

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Table of Contents
June 30, 2023 and 2022

Independent Auditor's Report	1-3
Management's Discussion and Analysis (Unaudited)	4-14
Financial Statements:	
Statements of Net Position	15-16
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18-19
Statements of Fiduciary Net Position	20
Statements of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22-49
Required Supplementary Information:	
Schedule of Changes in the Corporation's Total OPEB Liability and Related Ratios (Unaudited)	50
Notes to the Required Supplementary Information (Unaudited)	51
Supplementary Information:	
Schedule of Travel and Entertainment Expenses	52
Schedule of Net Position	53
Schedule of Expenses, Revenues and Changes in Net Position	54
Schedule of Debt Service to Maturity	55
Schedule of Changes in Long-Term Debt	56
Notes to Schedules	57
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58-60

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Rhode Island Resource Recovery Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the 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, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary activities of the Corporation, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Corporation adopted new accounting guidance, *GASB Statement Number 96, Subscription-Based Information Technology Arrangements* as of July 1, 2022. Our opinions are not modified with respect to this matter.

Other Matter

The financial statements of the Corporation as of and for the year ended June 30, 2022 were audited by O'Connor & Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated October 4, 2022.

As more fully described in Note 2 to the financial statements, the Corporation has not adjusted its 2022 financial statements to retrospectively apply the change in accounting principle to adopt GASB Statement Number 96, *Subscription-Based Information Technology Arrangements* due to lack of materiality.

We were not engaged to audit, review, or apply any procedures to the Corporation's 2022 financial statements and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-14, schedule of changes in the Corporation's total OPEB liability and related ratios on page 50 and notes to the required supplementary information on page 51 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Rhode Island Resource Recovery Corporation's basic financial statements. The schedule of travel and entertainment expenses on Page 52 and the State of Rhode Island required format on pages 53-57 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of travel and entertainment expenses and the State of Rhode Island required format are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of travel and entertainment expenses and the State of Rhode Island required format are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report December 8, 2023, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 the Corporation's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

December 8, 2023

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis
June 30, 2023 and 2022

As management of the Rhode Island Resource Recovery Corporation (the "Corporation" or "RIRRC"), a component unit of the State of Rhode Island (the State), we offer readers of the Corporation's Financial Statements this narrative overview and analysis of the financial activities of Rhode Island Resource Recovery Corporation for the years ended June 30, 2023 and 2022. Rhode Island Resource Recovery Corporation's Financial Statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

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 of Rhode Island (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 September 2023, the Board consists of nine members, two vacant, seven 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

The discussion and analysis is intended to serve as an introduction to the Corporation's basic Financial Statements, which consist of the Financial Statements and Notes to Financial Statements. This report also contains other supplementary information in addition to the basic Financial Statements. The Financial Statements report information about the Corporation based upon an accrual accounting method similar to those used by private sector companies. The Financial Statements include a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to Financial Statements. These statements are prepared in conformity with accounting principles accepted in the United States of America (GAAP) and also reported under the standards issued under Governmental Accounting Standards Board (GASB).

The Statement of Net Position presents the financial position of the Corporation on the accrual basis of accounting. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all its costs through its tipping fees and other charges.

The last required Financial Statement is the Statement of Cash Flows. The purpose of this statement is to provide information about the changes in cash and cash equivalents, resulting from operating, capital and related financing, non-capital financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of assets.

The Notes to Financial Statements provide additional information that is essential for a full understanding of the data provided in the statements. The Notes to Financial Statements can be found on pages 22-49 of this report.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

Financial Highlights

The following are the key financial highlights for the year-ended June 30, 2023:

- The Corporation's FY2023 overall change in net position was an increase of \$13.8M. The Corporation ended the year with a net position of \$171M of which \$68.2M is unrestricted.
- Operating Revenues decreased by \$2.8M to \$69.0M in FY2023 from \$71.8M in FY2022.
- Operating Expenses decreased by \$.9M to \$56.8M in FY2023 from \$57.7M in FY2022.
- Non-operating revenues / (expenses) increased by \$9.7M to \$1.6M in FY2023 from \$(8.1M) in FY2022 as a result of positive returns in the closure trust fund investments.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

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, 2023, 2022 and 2021.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023, 2022 AND 2021

