# **BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the Bristol Resource Recovery Facility Operating Committee's (BRRFOC) financial performance is provided by management to provide an overview of BRRFOC's financial activities for the fiscal year ended June 30, 2011. Please read this MD&A in conjunction with BRRFOC's financial statements, Exhibits I to IV.

### **FINANCIAL HIGHLIGHTS**

- Net assets of all governmental activities decreased by \$1,324,197 or 5.8%.
- Total cost of all of BRRFOC's programs was \$23,004,959.
- The General Fund reported a fund balance this year of \$10,814,655.
- The resources available for appropriation were \$606,707 less than budgeted for the General Fund.
- Expenditures were \$1,597,622 below spending limits for the General Fund.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of BRRFOC as a whole and present a longer-term view of BRRFOC's finances. Fund financial statements are presented in Exhibits III and IV. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report BRRFOC's operations in more detail than the government-wide statements by providing information about BRRFOC's most significant funds.

#### ***Government-Wide Financial Statements***

The analysis of BRRFOC as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about BRRFOC as a whole and about its activities for the current year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report BRRFOC's net assets and changes in them. BRRFOC's net assets, the difference between assets and liabilities, is one way to measure BRRFOC's financial health, or financial position. Over time, increases or decreases in BRRFOC's net assets is one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in state and federal laws and regulations.

In the statement of net assets and the statement of activities, BRRFOC reports its activities as follows:

- *Governmental Activities* - BRRFOC's basic services are reported here, including waste disposal and general administration. Charges for services finance most of these activities.

## ***Fund Financial Statements***

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not BRRFOC as a whole. The Board of Directors establishes funds to help control and manage financial activities for particular purposes (like the Capital and Nonrecurring Fund) or to show that it is meeting legal responsibilities for using grants and other money.

- *Governmental Funds (Exhibits III and IV)* - BRRFOC's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of BRRFOC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance BRRFOC's programs. The relationship (or differences), if any, between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of BRRFOC's governmental activities.

**Table 1 - Net Assets**

	<b><u>Governmental Activities</u></b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
Current and other assets	\$ 49,071,821	\$ 55,044,515
Capital assets, net	32,009	29,915
Total assets	<u>49,103,830</u>	<u>55,074,430</u>
Long-term debt outstanding	20,955,000	25,690,000
Other liabilities	6,778,233	6,689,636
Total liabilities	<u>27,733,233</u>	<u>32,379,636</u>
Net assets:		
Invested in capital assets, net of debt	32,009	29,915
Restricted for:		
Fee stabilization and debt service	11,664,422	11,290,092
Unrestricted	<u>9,674,166</u>	<u>11,374,787</u>
Total Net Assets	<u>\$ 21,370,597</u>	<u>\$ 22,694,794</u>

**Table 2 - Change in Net Assets**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 20,210,262	\$ 20,675,746
General revenues:		
Unrestricted investment earnings	460,917	608,877
Other general revenues	1,009,583	1,331,244
Total revenues	<u>21,680,762</u>	<u>22,615,867</u>
Program expenses:		
Waste disposal	<u>23,004,959</u>	<u>23,199,708</u>
Decrease in Net Assets	<u>\$ (1,324,197)</u>	<u>\$ (583,841)</u>

BRRFOC's total revenues were \$21,680,762. The total cost of all programs and services was \$23,004,959.

**BRRFOC FUNDS FINANCIAL ANALYSIS**

***Governmental Funds***

As BRRFOC completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$15,411,383, which is a decrease from last year's total of \$16,900,520. Included in this year's total change in fund balance is a decrease of \$1,235,847 in BRRFOC's General Fund (Exhibit IV).

***General Fund Budgetary Highlights***

BRRFOC's General Fund Balance decreased by \$1,235,847; net assets of all activities decreased by \$1,324,197. Compared to the prior Fiscal Year, General Fund expenses dropped by 0.5%, and revenues decreased by 2.7%.

Revenue shortfalls of \$606,707 contributed significantly to the decrease in Fund Balance (see Revenue discussion below). Cost control on expenses resulted in a favorable budget variance of \$1,597,622.

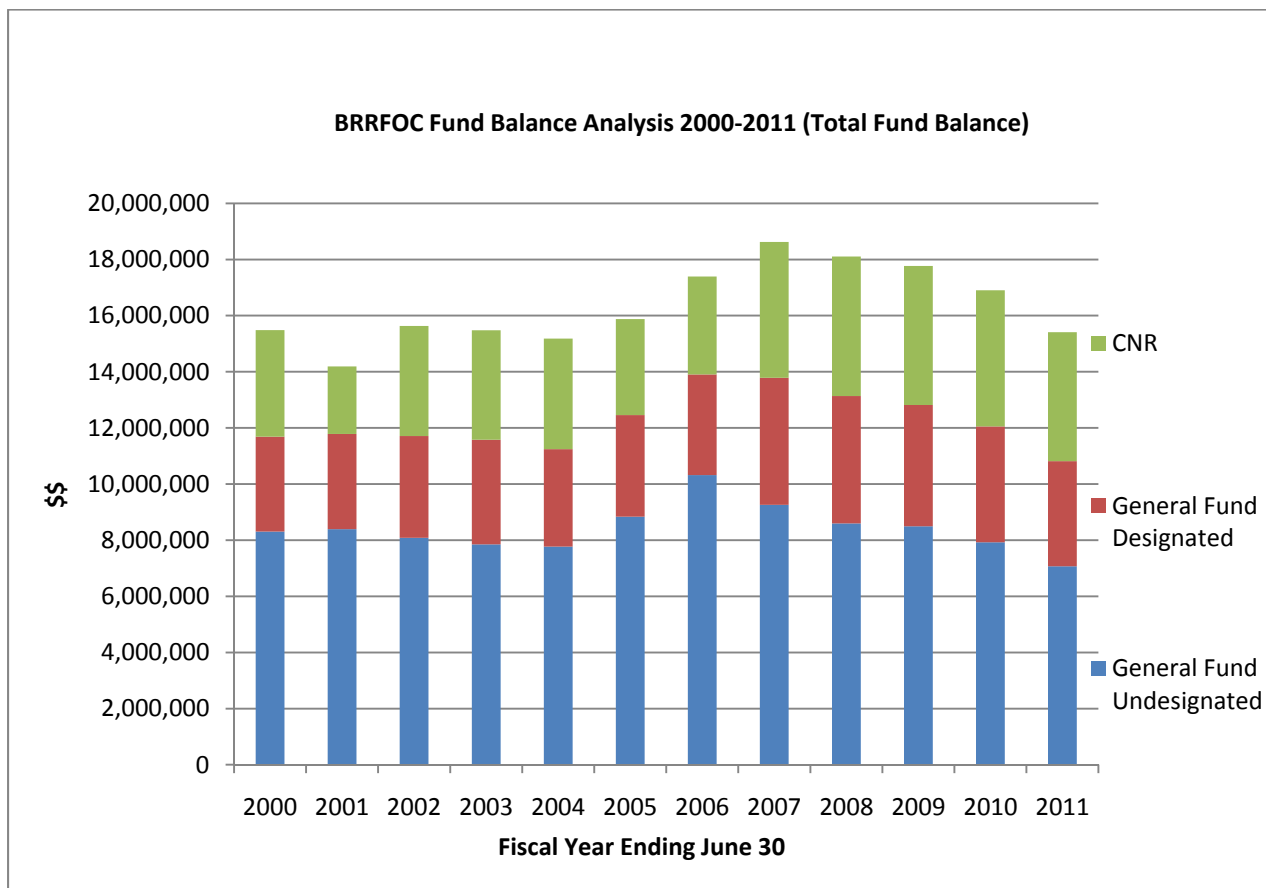
The following trends were key factors in the fiscal performance of BRRFOC during the past year:

- I. Revenues were under budget by \$606,707 and \$588,860 less than the prior fiscal year:
  - a. Tipping fee revenues were \$132,817 below budget and \$250,686 less than the prior fiscal year as member deliveries, while still in excess of all guarantees, continued to decline due to a drop in waste generation and structural changes in the regional marketplace. Spot market waste revenues mitigated the tipping fee revenue loss from lower member waste deliveries. See Tipping Fee discussion below.

- b. Electric revenues were \$441,154 below budget and \$211,753 less than the prior fiscal year due to higher downtime and lower electrical generation efficiency, a matter being monitored by the BRRFOC and its Consulting Engineer.
  - c. Other revenue variances were not significant.
- II. Expenses were \$118,077 lower than prior fiscal year and under budget by \$1,597,622. This is the third consecutive year that expenditures dropped. The following are the five largest contributors to the favorable expenditure variance:
- a. \$599,426 due to lower ash disposal and conditioning costs;
  - b. \$229,789 due to lower than budgeted incentive payment;
  - c. \$213,166 due to lower than budgeted inflation indexed contractual payments;
  - d. \$170,705 due to cost containment on overhead and professional services;
  - e. \$125,547 due to favorable ferrous metals markets.
- III. BRRFOC member waste deliveries dropped for the sixth consecutive year, but the decrease was small (1.3%) and deliveries remain well in excess of minimum guaranteed tonnages. Spot market tonnage was obtained when plant capacity was available. Due to higher spot market tonnage, total BRRFOC system deliveries increased by 1.0% from the prior year and were 99.5% of budgeted. Covanta processed 197,000 tons of waste during the fiscal year, down marginally from the prior year but well in excess of their contractual guarantee. Due to higher than expected plant outages, there was an increase in the amount of bypassed/diverted trash, although bypass expenses were under budget.

