

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**CONTENTS**

---

**Independent Auditors' Report**..... 1-3

**Management's Discussion and Analysis** ..... 4-14

**Financial Statements**

Statements of Net Position..... 15-16  
Statements of Revenues, Expenses and Changes in Net Position .....17  
Statements of Cash Flows..... 18-19

**Notes to Financial Statements**..... 20-48

**Required Supplementary Information**

Schedule of Funding Progress – Retiree Healthcare Plan .....49

**Supplementary Information**

Schedule A – Schedules of Investments and Deposits ..... 50-51  
Schedule B – Statement of Net Position .....52  
Schedule C – Statement of Changes in Net Position .....53  
Schedule D – Schedule of Debt Service to Maturity, Long-Term Debt – Bonds Only.....54  
Schedule E – Schedule of Changes in Long-Term Debt .....55  
Schedule F – Schedules of Travel and Entertainment Expenses ..... 56-57

**Report Issued Pursuant to *Government Auditing Standards***

Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*..... 58-59



## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Rhode Island Resource Recovery Corporation

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Rhode Island Resource Recovery Corporation (the "Corporation"), a component unit of the State of Rhode Island as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Resource Recovery Corporation as of June 30, 2014, and its changes in financial position, and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (page 3 through 13) and schedule of funding progress information on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained on pages 49 thru 56 is presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### ***Prior Period Financial Statements***

The financial statements of Rhode Island Resource Recovery Corporation as of June 30, 2013 and for the year then ended were audited by Braver P.C., whose practice combined with Marcum LLP as of January 1, 2014, and whose report dated September 18, 2013, expressed an unmodified opinion on those audited financial statements.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of Corporation'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island Resource Recovery Corporation's internal control over financial reporting and compliance.

*Marcum LLP*

Providence, Rhode Island  
September 26, 2014

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2014 AND 2013**

As management of the Rhode Island Resource Recovery Corporation (the "Corporation"), a component unit of the State of Rhode Island (the "State"), we provide readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation as of and for the years ended June 30, 2014 and 2013. This information should be read in conjunction with the Corporation's financial statements, which begin on Page 15.

**Introduction**

The Corporation is a quasi-public corporation, an instrumentality established in 1974 by an Act of the Rhode Island Legislature. The Corporation was created to provide and coordinate solid waste and recycling services to municipalities and businesses within Rhode Island. It is intended that the Corporation will receive sufficient revenue through solid waste tipping fees and the sale of recyclable products to be self-sufficient. The Corporation has the power to issue negotiable notes and bonds to achieve its corporate purpose, subject to the provisions of Rhode Island General Law 35-18.

The Corporation is a component unit of the State for financial reporting purposes and as such, the annual audited financial statements of the Corporation are included in the State's Annual Financial Report.

The powers of the Corporation are vested in a Board of Commissioners (the "Board"). As of July 2014, the Board consists of nine members, eight of which are public members appointed by the Governor with at least three being residents of the Town of Johnston, and the Director of Administration who serves as an ex-officio member. In making these appointments, the Governor gives due consideration to recommendations from the Mayor of the Town of Johnston, the League of Cities and Towns, representatives of commercial waste haulers and environmental advocacy organizations experienced in the field of recycling. Each commissioner serves until his or her successor is appointed by the Governor and confirmed by the Senate of the State.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements.

The Corporation engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for goods and services. As a result, the Corporation's basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, and notes to the financial statements. These basic financial statements are designed to provide the reader with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2014 AND 2013**

**Overview of the Financial Statements (Continued)**

The statements of net position present information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the Corporation's net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The reader might also need to consider other non-financial factors when evaluating the Corporation's financial condition. The statements of revenues, expenses and changes in net position presents information on how the Corporation's net position changed during the years ended June 30, 2014 and 2013.

All assets and liabilities, and changes in net position, are reported using the accrual basis of accounting for governmental entities. All assets and liabilities, and changes in net position, are reported as soon as the underlying event giving rise to the asset or liability and resulting change in net position occurs, regardless of the timing of when the cash is received or paid. Consequently, certain revenues and expenses reported in the statements of revenues, expenses and changes in net position will impact cash flows in future periods.

**Key Factors Influencing Results in 2014**

Fiscal year 2014 was a very strong year for the Corporation operationally. Revenue from core business, tipping and recycling, were up substantially. Expenses, with the exception of landfill closure and post-closure care (non-cash operating costs), were down overall. The major factor that impacted the Corporation's financial results for the year ended June 30, 2014 (FY14) versus the year ended June 30, 2013 (FY13), were closure and post-closure expenses.

While the overall economy in the State remains somewhat stagnant, commercial solid waste volumes and revenues increased in FY14. Overall commercial solid waste was up by 67,000 tons. Tipping revenues increased from \$33.2 million in FY13 to \$35.8 million in FY14, an increase of \$2.6 million or 7.9%. Pricing for commercial solid waste remained unchanged from the prior year. Revenues from municipal solid waste were flat at 309,000 tons. The municipal tipping rate of \$32 has remained unchanged for over 20 years.

For the recycling business, FY14 overall commodity prices were steady throughout the year. Recycling revenues increased substantially from \$11.8 million in FY13 to \$14.0 million in FY14, an increase of \$2.2 million or 18.6%. In-bound recycling increased from 108,000 tons in FY13 to 131,000 tons in FY14, an increase of 23,000 tons. This increase was largely due a 20,000 increase in out-of-state recyclables, which previous to FY14, were prohibited by State law. The Corporation was able to distribute approximately \$1.5 million back to cities and towns as part of our municipal recycling profit sharing program.

From an operating cost standpoint FY14 was unique for several reasons as total operating expenses increased \$17.3 million from \$40.2 million in FY13 to \$57.5 million in FY14.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2014 AND 2013**

**Key Factors Influencing Results in 2014 (Continued)**

While this amount seems dramatic, 10 million of the increase is related to the liability associated with the closure and post closure care trust fund. In FY13 and FY12, the liability for closure care expenses were decreased by 8.6 million and 14.2 million, respectively. A comprehensive review of FY14's closure estimates included better, but higher, operating costs associated with the leachate pre-treatment plant currently under construction. While the variables for closure costs will vary yearly, we are hopeful large swings in year over year costs will not continue. Even with the large increase in estimated liability, the trust fund set up to cover these costs is still overfunded by approximately 3.0 million dollars. Other operating costs such as contractual services decreased significantly in FY14 (\$8.7 million) compared to FY13 (\$14.3 million) primarily as the result of the services necessary to successfully remediate odor issues due to landfill gases escaping from the site were completed in FY13. As in prior years, we continued to take an aggressive approach to reduce costs and operate as efficiently as possible. All discretionary costs continue to be examined and some services and construction work formerly done by outside vendors were brought in-house where it was cost effective. Personnel costs increased \$0.4 million due to the increase volume at both the MRF and landfill operations. Repairs and maintenance decreased \$.3 million as the Corporation continues to minimize capital outlays to replace aging equipment; other supplies and expenses decreased \$0.8 million.

Non-operating revenues of \$.7 million include normal investment earnings and net settlement gains from lawsuits as well as a gain on sale of land of \$.3 million. The settlement is reflected net of legal cost in non-operating revenues. Non-operating expenses included a \$1.1 million in scheduled bond interest.

The Corporation's goal is to remain economically self-sufficient while continuing to generate cash reserves to finance approximately \$33 million of major capital investments in fiscal years 2015 through 2016. These capital improvements, which can no longer be deferred due to statutory and regulatory requirements, include the construction of the initial areas of the Phase VI expansion, the continued construction of a new wastewater pretreatment facility to comply with more stringent discharge requirements.

Finally, there were a number of major accomplishments in FY14 including:

- The generation of \$14.0 million in recycling revenues in FY 2014 and the distribution approximately \$1.5 million to Rhode Island municipalities under its materials recycling profit sharing program.
- A lawsuit was settled during the fiscal year for \$1.2 million allowing the Corporation to partially recover losses as identified in the Bureau of Audits forensic audit issued in September 2009.
- Successfully changed the Rhode Island General Law, allowing out-of-state recyclables to be processed at the Materials Recycling Facility.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2014 AND 2013**

**Key Factors Influencing Results in 2014 (Continued)**

Challenges for FY15 and beyond are maintaining a culture of continuous improvement, increasing our recycling volumes and breadth of materials handled, staying within the 700 to 800 thousand tons per year of desired solid waste volume to maximize landfill life and lastly doing everything we can to promote the mentality of reuse and recycling. We are focused on our mission of running a safe, environmentally compliant, and cost effective operation for the benefit of all Rhode Islanders.

**Key Factors Influencing Results in 2013**

Unlike fiscal year 2012 when the Corporation spent the majority of its efforts on odor remediation activities, fiscal year 2013, while challenging in different aspects, represented somewhat of return to normal operations for the Corporation. A number of factors, both operating and non-operating, impacted the Corporation's financial results for the year ended June 30, 2013 (FY13) versus the year ended June 30, 2012 (FY12).

Due to the implementation of several operational changes and enhanced customer service resulting in the return of several commercial customers, commercial solid waste volumes and revenues increase in FY13. Tipping revenues increased from \$30.2 million in FY12 to \$33.2 million in FY13, an increase of \$3.0 million or 10%. Pricing for commercial solid waste remained unchanged from the prior year. Revenues from municipal solid waste decreased slightly (\$0.7 million) due to a 22,000 ton reduction in volume as cities and towns continue to increase recycling efforts; the municipal tipping rate of \$32 has remained unchanged for almost 20 years.

On the recycling business FY13 commodity prices declined through much of the year and on average were below FY12 levels especially for fiber products which comprise approximately 39% of the Corporation's recycling revenues. However, these price decreases were partially offset by a 12,000 ton increase in inbound recyclables as municipalities continue to implement improved recycling programs. Overall, recycling revenues decreased slightly from \$12.6 million in FY12 to \$11.8 million in FY13, a decrease of \$0.8 million or 6%. The Corporation again was able to distribute approximately \$741,000 million back to cities and towns as part of our municipal recycling profit sharing program.

From an operating cost standpoint FY13 was impacted by several factors, some outside the control of the Corporation, as total operating expenses increased \$4.7 million from \$35.6 million in FY12 to \$40.2 million in FY13. The increase was primarily attributable to a one-time nonrecurring reduction of the Corporation's estimated costs for landfill closure and post-closure care occurring in FY12. This adjustment, which reduced operating costs in FY12 by \$10.8 million, related to the transfer of responsibility for future gas collection system costs to the owner / operator of the gas-to-energy facility. Excluding non-cash operating costs, total operating expenses for FY13 decreased by \$2.9 million when compared to FY12. Contractual

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2014 AND 2013**

**Key Factors Influencing Results in 2013 (Continued)**

services decreased significantly in FY13 (\$14.3 million) compared to FY12 (\$17.2 million) primarily as the result of the services necessary in FY12 to successfully remediate odor issues due to landfill gases escaping from the site. As in prior years, we continued to take an aggressive approach to reduce costs and operate as efficiently as possible. All discretionary costs continue to be eliminated and some services and construction work formerly done by outside vendors were brought in-house where it was cost effective. Multiple factors and operational changes impacted virtually every category of operating costs as compared to the FY12 levels. Personnel costs increased \$0.6 million due to hiring in-house personnel previously paid as outside leased labor to ensure continuity of staff and the effective transition to the new MRF single stream system necessary to handle the increase of inbound volume. Repairs and maintenance decreased \$0.6 million as the Corporation continues to perform repairs in-house and the efficiency of maintenance garage operations; other supplies and expenses increased \$1.1 million due entirely to the purchase of additional cover materials. In the 2012 legislative session, Rhode Island's General Laws were modified to prohibit the use of construction and demolition debris as a cover material. The need to purchase these additional cover materials, \$2.6 million in FY13, was a result of that a change and will continue to be an on-going expense in future years.

Non-operating revenues and expenses were impacted by the settlement of four lawsuits during FY13. These settlements are reflected net of legal costs as non-operating expenses totaling \$1.3 million.

The Corporation's goal is to remain economically self-sufficient while continuing to generate cash reserves to finance approximately \$56 million of major capital investments in fiscal years 2014 and 2015. These capital improvements, which can no longer be deferred due to statutory and regulatory requirements, include the construction of the initial areas of the recently-permitted Phase VI expansion, the construction of a new wastewater pretreatment facility to comply with more stringent discharge requirements and the construction of a sewer line connection to the Narragansett Bay Commission allowing for the switch of waste water treatment services from the Cranston sewer system. In order to finance the majority of these capital costs the Corporation in May 2013 issued revenue bonds totaling \$40 million and concurrently redeemed \$11.2 million of existing bonds using cash reserves.