	2023	2022	2021	FY23 vs FY22 Increase (Decrease)	FY22 vs FY21 Increase (Decrease)
Net position:					
Current assets	\$ 82,764	\$ 72,887	\$ 74,063	\$ 9,877	\$ (1,176)
Capital assets, net	102,631	103,988	90,545	(1,357)	13,443
Other noncurrent assets	132,869	126,846	132,195	6,023	(5,349)
Total assets	318,264	303,721	296,803	14,543	6,918
Deferred outflows of resources	57	65	72	(8)	(7)
Current liabilities	8,883	13,551	14,473	(4,668)	(922)
Long-term liabilities	137,252	131,803	130,042	5,449	1,761
Total liabilities	146,135	145,354	144,515	781	839
Deferred inflows of resources	1,383	1,461	1,390	(78)	71
Net position	\$ 170,803	\$ 156,971	\$ 150,970	\$ 13,832	\$ 6,001
Components of net position:					
Net investments in Capital Assets	\$ 102,599	\$ 103,963	\$ 83,816	\$ (1,364)	\$ 20,147
Restricted	0	0	3,371	0	(3,371)
Unrestricted	68,204	53,008	63,783	15,196	(10,775)
Total Components of Net position	\$ 170,803	\$ 156,971	\$ 150,970	\$ 13,832	\$ 6,001
Changes in net position:					
Operating revenues	\$ 69,029	\$ 71,810	\$ 60,363	\$ (2,781)	\$ 11,447
Operating expenses	56,756	57,681	55,402	(925)	2,279
Operating income	12,273	14,129	4,961	(1,856)	9,168
Non-operating (revenues) expenses, net	(1,560)	8,128	(3,059)	9,688	11,187
Change in net position	\$ 13,833	\$ 6,001	\$ 8,020	\$ 7,832	\$ (2,019)

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

Financial Analysis

Assets, Liabilities and Net Position – FY2023

Assets increased \$14.5M to \$318.3M in FY2023

- *Assets held in trust* increased by \$6.M to \$129.6M. The increase was due to Investment Earnings of \$1.1M and quarterly closure funding based on tons received totaling \$5.1M, offset by fees of \$0.2M. The closure cost rate is calculated yearly based on assumptions in the closure/post closure liability calculation – the FY23 funding rate per ton was \$6.61.
- *Construction in progress* increased by \$2.3M to \$40.6M in FY23. There were several capital projects underway and that have been completed contributing to this overall net increase, primarily the Maintenance Garage project has increased \$5.6M, offset by the completion of the waste water storage tanks of \$4.5M (transferred to capital and now being depreciated), along with a few smaller increases for projects still in process - the new Entrance Way - \$.3M, the Transfer Building - \$.3M, MRF Fire System - \$.5M and Pond 2 Stormwater \$.2M.
- *Current Assets* increased by an impressive \$9.9M to \$82.8M. Cash increased by \$12.4M, Accounts Receivable decreased by \$3.6M as a result of a tightened credit policy, and inventory increased by \$.9M.
- *Depreciable Capital Assets net* decreased by \$3.7M to \$51.3M. The decrease was due to routine depreciation and depletion of \$12.8M, offset by the addition wastewater storage tanks of \$4.5M and the addition of vehicles and yellow iron of \$4.8M. Refer to Note 5 - Capital Assets for additional detail.

Liabilities increased \$.8M to \$146.1M in FY2023.

Current Liabilities:

- *Bonds and Notes Payable* decreased \$4.5M to zero as the bond for the leachate pretreatment building is now paid.
- All other categories were relatively flat.

Noncurrent Liabilities:

- *Short-term & Long-term portion of closure, post-closure and remediation* increased by \$5.8M to \$136.6M. Refer to Note 12 – Commitments for additional detail.
- Notes payable decreased by \$250K as a result of normal debt service payments.
- All other categories were relatively flat.

Deferred inflows of resources remained relatively flat with a slight decrease of \$.1M. There were no new leases signed during the current year and our OPEB liability continues to remain stable.

The net position totaled \$170.8M compared to \$157.0M as of June 30, 2022, an increase of \$13.8M in FY2023 primarily as a result of operating income of \$12.3M.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

Assets, Liabilities and Net Position – FY2022

Assets increased \$7.0M to \$303.8M in FY2022

- *Assets held in trust* decreased by \$3.9M to \$123.6M. The decrease was due to net investment losses due to rising interest rates of \$8.1M and quarterly closure funding based on tons received totaling \$4.4M, offset by fees of \$0.2M. The closure cost rate is calculated yearly based on assumptions in the closure/post closure liability calculation – the FY22 rate per ton was \$6.23.
- *Construction in progress* increased overall by \$16.3M to \$38.3M in FY22. There were several capital projects underway contributing to this increase, primarily the new Entrance Way - \$2.3M, the Transfer Building - \$2.4M, the Maintenance Garage - \$12.0M, and LPTF WW Storage Tank – \$2.4M, along with several completed projects now capitalized reducing the amount, with the majority being Phase VI (Area 3-1C) cell construction - \$2.5M.
- *Current Assets* decreased by \$1.2M to \$72.9M. Cash decreased by \$2.6M along with Prepaid expenses by \$.1M. Accounts Receivable increased by \$1.0M along with inventory by \$.5M.
- *Depreciable Capital Assets net* decreased by \$4.2M to \$55.0M. An increase in assets as a result of several large assets, i.e. the administration building of \$4.4M, sewer bypass of \$1.5M and grinder \$1M being offset by a decrease caused by routine depreciation and depletion. Refer to Note 5 - Capital Assets for additional detail.