#### Reserves/Undesignated Fund Balance

BRRFOC's use of fund balance for the year ended June 30, 2011 was less than budgeted but the highest in the past 10 years. Despite the relatively high use of fund balance, reserves remain at comfortable levels and the organization is well positioned financially to address issues that may arise during the next several years as we approach contract expiration in 2014. BRRFOC's total fund balance as of June 30, 2011 is still in excess of the total fund balance as of June 30, 2004.



The recommended Fiscal Year 2012 budget assumes, in the most conservative case, that a significant drawdown (\$2,194,034) from general fund balance undesignated (“unassigned”) will occur. The use of reserves is budgeted to maintain a competitive tipping fee and BRRFOC’s tipping fee has been remarkably stable for the past 15 years. In the past, conservative budgets have been adopted with use of retained earnings (fund balance). Prudent management, close monitoring of expenses and better than anticipated revenues have resulted in minimizing the need to draw upon the reserves. For the foreseeable future, BRRFOC will continue to budget significant use of undesignated and designated fund balances to balance the budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At June 30, 2011, BRRFOC had \$32,009 invested in capital assets, including machinery, equipment, furniture and fixtures - Table 3. This amount represents a net increase (including additions and deductions) of \$2,094, or 7%, over last year.

**Table 3 - Capital Assets at End of Year (Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
Machinery and equipment	\$ 28,372	\$ 28,107
Furniture and fixtures	3,637	1,808
<b>Totals</b>	<b>\$ 32,009</b>	<b>\$ 29,915</b>

More detailed information about BRRFOC's capital assets is presented in Note 5 to the financial statements.

***Long-Term Debt***

At June 30, 2010, BRRFOC had \$20,955,000 in bonds outstanding versus \$25,690,000 last year - a decrease of 18.4% as shown in Table 4.

**Table 4 - Outstanding Debt at End of Year**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
Revenue bonds	\$ 20,955,000	\$ 25,690,000

BRRFOC's revenue bonds are rated by Moody's and Standard & Poor's, as described in Note 9 to the financial statements. The State limits the amount of debt that BRRFOC can issue. BRRFOC's outstanding revenue bonds debt is significantly below the \$100,000,000 state-imposed limit. More detailed information about BRRFOC's long-term liabilities is presented in Note 4 and Note 9 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

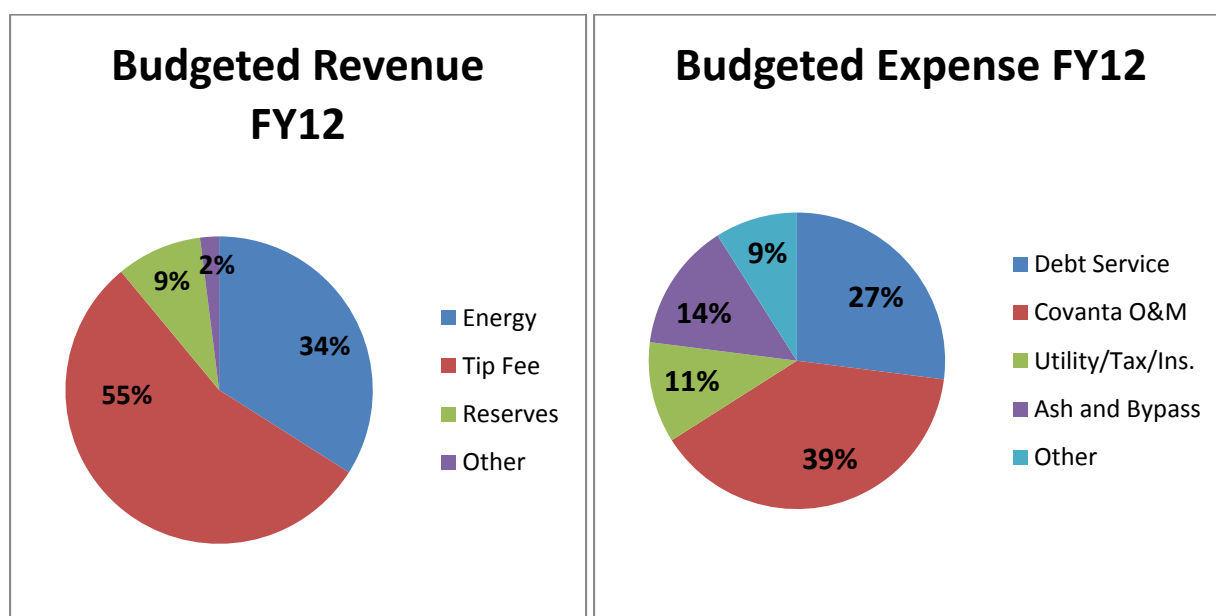
The tipping fee adopted for Fiscal Year 2012 remained at \$64.50 per ton (no change from prior year). Revenues and expenditures are both budgeted to decrease in Fiscal Year 2012 compared to prior year.

**SUMMARY - ADOPTED OPERATING  
FUND BUDGET**

	<u>FY12</u>	<u>FY11</u>	CHANGE %
Member Waste (tons)	184,790	188,760	-2.2
Processed (000 tons)	198	195-200	0
Tipping Fees (\$)	64.50	64.50	0
Revenues (\$000s)	21,020	21,432	-1.8
Expenses (\$000s)	22,914	23,171	-1.1
Use of Undesignated Fund Balance (\$000s)	2,194	2,039	7.6

## Covanta Plant Operations

Assumptions regarding Covanta plant operations are a key factor in determining a number of budget parameters. Annually, BRRFOC's Consulting Engineer (HDR) prepares a review of plant operations<sup>1</sup> and HDR's most recent report indicates that Covanta continues to perform maintenance consistent with industry standards. Nonetheless, HDR and BRRFOC staff have a number of areas of concern with regards to plant operations. In particular, energy production and major equipment downtime negatively impacted BRRFOC's financial performance for the Fiscal Year ended June 30, 2011 and will continue to be monitored closely. Gross electrical generation for the Fiscal Year ended June 30, 2011 was 2.6% below the prior year and 4.0% below the 10-year average. Total boiler downtime for the Fiscal Year ended June 30, 2011 increased by 26% over the prior year and was 23.8% greater than the 10-year average although the quantity of waste processed was 197,000, similar to the 10-year average.<sup>2</sup> Increased Pass-Through Costs for utilities and reagents, including fuel surcharges for delivery of reagents, are also of concern as these costs are far outpacing the rate of inflation.



### **BUDGET REVENUE HIGHLIGHTS (for Fiscal Year 2012)**

- Lower tipping fee revenues due to lower member tonnage
- Higher spot tonnage budgeted but at a lower market rate
- Slightly lower electric revenue
- Lower investment income reflecting prevailing interest rates
- Continued use of reserves as necessary

<sup>1</sup> Annual Operations Monitoring Report, July 1, 2010 through June 30, 2011, HDR Engineering, Inc.

<sup>2</sup> Ibid, page 2.

## Tipping Fees

For the fourth consecutive year, tipping fee revenue is budgeted to decrease as a result of a projected decrease in BRRFOC member waste, accounting for 55% of the projected budget revenues in Fiscal Year 2012. Tipping fees have declined each year from a high of \$14.3 million in Fiscal Year 2006. The budgeted tip fees of \$12.5 million for Fiscal Year 2012 represent a reduction of 12.5% over the past six years. In addition, the budget assumes the two largest commercial haulers will receive a reduced tip fee, provided a guaranteed amount of tonnage is delivered from within BRRFOC's service territory. Total commercial tonnage from these two haulers is expected to exceed 64,000 tons and the discount could exceed \$250,000. During outage periods, member deliveries will still exceed plant capacity, although at reduced quantities.

Declining BRRFOC member deliveries have resulted in higher spot deliveries to the Covanta facility. Spot waste deliveries increased by almost 35% (4,600 tons) in the Fiscal Year ended June 30, 2011 compared to the prior year. Due to market conditions, revenues from the increased spot tonnage are partially offset by lower average rates. For the Fiscal Year ending June 30, 2012, spot waste is budgeted to increase from 16,270 tons to 20,920 tons and projected to bring in \$44/ton on average. As recent trends in member tonnage, spot pricing, and weather conditions have shown, the aggressive target for spot revenue (\$909,790) may impact the amount of fund balance needed to balance the budget.