Finally, there were a number of major accomplishments in FY13 including:

- In FY13, the Corporation completed its first full year of operations utilizing its newly installed state of the art single-stream processing equipment at the Materials Recycling Facility. The change to single stream equipment has enhanced processing capabilities and allows municipalities the opportunity to reduce collection costs. The design, implementation and operation of the single-stream system was so successful that in September 2013, the Solid Waste Association of North America (SWANA) named the Corporation its 2013 Gold Excellence Award Winner in the recycling systems category. SWANA's Excellence Awards Program recognizes outstanding programs and facilities

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Key Factors Influencing Results in 2013 (Continued)**

that advance the practice of environmentally and economically sound waste management through their commitment to utilizing effective technologies and processes in system design and operation. SWANA has praised award winners and their accomplishments by indicating that they represent the most innovative and dynamic organizations throughout North America as judged by their peers.

- In early FY13, the Corporation implemented operational changes to increase the use of its tipping facility to manually sort inbound materials and recover recyclables that had previously been landfilled. The benefits of this implementation were three-fold, a return of several waste haulers thereby increasing commercial volumes, additional revenues from the sale of recycled materials, as well as the further conservation of landfill space through material diversion. During FY13 approximately 1,800 tons were recovered and recycled through this operation generating additional revenues totaling \$373,000 from the sale of commodities.
- In May 2013, the Corporation issued \$40 million of revenue bonds needed to finance the design and construction of a leachate pretreatment facility and related leachate infrastructure projects. Construction of the pretreatment facility is required to enable compliance with projected changes in the discharge standards for the disposal of wastewater, including leachate, into a public sewer system. The Corporation has executed six construction contracts for the facility and the related infrastructure projects, including a sewer connection line, storage tanks and pump station, and construction is underway on several of these projects. Concurrently, the Corporation redeemed \$11.2 million, the entire balance of its previously outstanding revenue bonds, using accumulated cash reserves. The redeemed bonds, which would have matured in March 2022, carried interest rates of 4.7% to 5.0% while the newly-issued bonds carry a substantially lower rate of 2.78% and mature in ten years.

Challenges for FY14 and beyond are maintaining a culture of continuous improvement, increasing our recycling volumes and breadth of materials handled, staying within the 700 to 800 thousand tons per year of desired solid waste volume to maximize landfill life and lastly doing everything we can to promote the mentality of reuse and recycling. We are focused on our mission of running a safe, environmentally compliant, and cost effective operation for the benefit of all Rhode Islanders.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Condensed Comparative Financial Information - In Thousands**

The following table summarizes the changes in certain balances in the statements of net assets and the statements of revenues, expenses and changes in net assets as of and for the years ended June 30, 2014, 2013 and 2012.

|  | <u>2014</u>       | <u>2013</u>      | <u>Increase<br/>(decrease)</u> |
|--|-------------------|------------------|--------------------------------|
| Net assets:  |                   |                  |                                |
| Current assets                                     | \$ 43,059         | \$ 35,059        | \$ 8,000                       |
| Capital assets, net                                | 68,078            | 52,248           | 15,830                         |
| Other noncurrent assets                            | 103,700           | 122,746          | (19,046)                       |
| Total assets                                       | <u>214,837</u>    | <u>210,053</u>   | <u>4,784</u>                   |
| <br>   |                   |                  |                                |
| Current liabilities                                | 30,439            | 25,815           | 4,624                          |
| Long-term liabilities                              | 108,804           | 101,797          | (7,007)                        |
| Total liabilities                                  | <u>139,243</u>    | <u>127,612</u>   | <u>11,631</u>                  |
| <br>   |                   |                  |                                |
| Net assets   | <u>\$ 75,594</u>  | <u>\$ 82,441</u> | <u>\$ (6,847)</u>              |
| <br>   |                   |                  |                                |
| Components of net assets:                          |                   |                  |                                |
| Invested in capital assets, net of<br>related debt | \$ 65,325         | \$ 48,214        | \$ 17,111                      |
| Restricted   | 2,670             | 17,031           | (14,361)                       |
| Unrestricted                                       | 7,599             | 17,196           | (9,597)                        |
|  | <u>\$ 75,594</u>  | <u>\$ 82,441</u> | <u>\$ (6,847)</u>              |
| <br>   |                   |                  |                                |
| Changes in net assets:                             |                   |                  |                                |
| Operating revenues                                 | \$ 50,252         | \$ 46,032        | \$ 4,220                       |
| Operating expenses                                 | 57,469            | 40,236           | 17,233                         |
| Operating income                                   | (7,217)           | 5,796            | (13,013)                       |
| Non-operating (revenues) expenses, net             | 369               | 1,734            | (1,365)                        |
| <br>   |                   |                  |                                |
| Change in net assets                               | <u>\$ (6,848)</u> | <u>\$ 4,062</u>  | <u>\$ (10,909)</u>             |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Condensed Comparative Financial Information - In Thousands (Continued)**

|  | <u>2013</u>      | <u>2012</u>      | Increase<br>(decrease) |
|--|------------------|------------------|------------------------|
| Net assets:  |                  |                  |                        |
| Current assets                                     | \$ 35,059        | \$ 34,171        | \$ 888                 |
| Capital assets, net                                | 52,248           | 55,157           | (2,909)                |
| Other noncurrent assets                            | <u>122,746</u>   | <u>89,543</u>    | <u>33,203</u>          |
| Total assets                                       | <u>210,053</u>   | <u>178,871</u>   | <u>31,182</u>          |
| <br>   |                  |                  |                        |
| Current liabilities                                | 25,815           | 19,047           | 6,768                  |
| Long-term liabilities                              | <u>101,797</u>   | <u>81,444</u>    | <u>20,353</u>          |
| Total liabilities                                  | <u>127,612</u>   | <u>100,491</u>   | <u>27,121</u>          |
| <br>   |                  |                  |                        |
| Net assets   | <u>\$ 82,441</u> | <u>\$ 78,380</u> | <u>\$ 4,061</u>        |
| <br>   |                  |                  |                        |
| Components of net assets:                          |                  |                  |                        |
| Invested in capital assets, net of<br>related debt | \$ 48,214        | \$ 39,890        | \$ 8,324               |
| Restricted   | 17,031           | 12,424           | 2,601                  |
| Unrestricted                                       | <u>17,196</u>    | <u>26,066</u>    | <u>(6,864)</u>         |
|  | <u>\$ 82,441</u> | <u>\$ 78,380</u> | <u>\$ 4,061</u>        |
| <br>   |                  |                  |                        |
| Changes in net assets:                             |                  |                  |                        |
| Operating revenues                                 | \$ 46,032        | \$ 45,927        | \$ 105                 |
| Operating expenses                                 | <u>40,236</u>    | <u>35,563</u>    | <u>4,673</u>           |
| Operating income                                   | 5,796            | 10,364           | (4,568)                |
| Non-operating (revenues) expenses, net             | <u>1,734</u>     | <u>25</u>        | <u>1,709</u>           |
| <br>   |                  |                  |                        |
| Change in net assets                               | <u>\$ 4,062</u>  | <u>\$ 10,339</u> | <u>\$ (6,277)</u>      |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2014 AND 2013**

**FY14 Financial Highlights and Analysis**

There were a several factors, both operating and non-operating, that impacted the Corporation's financial results for FY14. On the revenue side, the Corporation had a strong year in its' core business of tipping fees and recycling services. Charges for services, principally tipping, increased \$2.6 million or 7.9%. Recycling revenues had a very strong year increasing \$2.2 million, up 18.6%. Total operating revenue increased \$4.2 million or 9.1% compared to FY13.

Operating costs compared well compared to FY13 with the exception of landfill closure and post-closure care expenses (non-cash operating expenses). A large decrease contractual services, 5.4, million is primarily attributable to the non-reoccurring odor remediation expenses paid during the early part of FY13. Personnel costs increased \$0.4 million primarily due to the increased leased labor due the large increase in volume at the Material Recycling Facility. Repairs and maintenance decreased \$.3 million as the Corporation continues to defer capital outlays to replace aging equipment and other supplies and expenses decreased \$0.8, largely due to increased allocation of leachate related costs to the closure and post closure care expenses and to a smaller extent reduction materials expenses. By far the biggest impact on the FY14 financial is the large increase in landfill closure and post-closure care expenses (non-cash). This increase in liability is \$10.8 million. This large increase in liability is largely due to revised costs of our new Leachate Pretreatment Facility, specifically labor costs associated with its' operations. While this facility is still under construction and not expected to be operational until Spring 2015, we continue to obtain better costs estimates. Fortunately, the closure trust fund is still overfunded by approximately 3.0 million. Unfortunately, an adjustment of this order offset a strong year operationally and will result in a new operating loss for the year.

Non-operating revenues were impacted by the settlement of a lawsuit during FY14 totaling \$1.2 million, this settlement is reflected net of legal costs in non-operating revenues. Non-operating expenses include interest expense of \$1.1 million for scheduled debt service.

With respect to the statement of net position, the Corporation made all required payments on its outstanding bonds, which totaled \$4.6 million (principal and interest) during FY14.

At June 30, 2014, net assets total \$75.6 million compared to \$82.4 million as of June 30, 2013, a decrease of \$6.8 million. The decrease was attributable to the adjustment to closure and post closure expenses noted above.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**FY13 Financial Highlights and Analysis**

There were a number of factors, both operating and non-operating, that impacted the Corporation's financial results for FY13; however, the most significant was a change in the accounting estimate for the Corporation's closure / post closure liability and related operating expense. Based on more refined and accurate data for estimating closing costs and leachate flows the Corporation's expense for remediation and closure / post-closure care resulted in a \$4.6 credit balance in FY13. Revenues from disposal fees increased \$3.0 million or 10% due to the implementation of various operational changes resulting in the return of several significant commercial customers. This increase was offset by a decline in commodity prices during the period and the elimination of royalty payments from the owner / operator of the gas collection system which resulted in total operating revenues being virtually unchanged compared to FY12.

Multiple factors and operational changes impacted virtually every category of operating costs as compared to FY12 levels. Personnel costs increased \$0.6 million due to the Corporation hiring in-house personnel previously paid as leased labor. This ensures continuity of staff and the effective transition to the new MRF single stream system necessary to handle the increase of inbound volumes. Contractual services decreased significantly in FY13 (\$14.3 million) compared to FY12 (\$17.2 million) primarily as the result of the services necessary in FY12 to successfully remediate odor issues due to landfill gases escaping from the site. Other supplies and expenses increased \$1.1 million due entirely to the purchase of additional cover materials. These additional costs were a result of a 2012 change in Rhode Island's General Laws prohibiting the use of construction and demolition debris as a cover material. Repairs and maintenance decreased \$0.6 million as the Corporation continues to perform repairs in-house and the efficiency of maintenance garage operations. As in prior years, we continued to take an aggressive approach to reduce costs and operate as efficiently as possible. All discretionary costs continue to be eliminated and some services and construction work brought in-house.

Non-operating revenues and expenses were impacted by the settlement of four lawsuits during FY13. These settlements are reflected net of legal costs as non-operating expenses totaling \$1.3 million.

With respect to the statement of net position, in May 2013 the Corporation issued revenue bonds totaling \$40 million and concurrently redeemed \$11.2 million of existing bonds using cash reserves. The 2013 bonds bear an interest rate of 2.78%, considerably below the 5% of the previous issuance, and will mature in ten years. The unspent proceeds of the bond issuance are reflected as restricted cash and cash equivalents on the statement. The liability for pollution remediation obligations and for landfill closure and post-closure care decreased by \$5.6 million primarily due to a change in an accounting estimate which used more refined and accurate data for estimating closing costs and leachate flows in the calculation.

At June 30, 2013, net assets total \$82.4 million compared to \$78.4 million as of June 30, 2012, an increase of \$4 million. The increase was primarily attributable to operating results driven by the adjustment to closure and post closure expenses.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2014 AND 2013**

**Request for Information**

This financial report is designed to provide a general overview of the Corporation's finances for all those interested in that information. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Rhode Island Resource Recovery Corporation, 65 Shun Pike, Johnston, RI 02919-4512. Additional information is also available on our website at [www.rirrc.org](http://www.rirrc.org).