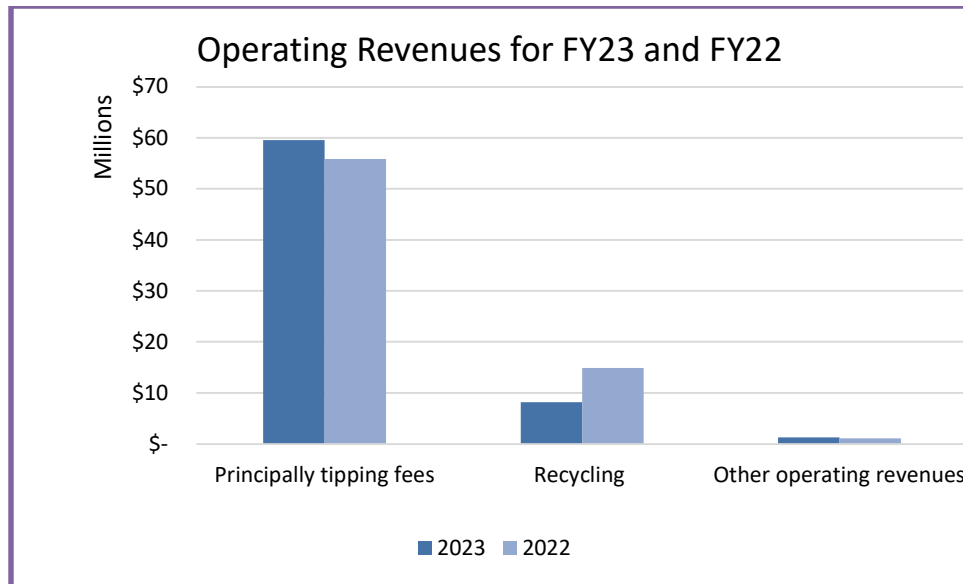
Liabilities increased \$.8M to \$145.3M in FY2022.

- *Accounts Payable* decreased by \$1.0M to \$7.8M due to lower accruals related to the various capital projects referenced above in Construction in process.
- *Bonds and Notes Payable* decreased \$4.6M to \$6.2M consistent with the installment schedule.
- *Short-term & Long-term portion of closure, post-closure and remediation* increased by \$6.7M to \$130.8M. Refer to Note 12 – Commitments for additional detail.

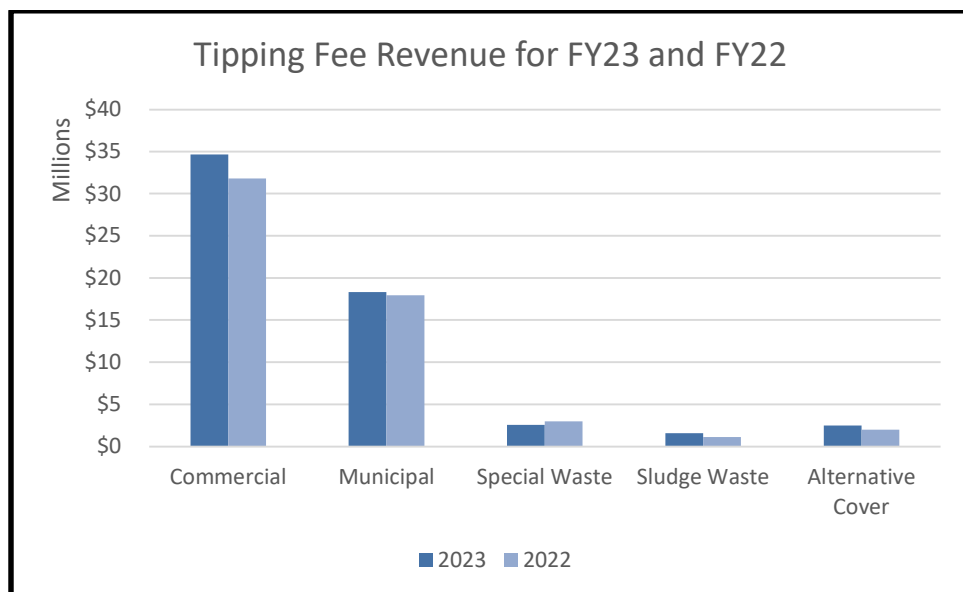
The net position totaled \$157M as of June 30, 2022, compared to \$150.9M as of June 30, 2021, an increase of \$6.0M.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