## Energy

Electric revenue depends on plant operations, outages, and utility issues. Electric revenues underperformed due to air-in leakage and other issues that are impacting electrical generating efficiency. Gross electrical generation for the Fiscal Year ended June 30, 2011 was 2.6% below the prior year and 4.0% below the 10-year average.<sup>3</sup> There were six occasions during the past fiscal year when the turbine was either taken off-line or tripped off-line.<sup>4</sup> Electric revenues were \$441,154 below budget and \$211,753 less than the prior fiscal year. For Fiscal Year 2012 we have budgeted only a slight decrease in electric revenue as we expect to see positive results from Covanta's efforts to address air-in leakage and electrical generating efficiency.

We expect to continue to sell power at the current contract rate of 8.3 cents per KWh. Due to the uncertainty regarding energy prices and the indices for the electric contract, we have not budgeted any electric sales in excess of the floor rate for Fiscal Year 2012. BRRFOC will continue to monitor energy and climate change legislation. Please see Note 16.

## Interest Rates/Investment Income

Interest rates affect the revenue stream from BRRFOC's fund balance and various reserve accounts being held by the Trustee. The budget assumes \$247,185 in interest income during Fiscal Year 2012, an 18% reduction due to falling interest rates, reflecting our assumption that short-term interest rates will yield 0.25%. A majority of the investment income, \$180,000, is generated from the Debt Service Reserve Fund Repurchase Agreement entered into in 2005 after the last refinancing. Approximately 40% of BRRFOC's cash is invested in money markets. The Finance Subcommittee continues to meet with the Investment Advisor quarterly to review the status of BRRFOC investments.

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<sup>3</sup> Ibid, page 2.

<sup>4</sup> Ibid, page 17.

## **BUDGET EXPENSE HIGHLIGHTS (for Fiscal Year 2012)**

- Covanta's inflation indexed contract fees will exceed budget
- Reduced ash disposal costs reflect contracted rates
- Favorable ferrous metals market results in additional net income
- Debt Service stable
- BRRFOC's general office budget stable

### Covanta O&M

The fees BRRFOC pays Covanta to operate and maintain the plant pursuant to the Service Agreement are our largest single expense. BRRFOC pays Covanta a fixed O&M fee, which is indexed with inflation. The CPI for Fiscal Year 2012 was assumed to increase by 2.0% for all contract parameters. The inflation index for June 2011, which is used to adjust contract payments, was 4.1%. As a result, BRRFOC will realize unbudgeted additional costs in excess of \$200,000 in Fiscal Year 2012.

### Debt Service

The budget assumes no change in *net* Debt Service with the Repurchase Agreement with Bank of America. The refinancing project was completed in 2005. *Net* debt service expense is at a historically low 24% of total BRRFOC expenses. Ten years ago, debt service comprised 35% of the agency's expenditures; in 1989, debt service obligations were 44% of total expenditures.

In order to levelize the savings from the refinancing, BRRFOC entered into a Repurchase Agreement at a fixed rate of 3.82 percent. For the first three years of the remaining bonds, savings exceed the targeted amount of \$650,000/annum. During these years, BRRFOC deposited funds into the Bank of America account. In subsequent years, including Fiscal Year 2011, BRRFOC withdraws from the Bank of America account so that the budgeted net savings are approximately \$650,000/year each year through 2014.

### Bypass Disposal

For Fiscal Year 2012, we are budgeting a slight increase in bypass tonnage (7,360 vs. 6,490) as a result of reduced waste processing assumptions. "Bypass" tonnage includes waste delivered to the Covanta facility and reloaded for disposal elsewhere and waste diverted directly from Contracting communities to alternate disposal sites.

Bypass expenditures could vary significantly depending on:

- Member waste trends
- Throughput (waste processed at Covanta)
- Unscheduled downtime
- Fuel surcharges

The amount of tonnage bypassed depends greatly on member deliveries and Covanta plant operations. We believe the budgeted figures are somewhat aggressive, but justified based on recent and historical performance.

## Ash Disposal

A new three-year ash disposal contract was entered into by the Company, effective July 1, 2010. For Fiscal Year 2012, ash disposal expenses reflect the current contracted transportation and disposal charges and estimated ash generation rates.

## Covanta Incentives

For Fiscal Year 2012, BRRFOC budgeted a payment of \$546,256 for improved performance benchmarked against values negotiated in 1998. Under the incentives program negotiated as part of Amendment #5 in 1998, Covanta is eligible for payments for reduced boiler downtime and either lower bypass or higher throughput, compared to the 1998 benchmark levels.

## Ferrous Metals Disposal/Recycling

Based on current contract pricing and ferrous recycling markets, BRRFOC is budgeting an increase in net revenue for ferrous in Fiscal Year 2012. BRRFOC is concerned about the steady reduction in the amount of ferrous metals recovered by Covanta. The amount of ferrous metals recovered at the facility has dropped by approximately 1,300 tons in the past five years.<sup>5</sup> BRRFOC and Covanta split net proceeds on an equal basis.

## Household Hazardous Waste

BRRFOC's sister agency, TROC, continues to plan for regional household hazardous waste and consumer electronics collections. BRRFOC appropriated \$25,000 for Fiscal Year 2012 collections, recognizing safety and environmental benefits to municipal employees and garbage haulers, Phase II storm water protection and the fact that residents are already illegally leaving household chemicals at Public Works facilities.

## **Capital and Nonrecurring Fund Discussion**

Net assets of the Capital and Nonrecurring Fund ("CNR Fund") decreased by \$253,290 in Fiscal Year 2011. As of June 30, 2011, the CNR Fund has a total fund balance of \$4,596,728 (Exhibit IV and Footnote 10). During Fiscal Year 2012, a number of projects will be funded via the CNR Fund (see the Subsequent Events Footnote for more information on these projects).

## **CONTACTING BRRFOC'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of BRRFOC's finances and to show BRRFOC's accountability for the money it receives. If there are questions about this report or you need additional financial information, contact the Bristol Resource Recovery Facility Operating Committee, 43 Enterprise Drive, Bristol, Connecticut 06010, (860)-585-0419 or at [www.brrfoc.org](http://www.brrfoc.org).

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<sup>5</sup> Ibid, page 9.

## BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 5,399,624
Investments	8,634,861
Assets held by Bond Fund Trustee	11,852,095
Accounts receivable, net	491,725
Due from other agencies:	
Municipalities	1,480,974
Bond Fund Trustee	180,000
Prepaid expenses and other assets	77,542
Mortgage note receivable	20,955,000
Capital assets being depreciated, net	32,009
Total assets	<u>49,103,830</u>
Liabilities:	
Accounts and other payables	1,241,508
Unearned revenue	5,536,725
Noncurrent liabilities:	
Due within one year	5,045,000
Due in more than one year	15,910,000
Total liabilities	<u>27,733,233</u>
Net Assets:	
Invested in capital assets, net of related debt	32,009
Restricted for:	
Fee stabilization and debt service with Trustee	11,664,422
Unrestricted	<u>9,674,166</u>
Total Net Assets	<u>\$ 21,370,597</u>

The accompanying notes are an integral part of the financial statements

## BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
				Governmental Activities	
Governmental activities:					
Waste disposal	\$ 23,004,959	\$ 20,210,262	\$ -	\$ -	\$ (2,794,697)
General revenues:					
Unrestricted investment earnings					460,917
Other					1,009,583
Total general revenues					<u>1,470,500</u>
Change in net assets					(1,324,197)
Net Assets - Beginning of Year					<u>22,694,794</u>
Net Assets - End of Year					\$ <u>21,370,597</u>

The accompanying notes are an integral part of the financial statements

## BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,385,209	\$ 14,415	\$ 5,399,624
Investments	7,165,920	1,468,941	8,634,861
Assets held by Bond Fund Trustee	5,557,217		5,557,217
Due from other agencies:			
Municipalities	1,480,974		1,480,974
Bond Fund Trustee	180,000		180,000
Prepaid expenses and other assets	77,542		77,542
Due from other funds		3,113,372	3,113,372
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	\$ <u>19,846,862</u>	\$ <u>4,596,728</u>	\$ <u>24,443,590</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts and other payables	\$ 382,110	\$	\$ 382,110
Due to other funds	3,113,372		3,113,372
Deferred revenue	5,536,725		5,536,725
Total liabilities	<u>9,032,207</u>	<u>-</u>	<u>9,032,207</u>
Fund balances:			
Nonspendable	53,717		53,717
Restricted	928,115		928,115
Committed	497,141	3,222,954	3,720,095
Assigned	2,267,055	1,373,774	3,640,829
Unassigned	7,068,627		7,068,627
Total fund balances	<u>10,814,655</u>	<u>4,596,728</u>	<u>15,411,383</u>
Total Liabilities and Fund Balances	\$ <u>19,846,862</u>	\$ <u>4,596,728</u>	\$ <u>24,443,590</u>

(Continued on next page)

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE****BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)****JUNE 30, 2011**

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 15,411,383
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 129,483	
Less accumulated depreciation	<u>(97,474)</u>	
Net capital assets		32,009

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds:

Assets held by Bond Fund Trustee	6,294,878
Mortgage receivable	20,955,000
Interest receivable on mortgage receivable	491,725

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(20,955,000)
Interest payable on bonds	(491,725)
Other liabilities - revenue funds due to other parties	<u>(367,673)</u>