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2014 AND 2013**

|  | 2014                 | 2013                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Cash and cash equivalents:   |                      |                      |
| Unrestricted   | \$ 31,404,227        | \$ 23,727,955        |
| Restricted   | 19,199,958           | 38,278,959           |
| Held in trust  | 83,891,207           | 83,747,422           |
| Receivables, net of allowance  | 7,264,714            | 7,055,225            |
| Advances - gas system  | 75,965               | 75,965               |
| Inventories  | 3,839,753            | 3,660,696            |
| Prepaid expenses and other assets                                    | 1,083,987            | 1,258,713            |
| Capital assets:  |                      |                      |
| Non-depreciable Land, improvements,<br>and construction in progress: |                      |                      |
| Land held for sale   | 2,752,751            | 4,143,599            |
| Land used in operations  | 4,206,511            | 4,206,511            |
| Land held for development  | 6,337,967            | 6,337,967            |
| Construction in progress   | 33,362,842           | 11,746,875           |
| Other capital assets, net of depreciation                            | 21,417,552           | 25,813,074           |
| <b>Total Assets</b>  | <b>\$214,837,434</b> | <b>\$210,052,961</b> |

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

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF NET POSITION (CONTINUED)**

**JUNE 30, 2014 AND 2013**

|   | 2014                  | 2013                  |
|---|-----------------------|-----------------------|
| <b>Liabilities</b>                        |                       |                       |
| Accounts payable and accrued expenses     | \$ 19,540,421         | \$ 16,714,386         |
| Long-term liabilities:                    |                       |                       |
| Due within 1 year:                        |                       |                       |
| Bonds payable                             | 3,619,143             | 3,517,187             |
| Pollution remediation obligations         | 1,485,622             | 986,985               |
| Landfill closure and post-closure care    | 5,794,470             | 4,595,946             |
| Due in more than 1 year:                  |                       |                       |
| Bonds & notes payable                     | 34,256,547            | 36,482,813            |
| Pollution remediation obligations         | 18,335,643            | 15,917,109            |
| Landfill closure and post-closure care    | 55,583,242            | 48,879,541            |
| Net OPEB obligation                       | 628,609               | 517,720               |
| <b>Total Liabilities</b>                  | <b>139,243,697</b>    | <b>127,611,687</b>    |
| <b>Net Position</b>                       |                       |                       |
| Net investment in capital assets          | 65,324,874            | 48,214,206            |
| Restricted                                | 2,670,086             | 17,030,680            |
| Unrestricted                              | 7,598,777             | 17,196,388            |
| <b>Total Net Position</b>                 | <b>75,593,737</b>     | <b>82,441,274</b>     |
| <b>Total Liabilities and Net Position</b> | <b>\$ 214,837,434</b> | <b>\$ 210,052,961</b> |

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

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

|   | 2014                 | 2013                 |
|---|----------------------|----------------------|
| <b>Operating Revenues</b>   |                      |                      |
| Charges for services, principally tipping fees  | \$ 35,818,892        | \$ 33,195,785        |
| Recycling   | 13,988,456           | 11,846,548           |
| Other operating revenues  | <u>445,010</u>       | <u>989,371</u>       |
| <b>Total Operating Revenues</b>   | <u>50,252,358</u>    | <u>46,031,704</u>    |
| <b>Operating Expenses</b>   |                      |                      |
| Personnel costs   | 13,078,142           | 12,672,813           |
| Contractual services  | 8,713,016            | 14,271,475           |
| Utilities   | 2,342,331            | 1,549,860            |
| Repairs and maintenance   | 2,889,523            | 3,171,640            |
| Other supplies and expenses   | 3,972,290            | 4,657,508            |
| Grants to municipalities for recycling  | 1,738,608            | 890,358              |
| Bad debt  | 66,619               | 105,251              |
| Provision for landfill closure and post-closure care<br>and pollution remediation obligations | 18,313,959           | (4,571,066)          |
| Depreciation, depletion and amortization  | <u>6,354,797</u>     | <u>7,487,919</u>     |
| <b>Total Operating Expenses</b>   | <u>57,469,285</u>    | <u>40,235,758</u>    |
| <b>Operating (Loss) Income</b>  | <u>(7,216,927)</u>   | <u>5,795,946</u>     |
| <b>Non-Operating Revenues (Expenses)</b>  |                      |                      |
| Interest expense  | (1,068,423)          | (808,705)            |
| Interest and investment income  | 465,701              | 306,446              |
| Gain (loss) on settlement, net  | 655,675              | (1,304,394)          |
| Gain on disposal and sale of assets, net  | <u>316,437</u>       | <u>72,360</u>        |
| <b>Non-Operating Revenues (Expenses), Net</b>   | <u>369,390</u>       | <u>(1,734,293)</u>   |
| <b>Changes in Net Position</b>  | (6,847,537)          | 4,061,653            |
| <b>Net Position, Beginning of Year</b>  | <u>82,441,274</u>    | <u>78,379,621</u>    |
| <b>Net Position, End of Period</b>  | <u>\$ 75,593,737</u> | <u>\$ 82,441,274</u> |

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

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

|   | 2014                 | 2013                 |
|---|----------------------|----------------------|
| <b>Cash Fows from Operating Activities</b>                |                      |                      |
| Payments received from providing services                 | \$ 49,597,861        | \$ 44,398,290        |
| Cash receipts from other operating revenue                | 445,009              | 1,039,892            |
| Cash paid for advances                                    | --                   | 665,414              |
| Payments to suppliers for goods and services              | (17,005,907)         | (18,384,004)         |
| Payments to employees for services                        | (13,075,837)         | (12,646,424)         |
| Payments in connection with the Host                      |                      |                      |
| Community Agreement                                       | (3,493,596)          | (3,299,712)          |
| Payments to municipalities for recycling grants           | <u>(1,738,608)</u>   | <u>(890,358)</u>     |
| <b>Net Cash Provided by Operating Activities</b>          | <u>14,728,922</u>    | <u>10,883,098</u>    |
| <b>Cash Flows from Capital and Related</b>                |                      |                      |
| <b>Financing Activities</b>                               |                      |                      |
| Proceeds from bond issuance                               | --                   | 40,000,000           |
| Payments for capital assets and deferred costs            | (23,573,743)         | (5,916,724)          |
| Payments for improvements for land held for sale          | (55,683)             | --                   |
| Proceeds from sale of assets                              | 1,761,470            | 1,502,401            |
| Interest paid on bonds payable                            | (1,068,423)          | (759,757)            |
| Principal paid on bonds payable                           | <u>(3,517,187)</u>   | <u>(11,962,445)</u>  |
| <b>Net cash (used in) provided by capital and related</b> |                      |                      |
| <b>Financing Activities</b>                               | <u>(26,453,566)</u>  | <u>22,863,475</u>    |
| <b>Cash Flows from Investing Activities</b>               |                      |                      |
| Purchase of additional investments                        | (57,533,186)         | --                   |
| Maturity on investments                                   | 57,389,401           | 1,505,793            |
| Interest and investment income                            | <u>465,700</u>       | <u>301,983</u>       |
| <b>Net Cash Provided by Investing Activities</b>          | <u>321,915</u>       | <u>1,807,776</u>     |
| <b>Net (Decrease) Increase in Cash and</b>                |                      |                      |
| <b>Cash Equivalents</b>                                   | (11,402,729)         | 35,554,349           |
| <b>Cash and Cash Equivalents, Beginning of Year</b>       | <u>62,006,914</u>    | <u>26,452,565</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>             | <u>\$ 50,604,185</u> | <u>\$ 62,006,914</u> |

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

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

|  | 2014                 | 2013                 |
|--|----------------------|----------------------|
| Reconciliation of operating (loss) income to net cash provided by operating activities:        |                      |                      |
| Operating (loss) income  | \$ (7,216,927)       | \$ 5,795,024         |
| Adjustments to reconcile operating (loss) income to net cash provided by operating activities: |                      |                      |
| Depreciation, depletion and amortization   | 6,354,797            | 7,488,842            |
| Changes in asset and liabilities   |                      |                      |
| Accounts receivable  | (209,489)            | (593,523)            |
| Advances   | --                   | 665,414              |
| Inventories  | (179,057)            | (151,983)            |
| Prepaid expenses   | 64,947               | (9,994)              |
| Accounts payable and accrued expenses  | 4,328,691            | 4,471,997            |
| Net OPEB obligation  | 110,889              | 96,532               |
| Landfill closure and post-closure care and pollution remediation obligation                    | 10,819,396           | (5,582,821)          |
| Loss on legal settlements  | (544,325)            | (3,588,594)          |
| Gain on legal settlements  | 1,200,000            | 2,292,204            |
| <b>Net Cash Provided by Operating Activities</b>   | <b>\$ 14,728,922</b> | <b>\$ 10,883,098</b> |

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

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***ORGANIZATION***

Rhode Island Resource Recovery Corporation (the “Corporation”) is a quasi-public corporation and a public instrumentality established in 1974 by an Act of the Rhode Island Legislature. The Corporation was created to provide and coordinate solid waste management services to municipalities and persons within the State of Rhode Island (the “State”). The Corporation’s enabling statute has subsequently been amended to allow for the acquisition and development of certain land located near the existing landfill in the Town of Johnston, Rhode Island. The Corporation’s revenues are derived principally from tipping fees charged for the disposal of solid waste and from the sale of recyclable products. It is intended that the Corporation will receive sufficient revenue through sale of recyclable products and fees for its services to be financially self-sufficient. The Corporation grants credit to its customers, primarily commercial entities and municipalities within the State. The Corporation has the power to issue negotiable notes and bonds to achieve its corporate purpose, subject to the provisions of Rhode Island General Law 35-18.

The Corporation is a component unit of the State for financial reporting purposes and, as such, the financial statements of the Corporation are included in the State’s Comprehensive Annual Financial Report.

The Corporation is exempt from federal and state income taxes.

*Financial statement presentation, measurement focus and basis of accounting:*

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties.

The Corporation uses the economic resources measurement focus and accrual basis of accounting. The Corporation applies all pronouncements of the Governmental Accounting Standards Board (the “GASB”).

The Corporation distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation’s principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses, and depreciation expense. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

*USE OF ESTIMATES*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions have been made in the areas of landfill closure and post-closure care costs, pollution remediation costs, landfill capacity and depletion rates, net realizable value and use of land, particularly eminent domain properties, and the payable due Broadrock Gas Services, LLC. It is reasonably possible that management's estimates could change in the near term.

*CASH AND CASH EQUIVALENTS*

The Corporation considers all highly liquid investments, such as repurchase agreements and money market accounts, with a maturity of three months or less when purchased to be cash equivalents.

*ACCOUNTS RECEIVABLE*

Receivables are reported at their gross values when earned and are reduced by the estimated portion that is expected to be uncollectible. This estimate is based on history, industry trends and current information regarding the credit worthiness of the debtors. The Corporation has contracts with most of its customers related to pricing, payment terms and general requirements. The Corporation does not require collateral from any of its customers. The Corporation has established an allowance for doubtful accounts receivable of \$1,215,000 and \$1,273,000 as of June 30, 2014 and 2013, respectively.

*INVESTMENTS*

Investments, including restricted investments, are recorded at fair value or at amortized cost which approximates fair value.

*INVENTORIES*

Inventories primarily consist of spare parts and materials and are stated at cost.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

***ASSETS HELD IN TRUST***

Restricted investments held in trust are held by independent trustees for purposes of meeting the financial requirements of landfill closure and post-closure care costs and pollution remediation costs. Investments are classified collectively as long-term despite the individual maturities, duration, or classification of the investments, since all are intended to fund the payment of long-term liabilities.

***RESTRICTED ASSETS***

Unexpended proceeds from the sale of revenue bonds and cash reserves whose use is specified or limited by bond resolutions, enabling legislation, laws or third parties are classified as restricted assets.

***CAPITAL ASSETS AND DEPRECIATION***

Capital assets used in primary operations are stated at cost. The Corporation defines capital assets as assets with an initial, individual cost of more than \$2,500 or repairs in excess of 10% of the assets original cost and an initial life of one year or greater. Ordinary maintenance and repair expenses are charged directly to operations as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets as follows:

|                                       |       |
|---------------------------------------|-------|
| Land improvements                     | 6     |
| Buildings and improvements            | 15-30 |
| Machinery and equipment               | 5-10  |
| Sewer and leachate collection systems | 30    |
| Furniture and equipment               | 5-10  |
| Signs, fences and roads               | 3-5   |

The cost of the landfill and land improvements is being depleted over the estimated useful capacity of the respective sites (Note 10).

Land acquired through eminent domain either intended for resale or held for development is stated at the lower of cost or net realizable value. The cost of property acquired through eminent domain not intended for development or resale is being amortized over the estimated life of the currently licensed landfill (Note 5).

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

***DEFERRED CHARGES***

Deferred charges, which are included in construction in progress on the statement of net position, include legal fees, permitting and engineering costs associated with the licensing, development (siting) or expansion of additional landfill phases and certain costs incurred to ready additional landfill phases for use. These costs are deferred as they will be recoverable through future revenue or will benefit future operations. An application for licensure of Phase VI has been submitted to the Rhode Island Department of Environmental Management (“RIDEM”) and was granted during fiscal year 2011. As of June 30, 2014 Phase VI has not been opened to operations (Note 10).

Deferred financing costs were amortized using the straight-line method over the term of the respective bonds during the fiscal year ended June 30, 2013. As of July 1, 2013 the Corporation adopted GASB 65 which states that direct loan origination cost should be recognized as an expense in the period incurred. As the Corporation was carrying direct loan origination cost on the statement of net position and amortizing them in accordance with their prior policy, the Corporation elected to write off all remaining direct loan cost in the current year in the amount of \$98,709. Management believes this write-off is immaterial to the financial statements.

***LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS***

The Corporation provides for future closure and post-closure care costs of the various phases of the landfill as those phases are utilized. As additional phases are licensed and utilized (Note 10), additional closure and post-closure care costs are provided for based upon management’s and outside engineers’ estimates of such costs and the percentage of capacity used to date.

***POLLUTION REMEDIATION OBLIGATIONS***

The Corporation provides for pollution remediation obligations when it becomes obligated for remediation and the costs are estimable. The Corporation undertakes periodic inspections of its properties (Note 5) to determine whether any potential liability relating to environmental matters exists. Pollution remediation obligations are measured based on the expected future cash flows required to remediate the property.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

*NET POSITION*

The Corporation's net position has been segregated into the following three components:

Net investment in capital assets - represents the net book value of all capital assets, including land held for development and deferred charges, less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

Restricted - those assets that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

Unrestricted - a residual category for the balance of net position.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted assets as they are needed.

During fiscal year 2013, the Corporation implemented GASB Statement 63. The financial statements were not affected by this implementation.

**NOTE 2 - DEPOSITS**

The carrying amount of the Corporation's cash deposits, consisting of checking accounts, money market accounts and certificates of deposit totaled \$65,692,605 and \$123,244,497 as of June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, the bank balance for these accounts totaled \$65,753,390 and \$123,590,883, respectively.

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. In accordance with Chapter 35-10.1 of the Rhode Island General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. None of the cash deposits of the Corporation were required to be collateralized as of June 30, 2014 and 2013 pursuant to Chapter 35-10.1 of the Rhode Island General Laws.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 2- DEPOSITS (CONTINUED)**

The Corporation's policy for custodial credit risk is consistent with Chapter 35-10.1 of the Rhode Island General Laws. The Corporation's deposits are held in depository institutions, which maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its deposits. The collateral is kept in the custody of the trust department of the pledging institution. As of June 30, 2014, approximately \$1,932,694 of the Corporation's cash deposits was uninsured and uncollateralized. As of June 30, 2013, approximately \$999,229 of the Corporation's cash deposits was uninsured and uncollateralized.

Investments under a repurchase agreement and in commercial paper totaling \$29,220,341 and \$22,509,848 as of June 30, 2014 and 2013, respectively, are included in cash and cash equivalents in the accompanying statement of net assets. For purposes of disclosure, such amounts are considered investments and are included in the disclosure in Note 3.

A reconciliation of the Corporation's cash deposits as of June 30, 2014 and 2013 are as follows:

|                                      | 2014                 | 2013                  |
|--------------------------------------|----------------------|-----------------------|
| Cash and cash equivalents            | \$ 2,183,760         | \$ 1,218,107          |
| Restricted cash and cash equivalents | 19,199,958           | 38,278,959            |
| Restricted cash held in trust        | <u>44,308,887</u>    | <u>83,747,422</u>     |
| Deposits                             | <u>\$ 65,692,605</u> | <u>\$ 123,244,488</u> |

**NOTE 3 - INVESTMENTS**

The Corporation's general investment policy limits the investment of corporate funds to the following financial instruments: (1) U.S. Treasury notes/bills; (2) U.S. Government-backed obligations; (3) obligations of the State, and agencies or political subdivisions thereof; (4) obligations of any other state, its agencies or political subdivisions thereof, that have been assigned an investment grade rating by at least one nationally recognized rating agency; (5) repurchase agreements backed by collateral consisting of instruments identified in (1) or (2) above; and (6) deposits, to the extent that they are insured in financial institutions which are incorporated in, or chartered by, the State.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 3 – INVESTMENTS (CONTINUED)**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation does not have a policy for custodial credit risk beyond that which is required under Rhode Island General Laws. Rhode Island General Laws permit the Corporation to invest any funds not required for immediate use, at the discretion of the Corporation. The Corporation's investments, excluding amounts invested under the repurchase agreements, were not subject to custodial credit risk as they are held by a trustee in the Corporation's name. The Corporation's investments under the repurchase agreements were exposed to custodial credit risk, as the underlying securities are held by the investment's counterparty, not in the name of the Corporation. The investments under the repurchase agreements were collateralized by U.S. Government securities held by the investment's counterparty, not in the name of the Corporation.

The Corporation's investments as of June 30, 2014 and 2013 consist of the following:

|                            | Fair Value               |                          | Weighted Average<br>Maturity (Years) |        |
|----------------------------|--------------------------|--------------------------|--------------------------------------|--------|
|                            | 2014                     | 2013                     | 2014                                 | 2013   |
| Repurchase Agreement       | \$ 29,220,340            | \$ 20,864,446            | Daily                                | Daily  |
| Commercial Paper           | --                       | 1,645,552                | -                                    | .3 yrs |
| Institutional Fund MM      | 1,206,481                | --                       | Daily                                | -      |
| Short-Term Bond Portfolio  | 19,507,335               | --                       | 1.88 yrs                             | -      |
| U.S. Treasury Bills        | 1,184,846                | --                       | Oct. 2014                            | -      |
| TIPS Portfolio             | 10,499,674               | --                       | 5.29 yrs                             | -      |
| Inter.-Term Bond Portfolio | <u>9,575,437</u>         | <u>--</u>                | 5.51 yrs                             | -      |
| <br>Total Fair Value       | <br><u>\$ 71,194,113</u> | <br><u>\$ 22,509,998</u> |                                      |        |

A reconciliation of the Corporation's investments as of June 30, 2014 and 2013 are as follows:

|   | <u>2014</u>              | <u>2013</u>              |
|---|--------------------------|--------------------------|
| Cash and equivalents                      | \$ 29,220,340            | \$ 22,509,848            |
| Cash and cash equivalents - Held in Trust | 2,391,327                | --                       |
| Investments - Held in Trust               | <u>39,582,446</u>        | <u>--</u>                |
| <br>Investments                           | <br><u>\$ 71,194,113</u> | <br><u>\$ 22,509,848</u> |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 3 – INVESTMENTS (CONTINUED)**

Average ratings of the investments comprising the debt related securities above, as determined by Moody's are as follows, at June 30, 2014:

|                   | Repurchase<br>Agreement | U.S. Treasury<br>Bills | Institutional Fund<br>Money Market | Fixed Income<br>Securities | Total                |
|-------------------|-------------------------|------------------------|------------------------------------|----------------------------|----------------------|
| Treasury / Agency | \$ 29,220,340           | \$ 1,184,772           | \$ 1,206,556                       | \$ 23,877,944              | \$ 55,489,612        |
| Aaa               | --                      | --                     | --                                 | 3,429,498                  | 3,429,498            |
| Aa1               | --                      | --                     | --                                 | 52,338                     | 52,338               |
| Aa2               | --                      | --                     | --                                 | 537,258                    | 537,258              |
| Aa3               | --                      | --                     | --                                 | 248,564                    | 248,564              |
| A1                | --                      | --                     | --                                 | 656,587                    | 656,587              |
| A2                | --                      | --                     | --                                 | 1,007,653                  | 1,007,653            |
| A3                | --                      | --                     | --                                 | 1,177,878                  | 1,177,878            |
| Baa1              | --                      | --                     | --                                 | 2,573,265                  | 2,573,265            |
| Other             | --                      | --                     | --                                 | 6,021,460                  | 6,021,460            |
|                   | <u>\$ 29,220,340</u>    | <u>\$ 1,184,772</u>    | <u>\$ 1,206,556</u>                | <u>\$ 39,582,445</u>       | <u>\$ 71,194,113</u> |

As all investments were deemed to be cash equivalents at June 30, 2013, this rating information is not applicable for the 2013 fiscal year.

***RISKS***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. The Corporation relies on the expertise of the independent trustees to manage the Corporation's interest rate risk. The trustees' policy concerning interest rate risk is based upon the concept that a properly diversified bond portfolio is the key to limiting overall risk exposure, generating a predictable stream of income and preserving capital. The trustees seek to limit interest rate risk in any kind of interest rate environment through managing the portfolio's maturity and duration.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation has no investment policy that would further limit its investment choices beyond those limited by Rhode Island General Laws and the Master Indenture of Trust related to revenue bonds issued by the Corporation. The Corporation is permitted to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Rhode Island or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service, and corporate bonds, notes and/or paper with an investment grade rating A3 or higher.

The Corporation's investments in commercial paper were not rated by Standard & Poor's as of June 30, 2013. The Corporation's investments under the repurchase agreements were unrated as of June 30, 2014, however, collateralized at 102% while in overnight status. FDIC insurance is provided up to \$250,000 per tax ID number.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 3 – INVESTMENTS (CONTINUED)**

***RISKS (CONTINUED)***

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer regardless of its credit history. The Corporation relies on the expertise of the independent trustees to manage the trust funds' concentration of credit risk. The trustees' policy concerning concentration of credit risk recognizes the importance of portfolio diversification.

***RESTRICTED ASSETS HELD IN TRUST***

The Corporation's restricted assets held in trust are held and managed by independent trustees for purposes of funding future landfill closure and post-closure care costs and pollution remediation costs (Note 10).

The Corporation has established an investment policy over these funds whereby the primary objective is the attainment of a high degree of income while considering safety of principal. The Corporation's policy states that safety, liquidity and interest rate risk standards should not be compromised in favor of increased rate of return. All investments held in trust as of June 30, 2013 were entirely held in Federally-insured money market accounts, under the Certificate of Deposit Account Registry Services ("CDARS") program. For purposes of disclosure, such amounts are considered cash deposits and have been included in the disclosure in Note 2. Starting January 2014, the investments in money markets were invested on a monthly basis (1/12) into very conservative bond funds. The transfer to the bond funds are allocated on a 25% TIPS, 25% Intermediate-term investments grade and 50% Short-term investment grade as directed by the board approved investment policy. As of June 30, 2014 \$41,973,773 has been transferred in to bonds funds and \$41,917,559 remains in money market. The money market accounts remain 100% federally insured under ("CDARS"). Investment in bonds are not insured.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 3 – INVESTMENTS (CONTINUED)**

*RESTRICTED ASSETS*

Restricted assets as of June 30, 2014 and 2013, including cash and cash equivalents, are restricted as follows:

|  | <u>2014</u>          | <u>2013</u>          |
|--|----------------------|----------------------|
| Mandated by Bond Indentures:               |                      |                      |
| Rebate Fund                                | \$ --                | \$ 128,202           |
| Project Account - Series 2013              | 19,199,958           | 37,990,148           |
| Cost of Issuance Account - Series 2013     | --                   | 4,299                |
| Mandated by RIDEM for wetlands restoration | <u>--</u>            | <u>156,310</u>       |
|  | <u>\$ 19,199,958</u> | <u>\$ 38,278,959</u> |

The Rebate Fund is to be used for payment to the Internal Revenue Service for potential arbitrage liabilities. The Project Account contains the proceeds of the Corporation's 2013 bond issuance and is used for the payment of eligible project disbursements. The Cost of Issuance Account is used for the disbursement of financing costs relating to the issuance. Amounts mandated by RIDEM are restricted for wetlands restoration.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2014:

|  | Balance              |                      |                       | Balance              |
|--|----------------------|----------------------|-----------------------|----------------------|
|  | June 30, 2013        | Increases            | Decrease              | June 30, 2014        |
| Capital assets being depreciated:            |                      |                      |                       |                      |
| Land, residential buffer                     | \$ 4,210,899         | \$ --                | \$ --                 | \$ 4,210,899         |
| Capital improvements                         | 84,814,917           | --                   | --                    | 84,814,917           |
| Automobiles and trucks                       | 1,793,948            | --                   | (72,829)              | 1,721,119            |
| Buildings and improvements                   | 38,755,925           | 373,208              | --                    | 39,129,133           |
| Computers and equipment                      | 51,673,196           | 1,540,188            | (2,998,254)           | 50,215,130           |
| Other depreciable property                   | <u>5,424,927</u>     | <u>45,880</u>        | <u>--</u>             | <u>5,470,807</u>     |
| Total capital assets being depreciated       | <u>186,673,812</u>   | <u>1,959,276</u>     | <u>(3,071,083)</u>    | <u>185,562,005</u>   |
| Less accumulated depreciation and depletion: |                      |                      |                       |                      |
| Land, residential buffer                     | (4,210,896)          | --                   | --                    | (4,210,896)          |
| Capital improvements                         | (80,994,582)         | (1,413,602)          | --                    | (82,408,184)         |
| Automobiles and trucks                       | (1,722,435)          | (27,390)             | 72,828                | (1,676,997)          |
| Buildings and improvements                   | (32,432,064)         | (2,206,301)          | 411                   | (34,637,954)         |
| Computers and equipment                      | (37,644,647)         | (2,495,025)          | 2,998,254             | (37,141,418)         |
| Other depreciable property                   | <u>(3,856,114)</u>   | <u>(212,890)</u>     | <u>--</u>             | <u>(4,069,004)</u>   |
| Total accumulated depreciation and depletion | <u>(160,860,738)</u> | <u>(6,355,208)</u>   | <u>3,071,493</u>      | <u>(164,144,453)</u> |
| Total capital assets being depreciated, net  | 25,813,074           | (4,395,932)          | 410                   | 21,417,552           |
| Non-depreciable capital assets:              |                      |                      |                       |                      |
| Land held for sale                           | 4,143,599            |                      | (1,390,848)           | 2,752,751            |
| Land used in operations                      | 4,206,511            |                      | --                    | 4,206,511            |
| Land held for development                    | 6,337,967            |                      | --                    | 6,337,967            |
| Construction in progress                     | <u>11,746,875</u>    | <u>21,615,967</u>    | <u>--</u>             | <u>33,362,842</u>    |
| Capital assets, net                          | <u>\$ 52,248,026</u> | <u>\$ 17,220,035</u> | <u>\$ (1,390,438)</u> | <u>\$ 68,077,623</u> |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