Operating Revenues



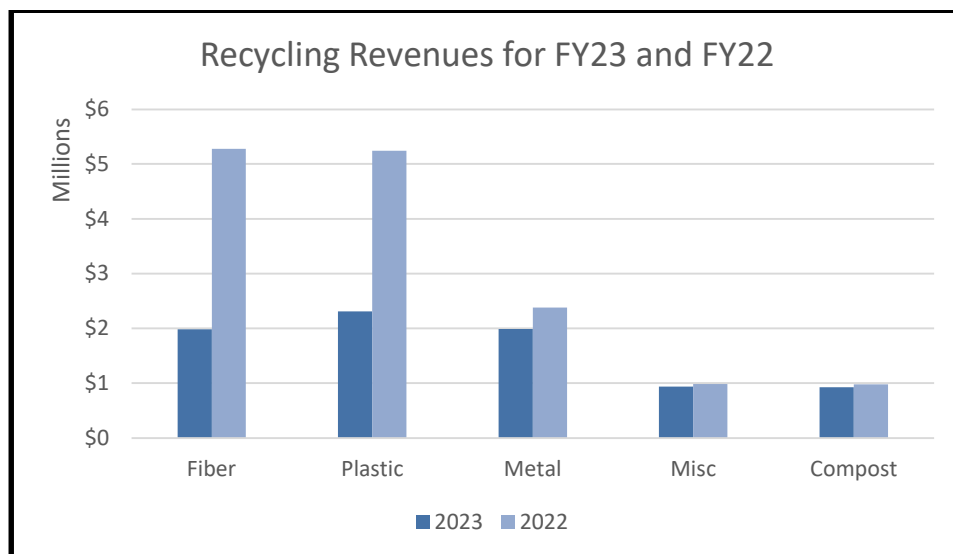
The \$2.8M decrease in Operating Revenue in FY2023 resulted from a \$3.7M increase in Tipping Fee Revenue (Solid Waste), along with a \$6.8M decrease in Recycling Revenues and offset by a slight \$0.3M increase in Other Operating Revenue.



RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

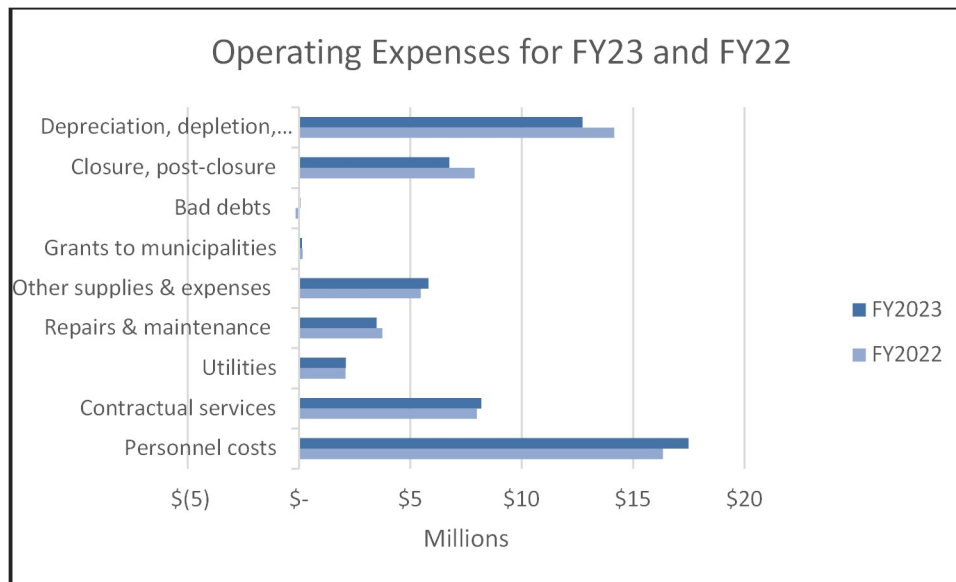
Tipping fee revenue – increased \$3.7M to \$59.6M in FY2023, overall, the solid waste tons decreased by 40K to 703K.