Net Assets of Governmental Activities (Exhibit I)	<u><u>\$ 21,370,597</u></u>
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The accompanying notes are an integral part of the financial statements

## BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:			
Tipping fees	\$ 12,596,999	\$	\$ 12,596,999
Investment income	288,544	9,527	298,071
Electric revenue	7,447,680		7,447,680
Management fees	165,583		165,583
Other	26,133		26,133
Total revenues	<u>20,524,939</u>	<u>9,527</u>	<u>20,534,466</u>
Expenditures:			
Current:			
Personnel	567,168		567,168
Administrative expenses	162,208		162,208
Professional services	336,311		336,311
Covanta Bristol, Inc. service fees (including pass-through costs)	20,205,472		20,205,472
Bypass	433,909		433,909
Other	43,000	106,595	149,595
Capital outlay	12,718	156,222	168,940
Total expenditures	<u>21,760,786</u>	<u>262,817</u>	<u>22,023,603</u>
Net Change in Fund Balances	(1,235,847)	(253,290)	(1,489,137)
Fund Balance - Beginning of Year	<u>12,050,502</u>	<u>4,850,018</u>	<u>16,900,520</u>
Fund Balance - End of Year	<u>\$ 10,814,655</u>	<u>\$ 4,596,728</u>	<u>\$ 15,411,383</u>

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**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2011**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because of the following:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (1,489,137)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	10,565
Depreciation expense	(8,471)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Mortgage interest revenue	1,100,550
Accrued mortgage interest receivable	(117,100)
Investment earnings on assets held by Bond Fund Trustee	162,846

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Debt service interest payment	(1,100,550)
Accrued interest payable on bonds	<u>117,100</u>

Change in Net Assets of Governmental Activities (Exhibit II)	\$ <u><u>(1,324,197)</u></u>
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The accompanying notes are integral part of the financial statements

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Bristol Resource Recovery Facility Operating Committee (BRRFOC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of BRRFOC are described below.

**A. Reporting Entity**

BRRFOC was created on August 1, 1985 as a joint venture by several communities under contract with the waste-to-energy plant built by Ogden Martin Systems (the Company) now known as Covanta Bristol, Inc. (Covanta) in Bristol, Connecticut. BRRFOC was created pursuant to an Inter-Community Agreement (the Agreement), as authorized by the Connecticut General Statutes, to exercise certain rights on behalf of the contracting communities. The communities presently consist of Berlin, Branford, Bristol, Burlington, Hartland, New Britain, Plainville, Plymouth, Prospect, Seymour, Southington, Warren, Washington and Wolcott. The Governing Board consists of BRRFOC officials appointed by each of the participating municipalities and assumes all the management decisions. BRRFOC is a joint venture as defined by the GASB Statement No. 14.

BRRFOC is vested with the following powers and authority:

- Act as agent for and on behalf of the contracting communities as provided in the Agreement and the agreements with Covanta;
- Provide advice, recommendations and information to the contracting communities concerning the financing and operations of the facility;
- Perform functions as delegated by the Project and Service Agreements that were executed with Covanta;
- Bind the contracting communities by its duly authorized decisions.

All decisions made are pursuant to the vote of a majority-in-interest at a duly called meeting of BRRFOC. There are 100 voting units that are allocated among the contracting communities based upon each community's proportionate share of the annual guaranteed tonnage to be delivered to the facility.

The contracting communities, under the terms of the Agreement, have committed to deliver to the waste-to-energy facility minimum tonnages of acceptable waste on an annualized basis and a gross minimum tonnage.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of BRRFOC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by tipping fees and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, BRRFOC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BRRFOC reports the following major governmental funds:

The General Fund is BRRFOC's primary operating fund. It accounts for all financial resources of BRRFOC except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. BRRFOC has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

**D. Deposits and Investments**

BRRFOC's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize BRRFOC to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments.

Investments for BRRFOC are reported at fair value.

**E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All receivables are shown net of an allowance for uncollectibles.

**F. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**G. Capital Assets**

Capital assets, which include equipment, furniture and fixtures, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by BRRFOC as assets with an initial, individual cost of more than \$1,000 and an

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Equipment, furniture and fixtures of BRRFOC are depreciated using the straight-line method over the following estimated useful lives:

Office equipment	5-7 years
Furniture and fixtures	10 years

**H. Compensated Absences**

Employees are paid by prescribed formula for absence due to vacation or sickness. Accumulated vacation and sick pay earned and not paid as of June 30, 2011 is not material and, therefore, is not reflected in the accompanying financial statements. It is BRRFOC's policy to recognize vacation and sick leave costs at the time payments are made.

**I. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**J. Fund Equity**

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority, Board of Directors.

Assigned Fund Balance - For all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Board of Directors.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

An annual budget is prepared by the Executive Director of BRFFOC on the modified accrual basis and presented to the Finance subcommittee, which consists of several members of the Governing Board, for approval. The budget is then presented to the entire Operating Committee for approval.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash and investments are controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank,” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**Deposits**

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, BRRFOC’s deposit will not be returned. BRRFOC does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk-based capital ratio. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$518,195 of the BRRFOC’s bank balance of \$907,320 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 423,130
Uninsured and collateral held by the pledging bank’s trust department	<u>95,065</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 518,195</u></u>

**Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2011, BRRFOC’s cash equivalents amounted to \$4,492,104. The following table provides a summary of BRRFOC’s cash equivalents (excluding U.S. Government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<b>Standard &amp; Poor’s</b>
Cutwater Asset Management - Cooperative Liquid Assets Security System (CLASS), Connecticut CLASS Plus	AAA/m

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**Investments**

Investments as of June 30, 2011 in all funds are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
U.S. Treasury bonds	N/A	\$ 7,706,746	\$ 7,706,746	\$	\$
Repurchase agreement	N/A	<u>928,115</u>	<u>                    </u>	<u>928,115</u>	<u>                    </u>
Total Investments		\$ <u>8,634,861</u>	\$ <u>7,706,746</u>	\$ <u>928,115</u>	\$ <u>                    </u>

N/A Not applicable

*Interest Rate Risk* - BRRFOC limits their maximum final stated maturities to fifteen years, unless specific authority is given to exceed. To the extent possible, BRRFOC will attempt to match its investments with anticipated cash flow requirements.

*Credit Risk - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. BRRFOC has an investment policy that allows the same type of investments as State Statutes.

*Concentration of Credit Risk* - BRRFOC has no policy limiting an investment in any one issuer that is in excess of 5% of BRRFOC's total investments.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to BRRFOC or that sells investments to or buys them for BRRFOC), BRRFOC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. BRRFOC does not have a policy for custodial credit risk. At June 30, 2011, BRRFOC did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in BRRFOC's name.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**4. RECEIVABLES**

Intergovernmental Receivable

Presented below is a summary of tipping fees receivable at June 30, 2011:

<u>Town</u>	<u>Amount</u>
Berlin	\$ 66,703
Branford	81,507
Bristol	262,010
Burlington	43,301
Hartland	3,640
New Britain	264,220
Plainville	73,642
Plymouth	35,939
Prospect	41,935
Seymour	42,800
Southington	343,021
Warren	3,891
Washington	27,296
Wolcott	54,486
Other	<u>136,583</u>
Total	<u>\$ 1,480,974</u>

Mortgage Note Receivable

The mortgage note was granted to BRRFOC pursuant to an open-end mortgage deed dated as of April 15, 2005 to further secure the payment of Covanta's obligations under the loan agreement. The mortgage note shall have principal and interest payments at the rate of principal and interest borne by the bonds reflected in Note 9.

The following schedule represents the mortgage note receivable as of June 30, 2011:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,045,000	\$ 858,263	\$ 5,903,263
2013	5,375,000	598,700	5,973,700
2014	5,725,000	350,013	6,075,013
2015	<u>4,810,000</u>	<u>117,850</u>	<u>4,927,850</u>
Total	<u>\$ 20,955,000</u>	<u>\$ 1,924,826</u>	<u>\$ 22,879,826</u>

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the unearned revenue reported in the governmental funds of \$5,536,725 represents the amount of assets held by the Bond Fund Trustee for payment of principal and interest on the bonds on July 1, 2011.

