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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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

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MARCUM
ACCOUNTANTS ▲ ADVISORS

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 years ended June 30, 2015 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

MARCUMGROUP
MEMBER

Marcum LLP ▪ 117 Kendrick Street ▪ Suite 800 ▪ Needham, Massachusetts 02494 ▪ Phone 617.559.4400 ▪ Fax 617.559.4401 ▪ www.marcumllp.com

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, 2015 and 2014, and its changes in financial position, and cash flows, for the years 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 4 through 13) and schedule of funding progress information on page 47 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 48 thru 55 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2015, 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
October 2, 2015

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, 2015 and 2014. This information should be read in conjunction with the Corporation's financial statements, which begin on Page 14.

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 2015, 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 (the "Town"), 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.

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, 2015 and 2014.

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 2015

Continuing the positive operational momentum established in FY2014, FY2015 proved to be another extremely strong year operationally. Revenue from our core business, tipping, were up substantially. While lower commodity prices and slightly lower volume affected recycling revenues, overall revenues were up substantially. Similar to FY14, closure and post-closure expense was a major negative factor in operational costs. These costs, along with one-time charges for the transfer of infrastructure increased our operating expenses from FY2014 with an overall decrease in Net Position of $5.3million.

Commercial solid waste volumes and revenues increased substantially over FY14. Tipping revenues increased from $35.8 million in FY14 to $41.7 million in FY15, an increase of $5.9 million or 17%. Overall commercial solid waste was up by 128,000 tons. Pricing for commercial solid waste was increased an average of $4.00 per ton effective April 1, 2015. It is estimated that the price increase will generate an additional $1.6 million in FY2016.

Revenues from municipal solid waste increased slightly ($.3 million), although tonnage decreased by 8,250 tons. This inverse relationship was a result of increased in contamination in the recycling loads, which are then landfilled at the 'over cap' rate of $54.00 per ton. The base municipal tipping fee of $32 has remained unchanged for nearly 25 years.

On the recycling business FY15 commodity prices declined through much of the year and on average were well below FY14 levels especially for plastic (petroleum based) products which comprise approximately 35% of the Corporation's recycling revenues. These price decreases were compounded by a 12,000 ton decrease to 119,000 tons in inbound recyclables. The majority of the decrease was a reduction in out-of-state recycling as more facilities were brought back on line in neighboring States. Overall, total recycling revenues decreased from $14.0 million in FY14 to

Key Factors Influencing Results in 2015 (Continued)

$11.9 million in FY15, a decrease of $2.1 million or 15%. The Corporation again was able to distribute approximately $551,000 back to cities and towns as part of our municipal recycling profit sharing program.

From an operating cost standpoint FY15 was impacted by several factors, some outside the control of the Corporation, as total operating expenses increased $4.6 million from $57.5 million in FY14 to $62.1 million in FY15. The increase was primarily attributable to two one-time nonrecurring expenses. First, the Corporation was required to extend a sewer line for its leachate operations. The cost of this sewer extension was $4.245 million. Once complete, ownership of the sewer line was transferred to the Town and the total cost was expensed as an operational cost and not capitalized and depreciated. Second, in 2013, a bond was issued for $40.0 million for improvements to our leachate operations as required by regulatory authorities. Construction was completed in April 2015 and the asset was placed in service. Total costs to date are approximately $38 million. Accordingly, 25% of the leachate operations are attributed to the superfund site, accounted for under GASB 49 and 75% attributable to landfill, accounted for under GASB 18. In accordance with GASB 49, and because this is a dual purpose asset, expenses attributable to 'Pollution Remediation Obligations' are not capitalized, they are expensed, while expenses attributed to the landfill are capitalized as an asset per GASB 18. As a result, 25% or $9.2 million was expensed and the remaining 75% and non-attributable costs of $28.8 million were capitalized as an asset.

Overall, total operating expenses for FY15 increased by $4.6 million when compared to FY14. Contractual services increased significantly in FY15 ($12.5 million) compared to FY14 ($8.7 million) primarily as the result of the one-time transfer of sewer infrastructure to the Town of $4.245 million, as noted above. 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. Personnel costs increased $.6 million (5%) due to the addition of personnel at the new leachate pretreatment facility and due to overtime due to the increased volumes. Repairs and maintenance increased slightly by $.3 million. Other supplies and expenses decreased slightly to $.3 million. Grants and profit share to the municipalities decrease from $1.7 million to $.8 million due to lower profits from the material recycling facility as a result of decreased volumes and lower commodity prices.

Non-operating revenues and expenses were impacted by the settlement of three lawsuits during FY15. These settlements are reflected net of legal costs as non-operating expenses totaling $2.8 million.

The Corporation's goal is to remain economically self-sufficient while continuing to generate cash reserves to finance approximately $37 million of major capital investments in fiscal years 2016 and 2017.