The following is a summary of changes in capital assets for the year ended June 30, 2013:

|  | Balance<br>June 30, 2012 | Increases             | Decrease              | Balance<br>June 30, 2013 |
|--|--------------------------|-----------------------|-----------------------|--------------------------|
| Capital assets being depreciated:            |                          |                       |                       |                          |
| Land, residential buffer                     | \$ 4,210,899             | \$ --                 | \$ --                 | \$ 4,210,899             |
| Capital improvements                         | 84,814,917               | --                    | --                    | 84,814,917               |
| Automobiles and trucks                       | 1,818,716                | 3,000                 | (27,768)              | 1,793,948                |
| Buildings and improvements                   | 38,755,925               | --                    | --                    | 38,755,925               |
| Computers and equipment                      | 53,536,440               | 286,711               | (2,149,955)           | 51,673,196               |
| Other depreciable property                   | <u>5,424,927</u>         | <u>--</u>             | <u>--</u>             | <u>5,424,927</u>         |
| Total capital assets being depreciated       | <u>188,561,824</u>       | <u>289,711</u>        | <u>(2,177,723)</u>    | <u>186,673,812</u>       |
| Less accumulated depreciation and depletion: |                          |                       |                       |                          |
| Land, residential buffer                     | (4,210,896)              | --                    | --                    | (4,210,896)              |
| Capital improvements                         | (78,671,735)             | (2,322,847)           | --                    | (80,994,582)             |
| Automobiles and trucks                       | (1,722,899)              | (27,305)              | 27,769                | (1,722,435)              |
| Buildings and improvements                   | (30,319,767)             | (2,112,297)           | --                    | (32,432,064)             |
| Computers and equipment                      | (37,148,644)             | (2,645,951)           | 2,149,948             | (37,644,647)             |
| Other depreciable property                   | <u>(3,634,400)</u>       | <u>(221,714)</u>      | <u>--</u>             | <u>(3,856,114)</u>       |
| Total accumulated depreciation and depletion | <u>(155,708,341)</u>     | <u>(7,330,114)</u>    | <u>2,177,717</u>      | <u>(160,860,738)</u>     |
| Total capital assets being depreciated, net  | 32,853,483               | (7,040,403)           | (6)                   | 25,813,074               |
| Non-depreciable capital assets:              |                          |                       |                       |                          |
| Land held for sale                           | 5,646,000                | --                    | (1,502,401)           | 4,143,599                |
| Land used in operations                      | 4,206,511                | --                    | --                    | 4,206,511                |
| Land held for development                    | 6,337,967                | --                    | --                    | 6,337,967                |
| Construction in progress                     | <u>6,112,824</u>         | <u>5,656,437</u>      | <u>(22,386)</u>       | <u>11,746,875</u>        |
| Capital assets, net                          | <u>\$ 55,156,785</u>     | <u>\$ (1,383,966)</u> | <u>\$ (1,524,793)</u> | <u>\$ 52,248,026</u>     |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 5 - LAND USED IN OPERATIONS AND HELD FOR DEVELOPMENT**

*LAND USED IN OPERATIONS*

Land used for operations consist of all operational lands that are not licensed landfill phases. These lands are located to the West and East of the main landfill site. To the West these lands are largely comprised of forested areas while to the East they are comprised of the land that the Corporation's administrative building, tipping facility, scale houses and materials manufacturing facility currently occupy.

The Corporation is continually evaluating the intended use and corresponding valuation of these lands to ensure proper presentation in these financial statements. Based on its characteristics, land classifications in the financial records and the corresponding valuations may change over time based on changes in the Corporation's operations. As of June 30, 2014 and 2013, the Corporation has determined that the carrying value at which these lands' are held reflect realizable value.

*LAND HELD FOR DEVELOPMENT*

Land held for development consist of parcels of land available for commercial or industrial development situated north of the existing landfill and land located on Shun Pike adjacent to the landfill. The Corporation is not actively marketing nor does it intend to actively market the parcels for sale.

The Corporation is continually evaluating the intended use and corresponding valuation of these lands to ensure proper presentation in these financial statements. Based on its characteristics, land classifications in the financial records and the corresponding valuations may change over time based on changes in the Corporation's operations. As of June 30, 2014 and 2013, the Corporation has determined that the carrying value at which these lands' are held reflect realizable value.

**NOTE 6 – LAND HELD FOR SALE**

During 1998, the Corporation received authorization from the Rhode Island General Assembly to develop certain property it had acquired through eminent domain. Initially, 162 acres of property situated south and east of the landfill were identified as potentially developable into an industrial park. Subsequently, additional developable acreage was reclassified to land held for development and additional parcels were acquired through 2006.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 6 – LAND HELD FOR SALE (CONTINUED)**

In 2006, the Corporation received legislative authority from the Rhode Island General Assembly to proceed with the industrial park development; however, the Town of Johnston (the “Town”) raised certain zoning issues and disputed the Assembly’s authority to pass legislation related to Town zoning. The Corporation and the Town entered into a Consent Order in 2007 whereby the Town agreed to expedite the process of granting and recording industrial park site subdivisions. As part of this Consent Order, the Corporation agreed to pay and has paid \$1,750,000 to the Town. The Consent Order also stipulated that the Corporation grant and/or provide access to the Town a specific 3.5 acre lot from the proposed industrial park for the Town’s use and that this lot be paved at the expense of the Corporation. The Corporation fulfilled its remaining obligation under the Consent Order during the fiscal year ended June 30, 2012.

During the year ended June 30, 2013 the Corporation sold approximately 12.53 acres of vacant real estate located in its industrial park off Shun Pike. The sale of the land resulted in a net loss recorded by the Corporation in the amount of (\$93,400), which has been included in non-operating expenses in the accompanying statements.

During the year ended June 30, 2014 the Corporation sold approximately 14.67 acres of vacant real estate (10.71 of which are available for industrial development) located in its industrial park off Shun Pike. The purchase price for the property was \$1,874,250. Net consideration received amounted to \$1,761,470 after closing cost of \$112,780. The sale of the land resulted in a net gain recorded by the Corporation in the amount of \$316,437, which has been included in non-operating revenue in the accompanying statements.

**NOTE 7 – BONDS PAYABLE**

In January 2002, the Corporation issued Resource Recovery System Revenue Bonds, 2002 Series A, in the aggregate principal amount of \$19,945,000. These bonds bear interest at rates ranging from 3.5% to 5% and mature in varying installments through March 1, 2022. The outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required on bonds over various years beginning in 2018 through 2022 at the principal amount of the bonds. Certain bonds may be redeemed early, at the option of the Corporation, at amounts ranging from 97% to 100% of the principal balance.

Outstanding indebtedness is collateralized by all net revenues of the Corporation, certain restricted funds created pursuant to the bonds' issuance, and any revenues and property specifically conveyed, pledged, assigned or transferred by the Corporation as additional security for the bonds. In addition, outstanding indebtedness is insured under a financial guaranty insurance policy.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 7 – BONDS PAYABLE (CONTINUED)**

In May 2013, the Corporation redeemed the outstanding balance of its 2002 Series A revenue bonds. The outstanding principal balance at time of redemption was \$11,185,000 with an unamortized bond discount totaling \$180,226 which was fully expensed. Unamortized bond financing costs of \$143,962 relating to the 2002 issuance were also expensed in fiscal year 2013 and was classified as a non-operating interest expense. Additionally, in conjunction with the redemption the Corporation terminated a debt service reserve forward delivery agreement which provided a guaranteed rate of 5% per year on the balance of the debt service fund. The agreement also stipulated that if the bonds were redeemed prior to maturity a termination amount would be paid, which would be calculated in large part using the prevailing interest rates at redemption. The Corporation received \$390,000 as the termination payment under the agreement and was required to pay \$220,086 as an arbitrage rebate to the Internal Revenue Service. The termination settlement and arbitrage rebate are both reflected as non-operating transactions in the financial statements.

In May 2013, the Corporation issued Resource Recovery System Revenue Bonds, Leachate Pretreatment Facility Project, Series 2013, in the aggregate principal amount of \$40,000,000. These bonds bear an interest rate of 2.78% with a maturity date of May 31, 2023; annual principal and interest installments are required in accordance with the schedule provided below. The Series 2013 may be prepaid, as a whole or in part, at any time at the option of the Corporation at a prepayment price equal to the principal amount, plus accrued interest plus a yield maintenance fee. The yield maintenance fee is calculated as the difference between the rate on United States Treasury securities with a maturity date of May 31, 2023 and the “cost of funds” component of the interest rate on the Series 2013 bonds.

Outstanding indebtedness is collateralized by all net revenues of the Corporation, certain restricted funds created pursuant to the bonds' issuance, and any revenues and property specifically conveyed, pledged, assigned or transferred by the Corporation as additional security for the bonds.

The Bond Indenture contains certain restrictive covenants.

Bonds payable as of June 30, 2014 and 2013 are summarized as follows:

|   | 2014          | 2013          |
|---|---------------|---------------|
| Resource Recovery System Revenue Bonds, Series 2013 | \$ 36,482,813 | \$ 40,000,000 |
| Less: current portion                               | (3,619,143)   | (3,517,187)   |
|   | \$ 32,863,670 | \$ 36,482,813 |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 7 – BONDS PAYABLE (CONTINUED)**

Aggregate scheduled principal and interest payments due on the bonds through maturity are as follows:

| Year Ending June 30, | Principal            | Interest            | Total                |
|----------------------|----------------------|---------------------|----------------------|
| 2015                 | \$ 3,619,143         | \$ 976,709          | \$ 4,595,852         |
| 2016                 | 3,720,809            | 875,044             | 4,595,853            |
| 2017                 | 3,825,332            | 770,523             | 4,595,855            |
| 2018                 | 3,932,789            | 663,064             | 4,595,853            |
| 2019                 | 4,043,265            | 552,590             | 4,595,855            |
| 2020                 | 4,156,846            | 439,008             | 4,595,854            |
| 2021                 | 4,273,616            | 322,237             | 4,595,853            |
| 2022                 | 4,393,667            | 202,187             | 4,595,854            |
| 2023                 | <u>4,517,346</u>     | <u>78,507</u>       | <u>4,595,853</u>     |
|                      | <u>\$ 36,482,813</u> | <u>\$ 4,879,869</u> | <u>\$ 41,362,682</u> |

Changes in bonds payable for the years ended June 30, 2014 and 2013 are as follows:

Resource Recovery System Revenue Bonds, 2002 Series A Corporation

|                     | Balance<br>June 30,<br>2012 | Additions    | Reductions            | Balance<br>June 30,<br>2013 | Amounts<br>Due Within<br>One Year |
|---------------------|-----------------------------|--------------|-----------------------|-----------------------------|-----------------------------------|
| Bonds payable       | \$ 12,160,000               | \$ --        | \$(12,160,000)        | \$ --                       | \$ --                             |
| Less bond discount  | <u>(197,555)</u>            | <u>--</u>    | <u>197,555</u>        | <u>--</u>                   | <u>--</u>                         |
| Total bonds payable | <u>\$ 11,962,445</u>        | <u>\$ --</u> | <u>\$(11,962,445)</u> | <u>\$ --</u>                | <u>\$ --</u>                      |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 7 – BONDS PAYABLE (CONTINUED)**

Resource Recovery System Revenue Bonds, Series 2013

|               | Balance<br>June 30,<br>2012 | Additions            | Reductions          | Balance<br>June 30,<br>2013 | Amounts<br>Due Within<br>One Year |
|---------------|-----------------------------|----------------------|---------------------|-----------------------------|-----------------------------------|
| Bonds payable | <u>\$ --</u>                | <u>\$ 40,000,000</u> | <u>\$ --</u>        | <u>\$ 40,000,000</u>        | <u>\$ 3,517,187</u>               |
|               | Balance<br>June 30,<br>2013 | Additions            | Reductions          | Balance<br>June 30,<br>2014 | Amounts<br>Due Within<br>One Year |
| Bonds payable | <u>\$ 40,000,000</u>        | <u>\$ --</u>         | <u>\$ 3,517,187</u> | <u>\$ 36,482,813</u>        | <u>\$ 3,619,143</u>               |

**NOTE 8 – HOST COMMUNITY AGREEMENT**

In accordance with State law, the Corporation is required to make payments to the Town of Johnston, Rhode Island (the “Town”), the community where its landfill is sited (the “host community”).