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ 104,422	\$ 8,447	\$ -	\$ 112,869
Furniture and fixtures	14,496	2,118	-	16,614
Total capital assets being depreciated	118,918	10,565	-	129,483
Less accumulated depreciation for:				
Machinery and equipment	(76,315)	(8,182)	-	(84,497)
Furniture and fixtures	(12,688)	(289)	-	(12,977)
Total accumulated depreciation	(89,003)	(8,471)	-	(97,474)
Total Capital Assets Being Depreciated, Net	\$ 29,915	\$ 2,094	\$ -	\$ 32,009

**6. INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2011, interfund receivables and payables were comprised of the following:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Capital Projects Fund	General Fund	\$ 3,113,372

Interfund receivables and payables generally represent temporary balances arising from reimbursement-type transactions.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**7. ACCOUNTS AND OTHER PAYABLES**

A schedule of accounts payable and accrued liabilities for the governmental funds as of June 30, 2011 is presented below:

		<u>General Fund</u>
Amounts due vendors	\$	339,722
Amount due to TROC		31,778
Amount in lieu of letter of credit		<u>10,610</u>
 Total	 \$	 <u><u>382,110</u></u>

**8. LEASES**

**Operating Leases** - BRRFOC entered into an operating lease agreement for the facilities at 43 Enterprise Drive, Bristol, Connecticut. The existing lease was updated for an additional five-year term beginning on January 1, 2011 and ending on December 31, 2015. BRRFOC reserves the right to terminate the lease at any time between January 1, 2014 and December 31, 2014, provided it will give written notice to the lessor not less than six (6) months prior to the effective date of termination. BRRFOC may only exercise such right of termination if (a) it ceases to exist as an entity effective as of or about the date of termination; or (b) it restructures its corporate structure so that its staffing requirements is less than 1,500 square feet of net usable area and the lessor is unable or unwilling to accommodate the reduced space requirement. A schedule of minimum future lease payments is as follows:

<u>Year Ending June 30</u>		<u>Amount</u>
2012	\$	76,160
2013		76,160
2014		76,160
2015		76,160
2016		38,080

Rent expense for the above lease was \$76,160 for the year ended June 30, 2011.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**9. LONG-TERM DEBT**

**Solid Waste Revenue Refunding Bonds**

In April 2005, BRRFOC issued \$41,920,000 Solid Waste Revenue Refunding Bonds (Covanta Bristol, Inc. Project - 2005 Series) (the Bonds) with interest rates varying from 3% to 5%. The proceeds of the Bonds were used to current refund \$46,670,000 in outstanding revenue bonds of BRRFOC with an interest rate of 6.5%. The current refunding was undertaken to reduce total debt service costs over the period of fiscal 2005 through 2015 by approximately \$4,300,000 and to obtain a present value savings of approximately \$4,000,000.

In accordance with the bond indenture, BRRFOC has set aside with the Bond Fund Trustee a Debt Service Reserve Fund (the Fund) an amount that is to be available to meet future debt service obligations if such obligations cannot be met with current available revenues of BRRFOC. At June 30, 2011, the market value of the investment in the Fund was \$5,444,999.

The annual requirements to amortize the bonds as of June 30, 2011 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,045,000	\$ 858,263	\$ 5,903,263
2013	5,375,000	598,700	5,973,700
2014	5,725,000	350,013	6,075,013
2015	4,810,000	117,850	4,927,850
Total	<u>\$ 20,955,000</u>	<u>\$ 1,924,826</u>	<u>\$ 22,879,826</u>

In addition to the pledge of revenues provided by BRRFOC to the Bondholders, the payments of principal and interest on the Bonds are guaranteed by Ambac Assurance Corporation (Ambac). Pursuant to the indenture of trust, BRRFOC transfers monthly one-twelfth of the principal balance due in the subsequent year to the Trustee and one-sixth of the semiannual interest payment. The Bonds mature on July 1 of each fiscal year and bear interest payable semiannually on the first day of January and July of each year.

The Bonds are currently rated A1 Stable by Moody's Investors Service (Moody's) and AA Stable by Standard & Poor's. In addition, the Bonds insured by Ambac are rated Caa2 (on review for upgrade) by Moody's and R (under regulatory intervention) by S&P.

By special legislation enacted in 2001, Special Act No. 01-10, "An Act to Permit the Bristol Resource Recovery Facility Operating Committee to Finance Projects and Refund Previously Issued Bonds," BRRFOC is permitted to finance projects including additions, renovations or improvements to the Facility, recycling facility and similar activities required to provide solid waste and recycling services to the contracting communities. The total amount of bonds issued by BRRFOC and outstanding at any time cannot exceed \$100,000,000.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Revenue Bonds	\$ 25,690,000	\$ -	\$ 4,735,000	\$ 20,955,000	\$ 5,045,000

**10. FUND BALANCE**

A detail of fund balance reported in Exhibit III as of June 30, 2011 is presented below:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Fund balances:			
Nonspendable:			
Prepays	\$ 53,717	\$ -	\$ 53,717
Restricted for:			
Debt service	928,115	-	928,115
Committed to:			
Ash and bypass	323,551	30,653	354,204
BTU	-	18	18
Implement change in law	-	76,812	76,812
Cooling tower blowdown	-	354	354
Plant improvements	-	26,558	26,558
Transfer station	-	1,001,371	1,001,371
Office technology	-	29,276	29,276
Service agreement revisions	-	548,509	548,509
Self insurance	-	1,100,000	1,100,000
Scrubber baghouse	-	6,188	6,188
HR reserve	-	400,000	400,000
Trustee fees	-	3,215	3,215
Electric agreement tax reserve	173,590	-	173,590
Assigned to:			
Subsequent year's budget	2,194,034	-	2,194,034
Section 105 Health	8,177	-	8,177
Capital equipments	64,844	-	64,844
Other capital projects	-	1,373,774	1,373,774
Unassigned	7,068,627	-	7,068,627
 Total Fund Balances	 \$ 10,814,655	 \$ 4,596,728	 \$ 15,411,383

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**11. TIPPING FEE REVENUES**

BRRFOC establishes a tipping fee, which represents the price per ton to be charged for acceptable waste delivered to the plant. At the end of each month, Covanta sends BRRFOC a summary of tonnage delivered by each contracting community. This monthly tonnage total is multiplied by the preestablished price per ton and billed to each contracting community. During the fiscal year ended June 30, 2011, the price per ton assessed to the contracting communities was \$64.50.

The tipping fees charged for spot market waste vary depending upon market conditions. Total revenues related to spot market deliveries (by sources other than the contracting communities) for the year ended June 30, 2011 amounted to \$754,965. Additional revenue was generated from recycling plant residue of \$133,234 for tonnage delivered by a single hauler on behalf of several contracting communities pursuant to an agreement with BRRFOC. The following table presents the committed and actual tonnage for contracting communities for the contract year ended June 30, 2011:

<u>Town</u>	<u>Yearly Committed Percentage</u>	<u>Yearly Committed Tonnage</u>	<u>Actual Tonnage</u>
Berlin	5.34%	10,080	10,805
Branford	6.94	13,100	13,003
Bristol	22.26	42,004	42,022
Burlington	2.13	4,012	3,759
Hartland	0.37	705	698
New Britain	24.41	46,075	43,784
Plainville	6.78	12,800	13,029
Plymouth	3.33	6,285	5,881
Prospect	2.70	5,099	4,617
Seymour	4.16	7,855	7,088
Southington	15.60	29,450	29,110
Warren	.33	628	610
Washington	1.29	2,437	2,314
Wolcott	4.36	8,226	8,394
Recycling plant residue			2,618
Spot market			16,186
Total	<u>100.00%</u>	<u>188,756</u>	<u>203,918</u>

**12. SERVICE AGREEMENT**

Under the Service Agreement, Covanta charges the contracting communities a service fee that includes debt service amortization, pass-through costs and a fixed amount for operation and maintenance expense as defined by the Service Agreement. The communities receive credit for 90% of the energy revenues generated by the Facility. The Service Agreement also

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

contains provisions for handling credits or costs associated with recovered materials. The expenditure for the service fee is made by BRRFOC and is financed from revenues generated from the tipping fees. It is a function of the Operating Committee to monitor energy revenues and pass-through costs.

**13. ELECTRICITY AGREEMENT**

Electricity generated through the operation of the Facility is sold by Covanta to The Connecticut Light and Power Company (CL&P) under an Electricity Purchase Agreement (EPA). While BRRFOC is a primary beneficiary of the EPA, the EPA is between Covanta and CL&P.

In 1998, Public Act 98-28, "An Act Concerning Electric Restructuring," was enacted providing for utilities to separate their generation, transmission and distribution facilities into separate entities. As part of restructuring, the Connecticut Department of Public Utility Control (DPUC) approved, over the objection of BRRFOC and other independent power producers, a divestiture plan for CL&P, which included divestiture of the EPA through an auction.

Although that plan was never implemented, it remains possible that CL&P will seek an alternate means of divesting itself of its remaining power contracts, including the EPA.

BRRFOC and Covanta will continue to monitor and, to the extent necessary, participate in legislative and regulatory activities related to electric utility restructuring.

**14. SERVICE FEE STABILIZATION FUND**

The Indenture Agreement associated with the issuance of the Bonds utilized to finance the project provides for a Service Fee Stabilization Fund. The fund is under the control of a trustee and is to be utilized to make up any deficiency in the payment of the service fee to Covanta caused by the default of one or more of the contracting communities. The fund was established with a \$500,000 deposit at the time of closing. If the defaulting community fails to make restitution to the Service Fee Stabilization Fund, the deficiency then becomes the obligation of the contracting communities that have not defaulted. As of June 30, 2011, the fund has never been utilized to make up for any deficiencies.