Finally, there were a number of major accomplishments in FY15 including:

Key Factors Influencing Results in 2015 (Continued)

- The generation of $11.9 million in recycling revenues in FY 2015 and the distribution approximately $.5 million to Rhode Island municipalities under its materials recycling profit sharing program.
- Several lawsuits were settled during the fiscal year totaling $3.0 million allowing the Corporation to partially recover losses as identified in the Bureau of Audits forensic audit issued in September 2009.
- The completion of the Leachate Pre-Treatment Facility and supporting infrastructure which enables the Corporation to properly treat and discharge its leachate as required by regulatory authorities.
- Collaboration with a glass recycling processor. The collaboration allows the glass processor to lease a premises on-site and process recycled glass that otherwise would be landfilled. Additionally, sales of the recycled glass are marketed and sold by RIRRC and the profits are split 50%.
- A commercial tipping fee price increase, effective April 1, 2015 averaging $4.00 per ton. Revenues from this increase are expected to be $1.6 million.

Challenges for FY16 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, obtaining a municipal tip fee increase and lastly doing everything we can to promote 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 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,

Key Factors Influencing Results in 2014 (Continued)

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.

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 $.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 $.8 million.

Non-operating revenues of $.4 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:

Key Factors Influencing Results in 2014 (Continued)

- 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.

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.

Condensed Comparative Financial Information - In Thousands

The following table summarizes the changes in certain balances in the statements of net position and the statements of revenues, expenses and changes in net position as of and for the years ended June 30, 2015, 2014 and 2013.

	2015	2014	Increase (decrease)
Net position:			
Current assets	$ 44,656	$ 43,059	$ 1,597
Capital assets, net	74,340	68,078	6,262
Other noncurrent assets	88,608	103,700	(15,092)
Total assets	207,604	214,837	(7,233)
Current liabilities	25,756	30,439	(4,683)
Long-term liabilities	111,595	108,804	2,791
Total liabilities	137,351	139,243	(1,892)
Net position	$ 70,253	$ 75,594	$ (5,341)
Components of net position:			
Invested in capital assets, net of related debt	$ 48,509	$ 52,363	$ (3,854)
Restricted	2,064	2,670	(606)
Unrestricted	19,680	20,561	(881)
	$ 70,253	$ 75,594	$ (5,341)
Changes in net position:			
Operating revenues	$ 54,041	$ 50,252	$ 3,789
Operating expenses	62,051	57,469	4,582
Operating income	(8,010)	(7,217)	(793)
Non-operating (revenues) expenses, net	(2,669)	369	(2,300)
Change in net position	$ (5,341)	$ (6,848)	$ (1,507)

Condensed Comparative Financial Information - In Thousands (Continued)

	2014	2013	Increase (decrease)
Net position:			
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	214,837	210,053	4,784
Current liabilities	30,439	25,815	4,624
Long-term liabilities	108,804	101,797	7,007
Total liabilities	139,243	127,612	11,631
Net position	$ 75,594	$ 82,441	$ (6,847)
Components of net position:			
Invested in capital assets, net of related debt	$ 52,363	$ 48,214	$ 4,149
Restricted	2,670	17,031	(14,361)
Unrestricted	20,561	17,196	3,365
	$ 75,594	$ 82,441	$ (6,847)
Changes in net position:			
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)	2,103
Change in net position	$ (6,848)	$ 4,062	$ (10,910)

FY15 Financial Highlights and Analysis

Several factors, both operating and non-operating, that impacted the Corporation's financial results for FY15; however, the most significant were two 'one-time' operational expenses, i.e., the transfer of the sewer line to the Town for $4.2 million and the $9.2 million dollar charge associated with the Superfund site. Additionally, we continue to refine the closure/post closure liability as new information becomes available from our new leachate pre-treatment facility. The revised calculation estimated the closure/post closure liability at $85.7 million, an increase of $4.5 million. Revenues from disposal fees increased $5.9 million or 17%. We believe this increase is a result of a harsh 2014-15 winter season, causing increase household repairs and the tightening of landfill and incineration space in New England. This increase was offset by a decline in commodity prices and volume during the period. Overall, total operating revenues increase from $50.3 million in FY14 to $54.0 million in FY15, approximately 8%.

When comparing FY15 to FY14 operating costs, several categories had significant increases or decreases. Personnel costs increased $0.6 million due to the Corporation hiring of new employees to run the new leachate pre-treatment facility and increased overtime due to tipping volume increases. Contractual services increased significantly in FY15 ($12.5 million) compared to FY14 ($8.7 million) as the result of the transfer of $4.2 million in sewer infrastructure to the Town, as mentioned above, otherwise costs were relatively flat. Utilities decreased as a result of transferring the sewer operations from the City of Cranston to Narragansett Bay Commission. Other supplies and expenses were relatively flat. Repairs and maintenance increased slightly by $.3 million. Grants and profit share to municipalities decreased by over 50% as profits from the recycling center have decreased due to lower volumes and commodity prices. The provision for landfill closure and post closure care and pollution remediation obligation had an increase of $2.7 million over FY14. This majority of the increase was a result of the 'net' effect of a smaller adjustment on the closure/post closure obligation - $14.0 million in FY14 vs $7.0 million in FY15 and the one time write off of leachate costs associated with the superfund site of $9.2 million in FY15, as noted above.

Non-operating revenues and expenses were impacted by the settlement of three lawsuits during FY15. These settlements are reflected net of legal costs as non-operating revenues totaling $2.8 million.