On April 2, 1996, the Corporation's Board ratified a comprehensive agreement with the host community which supersedes substantially all prior agreements between them and provides for the unimpeded continuation of the Corporation's operations in the Town. The comprehensive agreement, which remains in effect as long as the landfill is owned and operated, provided for the immediate payment of \$3,150,000 to the host community in full settlement of all outstanding amounts. The comprehensive agreement also provides for annual payments to the host community in the base amount of \$1,500,000 plus 3.5% of the Corporation's annual gross revenue, as defined in the comprehensive agreement, commencing April 1, 1996. The base amount is subject to a 10% escalator every five years beginning April 1, 2001. The comprehensive agreement also calls for the waiver of substantially all tipping fees and municipal solid waste disposal fees from the host community for the agreement's term. Tipping fees waived for the years ended June 30, 2014 and 2013 totaled approximately \$635,800 and \$723,000, respectively. Amounts paid under the agreement for the years ended June 30, 2014 and 2013 were approximately \$3,494,000 and \$3,300,000, respectively, of which approximately \$814,000 and \$873,000 remained unpaid and is included in accounts payable and accrued expenses as of June 30, 2014 and 2013, respectively. Additionally, beginning in fiscal year 2006, the Corporation was required to collect and remit to the Town a \$3 per vehicle surcharge, as approved by Rhode Island General Assembly, for all non-municipal landfill customers. Surcharge amounts collected and remitted to the Town totaled approximately \$317,000 and \$295,000 for the years ended June 30, 2014 and 2013, respectively.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 9 – SITE LEASE AND LANDFILL GAS DELIVERY AND RELATED AGREEMENTS**

On May 1, 1987, the Corporation entered into a 30-year lease agreement with a lessee for royalty payments to the Corporation based on sales of methane gas recovered by the lessee from the Corporation's landfill site. In general, royalty payments to the Corporation were 15% of net revenues, as defined, for the first 15 years of operation and vary from 15% to 18% thereafter depending on production.

On August 1, 2003, the Corporation entered into a revised methane gas royalty agreement whereby the Corporation agreed to subcontract the management and operation of its gas collection system. The Corporation agreed to pay the operator a \$100,000 per year management fee and provide funding for all costs in excess of revenues, if any, incurred by the operator. In exchange, the Corporation receives 15% of net revenues from the sale of landfill gases, as defined by the revised agreement, and 15 cents per million BTU, escalated annually, for each kilowatt per hour generated. Included in other operating revenues are royalties of approximately \$-0- and \$590,000 for the years ended June 30, 2014 and 2013, respectively. In addition, the Corporation entered into an Attribute Agreement with the operator whereby the Corporation receives 15% of the sale of environmental attributes, such as renewable energy credits. The revised methane gas royalty agreement expires when the operation of the gas collection facility to generate power is no longer economically feasible to continue.

On November 17, 2008, the Corporation entered into an amended and restated site lease and landfill gas delivery agreement. Effectively, the site lease and the amended gas services agreement supersede the terms and rights of the prior agreements described above. However, the amended site lease agreement stipulates that payments to the Corporation will continue to be made in accordance with the terms of the 1987 and 2003 agreements, thus remaining unchanged until the point in time when the lessee acquires the Corporation's gas collection system and assumes full responsibility for all costs to operate and maintain the system. At such time, the methodology for calculating royalty payments will change, resulting in a significant reduction in royalty revenues. Monthly royalty payments to the Corporation will be calculated as a) the number of hours in a month, multiplied by b) 12 megawatts per hour, multiplied by c) net revenues for the month, divided by d) the total number of megawatt-hours of electricity produced. The monthly royalty payment due to the Corporation is reduced on a decreasing percentage basis each year from 100% in years 1 through 5 to 0.0% in year 10 and thereafter and is further offset by a monthly credit to the operator on a dollar for dollar basis up to a maximum of \$416,667 a month.

In conjunction with the amended and restated site lease and landfill gas delivery and agreement, the Corporation and the lessee also entered into a purchase and sale agreement for the Corporation's gas collection system. The sales agreement stipulated that the lessee could purchase the Corporation's rights, title and interest in the gas collection system for the price of \$1.00. The sale was consummated in fiscal year 2011 and ownership of the Corporation's gas collection system was transferred to the lessee/owner.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 9 – SITE LEASE AND LANDFILL GAS DELIVERY AND RELATED AGREEMENTS  
(CONTINUED)**

The loss on the sale of the gas collection system will be offset by future decreases in the Corporation's operating costs in addition to a reduction in the Corporation's liability for landfill closure and post-closure care, which currently includes a liability for costs of operating and maintaining the gas collection system during the closure and post-closure periods for each phase of the landfill. During the year the owner of the gas collection system completed the construction of a landfill gas to energy facility. On the first date on which the plant makes commercial deliveries of electric power the responsibility for all costs to operate and maintain the gas collection system, including replacement items for the gas system, expansion of or capital improvements to the gas system transfers to the owner. The Corporation estimates this date to be March 1, 2013, and accordingly has only recorded expenditures relating to the gas collection system through this date. These agreements remain in full force and effect so long as the owner or any affiliate is capable of generating electric energy from the landfill gas on an economic basis. Accordingly and as more fully disclosed in Note 10, the Corporation adjusted its estimated landfill closure and post-closure liability at June 30, 2012 and subsequent periods to reflect the transfer of responsibilities for these costs.

**NOTE 10 – COMMITMENTS**

**A. *CONTRACT FOR SEWER AND WATER FACILITIES***

On September 27, 1988, the Corporation entered into an agreement with the City of Cranston, Rhode Island (the "City"), whereby the City agreed to furnish sewer and water services to the Corporation's facilities in Johnston, Rhode Island. In August 1998, the Corporation and the City entered into a revised agreement.

Under the terms of the revised agreement, the Corporation was required to pay an initial impact fee and was required to pay sewer assessments, sewer surcharges and industrial pretreatment fees incurred at the same rates paid by comparable industrial sewer users located in the City of Cranston, Rhode Island (the "City"). The Corporation does not owe any impact fees for water supply capacity and will not owe any impact fees for utilization of 400,000 gallons per day (average daily flow "ADF") of sewer capacity to be reserved by the City (at a maximum rate not to exceed 600 gallons per minute) in its sewage treatment facilities and its sewage collection and pumping station facilities. However, the Corporation agreed to pay the cost of any applicable impact fees, which might be incurred as a result of the Corporation's need to transmit in excess of 400,000 gallons per day ADF of sewer capacity, or if the Corporation has a need to exceed the maximum rate of discharge beyond 600 gallons per minute, or any increase in biological or chemical loading above stated pretreatment standards.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 10 – COMMITMENTS (CONTINUED)**

***B. LICENSED LANDFILL AREA***

The current licensed landfill consists of areas known as Phases I, II, III, IV, V and VI. The capacity of Phase I was reached in May 1993. The capacities of Phases II and III were reached in December 2002. The capacity of Phase IV was reached during fiscal year 2012. Phase VI although licensed has not been opened to receive waste as of June 30, 2014.

A final construction certification report for Phase V Area IA was approved by the Rhode Island Department of Environmental Management (“RIDEM”) on September 24, 2004, which allowed the Corporation to commence disposal activities in that area. Subsequently, approvals of construction certifications for Phase V Area IB, IC and ID have been received. The capacity of Phase V is expected to be reached during fiscal year 2017. Based on estimates by the Corporation’s engineers, approximately 80.35% of the capacity for Phase V has been used as of June 30, 2014.

***C. LANDFILL CLOSURE AND POST-CLOSURE***

The EPA established closure and post-closure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. The landfill operated by the Corporation has been segregated into six distinct phases. Phases I, II and III were closed by the Corporation in prior years. While Phase IV reached capacity during fiscal year 2012, with final capping completed during fiscal year 2014. In 2005, the Corporation began landfilling in Phase V, as of June 30, 2014 the Corporation has not begun landfilling in Phase VI.

A liability for closure and post-closure care as of June 30, 2014 and 2013 of \$61,115,203 and \$53,190,729, respectively, has been recorded in the accompanying statements of net assets, as summarized by Phases below.

|                   | 2014          | 2013          |
|-------------------|---------------|---------------|
| Phase I           | \$ 9,552,725  | \$ 8,357,552  |
| Phases II and III | 5,599,995     | 4,095,437     |
| Phase IV          | 9,767,277     | 9,874,448     |
| Phase V           | 36,195,206    | 30,863,292    |
|                   | \$ 61,115,203 | \$ 53,190,729 |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 10 – COMMITMENTS (CONTINUED)**

**C. LANDFILL CLOSURE AND POST-CLOSURE (CONTINUED)**

As of June 30, 2013, the remaining total estimated current cost to be recognized in the future as landfill closure and post-closure care expense, the estimated percent of landfill capacity used and the estimated remaining years for accepting waste remaining is as follows:

|         | Estimated remaining costs<br>to be recognized | Estimated<br>capacity used | Estimated remaining<br>years for accepting waste |
|---------|---|----------------------------|--|
| Phase V | \$ 8,852,230                                  | 80.35%                     | 2.2 years  |

As of June 30, 2014 the Corporation revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$10,556,887 increase of the corresponding liability from \$70,379,581 at June 30, 2013 to \$80,936,468 at June 30, 2014 and was primarily attributable to improved leachate flow data and revised capping costs based on pricing from a recently executed contract.

As more fully described in Note 9, *Site lease and landfill gas delivery and related agreements*, the Corporation entered into a series of agreements in November 2008 granting a third party certain rights in order to construct, develop and operate a landfill gas-fired electric generation facility at the central landfill. Construction of the new gas to energy facility began in November 2010 and was completed during fiscal year 2013. Once the facility became operational the responsibility for all costs to operate and maintain the gas collection system, including replacement items, expansion of or capital improvements to the gas system transfers to the third party owner. Costs for operation and maintenance of the gas collection system remain the responsibility of the third party owner until it is incapable of generating electric energy from the landfill gas on an economic basis. The Corporation utilized gas flow projections generated by an outside engineering firm to estimate the approximate number of years the new facility could continue to generate electricity on an economic basis. This projection is reviewed on an annual basis and updated based upon new information.

Amounts provided for closure and post-closure care are based on current costs. These costs may be adjusted each year due to changes in the closure and post-closure care plan, inflation or deflation, technology, or applicable laws or regulations. It is at least reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Included in restricted assets held in trust in the accompanying statements of net assets as of June 30, 2014 and 2013 is \$41,525,803 and \$41,454,829, respectively, placed in trust to meet the financial requirements of closure and post-closure care related to Phases II, III, IV and V. The Corporation plans to make additional trust fund contributions each year to enable it to satisfy these future costs.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 10 – COMMITMENTS (CONTINUED)**

***D. POLLUTION REMEDIATION OBLIGATIONS***

Amounts provided for pollution remediation obligations are based on current costs. These costs may be adjusted each year due to changes in the remediation plan, inflation or deflation, technology, or applicable laws or regulations. It is at least reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Changes in the pollution remediation obligations for the years ended June 30, 2014 and 2013 are as follows:

| Balance<br>June 30, 2013 | Additions    | Reductions   | Balance<br>June 30, 2014 | Current<br>Portion |
|--------------------------|--------------|--------------|--------------------------|--------------------|
| \$ 16,904,094            | \$ 2,917,171 | \$ --        | \$ 19,821,265            | \$ 1,485,622       |
| Balance<br>June 30, 2012 | Additions    | Reductions   | Balance<br>June 30, 2013 | Current<br>Portion |
| \$ 25,501,843            | \$ --        | \$ 8,597,749 | \$ 16,904,094            | \$ 986,985         |

In prior years, the EPA issued administrative orders requiring the Corporation to conduct environmental studies of the Central Landfill and undertake various plans of action. Additionally, in 1986, the Central Landfill was named to the EPA's Superfund National Priorities List.

During 1996, the Corporation entered into a Consent Decree with the EPA concerning remedial actions taken by the Corporation for groundwater contamination. The Consent Decree, which was approved by the U.S. District Court on October 2, 1996, required the establishment of a trust fund in the amount of \$27,000,000 for remedial purposes. The balance of the trust fund totaled \$42,365,530 and \$42,292,593 as of June 30, 2014 and 2013, respectively.

In 2004, the Corporation began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. The Corporation has recorded a liability for future remediation costs of approximately \$19,821,265 and \$16,904,094 as of June 30, 2014 and 2013, respectively.