**15. TAXES**

Schedule 6, Pass Through Costs During Operation, a part of the Service Agreement dated as of August 1, 1985 among Covanta and the Contracting Communities, provides that any sales and use tax shall be payable by the Contracting Communities. The 1997 General Assembly adopted subsection (95) of Sec. 12-412 of the Connecticut General Statutes, which exempted from sales and use tax any services or tangible personal property to be incorporated into and used or otherwise consumed in the operation of a waste-to-energy facility certified by Department of Environmental Protection, whether such purchases are made directly by an authority or an operating committee, or are reimbursed by an authority or operating committee to the lessee or

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

operator of such facility. Adoption of subsection (95) in 1997 has resulted in savings to BRRFOC in excess of \$100,000 per year.

Governor Dannel P. Malloy, in presenting his proposed budget to the General Assembly, requested that many of the tax exemptions, including subsection (95), provided for in Sec. 12-412, be repealed. During the session of the 2011 General Assembly, its Finance, Revenue and Bonding Committees, considered the repeal of many tax exemptions. However, no action was taken by the General Assembly during its regular session to repeal the exemption provided for in subsection (95) of Sec. 12-412.

**16. SUBSEQUENT EVENTS**

**A. Flow Control**

The U.S. Supreme Court, on April 30, 2007, decided *United Hauler's Association v. Oneida-Herkimer*, finding that flow control ordinances for public solid waste projects do not violate the Interstate Commerce Clause of the U.S. Constitution. While the Oneida-Herkimer decision reduced the potential for challenging flow control ordinances based on per se discrimination claims, its application to the existing BRRFOC - Covanta relationship is uncertain. Opponents to flow control ordinances across the country continue to challenge ordinances claiming the holding in Oneida-Herkimer should be limited to solid waste projects having both public ownership and public operation. One case being litigated, *C. & A. Carbone, Inc. v. County of Rockland, et al*, could decide on whether the prerequisite for Oneida-Herkimer's "safe harbor" is that the designated facility or project must be publicly owned as well as publicly operated, or a narrower prerequisite of public ownership is sufficient. BRRFOC is following this case, as well as others filed across the country.

Connecticut has experienced reduced waste generation rates during the past years. In addition to the economy and increased recycling/diversion, changing contractual arrangements at other disposal facilities in the region have resulted in additional capacity being marketed as "spot" at relatively low prices. Despite the fact that member deliveries to the Facility remained relatively stable and well in excess of minimum commitments, BRRFOC is concerned that the factors contributing to the reductions in tonnage are not short-term anomalies. As a result, BRRFOC has entered into contracts with the two largest haulers delivering commercial solid waste collected in the contracting communities to the Facility. The contracts provide for a reduced tip fee and require that a guaranteed amount of tonnage be delivered to the Facility.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

**B. Environmental Permits**

**USEPA** - On December 19, 2005, EPA published a notice for new source performance standards (NSPS) and emission guidelines for large municipal waste combustion (MWC) units.<sup>1</sup> The relevant provision of the Clean Air Act Amendments of 1990, Section 129(a)(5), requires EPA to review the NSPS and emission guidelines every five years. EPA gathered information on performance levels achieved by large MWC units, and issued proposed amendments to revise the NSPS and emission guidelines based on emissions and controls actually achieved by large MWC units.

On May 10, 2006, EPA published notice of amendments to the air emission standards for existing and new large units, pursuant to the December 2005 notice of rulemaking. On July 7, 2006, Earthjustice petitioned EPA to reconsider the standards, and EPA agreed to reconsider three of the four issues raised in the petition. On November 7, 2007 in a suit brought against EPA by Sierra Club, EPA submitted a motion to the Court to voluntarily remand the Maximum Achievable Control Technology (MACT) standards incorporated in the May 2006 final rule.<sup>2</sup> The schedule for EPA's review and further action on the revised MACT standards is not known at this time.

On October 6, 2009, EPA promulgated Standards of Performance for New Stationary Sources and Emissions Guidelines for Existing Sources: Hospital/Medical/Infectious Waste Incinerators (known as the "HMIWI" rule), which established MACT requirements and eliminated exemptions for exceedances during startup, shutdown and malfunctions. In challenging EPA's rulemaking, on December 7, 2009 the Medical Waste Institute and the Energy Recovery Council, a trade association to which BRRFOC belongs as a local government member, petitioned the U.S. Court of Appeals, D.C. Circuit challenging the HMIWI rule. The Court issued a decision on June 24, 2011, largely in EPA's favor.<sup>3</sup> Aspects of the decision considered to be relevant to Municipal Waste Combustors, and other sources subject to MACT rules, include: 1) a "MACT-on-MACT" approach, in which regulated entities are in effect penalized by lowering emissions when a subsequent review is conducted to establish new limits, 2) a "pollutant-by-pollutant" approach, where the standards set for any regulated pollutant may be based on the best performing units for each pollutant and not each unit, and 3) elimination of the startup/shutdown/malfunction exemption.<sup>4</sup> The U.S. Senate recently introduced legislation that would require EPA to stay recently issued MACT standards that incorporate the pollutant-by-pollutant approach, with similar legislation under consideration in the U.S. House of Representatives.

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<sup>1</sup> Federal Register Volume 70, Number 242, pp. 75347-75369.

<sup>2</sup> *Sierra Club v. EPA*, Administrative Petition No. 06-1250, D.C. Cir. July 7, 2006.

<sup>3</sup> *Medical Waste Institute and Energy Recovery Council v. EPA*, No. 09-1297, June 24, 2011 (D.C. Circuit).

<sup>4</sup> The Court did not decide on the merits of Items 2 and 3 on procedural grounds, and the startup/shutdown/malfunction exemption was vacated by the Court in *Sierra Club v. EPA*, No. 02-1135, December 2008 (D.C. Circuit).

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

On October 30, 2009, EPA published the Mandatory Reporting of Greenhouse Gases (GHG) rule, pertaining to recordkeeping for emissions of pollutants associated with trapping heat within the earth's atmosphere.<sup>5</sup> The Energy Recovery Council filed a petition for review of the rule, resulting in a Settlement Agreement, which requires EPA to publish a notice of proposed rulemaking to reconsider the reporting threshold for affected sources such as Municipal Waste Combustors.<sup>6</sup> The recordkeeping and monitoring requirements of the Settlement Agreement exempted units sized below 600 tons per day of capacity; however, quarterly tests for biogenic emissions of carbon dioxide are required for all units, including those at Covanta.

**CT DEEP** - On June 1, 2010, regulations were promulgated by DEP (now DEEP) for the Recycling of Covered Electronic Devices.<sup>7</sup> A key provision of the new regulation and associated state statutes ("disposal ban") went into effect on January 1, 2011, which stipulated that covered electronic devices, or any of the components or sub-assemblies of such devices, shall not knowingly be disposed in any solid waste facility. BRRFOC worked with Covanta to implement policies and practices in accordance with the regulation. Member communities are responsible for submitting the management plans required pursuant to the regulations and providing a convenient and accessible option for recycling of the Covered Electronic Devices.<sup>8</sup>

On June 13, 2011, Covanta was issued a Notice of Violation (NOV) by the DEEP resulting from events reported by Covanta to the department. Covanta believes that a combination of storm events, failure of the potential transformers in September 2010, malfunctions of the Continuous Emissions Monitoring (CEM) equipment and plugging of the carbon feeder may have contributed to the exceedances. Covanta responded to the DEEP Notice on July 12, 2011; subsequently DEEP responded on August 17 in a "Notice of Violation Closure Letter" indicating no further measures will be instituted by the department at this time. On July 12, 2011, Covanta submitted to the DEEP the Annual Performance Test Report, documenting emissions and performance monitoring activities for April 26-28 in accordance with RCSA 22a-174-38. On June 23, 2011, Covanta submitted its application for renewal of the facility Solid Waste (Resource Recovery) Facility Permit to Operate; the current permit expires October 2011.

**C. City of New Britain Transfer Station**

On June 2, 2004, the City of New Britain and BRRFOC entered into an agreement for the procurement, construction, fabrication, operation and other matters relating to a transfer station located on City property and available to the contracting communities for the transfer of solid waste. Several times the agreement's commercial operation date was extended, with the last date being July 1, 2011. The parties have mutually agreed that, based on recent studies and investigations by their consultants, there needs to be substantive changes made to the June 2, 2004 agreement. On May 2, 2011, the parties executed an additional agreement for sharing professional fees for the next phase of the project, which includes project meetings, CT DEEP permit application preparation, design and construction documents, bid assistance and

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<sup>5</sup> Federal Register, Volume 74, Number 86, p. 56374 (40 CFR 98).

<sup>6</sup> *Energy Recovery Council, petitioner v. EPA, No. 09-1326, D.C. Cir., July 15, 2010.*

<sup>7</sup> Sections 22a-638-1 and 22a-630(d)-1 of the R.C.S.A.

<sup>8</sup> Public Acts 07-189 and 08-35.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
NOTES TO FINANCIAL STATEMENTS**

monitoring. The May 2, 2011 agreement provides that BRRFOC will reimburse the City for one-half of the costs of the professional fees up to \$150,000. Further, the agreement provides the parties will negotiate in good faith, amendments to, or replacement of, the June 2, 2004, agreement; such negotiations are to be concluded by April 1, 2012.