At June 30, 2015, net assets total $70.3 million compared to $75.6 million as of June 30, 2014, a decrease of $5.3 million. The decrease was primarily attributable to the $13.4 million in one-time expenses associated with the leachate pre-treatment facility as described above.

FY14 Financial Highlights and Analysis

There were a several factors, both operating and non-operating, that impacted the Corporation's financial results for FY14. One 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.

FY14 Financial Highlights and Analysis (Continued)

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 $.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 $.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. 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.

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.

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

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents:		
Unrestricted	$ 32,279,760	$ 31,404,227
Restricted	3,679,058	19,199,958
Held in trust	84,319,289	83,891,207
Receivables, net of allowance	8,219,092	7,264,714
Advances	75,965	75,965
Inventories	3,476,308	3,839,753
Prepaid expenses and other assets	1,214,736	1,083,987
Capital assets:		
Non-depreciable:		
Land held for sale	3,942,246	2,752,751
Land used in operations	9,354,983	4,206,511
Land held for development	-	6,337,967
Construction in progress	15,622,794	33,362,842
Capital assets, net of depreciation	45,419,618	21,417,552
Total Assets	$ 207,603,849	$ 214,837,434

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, 2015 AND 2014

	2015	2014
Liabilities		
Accounts payable and accrued expenses	$ 16,753,722	$ 19,540,421
Long-term liabilities:		
Due within 1 year:		
Bonds payable & note payable	3,827,952	3,619,143
Pollution remediation obligations	1,213,298	1,485,622
Landfill closure and post-closure care	3,960,933	5,794,470
Due in more than 1 year:		
Bonds & notes payable	30,428,596	34,256,547
Pollution remediation obligations	19,970,946	18,335,643
Landfill closure and post-closure care	60,544,321	55,583,242
Net OPEB obligation	651,558	628,609
Total Liabilities	137,351,326	139,243,697
Net Position		
Net investment in capital assets	48,508,936	52,362,733
Restricted	2,064,102	2,670,086
Unrestricted	19,679,485	20,560,918
Total Net Position	70,252,523	75,593,737
Total Liabilities and Net Postion	$ 207,603,849	$ 214,837,434

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, 2015 AND 2014

	2015	2014
Operating Revenues		
Charges for services, principally tipping fees	$ 41,745,316	$ 35,818,892
Recycling	11,921,367	13,988,456
Other operating revenues	374,356	445,010
Total Operating Revenues	54,041,039	50,252,358
Operating expenses		
Personnel costs	13,680,753	13,078,142
Contractual services	12,507,628	8,713,016
Utilities	1,644,392	2,342,331
Repairs and maintenance	3,205,406	2,889,523
Other supplies and expenses	3,719,039	3,972,290
Grants to municipalities for recycling	812,526	1,738,608
Bad debts	81,091	66,619
Provision for landfill closure and post-closure care and pollution remediation obligations	21,017,348	18,313,959
Depreciation, depletion and amortization	5,383,230	6,354,797
Total Operating Expenses	62,051,413	57,469,285
Operating Loss	(8,010,374)	(7,216,927)
Non-Operating Revenues (Expenses)		
Interest expense	(968,326)	(1,068,423)
Interest and investment income	907,860	465,701
Gain on settlement, net	2,817,824	655,675
(Loss) gain on disposal and sale of assets, net	(88,198)	316,437
Total Non-Operating Revenues (Expenses), Net	2,669,160	369,390
Changes in Net Position	(5,341,214)	(6,847,537)
Net Position, Beginning of Year	75,593,737	82,441,274
Net Position, End of Period	$ 70,252,523	$ 75,593,737

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, 2015 AND 2014

	2015	2014
Cash Fows from Operating Activities		
Payments received from providing services	$ 52,712,304	$ 49,597,861
Cash receipts from other operating revenue	374,356	445,009
Payments to suppliers for goods and services	(34,322,468)	(17,005,907)
Payments to employees for services	(13,576,371)	(13,075,837)
Payments in connection with the Host Community Agreement	(3,267,722)	(3,493,596)
Payments to municipalities for recycling grants	(812,527)	(1,738,608)
Net Cash Provided by Operating Activities	1,107,572	14,728,922
Cash Flows from Capital and Related Financing Activities		
Payments for capital assets and deferred costs	(11,645,249)	(23,573,743)
Payments for improvements for land held for sale	--	(55,683)
Proceeds from sale of assets	--	1,761,470
Interest paid on bonds payable	(968,326)	(1,068,423)
Principal paid on bonds payble	(3,619,142)	(3,517,187)
Net Cash Used In Capital and Related Financing Activities	(16,232,717)	(26,453,566)
Cash Flows from Investing Activities		
Purchase of additional investments	(148,639,012)	(57,533,186)
Maturity on investments	148,210,930	57,389,401
Interest and investment income	907,860	465,700
Net Cash Provided by Investing Activities	479,778	321,915
Net Decrease in Cash and Cash Equivalents	(14,645,367)	(11,402,729)
Cash and Cash Equivalents, Beginning of Year	50,604,185	62,006,914
Cash and Cash Equivalents, End of Year	$ 35,958,818	$ 50,604,185

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, 2015 AND 2014

	2015	2014
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (8,010,374)	$ (7,216,927)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	5,383,230	6,354,797
Changes in assest and liabilities		
Accounts receivable	(954,378)	(209,489)
Inventories	363,445	(179,057)
Prepaid expenses	(130,749)	64,947
Accounts payable and accrued expenses	(2,786,698)	4,328,691
Net OPEB obligation	22,949	110,889
Donations	41,850	--
Loss on disposal and sale of assets	(130,048)	--
Landfill closure and post-closure care and pollution remediation obligation	4,490,521	10,819,396
Loss on legal settlements	(182,176)	(544,325)
Gain on legal settlements	3,000,000	1,200,000
Net Cash Provided by Operating Activities	$ 1,107,572	$ 14,728,922

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

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.