Other pollution remediation obligations:

The Corporation is the owner of several properties adjacent to its landfill operations classified as land held for development. The Corporation is obligated to remediate one of these parcels. The Corporation has recorded a liability for future remediation costs of approximately \$262,510 and \$284,779 as of June 30, 2014 and 2013, respectively, which is included in pollution and remediation obligations on the statement of net assets.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 10 – COMMITMENTS (CONTINUED)**

*E. ENVIRONMENTAL CONCERNS*

In August 1996, the Corporation entered into a Consent Agreement (the “Agreement”) with RIDEM concerning action to be taken by the Corporation regarding the restoration of certain wetlands. Projects included the relocation of Cedar Swamp Brook, creation of a three acre wetland, and the implementation of a soil and erosion plan. The Agreement also called for the establishment of an escrow account for wetlands replacement. Annual deposits of \$100,000 were made by the Corporation during fiscal years 1997 through 2002, as required by RIDEM. During 2004, RIDEM released from the escrow approximately \$543,000 to the Corporation. As of June 30, 2013 the escrow account totaled approximately \$156,000. During fiscal year 2014, RIDEM approved the work completed by the Corporation and the final amount of \$156,000 was released.

The Corporation submitted a comprehensive plan to RIDEM, which was approved by RIDEM in April 1998. The Corporation had until 2001 to complete the restoration. Phase I of the Cedar Swamp Brook relocation was substantially completed by November 1998. The wetlands restoration work was completed in the spring of 1999 and was approved by RIDEM during fiscal year 2014.

*F. GAS SYSTEM COMMITMENTS*

In August 2010, the Corporation entered into an agreement for the construction and operation of a sulfur treatment system for the purpose of reducing the levels of sulfur in the gas collection system. Once the sulfur treatment system is placed in operation, the Corporation is committed to reimburse the operator for 50% of the operator’s direct, unallocated costs not to exceed \$300,000 in any one calendar year (the year over year increase shall be the lesser of the actual cost increase for said calendar year or the prior year's actual costs increased by the annual CPI adjustment factor). In addition, the Corporation will share in the cost of major maintenance or future capital expenditures relating to the system.

The agreement further committed the Corporation to provide funding not to exceed \$4,500,000 for the construction of and upgrades to the existing gas collection system. The Corporation has commenced funding this obligation and has made payments in the amount of \$4,469,479 as of fiscal years ended June 30, 2014 and 2013. Of this amount, \$75,965 has been reflected as an advance for both June 30, 2014 and 2013, which represents the excess of payments made by the Corporation over costs incurred through June 30, 2014.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 11 - SETTLEMENTS**

In December 2005, a complaint was filed on behalf of multiple plaintiffs alleging the Corporation and other defendants through their actions caused hardships to the plaintiffs through exposure to alleged toxic substances. During fiscal year 2013, the Corporation executed settlement agreements with multiple plaintiffs under that lawsuit. In exchange for dismissing all claims for these plaintiffs the Corporation paid these plaintiffs a total of \$235,000 during the year. In addition, in September 2013 the Corporation settled with the primary and last remaining plaintiffs, paying an additional \$500,000 to terminate the litigation.

In December 2011, the Town of Johnston initiated a civil action against the Corporation and the third-party owner/operator of the gas collection system for odor conditions existing at the Central Landfill. In April 2013, the Town and Corporation entered into a settlement agreement and release whereby the Town agreed to voluntarily dismiss the Corporation from the lawsuit in exchange for the Corporation agreeing to execute an amendment to the Host Community Agreement between the parties. The amendment requires the Corporation to 1) make a one-time lump sum payment of \$1,500,000 to the Town which was paid December 2013 and 2) make annual payments of \$107,143 to the Town for the next fourteen years. Accordingly, the Corporation has accrued an obligation of \$2,853,594 as of June 30, 2013 and recorded the corresponding non-operating loss for the settlement. The portion of the obligation for the future annual payments was discounted at a rate of 1.4%. The balance outstanding at June 30, 2014 is \$1,500,000, and is included in note payable on the statement of net position.

During July 2010, the Corporation initiated a civil action against a former professional services firm. In October 2013, the Corporation entered into a settlement in which defendant agreed to pay as sum of \$1,200,000 for release and voluntary dismissal of the lawsuit. The Corporation has reflected this settlement as non-operating revenues, net of legal costs incurred of approximately \$370,000 in fiscal year 2014.

**NOTE 12 – CONTINGENCIES, RISKS AND UNCERTAINTIES**

The Corporation is involved in various routine litigation and is subject to claims incident to its business. While the ultimate outcome of these legal proceedings cannot be predicted with certainty, management believes that their resolution will not have a material adverse effect on the Corporation's financial statements.

Various aspects of the contractual amounts due to and from the third party operator/owner of the gas collection system are being contested and litigated. Management has made the appropriate estimates wherever possible and has recorded these in the financial statements.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 12 – CONTINGENCIES, RISKS AND UNCERTAINTIES (CONTINUED)**

*CONCENTRATIONS*

Approximately 14.5% and 15% of the Corporation's fiscal year 2014 and 2013, respectively, revenues were provided by a single customer. The Corporation has executed a contract with this customer guaranteeing 60,000 tons of solid waste for fiscal year 2015 and 2014.

**NOTE 13 – RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts, errors and omissions, workers' compensation and environmental pollution claims for which the Corporation carries commercial insurance.

**NOTE 14 – DEFINED CONTRIBUTION PLAN**

The Corporation sponsors a single-employer defined contribution money purchase pension plan covering all employees of the Corporation. Employees are eligible to participate on the date of their employment. Participants are automatically enrolled in the plan with a 5% salary deferral. Participants may opt out of the plan and can also change their deferral amount. Participants may elect to contribute a percentage of their annual compensation on a pre-tax and on a post-tax basis, in an amount not to exceed the dollar limits set by provisions of the Internal Revenue Code (IRC). Participants are immediately 100% vested in their contributions to the plan and earnings thereon. The plan provides that the Corporation contribute the sum of (1) 8.56% of the participant's total annual compensation, plus (2) the FICA tax rate percentage (7.65%) up to the Social Security Taxable Wage Base of \$113,700 and \$110,100 for the plan years 2013 and 2012. The employer FICA portion of contributions is made in lieu of participant social security administration withholdings.

Effective April 1, 2009, the Plan was amended and restated with the adoption of a prototype plan document, and the name was changed to the Rhode Island Resource Recovery Corporation 401(K) Profit Sharing Plan. The amended and restated Plan is a single-employer defined contribution plan covering all employees of the Corporation, and does not require mandatory participant contributions.

The Corporation contributed approximately \$1,214,000 and \$1,160,000 to the Plan during the years ended June 30, 2014 and 2013, respectively.

As of June 30, 2014 and 2013, there were no securities of the Corporation or loans to the Corporation included in the Plan's assets.

As of June 30, 2014 and 2013, there were no securities of the Corporation or loans to the Corporation included in the Plan's assets.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS**

*PLAN DESCRIPTION*

The Corporation administers an employee Retiree Healthcare Plan (the “Plan”), which is a single-employer defined benefit healthcare plan. The Plan provides healthcare insurance benefits for eligible retirees through the Corporation’s group health insurance plan, which covers both active and retired members. Under the terms of the Plan, the Corporation provides up to a maximum of two years health insurance coverage upon retirement from employment. Benefit provisions are established by the governing body of the Corporation and may be amended at any time. Effective December 31, 2008, the Corporation amended the Plan to exclude all future employees hired by the Corporation. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

*FUNDING POLICY*

The Corporation funds the Plan on a pay-as-you-go basis.

*ANNUAL OPEB COST AND NET OPEB OBLIGATION*

The Corporation’s annual OPEB cost (expense) is calculated based on the annual required contribution (“ARC”), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Corporation’s annual OPEB cost, the amount actually contributed to the Plan, and changes in the Corporation’s net OPEB obligation for the years ended June 30, 2014 and 2013.

|  | 2014       | 2013       |
|--|------------|------------|
| Annual required contribution               | \$ 101,639 | \$ 101,639 |
| Interest on net OPEB obligation            | 10,354     | 8,424      |
| Adjustment to annual required contribution | --         | --         |
| Annual OPEB cost                           | 111,993    | 110,063    |
| Contributions made                         | 1,104      | 13,531     |
| Increases in net OPEB obligation           | 110,889    | 96,532     |
| Net OPEB obligation, beginning of year     | 517,720    | 421,188    |
| Net OPEB obligation, end of year           | \$ 628,609 | \$ 517,720 |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

*ANNUAL OPEB COST AND NET OPEB OBLIGATION (CONTINUED)*

The Corporation's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014 and 2013 is as follows:

| June 30, | Annual OPEB<br>Cost | % of Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|----------|---------------------|--------------------------------------|------------------------|
| 2014     | \$ 111,993          | 1.0%                                 | \$ 628,609             |
| 2013     | \$ 110,063          | 12.3%                                | \$ 517,720             |

*FUNDED STATUS AND FUNDING PROGRESS*

The funded status of the Plan as of July 1, 2011 (the date of the most recent actuarial valuation) was as follows:

| Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued Liability<br>(AAL) - Projected<br>Unit Cost Method<br>(B) | (Overfunded)<br>Unfunded<br>AAL (UAAL)<br>(B-A) | Fund Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((B-A)/C) |
|--|--|---|---------------------|---------------------------|--|
| \$ --                                  | \$ 740,069   | \$ 740,069                                      | 0.00%               | \$ 6,758,993              | 10.90%   |

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the Corporation are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

*ACTUARIAL METHODS AND ASSUMPTIONS*

Projections of benefits are based on the substantive plan and includes the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Corporation and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

|                                |                               |
|--------------------------------|-------------------------------|
| Valuation date:                | July 1, 2011                  |
| Actuarial cost method:         | Projected Unit Cost Method    |
| Amortization method:           | Level Dollar Amount           |
| Remaining amortization period: | 30 years, open                |
| Asset valuation period:        | Market value                  |
| Actuarial assumptions:         |                               |
| Discount rate                  | 2.00%                         |
| Healthcare cost trend rate     | 11.00% initial<br>5.00% final |

**NOTE 16 – RECLASSIFICATIONS**

Certain reclassifications have been made to the Corporation's 2013 financial statements to conform to the 2014 presentation. Such reclassifications have had no effect on prior year reported net assets or operating results.

**NOTE 17 – SUBSEQUENT EVENTS**

*POLLUTION SETTLEMENT*

On August 13, 2014, a settlement was executed with the Corporation's former pollution and remediation insurer for reimbursement of remediation expenses arising from a pollution condition. The settlement also reimbursed for defense and settlement costs of a Civil action alleged bodily injury and property damage. The settlements total \$2,250,000 and \$200,000 as of June 30, 2014 and 2013, respectively.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

**NOTE 17 – SUBSEQUENT EVENTS (CONTINUED)**

*GAS SYSTEM SETTLEMENT*

On September 25, 2014, a Non-Binding Memorandum of Understanding was reached in which RIRRC would pay Broadrock \$1,250,000 as a partial settlement with a remainder of \$1,250,000 to be paid upon execution of a definitive agreement.”

The Corporation has evaluated all subsequent events through September 26, 2014, the date the financial statements were available to be issued. Except as noted above, no events requiring recognition or disclosure in the financial statements were identified.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS – RETIREE HEALTHCARE PLAN**

**JUNE 30, 2014 AND 2013**

| Date of Actuarial<br>Valuation * | Actuarial Value of<br>Assets (A) | Actuarial Accrued<br>Liability (AAL) -<br>Projected Unit<br>Cost Method (B) | (Overfunded)<br>Unfunded AAL<br>(UAAL) (B-A) | Funded Ratio<br>(A/B) | Covered<br>Payroll (C) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((B-A)/C) |
|----------------------------------|----------------------------------|---|--|-----------------------|------------------------|--|
| July 1, 2008                     | \$ --                            | \$ 765,751  | \$ 765,751                                   | 0.0%                  | \$ 6,187,159           | 12.4%  |
| July 1, 2011                     | \$ --                            | \$ 740,069  | \$ 740,069                                   | 0.0%                  | \$ 6,758,993           | 10.9%  |

\* The Corporation is required to obtain an actuarial valuation at least triennially.