**D. Long Range/Strategic Planning**

The Amended and Restated Service Agreement (the Service Agreement) between the contracting communities and Covanta expires on June 20, 2014, unless extended pursuant to the Service Agreement's terms. Likewise, the Service Agreement between Tunxis Recycling Operating Committee (TROC) and Murphy Road Recycling, LLC, expires on the same date. In preparation for the expirations of the Service Agreements and to explore options for continued waste management and disposal services, BRRFOC and TROC embarked on a joint long-term strategic planning initiative to help determine the most efficient, effective and safe ways to manage the region's recycling and solid waste stream for the next 20-plus years. Issues under consideration include ownership and operation of facilities after contracts with the member communities expire in 2014, waste collection, the make-up of the BRRFOC/TROC region after 2014 and the best ways to achieve the ambitious recycling goals set forth in the DEEP's solid waste management plan. BRRFOC and TROC have engaged professionals representing the engineering, solid waste, financial, property appraisal and legal fields to assist the contracting communities in making informed decisions concerning the numerous approaches available. The Boards of both committees are diligently working with staff and professionals to address matters relating to the expirations of the Service Agreements.

**E. Federal Legislation**

In contrast to the active consideration of renewable energy and climate change legislation in the previous Congress (the 111th - 2009-10), the 112th Congress, which convened this past January, is proceeding much differently. In that regard, although the Democratically-controlled House of Representatives in the previous Congress had approved broad climate change legislation (in the form of a "cap and trade" program to regulate emissions of "greenhouse gases"), climate change legislation will not be considered in the current Congress (that is true of the Republican-controlled House as well as the Democratic-controlled Senate). While renewable energy legislation continues to receive attention in the Senate, the focus is no longer "Renewable Energy Standard" (RES), which had been limited to wind, solar, WTE and other power sources that are typically recognized as renewable. Instead, the new focus is an expanded RES plus nuclear power, "clean coal technology" and possibly highly efficient natural gas, defined as a "Clean Energy Standard" (CES). A "white paper" recently issued by the chairman and ranking member of the Senate Energy and Natural Resources Committee (Senators Jeff Bingaman and Lisa Murkowski) outlines the contours for possible federal CES legislation, and the two senators (or possibly Senator Bingaman on his own) may introduce CES legislation in the near future. It is generally acknowledged that approval of CES legislation in the Senate on a bipartisan basis will be essential to consideration of such legislation in the House of Representatives, and even with bipartisan Senate approval, a favorable House vote on CES legislation is far less certain given the different political composition of the House in this Congress.

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE**

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
Tipping fees	\$ 12,729,816	\$ 12,729,816	\$ 12,596,999	\$ (132,817)
Interest income	300,015	300,015	288,544	(11,471)
Electric revenue	7,888,834	7,888,834	7,447,680	(441,154)
Management fee	161,981	161,981	165,583	3,602
Other	51,000	51,000	26,133	(24,867)
<b>Total</b>	<b>\$ 21,131,646</b>	<b>\$ 21,131,646</b>	<b>\$ 20,524,939</b>	<b>\$ (606,707)</b>

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
<b>Personnel:</b>				
Executive Director	\$ 125,029	\$ 134,079	\$ 134,026	\$ 53
Assistant Director	89,481	95,253	95,180	73
Taxes	29,409	29,409	26,823	2,586
Bookkeeper	45,100	46,450	42,643	3,807
Benefits	156,763	150,895	126,169	24,726
Unemployment compensation	2,520	2,520	1,527	993
Paralegal	1,000	1,600	1,401	199
Garbage Inspector/Detective	22,362	23,862	23,343	519
Administrative Assistant		19,800	13,234	6,566
Workman's compensation	2,644	2,644	1,896	748
Analyst	55,466	58,917	58,835	82
Administrative Secretary	43,096	43,596	42,091	1,505
Contingency	14,977	3,822		3,822
Total personnel	<u>587,847</u>	<u>612,847</u>	<u>567,168</u>	<u>45,679</u>
<b>Administrative:</b>				
Rent	76,210	76,210	76,160	50
Cleaning, taxes and utilities	24,727	24,727	18,938	5,789
Telephone monthly	10,400	10,400	10,265	135
Telephone equipment and service	2,300	2,300	123	2,177
Liability insurance	4,580	4,580	3,581	999
Office furniture	1,500	1,500	477	1,023
Copier	1,800	2,300	2,070	230
Supplies	7,000	7,000	6,342	658
Office computers	4,987	4,987	2,695	2,292
Office equipment	1,000	1,000	331	669
Off-site storage	2,600	3,600	3,097	503
Mailing	5,620	5,620	5,151	469
Printing	1,000	1,000	387	613
Subscriptions	9,700	9,700	8,407	1,293
Automobile	13,000	13,000	11,067	1,933
Travel	5,108	5,108	3,270	1,838
Professional	4,942	4,942	4,030	912
Advertising	1,541	1,541	63	1,478
Executive Director expenses	1,000	1,000	656	344
Assistant Director expenses	887	887	645	242
Executive Committee expenses	2,800	4,300	3,166	1,134
Detective support expenses	200	200		200
Staff expense	400	400	220	180
Transaction charges	1,250	1,500	1,067	433
Contingencies	4,692	1,442		1,442
Total administrative	<u>189,244</u>	<u>189,244</u>	<u>162,208</u>	<u>27,036</u>

(Continued on next page)

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL**  
**(CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
Professional services:				
Legal	\$ 95,000	\$ 95,000	\$ 78,606	\$ 16,394
Accounting	14,700	14,700	14,700	-
Plant engineering	140,000	140,000	117,994	22,006
Energy consultant		1,570	569	1,001
Computer consultant	17,160	17,160	12,649	4,511
Lobbyist	44,000	44,000	43,589	411
Human resources	5,000	8,500	5,278	3,222
Assistant Treasurer	10,020	10,020	9,514	506
Public education	38,268	38,268	23,558	14,710
Financial Advisor	40,000	40,000	18,254	21,746
Rebate calculation	2,500	2,500	2,000	500
National Research	2,000	2,000	1,500	500
Insurance consultant	10,000	10,000	8,100	1,900
Contingencies	13,971	8,901		8,901
Total professional services	<u>432,619</u>	<u>432,619</u>	<u>336,311</u>	<u>96,308</u>
Covanta Bristol, Inc. (including pass-through costs):				
Debt service	6,028,450	6,028,450	6,028,450	-
Operation and maintenance	9,057,618	9,057,618	8,844,452	213,166
Electricity	350,915	320,915	270,952	49,963
Gas	210,000	235,000	227,015	7,985
Water and sewer	125,333	160,333	133,529	26,804
Insurance	246,000	186,000	171,586	14,414
Trustee fees	10,000	10,000	6,575	3,425
Property tax	1,156,565	1,166,565	1,164,351	2,214
NOx reagent	142,000	122,000	119,920	2,080
Carbon reagent	184,800	204,800	199,475	5,325
Other retrofit reagent	93,616	113,616	104,665	8,951
Ash conditioning/testing	75,000	75,000	14,301	60,699
Ash handling	2,822,307	2,822,307	2,283,580	538,727
Incentives payment	586,162	586,162	356,373	229,789
Dioxin test fee	327,586	327,586	294,085	33,501
CEM, SW/HW and CGA	38,443	38,443	37,648	795
Permit fees/confined space	37,796	37,796	29,956	7,840
CAA permit fees and testing	81,442	81,442	73,451	7,991
Host fee	114,420	114,420	101,070	13,350
Recovered material adjustment	(131,083)	(131,083)	(256,630)	125,547
Administration	37,035	12,035	668	11,367
Total Covanta Bristol, Inc.	<u>21,594,405</u>	<u>21,569,405</u>	<u>20,205,472</u>	<u>1,363,933</u>

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**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL**  
**(CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
Other	\$ 53,000	\$ 53,000	\$ 43,000	\$ 10,000
Alternate bypass	486,893	486,893	433,909	52,984
Capital outlay	14,400	14,400	12,718	1,682
Total	<u>\$ 23,358,408</u>	<u>\$ 23,358,408</u>	<u>\$ 21,760,786</u>	<u>\$ 1,597,622</u>

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE**

**COMPARATIVE SCHEDULE OF COVANTA BRISTOL, INC. EXPENDITURES**  
**(INCLUDING PASS-THROUGH COSTS) AND BYPASS**

**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Debt service	\$ 6,028,450	\$ 5,952,650
Operation and maintenance	8,844,452	8,735,230
Electricity	270,952	255,003
Gas	227,015	195,596
Water and sewer	133,529	106,769
Insurance	171,586	221,587
Property tax	1,164,351	1,112,082
Ash handling	2,283,580	2,706,551
Administration	668	7,105
Recovered material adjustment	(256,630)	(189,022)
Dioxin test fee	294,085	290,313
CEM, SW/HW and CGA	37,648	37,143
Trustee fees/permit fees/confined space	36,531	34,090
CAA permit fees	73,451	60,926
Host fee	101,070	98,314
Ash conditioning/testing	14,301	43,983
NOx reagent	119,920	104,104
Carbon reagent	199,475	171,272
Other retrofit reagent	104,665	106,168
Incentive payment	356,373	496,101
Subtotal	<u>20,205,472</u>	<u>20,545,965</u>
Bypass	<u>433,909</u>	<u>252,649</u>
Total	<u>\$ 20,639,381</u>	<u>\$ 20,798,614</u>