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 $1,085,000 and $1,215,000 as of June 30, 2015 and 2014, respectively.

INVESTMENTS

Investments, including restricted investments, are recorded at fair value or at amortized cost which approximates fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction involving market participants at the measurement date.

INVENTORIES

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

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 of $2,064,102 and cash reserves of $-0- 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 $10,000 or repairs in excess of 10% of the assets original cost and having 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 intended for resale is stated at the lower of cost or net realizable value. The cost of property acquired through eminent domain not intended for resale is being amortized over the estimated life of the currently licensed landfill (Note 5).

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, 2015, Phase VI has not been opened to operations (Note 10).

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.

NET POSITION

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

Net investment in capital assets - represents the capital assets, reduced by accumulated depreciation and by 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.

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

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

NOTE 2 - DEPOSITS

The carrying amount of the Corporation's cash deposits, consisting of checking accounts, money market accounts and certificates of deposit totaled $4,277,006 and $65,692,605 as of June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, the bank balance for these accounts totaled $4,444,0586 and $65,753,390, 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, 2015 and 2014 pursuant to Chapter 35-10.1 of the Rhode Island General Laws.

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, 2015, $12,748 of the Corporation's cash deposits were uninsured and uncollateralized. As of June 30, 2014, $1,932,694 of the Corporation's cash deposits were uninsured and uncollateralized.

Investments under a repurchase agreement and in commercial paper totaling $32,016,001 and $29,220,341 as of June 30, 2015 and 2014, 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, 2015 and 2014 are as follows:

NOTE 2 – DEPOSITS (CONTINUED)

	2015	2014
Cash and cash equivalents	$ 263,759	$ 2,183,760
Restricted cash and cash equivalents	3,679,058	19,199,958
Restricted cash held in trust	334,189	44,308,887
Deposits	$ 4,277,006	$ 65,692,605

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. 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.

NOTE 3 – INVESTMENTS (CONTINUED)

The Corporation's investments as of June 30, 2015 and 2014 consist of the following:

	Fair Value		Weighted Average Maturity (Years)	
	2015	2014	2015	2014
Repurchase Agreement	$ 32,016,001	$ 29,220,340	Daily	Daily
Institutional Fund MM	334,189	1,206,481	Daily	Daily
Short-Term Bond Portfolio	41,830,223	19,507,335	1.81 yrs	1.88 yrs
U.S. Treasury Bills	--	1,184,846	-	Oct. 2014
TIPS Portfolio	20,536,404	10,499,674	5.58 yrs	5.29 yrs
Inter.-Term Bond Portfolio	21,618,473	9,575,437	5.42 yrs	5.51 yrs
Total Fair Value	$ 116,335,290	$ 71,194,113		

A reconciliation of the Corporation's investments as of June 30, 2015 and 2014 are as follows:

	2015	2014
Cash and equivalents	$ 32,016,001	$ 29,220,340
Cash and cash equivalents - Held in Trust	334,189	2,391,327
Investments - Held in Trust	83,985,100	39,582,446
Total	$ 116,335,290	$ 71,194,113

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, 2015:

	Repurchase Agreement	U.S. Treasury Bills	Institutional Fund Money Market	Fixed Income Securities	Total
Treasury / Agency	$ 32,016,001	$ --	$ 334,189	$ 46,648,530	$ 78,998,720
Aaa	--	--	--	6,935,325	6,935,325
Aa1	--	--	--	821,891	821,891
Aa2	--	--	--	1,234,383	1,234,383
Aa3	--	--	--	612,044	612,044
A1	--	--	--	766,391	766,391
A2	--	--	--	1,404,940	1,404,940
A3	--	--	--	4,675,989	4,675,989
Baa1	--	--	--	6,535,195	6,535,195
Other	--	--	--	14,350,413	14,350,413
	$ 32,016,001	$ --	$ 334,189	$ 83,985,100	$ 116,335,290

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

	Repurchase Agreement	U.S. Treasury Bills	Institutional Fund Money Market	Fixed Income 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
	$ 29,220,340	$ 1,184,772	$ 1,206,556	$ 39,582,445	$ 71,194,113

NOTE 3 – INVESTMENTS (CONTINUED)

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 under the repurchase agreements were unrated as of June 30, 2015, however, collateralized at 102% while in overnight status. FDIC insurance is provided up to $250,000 per tax ID number. 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. Prior to January 2014, all investments held in trust 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

NOTE 3 – INVESTMENTS (CONTINUED)

RESTRICTED ASSETS HELD IN TRUST(CONTINUED)

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 had been transferred in to bonds funds and $41,917,559 remained in money market. The money market accounts were 100% federally insured under (“CDARS”). As of June 30, 2015, all money market accounts have been transferred to the bond funds. Investment in bonds are not insured.