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**SCHEDULE OF INVESTMENTS AND DEPOSITS**

**JUNE 30, 2014**

**SCHEDULE A**

|                  | Carrying<br>Value | Demand Deposits | Other          |
|------------------|-------------------|-----------------|----------------|
| Cash accounts    | \$ 2,183,760      | \$ 2,183,760    | \$ --          |
| Cash equivalents | 92,729,186        | 19,199,958      | 73,529,228     |
| Investments      | 39,582,446        | --              | 39,582,446     |
|                  | \$ 134,495,392    | \$ 21,383,718   | \$ 113,111,674 |

Investments and deposits as  
presented on the Statement of Net  
Assets at June 30, 2014:

|  |                |
|--|----------------|
| Cash and cash equivalents                                    | \$ 31,404,227  |
| Cash and cash equivalents -<br>restricted, noncurrent assets | 19,199,958     |
| Held in trust - restricted,<br>noncurrent assets             | 83,891,207     |
|  | \$ 134,495,392 |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**SCHEDULE OF INVESTMENTS AND DEPOSITS (CONTINUED)**

**JUNE 30, 2013**

**SCHEDULE A**

|   | Carrying<br>Value     | Demand<br>Deposits   | Other                 |
|---|-----------------------|----------------------|-----------------------|
| Cash accounts   | \$ 1,218,107          | \$ 1,218,107         | \$ --                 |
| Cash equivalents  | <u>144,536,229</u>    | <u>38,278,959</u>    | <u>106,257,270</u>    |
|   | <u>\$ 145,754,336</u> | <u>\$ 39,497,066</u> | <u>\$ 106,257,270</u> |
| Investments and deposits as presented on the<br>Statement of Net Assets at June 30, 2013: |                       |                      |                       |
| Cash and cash equivalents   | \$ 23,727,955         |                      |                       |
| Cash and cash equivalents - restricted,<br>noncurrent assets                              | 38,278,959            |                      |                       |
| Held in trust - restricted, noncurrent assets   | <u>83,747,422</u>     |                      |                       |
|   | <u>\$ 145,754,336</u> |                      |                       |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF NET POSITION**

**JUNE 30, 2014**

**SCHEDULE B**

|                                     | <b>RIRRC</b>          |
|-------------------------------------|-----------------------|
| <b>Assets</b>                       |                       |
| <b>Current Assets</b>               |                       |
| Cash and cash equivalents           | \$ 31,404,227         |
| Receivables (net)                   | 7,340,679             |
| Inventories                         | 3,839,753             |
| Other assets                        | 474,587               |
| <b>Total Current Assets</b>         | <b>43,059,246</b>     |
| <b>Noncurrent Assets</b>            |                       |
| Restricted assets:                  |                       |
| Cash and cash equivalents           | 19,199,958            |
| Investments                         | 83,891,207            |
| Capital assets - nondepreciable     | 46,660,071            |
| Capital assets - depreciable (net)  | 21,417,552            |
| Other assets, net of amortization   | 609,400               |
| <b>Total Noncurrent Assets</b>      | <b>171,778,188</b>    |
| <b>Total Assets</b>                 | <b>\$ 214,837,434</b> |
| <b>Liabilities</b>                  |                       |
| <b>Current Liabilities</b>          |                       |
| Accounts payable                    | \$ 19,540,421         |
| Other liabilities                   | 7,280,092             |
| Current portion of long-term debt   | 3,619,143             |
| <b>Total Current Liabilities</b>    | <b>30,439,656</b>     |
| Net OPEB obligation                 | 628,609               |
| Other liabilities                   | 73,918,885            |
| Bonds payable                       | 34,256,547            |
| <b>Total Noncurrent Liabilities</b> | <b>108,804,041</b>    |
| <b>Total Liabilities</b>            | <b>\$ 139,243,697</b> |
| <b>Net Position</b>                 |                       |
| Net invested in capital assets      | \$ 65,324,874         |
| Restricted                          | 2,670,086             |
| Unrestricted                        | 7,598,777             |
| <b>Total Net Position</b>           | <b>\$ 75,593,737</b>  |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF CHANGES IN NET POSITION**

**YEAR ENDED JUNE 30, 2014**

---

**SCHEDULE C**

|                                       |                             |
|---------------------------------------|-----------------------------|
| <b>Expenses</b>                       | \$ 58,537,708               |
| <b>Program Revenues</b>               |                             |
| Charges for services                  | <u>50,779,460</u>           |
| <b>Total Program Revenues</b>         | <u>50,779,460</u>           |
| <b>Net (Expenses) Revenues</b>        | <u>(7,758,248)</u>          |
| <b>General Revenues</b>               |                             |
| Interest and investment earnings      | 465,701                     |
| Miscellaneous revenue                 | <u>445,010</u>              |
| <b>Total General Revenue</b>          | <u>910,711</u>              |
| <b>Change in Net Postion</b>          | <u>(6,847,537)</u>          |
| <b>Total Net Position - Beginning</b> | <u>82,441,274</u>           |
| <b>Total Net Postion - Ending</b>     | <u><u>\$ 75,593,737</u></u> |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**SCHEDULE OF DEBT SERVICE TO MATURITY, LONG-TERM DEBT –  
BONDS ONLY  
JUNE 30, 2014**

---

**SCHEDULE D**

| Fiscal<br>Year<br>Ending<br>June 30 | Principal            | Interest            |
|-------------------------------------|----------------------|---------------------|
| 2015                                | \$ 3,619,143         | \$ 976,709          |
| 2016                                | 3,720,809            | 875,044             |
| 2017                                | 3,825,332            | 770,523             |
| 2018                                | 3,932,789            | 663,064             |
| 2019                                | 4,043,265            | 552,590             |
| 2020-2023                           | <u>17,341,475</u>    | <u>1,041,939</u>    |
|                                     | <u>\$ 36,482,813</u> | <u>\$ 4,879,869</u> |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT  
YEAR ENDED JUNE 30, 2014**

**SCHEDULE E**

|  | Beginning<br>Balance  | Additions            | Reductions          | Ending<br>Balance     | Amounts<br>Due Within<br>One Year | Amounts<br>Due<br>Thereafter |
|--|-----------------------|----------------------|---------------------|-----------------------|-----------------------------------|------------------------------|
| Bonds payable                          | \$ 40,000,000         | \$ --                | \$ 3,517,187        | \$ 36,482,813         | \$ 3,619,143                      | \$ 32,863,670                |
| Bonds payable                          | <u>40,000,000</u>     | <u>--</u>            | <u>3,517,187</u>    | <u>36,482,813</u>     | <u>3,619,143</u>                  | <u>32,863,670</u>            |
| Note Payable                           | --                    | 1,500,000            | --                  | 1,500,000             | 107,123                           | 1,392,877                    |
| Net OPEB obligation                    | 517,720               | 111,993              | 1,104               | 628,609               | --                                | 628,609                      |
| Compensated absences                   | <u>391,058</u>        | <u>8,493</u>         | <u>--</u>           | <u>399,551</u>        | <u>399,551</u>                    | <u>--</u>                    |
|  | <u>908,778</u>        | <u>1,620,486</u>     | <u>1,104</u>        | <u>2,528,160</u>      | <u>506,674</u>                    | <u>2,021,486</u>             |
| Reported as other liabilities:         |                       |                      |                     |                       |                                   |                              |
| Pollution remediation                  | 16,904,094            | 2,917,171            | --                  | 19,821,265            | 1,485,622                         | 18,335,643                   |
| Landfill closure and post-closure care | <u>53,475,487</u>     | <u>7,902,225</u>     | <u>--</u>           | <u>61,377,712</u>     | <u>5,794,470</u>                  | <u>55,583,242</u>            |
| Other liabilities                      | <u>70,379,581</u>     | <u>10,819,396</u>    | <u>--</u>           | <u>81,198,977</u>     | <u>7,280,092</u>                  | <u>73,918,885</u>            |
|  | <u>\$ 111,288,359</u> | <u>\$ 12,439,882</u> | <u>\$ 3,518,291</u> | <u>\$ 120,209,950</u> | <u>\$ 11,405,909</u>              | <u>\$ 108,804,041</u>        |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**

**YEAR ENED JUNE 30, 2014**

**SCHEDULE F**

| Date paid                                   | Payee               | Purpose  | Amount                  |
|---|---------------------|--|-------------------------|
| 9/30/2013                                   | Brian Dubis         | SWANA Wastecon Award Ceremony                        | \$ 1,195                |
| 9/30/2013                                   | Sarah Kite          | Wastecon 2013  | 1,269                   |
| 10/31/2013                                  | Chris Jocelyn       | Mileage Reimbursement                                | 258                     |
| 10/31/2013                                  | Sarah Kite          | Mileage Reimbursement                                | 442                     |
| 11/25/2013                                  | Mark Jenison        | Mileage Reimbursement                                | 243                     |
| 11/25/2013                                  | Brian Dubis         | Seminar Variable Frequency Drives                    | 523                     |
| 1/31/2014                                   | Chris Jocelyn       | Tri State Conference                                 | 475                     |
| 2/28/2014                                   | Gary Steffens       | Mileage Reimbursement                                | 211                     |
| 3/31/2014                                   | Daniel Szetela      | PMI Training, Boston                                 | 774                     |
| 3/31/2014                                   | Inga Lermontov-Hoit | SWANA Conference                                     | 1,805                   |
| 3/31/2014                                   | Brian Card          | LF Symposium Conference                              | 1,935                   |
| 4/15/2014                                   | Krystal Noiseux     | Lodging for Maine Compost School                     | 739                     |
| 4/21/2014                                   | Jim Donovan         | Milestone Training, Miami, Florida                   | 1,570                   |
| 4/30/2014                                   | Chris Jocelyn       | SHRM Tri State Conference, CT                        | 343                     |
| 4/30/2014                                   | Sarah Kite          | Mileage Reimbursement                                | 222                     |
| 4/30/2014                                   | Sarah Kite          | NERC Conference & Board Meeting, Maine               | 598                     |
| 6/25/2014                                   | Rockland Trust      | Airfare for Ameripen Annual Meeting,<br>Baltimore MD | 238                     |
| 6/25/2014                                   | Robert Lough        | Meals OSHA Recertification                           | 200                     |
| 6/25/2014                                   | Michael Tortorella  | Manager of Landfill Operations Training              | 916                     |
| 6/25/2014                                   | Daniel Szetela      | OSHA Laboratory Safety Training                      | 372                     |
| 6/30/2014                                   | Krystal Noiseux     | Mileage Reimbursement                                | 222                     |
|   |                     |  | <u>14,550</u>           |
| Summary of other expenses under \$200 each: |                     |  |                         |
|   |                     | Mileage  | 4,504                   |
|   |                     | Miscellaneous (Parking, Tolls, Etc.)                 | 891                     |
|   |                     |  | <u>5,395</u>            |
| Total                                       |                     |  | <u><u>\$ 19,945</u></u> |

**RHODE ISLAND RESOURCE RECOVERY CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**SCHEDULE F**

| Date paid                                   | Payee            | Purpose  | Amount           |
|---|------------------|--|------------------|
| 7/31/2012                                   | Carol Bjartmarz  | Mileage Reimbursement  | \$ 230           |
| 10/31/2012                                  | Rockland Trust   | NY State Association Recycling Conference, NY                  | 222              |
| 11/30/2012                                  | Carol Bjartmarz  | Mileage Reimbursement  | 252              |
| 11/30/2012                                  | Sarah Kite       | Mileage Reimbursement  | 313              |
| 12/27/2012                                  | Rockland Trust   | SWANA Training Center, Recycling Certification,<br>Atlanta, GA | 502              |
| 2/28/2013                                   | Michael OConnell | Train fare for Insurance Carrier Negotiation                   | 299              |
| 2/28/2013                                   | Gary Steffens    | Mileage Reimbursement  | 331              |
| 3/31/2013                                   | Mark Jenison     | Caterpillar Training Classes - New York                        | 255              |
| 3/31/2013                                   | Mark Jenison     | Mileage Reimbursement  | 491              |
| 3/31/2013                                   | Rockland Trust   | NE Recycling Council, Textile Recycling<br>Workshop, VT        | 285              |
| 4/17/2013                                   | Daniel Szetela   | Geosynthetic Training, Texas                                   | 1,132            |
| 4/30/2013                                   | Carol Bjartmarz  | Mileage Reimbursement  | 202              |
| 5/10/2013                                   | Daniel Szetela   | Geosynthetic Training, Texas                                   | 816              |
| 5/31/2013                                   | Hayes Pump, Inc. | Airfare reimbursement for Bill Anderson                        | 418              |
| 5/31/2013                                   | Hayes Pump, Inc. | Airfare reimbursement for Dan Szetela                          | 418              |
| 5/31/2013                                   | Sarah Kite       | Mileage Reimbursement  | 295              |
| 6/19/2013                                   | Robert Lough     | OSHA Training/ NH/ Meals                                       | 200              |
| 6/30/2013                                   | James Donovan    | VMWARE View Training   | 1,433            |
| 6/30/2013                                   | Rockland Trust   | OSHA Safety & Health Training, Manchester, NH                  | <u>621</u>       |
|   |                  |  | <u>8,715</u>     |
| Summary of other expenses under \$200 each: |                  |  |                  |
|   |                  | Mileage  | 3,710            |
|   |                  | Miscellaneous (Parking, Tolls, Etc.)                           | <u>646</u>       |
|   |                  |  | <u>4,356</u>     |
| Total                                       |                  |  | <u>\$ 13,071</u> |



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

Board of Commissioners  
Rhode Island Resource Recovery Corporation

We have audited, in accordance with the 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, the financial statements of Rhode Island Resource Recovery Corporation (the "Corporation") (a component unit of the State of Rhode Island), as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated September 26, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal controls.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

### **Purpose of this Report**

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Providence, Rhode Island  
September 26, 2014