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
CAPITAL AND NONRECURRING EXPENDITURE FUND  
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS  
AS OF JUNE 30, 2011**

<u>Year</u>	<u>Project</u>	<u>Appropriations</u>	<u>Expenditures and Encumbrances</u>	<u>Uncommitted Balance</u>
1991-92	BTU	\$ 61,440	\$ 61,438	\$ 2
1991-92	Implement change in law	1,857,438	1,782,438	75,000
1991-92	O&M settlement on electric equipment	137,865	137,865	-
1991-92	Cooling tower blow-down	26,800	26,800	-
1991-92	Ash disposal	826,059	826,059	-
1991-92	Refinancing/refunding of debt	1,551,282	1,551,282	-
1995-96	Service Agreement revisions	1,250,039	861,537	388,502
1996-97	Landfill closure	4,541,396	4,541,396	-
2000-01	Scrubber baghouse	1,535,000	1,529,000	6,000
2001-02	Plant improvements	170,000	152,888	17,112
2001-02	Transfer station	1,175,000	344,677	830,323
2003-04	Office technology	122,398	96,101	26,297
2006-07	Self insurance	1,100,000		1,100,000
2007-08	Trustee fees	10,000	10,000	-
2009-10	Utility reserve	73,695	73,695	-
2010-11	HR Reserve	400,000		400,000
	Total	<u>\$ 14,838,412</u>	<u>\$ 11,995,176</u>	<u>\$ 2,843,236</u>

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE**  
**COMPARATIVE SCHEDULE OF EXPENDITURES - CAPITAL PROJECTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Plant improvements	\$ 688	\$ 25,000
Utility reserve	73,695	
Transfer station	25,000	
Office technology	28,026	11,088
Scrubber baghouse	28,813	
Service agreement	106,021	81,586
Other	<u>574</u>	<u>566</u>
Total	<u>\$ 262,817</u>	<u>\$ 118,240</u>

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE****CONTRACTING COMMUNITIES - 2012 COMMITTED TONS****JUNE 30, 2011**

<b>Municipality</b>	<b><u>2012 Contract Year</u></b>	<b><u>Percent of Total</u></b>
New Britain	44,000	23.81%
Bristol	42,175	22.82%
Southington	28,000	15.15%
Branford	12,950	7.01%
Plainville	12,800	6.93%
Berlin	10,535	5.70%
Wolcott	8,147	4.41%
Seymour	7,465	4.04%
Plymouth	6,071	3.29%
Prospect	4,995	2.70%
Burlington	3,990	2.16%
Washington	2,320	1.26%
Hartland	688	0.37%
Warren	652	0.35%
Total	<u><u>184,788</u></u>	<u><u>100.00%</u></u>

SOURCE: Adopted by the Committee for 2011-2012 Fiscal Year on January 28, 2011

TABLE 2

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
WASTE DELIVERY SOURCE  
FISCAL YEAR ENDED JUNE 30**

<b>Town</b>	<b>FISCAL YEAR</b>									
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
New Britain	44,097	47,944	51,813	51,173	50,077	48,132	48,243	46,204	45,994	43,784
Bristol	44,338	44,341	45,642	46,610	47,159	46,507	44,011	41,969	42,098	42,022
Southington	30,620	32,899	35,420	34,991	37,662	36,819	35,049	31,502	29,035	29,110
Branford	12,403	13,798	15,835	14,946	13,408	12,866	13,209	12,822	13,309	13,003
Plainville	13,856	14,794	15,426	14,189	13,728	12,944	13,363	12,717	13,137	13,029
Berlin	7,768	8,153	8,604	8,659	9,522	9,711	9,622	9,667	10,483	10,805
Wolcott	6,962	7,350	8,360	8,738	9,196	9,063	8,945	8,287	8,183	8,394
Seymour	8,788	8,395	8,581	9,157	9,198	8,484	7,778	7,201	7,323	7,088
Plymouth	5,785	6,072	6,548	7,218	7,522	7,222	7,052	6,405	6,113	5,881
Prospect	4,800	5,246	5,606	6,350	6,255	5,451	5,394	5,104	4,785	4,617
Burlington	3,910	4,043	4,386	4,624	4,542	4,222	4,229	4,018	3,826	3,759
Washington	2,679	2,754	2,844	2,869	2,805	2,639	2,559	2,368	2,294	2,314
Hartland	708	739	767	761	771	768	765	702	698	698
Warren	579	592	650	662	680	661	593	600	656	610
Subtotal towns	187,293	197,120	210,482	210,947	212,525	205,489	200,812	189,566	187,934	185,114
Recycling plant residue	18	2,197	710	98	512	273	489	2,665	2,349	2,618
Spot market	10,185	13,214	6,420	4,013	6,081	3,231	3,781	13,629	11,587	16,186
<b>Total</b>	<b>197,496</b>	<b>212,531</b>	<b>217,612</b>	<b>215,058</b>	<b>219,118</b>	<b>208,993</b>	<b>205,082</b>	<b>205,860</b>	<b>201,870</b>	<b>203,918</b>

Note: Beginning in 2011, MSW remaining from HHW collections in Spot Waste, previously in Recycling Residue

TABLE 3

**BRISTOL RESOURCE RECOVERY FACILITY OPERATING COMMITTEE  
FACILITY PERFORMANCE DATA  
JUNE 30, 2011**

<b>Contract Year (1)</b>	<b>Waste Received (2) (Tons)</b>	<b>Capacity Guarantee (3) (Tons)</b>	<b>Waste Processed (4) (Tons)</b>	<b>Residue Generated (9) (Tons)</b>	<b>% Residue</b>	<b>Ferrous Recycled (10) (Tons)</b>	<b>% Boiler Availability (5)</b>	<b>MWh Electricity Sold (6)</b>	<b>Max Electrical Usage (7, 8) (kWh/ton)</b>
2002	197,528	166,510	194,241	45,665	23.51	5,191	92.9	112,186	0.97
2003	212,574	169,277	205,406	47,425	23.09	5,731	93.7	112,485	0.84
2004	215,893	167,684	206,724	47,836	23.14	6,160	93.3	116,492	0.52
2005	213,723	163,852	199,311	46,448	23.30	5,827	94.2	112,948	0.37
2006	218,007	169,009	200,220	46,491	23.20	5,611	92.5	110,162	0.53
2007	207,103	168,086	194,180	44,715	23.03	5,354	92.9	107,807	1.55
2008	202,679	169,732	185,196	42,318	22.90	4,281	91.7	94,212	4.84
2009	204,783	170,373	202,298	47,207	23.34	4,584	95.3	109,940	0.58
2010	200,640	167,606	198,086	46,075	23.26	4,621	93.4	106,622	1.01
2011	202,515	174,788	197,000	44,366	22.52	4,301	91.7	102,559	2.12
Average	207,545	168,692	198,266	45,855	23.13	5,166	93.2	108,541	1.33

SOURCE: Covanta Bristol, Inc., Committee provided data and HDR Annual Reports.

- (1) The Contract Year (CY) occurs from July 1st through June 30th of the given year.
- (2) Waste Received is comprised of all waste delivered to the Facility.
- (3) The Capacity Guarantee requires that the Facility shall be capable of processing not less than the Yearly Adjusted Guaranteed Facility Capacity (YAGFC). The YAGFC, per Section 11 of Amendment No. 6 to the Service Agreement, is defined as 201,600 tons of waste per year adjusted by the Contract Year Average HHV.
- (4) Waste Processed is comprised of all Waste Received at the Facility minus waste bypassed as excess waste and waste that is characterized as "unprocessible."
- (5) The Boiler Availability is the actual hours that the boiler was on-line producing steam compared to the total hours during the Contract Year. The % Boiler Availability given is the average availability of both units. (HDR Annual Report)
- (6) Electricity generated by the Facility net of the in-house usage (amount sold to CL&P is less than this due to transmission line losses).
- (7) The Maximum Electrical Usage allowed for the Facility in accordance with Table 6-1 in Schedule 6 of the Service Agreement, is 1.7 kWh/ton for periods when there is no scheduled turbine-generator maintenance, and 86 kWh/ton during periods when there is turbine-generator maintenance.
- (8) During Contract Year 2008, the Facility experienced a scheduled turbine-generator outage, which caused the higher maximum electrical usage. However, the electricity purchased was below the Maximum Electrical Usage allowed per the Service Agreement.
- (9) Excludes ferrous recovered
- (10) Contract Year 2009 includes 35 tons of scrap metal sold directly by Covanta  
Contract Year 2010 includes 58 tons of scrap metal sold directly by Covanta  
Contract Year 2011 includes 70 ton of scrap metal sold directly by Covanta