RESTRICTED ASSETS

Restricted assets as of June 30, 2015 and 2014, including cash and cash equivalents, are restricted as follows:

	2015	2014
Mandated by Bond Indentrures:		
Project Account - Series 2013	$ 3,679,058	$ 19,199,958
	$ 3,679,058	$ 19,199,958

The Project Account contains the proceeds of the Corporation’s 2013 bond issuance and is used for the payment of eligible project disbursements.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Increases	Decrease	Balance June 30, 2015
Capital assets being depreciated:				
Land, residential buffer	$ 4,210,899	$ --	$ --	$ 4,210,899
Capital improvements	84,814,917	--	--	84,814,917
Automobiles and trucks	1,721,119	178,116	(123,644)	1,775,591
Buildings and improvements	39,129,133	34,792,519	(6,938,431)	66,983,221
Computers and equipment	50,215,130	941,338	(2,658,599)	48,497,869
Other depreciable property	5,470,807	31,890	(500,056)	5,002,641
Total capital assets being depreciated	185,562,005	35,943,863	(10,220,730)	211,285,138
Less accumulated depreciation and depletion:				
Land, residential buffer	(4,210,896)	--	--	(4,210,896)
Capital improvemens	(82,408,184)	(643,871)	--	(83,052,055)
Automobiles and trucks	(1,676,997)	(61,519)	123,644	(1,614,872)
Buildings and improvements	(34,637,954)	(2,324,404)	517,962	(36,444,396)
Computers and equipment	(37,141,418)	(2,264,568)	2,538,578	(36,867,408)
Other depreciable property	(4,069,004)	(106,944)	500,055	(3,675,893)
Total accumulated depreciation and depletion	(164,144,453)	(5,401,306)	3,680,239	(165,865,520)
Total capital assets being depreciated, net	21,417,552	30,542,557	(6,540,491)	45,419,618
Non-depreciable capital assets:				
Land held for sale	2,752,751	1,189,495	--	3,942,246
Land used in operations	4,206,511	5,148,472	--	9,354,983
Land held for development	6,337,967	--	(6,337,967)	--
Construction in progress	33,362,842	26,363,810	(44,103,858)	15,622,794
Capital assets, net	$ 68,077,623	$ 63,244,334	$ (56,982,316)	$ 74,339,641

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

	Balance June 30, 2013	Increases	Decrease	Balance 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	5,424,927	45,880	--	5,470,807
Total capital assets being depreciated	186,673,812	1,959,276	(3,071,083)	185,562,005
Less accumulated depreciation and depletion:				
Land, residential buffer	(4,210,896)	--	--	(4,210,896)
Capital improvemens	(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	(3,856,114)	(212,890)	--	(4,069,004)
Total accumulated depreciation and depletion	(160,860,738)	(6,355,208)	3,071,493	(164,144,453)
Total capital assets being depreciated, net	25,813,074	(4,395,932)	410	21,417,552
Non-depreciable capital assets:				
Land held for sale	5,333,094		(1,390,848)	3,942,246
Land used in operations	9,354,983		--	9,354,983
Land held for development	--		--	--
Construction in progress	11,746,875	21,615,967	--	33,362,842
Capital assets, net	$ 52,248,026	$ 17,220,035	$ (1,390,438)	$ 68,077,623

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, 2015 and 2014, the Corporation has determined that the carrying value at which these lands' are held reflect realizable value. During FY2015, RIRRC determined that the land classification 'Land held for Development' would be reclassified to 'Land used in Operation' as this land would be needed as a 'buffer zone' for future landfill expansion.

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.

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, 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 6 – LAND HELD FOR SALE (CONTINUED)

On February 4, 2015, the Corporation (seller) entered into an agreement for option and purchase of real property with an energy provider. The property is located on the east side of Green Hill Road and consists of approximately 16.9 acres. This option allows the energy provider to purchase the property at a purchase price of $350,000 per acre. The Option Agreement shall expire on January 31, 2017 with a monthly payment of $5,000 as consideration for the option starting on May 1, 2015. The purchaser may, at its option, extend the term in two, two-year increments ending January 31, 2021 with a $1,000 increase in the monthly payment for each term. The option payments are to be credited against the purchase price.

NOTE 7 – LONG-TERM OBLIGATIONS

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. As of June 30, 2015 and 2014, the Corporation was in compliance with all bond indenture covenants.

Bonds payable as of June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Resource Recovery System Revenue Bonds, Series 2013	$ 32,863,670	$ 36,482,813
Less: current portion	(3,720,809)	(3,619,143)
	$ 29,142,861	$ 32,863,670

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ending June 30,	Principal	Interest	Total
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	4,517,346	78,507	4,595,853
	$ 32,863,670	$ 3,903,160	$ 36,766,830

Note Payable

As part of a legal settlement with the Town of Johnston (the Host Community) concerning odor conditions, RIRRC amended its Host Community agreement for the payment of a $1,500,000 installment note over 14 years, equal to $107,143 per year. As of June 30, 2015 and 2014 the amounts owed were $1,392,857 and $1,500,000, respectively.

Changes in long-term obligations for the years ended June 30, 2015 and 2014 are as follows:

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable	$ 36,482,813	$ --	$ 3,619,143	$ 32,863,670	$ 3,720,809
Notes payable	1,500,000	--	107,122	1,392,878	107,143
	$ 37,982,813	$ -	$ 3,726,265	$ 34,256,548	$ 3,827,952

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Bonds payable	$ 40,000,000	$ --	$ 3,517,187	$ 36,482,813	$ 3,619,143
Notes payable	--	1,500,000	--	1,500,000	107,143
	$ 40,000,000	$ 1,500,000	$ 3,517,187	$ 37,982,813	$ 3,726,286

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, 2015 and 2014 totaled approximately $657,600 and $ 635,800, respectively. Amounts paid under the agreement for the years ended June 30, 2015 and 2014 were approximately $3,258,000 and $3,494,000, respectively, of which approximately $896,000 and $814,000 remained unpaid and is included in accounts

NOTE 8 – HOST COMMUNITY AGREEMENT (CONTINUED)

payable and accrued expenses as of June 30, 2015 and 2014, 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 $347,000 and $317,000 for the years ended June 30, 2015 and 2014, respectively.

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. 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.

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

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.

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. During FY2013, 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.

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 relating to the operation of the gas collection system, with a remainder of $1,250,000 to be paid upon execution of a definitive agreement.

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 pre-treatment 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

NOTE 10 – COMMITMENTS (CONTINUED)

A. CONTRACT FOR SEWER AND WATER FACILITIES (CONTINUED)

(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. In November 2014, sewer services were transferred from the City of Cranston to Narragansett Bay Commission.

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, 2015.

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 2016. Based on estimates by the Corporation's engineers, approximately 90.35% of the capacity for Phase V has been used as of June 30, 2015.

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, 2015 the Corporation has not begun landfilling in Phase VI.

A liability for closure and post-closure care as of June 30, 2015 and 2014 of $64,270,709 and $61,115,203, respectively, has been recorded in the accompanying statements of net assets, as summarized by Phases below.

NOTE 10 – COMMITMENTS (CONTINUED)

C. LANDFILL CLOSURE AND POST-CLOSURE (CONTINUED)

	2015	2014
Phase I	$ 9,903,198	$ 9,552,725
Phases II and III	6,099,179	5,599,995
Phave IV	10,781,865	9,767,277
Phase V	37,486,467	36,195,206
	$ 64,270,709	$ 61,115,203

As of June 30, 2015, 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 to be recognized	Estimated capacity used	Estimated remaining years for accepting waste
Phase V	$ 4,005,471	90.35%	9 months

As of June 30, 2015 the Corporation revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a $ 4,518,485 increase of the corresponding liability from $, 80,936,468 at June 30, 2014 to $85,454,953 at June 30, 2015 and was primarily attributable to improved leachate flow data. 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.

NOTE 10 – COMMITMENTS (CONTINUED)

C. LANDFILL CLOSURE AND POST-CLOSURE (CONTINUED)

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, 2015 and 2014 is $ 41,731,360 and $41,525,803, 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.

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, 2015 and 2014 are as follows:

Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
$ 19,821,265	$ 1,362,979	$ --	$ 21,184,244	$ 1,213,298

Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
$ 16,904,094	$ 2,917,171	$ --	$ 19,821,265	$ 1,485,622

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

NOTE 10 – COMMITMENTS (CONTINUED)

D. POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

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 $42,587,929 and $42,365,530 as of June 30, 2015 and 2014, 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 $21,184,245 and $19,821,265 as of June 30, 2015 and 2014, respectively.

Other pollution remediation obligations:

The Corporation is the owner of several properties adjacent to its landfill operations classified as land held for operations. The Corporation is obligated to remediate one of these parcels. The Corporation has recorded a liability for future remediation costs of approximately $234,545 and $262,510 as of June 30, 2015 and 2014, respectively, which is included in pollution and remediation obligations on the statement of net position.

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. 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

NOTE 10 – COMMITMENTS (CONTINUED)

F. GAS SYSTEM COMMITMENTS

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, 201 and 2014. Of this amount, $75,965 has been reflected as an advance for both June 30, 2015 and 2014, which represents the excess of payments made by the Corporation over costs incurred through June 30, 2015.

G. Glass Processing Agreement

On October 29, 2014, the Corporation (Landlord) and a glass recycle and processor entered into an agreement in which the glass recycler would lease the demised premises, formally known as the C&D Facility, with existing improvements on approximately four (4) acres. This demised premises shall be used for glass recycling and processing. The lease is for a term of 5 years, with a 3 year renewal option. Annual fixed rent is $1.00. Additionally, Tenant has a right of first refusal on approximately 7 acres of vacant land (lot 6) owned by the Corporation located on Green Earth Avenue in the Lakeside Commerce Center in Johnston, Rhode Island. The glass will be marketed and sold by RIRRC and profits will be divided 50% between RIRRC and the glass recycler.

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.

NOTE 11 – SETTLEMENTS (CONTINUED)

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. The balance outstanding at June 30, 2015 and 2014 is $1,392,857 and $1,500,000, respectively.

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.

On September 3, 2010, the Corporation initiated a lawsuit in Superior court against a former professional services firm for malpractice and negligence. On December 5, 2014, the Corporation entered into a settlement in which the defendant agreed to pay a sum of $550,000 for release and voluntary dismissal of the lawsuit. The corporation has reflected the settlement as non-operating revenues, net of legal costs incurred of approximately $182,000 in fiscal year 2015.

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, 2015. The corporation has reflected the settlement as non-operating revenues.

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.

NOTE 12 – CONTINGENCIES, RISKS AND UNCERTAINTIES (CONTINUED)

CONCENTRATIONS

Approximately 17.3% and 14.5% of the Corporation's fiscal year 2015 and 2014, 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 2016 and 2015.

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 $117,000 and $113,700 for the plan years 2014 and 2013. 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.

On August 2, 2015, the plan was further restated from a 401K profit sharing plan to a 401(a) profit sharing plan. A Voluntary Correction Plan (VCP) and individual determination letter was submitted to the IRS on August 31, 2015 to address certain deficiencies in the original 401K plan. Under this new plan, the employees are required to contribute 5% of compensation. This 5% is 'picked up' by RIRRC which allows the contribution to be deducted on a pre-tax basis.

NOTE 14 – DEFINED CONTRIBUTION PLAN (CONTINUED)

The Corporation contributed approximately $1,242,000 and $1,214,000 to the Plan during the years ended June 30, 2015 and 2014, respectively.

As of June 30, 2015 and 2014, there were no securities of the Corporation or loans to the Corporation included in the Plan's assets.

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, 2015 and 2014.

NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

ANNUAL OPEB COST AND NET OPEB OBLIGATION (CONTINUED)

	2015	2014
Annual required contribution	$ 49,585	$ 101,639
Interest on net OPEB obligation	12,572	10,354
Adjustment to annual required contribution	(33,688)	--
Annual OPEB cost	28,469	111,993
Contributions made	5,520	1,104
Increases in net OPEB obligation	22,949	110,889
Net OPEB obligation, beginning of year	628,609	517,720
Net OPEB obligation, end of year	$ 651,558	$ 628,609

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, 2015 and 2014 is as follows:

June 30,	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 28,469	19.4%	$ 651,558
2014	$ 111,993	1.0%	$ 628,609

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of July 1, 2014 (the date of the most recent actuarial valuation) was as follows:

Value of Assets (A)	(AAL) - Unit Credit Actuarial Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Fund Ratio (A/B)	Covered Payroll (C)	Percentage of Covered Payroll ((B-A)/C)
$ --	$ 378,894	$ 378,894	0.00%	$ 7,562,482	5.01%

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

NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

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.

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. The Corporation has a valuation performed triennially, the most recent of which was performed in 2014.

The significant methods and assumptions for the 2014 valuation were as follows:

Valuation date:	July 1, 2014
Actuarial cost method:	Unit Credit Actuarial Cost Method
Amortization method:	Closed, Level Dollar
Remaining amortization period:	23 years, open
Asset valuation period:	Market value
Actuarial assumptions:	
Discount rate	2.00%
Healthcare cost trend rate	8.00% initial
	5.00% final
Dental cost trand rate	4.00%

NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

The significant methods and assumptions for the 2011 valuation 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
	5.00% final

NOTE 16 – RECLASSIFICATIONS

Certain reclassifications have been made to the Corporation’s 2014 financial statements to conform to the 2015 presentation. Such reclassifications have had no effect on prior year reported net assets or operating results.

NOTE 17 – SUBSEQUENT EVENTS

The Corporation has evaluated all subsequent events through October 2, 2015, the date the financial statements were available to be issued. Except as reported in Note 14 “Defined Contribution Plan”, 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, 2015 AND 2014

Date of Actuarial Valuation *	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Cost Method (B)	(Overfunded) Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((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%
July 1, 2014	$ --	$378,894	$ 378,894	0.0%	$7,562,482	5.0%

*** 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, 2015

SCHEDULE A

	Carrying Value	Demand Deposits	Other
Cash accounts	$ 263,759	$ 263,759	$ --
Cash equivalents	36,029,248	3,679,058	32,350,190
Investments	83,985,100	--	83,985,100
	$ 120,278,107	$ 3,942,817	$ 116,335,290

Investments and deposits as presented on the Statement of Net Position at June 30, 2015:	
Cash and cash equivalents	$ 32,279,760
Cash and cash equivalents - restricted, noncurrent assets	3,679,058
Held in trust - restricted, noncurrent assets	84,319,289
	$ 120,278,107

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

SCHEDULE OF INVESTMENTS AND DEPOSITS (CONTINUED)

JUNE 30, 2014

SCHEDULE A

	Carrying 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 Position at June 30, 2014:	
Cash and cash equivalents	$ 31,404,227
Cash and cash equivalents - restricted, noncurrent assets	19,199,958
Held in trust - restricted, noncurrent assets	83,891,207
	$ 134,495,392

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

STATEMENTS OF NET POSITION

JUNE 30, 2015

SCHEDULE B

Assets		
Current Assets		
Cash and cash equivalents	$	32,279,760
Receivables (net)		8,295,057
Inventories		3,476,308
Other assets		605,336
Total Current Assets		44,656,461
Noncurrent Assets		
Restricted assets:		
Cash and cash equivalents		3,679,058
Investments		84,319,289
Capital assets - nondepreciable		28,920,023
Capital assets - depreciable (net)		45,419,618
Other assets, net of amortization		609,400
Total Noncurrent Assets		162,947,388
Total Assets	$	207,603,849
Liabilities		
Current Liabilities		
Accounts payable	$	16,753,722
Other liabilities		5,174,231
Current portion of long-term debt		3,827,952
Total Current Liabilities		25,755,905
Net OPEB obligation		651,558
Other liabilities		80,515,267
Notes payable		1,285,735
Bonds payable		29,142,861
Total Noncurrent Liabilities		111,595,421
Total Liabilities	$	137,351,326
Net Position		
Net invested in capital assets	$	48,508,936
Restricted		2,064,102
Unrestricted		19,679,485
Total Net Position	$	70,252,523

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

STATEMENTS OF CHANGES NET POSITION

YEAR ENDED JUNE 30, 2015

SCHEDULE C

Expenses	$ 63,107,937
Program Revenues	
Charges for services	53,666,683
Total Program Revenues	53,666,683
Net (Expenses) Revenues	(9,441,254)
General Revenues	
Interest and investment earnings	907,860
Miscellaneous revenue	3,192,180
Total General Revenue	4,100,040
Change in Net Postion	(5,341,214)
Total Net Position - Beginning	75,593,737
Total Net Postion - Ending	$ 70,252,523

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, 2015

SCHEDULE D

Fiscal Year Ending June 30	Principal	Interest
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	4,156,846	439,008
2021-2023	13,184,629	602,931
	$ 32,863,670	$ 3,903,160

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, 2015

SCHEDULE E

	Beginning Balance	Additions	Reductions	Balance	Amounts One Year	Amounts Due Thereafter
Bonds payable	$ 36,482,813	$ --	$ 3,619,122	$ 32,863,691	$ 3,720,809	$ 29,142,882
Bonds payable	36,482,813	--	3,619,122	32,863,691	3,720,809	29,142,882
Note Payable	1,500,000	--	107,123	1,392,877	107,143	1,285,734
Net OPEB obligation	628,609	28,469	5,520	651,558	--	651,558
Compensated absences	399,551	29,756	--	429,307	429,307	--
	2,528,160	58,225	112,643	2,473,742	536,450	1,937,292
Reported as other liabilities:						
Pollution remediation	19,821,265	1,362,979	--	21,184,244	1,213,298	19,970,946
Landfill closure and post-closure care	61,377,712	3,127,542	--	64,505,254	3,960,933	60,544,321
Other liabilities	81,198,977	4,490,521	--	85,689,498	5,174,231	80,515,267
	$ 120,209,950	$ 4,548,746	$ 3,731,765	$ 121,026,931	$ 9,431,490	$ 111,595,441

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

YEAR ENED JUNE 30, 2015

SCHEDULE F

Date paid	Payee	Purpose	Amount
7/23/2014	Krystal Noiseux	Adobe Illustration Advanced Training	$ 789
9/30/2014	Jim Donovan	Information Technical Training, FL	473
10/22/2014	Chris Jocelyn	Strategic HR Conference	564
10/31/2014	Joseph Brennan	Mileage Reimbursement	213
11/21/2014	Brian Card	CEC Conference-Speaker	422
11/21/2014	Rockland Trust	CEC Annual Solid Waste Group Meeting, Philadelphia	372
12/31/2014	Rockland Trust	SWANA LF/LFG Sympossium, New Orleans	1,223
1/28/2015	Krystal Noiseux	Mileage Reimbursement	254
3/24/2015	Brian Card	2015 Landfill Symposium	1,774
3/24/2015	Jim Dwyer	Mileage Reimbursement	420
3/31/2015	Joseph Brennan	Organics Collection/ Composting	286
4/15/2015	Chris Jocelyn	HR Conference Room Deposit	233
5/30/2015	Joseph Brennan	Compost Training SWANA Headquarters	1,616
6/17/2015	Inga Lermontov-Hoit	SWANA Symposium	1,555
6/24/2015	Sarah Reeves	Ameripen Meeting	903
6/30/2015	Carol Bjartmarz	Mileage Reimbursement	509
6/30/2015	Sarah Reeves	SWANA Training Manager of Landfill Operations	1,328
			12,934
Summary of other expenses under $200 each:			
		Mileage	5,227
		Miscellaneous (Parking, Tolls, Etc.)	772
			5,999
		Total	$ 18,933

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, 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, 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
			14,550
Summary of other expenses under $200 each:			
		Mileage	4,504
		Miscellaneous (Parking, Tolls, Etc.)	891
			5,395
Total			$ 19,945

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, 2015, and the related notes to the financial statements and have issued our report thereon dated October 2, 2015.

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.

MARCUMGROUP MEMBER

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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
October 2, 2015