- *Commercial* – tonnage decreased by 14K tons to 327K tons for FY2023. Construction and demolition waste was lower, contributing to 32K tons of the overall decrease, while solid waste increased by 18K. Even though tons were down slightly, revenue increased by \$3.6M as a result of the \$15.00 price increase due to the phase out of the volume discount, effective July 1, 2022.
- *Municipal* - tonnage decreased by 24K tons to 342K in FY2023; revenue increased by \$.5M to \$20.0M as a result a price increase of \$.700 effective July 1, 2022.
- *Special/Sludge* – tonnage decreased slightly by approximately 2.3K tons to 33.6K tons from FY2022. Revenue was flat at \$4.1M in both FY2022 and FY2023.
- *Alternate Cover* - revenue increased by \$.5M to \$2.5M. Total tons received were 75K, an increase of approximately 13.7 tons.
- Recycling revenues decreased substantially, by \$6.8M to \$8.1M. Fiber decreased by \$3.3M to \$2.0M, plastics decreased by \$2.9M to \$2.3M, metals decreased by \$0.4M to \$2.0 and miscellaneous/compost each were relatively flat, combining for an additional \$1.8M of revenue in FY2023. Prices for commodities collapsed in FY2023 after one of the strongest years RIRRC has seen in FY2022. Pricing was especially weak in both fiber and plastics.
- Unfortunately, the decrease in commodity pricing has resulted in the recycling facility to generate a large loss for FY2023, unlike FY2022 which showed profitability for the first time since FY2015 or 7 fiscal years. Total profit generated for FY2022 was \$85K.
- Other Income increased by \$0.3M to \$1.3M as a result of a gas surcharge that was initiated on January 1, 2023.



RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

Operating Expenses



Operating Expenses decreased by \$.9M for FY2023 to \$56.8M versus \$57.7M for FY2022.

- *Personnel costs* increased by \$1.2M to \$17.5M. Annual increases of approximately 5% and a 3% match on the 457 plan effective January 1, 2023 accounted for much of this increase.
- *Contractual services* were flat, increasing slightly by \$.2M to \$8.2M, largely due to insurance increases.
- *Utilities* were flat at \$2.1M.
- *Repairs and maintenance* decreased by \$.2M to \$3.5M in FY2023.
- *Other supplies and expenses* increased by \$.3M to \$5.8M for FY2023. Although there was a large decrease in aggregate materials of \$.7M, other categories had increases, such as diesel at \$.3M, bank charges at \$.2M, chemicals at \$.2M and computer supplies at \$.1M. Bailing wire also saw some increases. This category includes other items such as machinery rental, supplies, and health & safety equipment which generally all saw some pricing increases.
- *Grants and profit share* to the municipalities remained flat at \$.1M.
- *Bad debt* was less than \$.1M as a result of stronger and tighter credit terms.
- *Provision for landfill closure and post-closure* charged to expense decreased by \$1.1M to \$6.8M. This account is where the monthly transfer of \$6.61 per ton is recorded for all waste coming in to the Landfill which accounted for \$4.8M of the amount. Another \$.2M is for investment advisory fees and the remaining amount of \$1.8M is a result of adjusting the closure liability to actual at year end. The closure liability gets reviewed and recalculated every year and adjusted to the updated estimate.
- *Depreciation, depletion and amortization* decreased by \$1.4M to \$12.8M, of which approximately half, \$.7M is the result of the decrease in the depletion directly related to the decrease in landfilled tons year over year. The other half are assets that have been fully depreciated in FY2022 no longer being depreciated in FY2023.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

Capital Planning

Capital planning is more critical than ever to ensure our goal of self-sustainability for the post-closure phase of the Central Landfill. RIRRC must closely monitor our cash position, fee structure and future cash flow needs, so that we are able to fund approximately \$86.1M in projected capital needs over the next 6 years. It is an essential balance to strike, as options are limited to raise capital outside operations as borrowing payment schedules will fall outside of our Landfill Life operating timeframe.

Funding of \$86.1M includes:

- \$30.4M in landfill construction, specifically related to PH VI
- \$31.3M for closure and capping
- \$18.7M for machinery, equipment, and vehicles
- \$1.7M sewer and other infrastructure
- \$3.9M for buildings and improvements
- \$0.1M Roads and fences

Long-Term Planning

Resource Recovery made significant internal and external advancements in long-term planning over the course of FY 23. Externally, it used its past experience, professional insights, and positive working relationships with other state entities to align governmental roles and expectations around the development of State's next Solid Waste Management Plan. Resource Recovery's efforts led to: the formulation of an interagency project steering committee composed of representatives from the Rhode Island Department of Environmental Management, the Division of Statewide Planning and Resource Recovery; the formulation of a detailed workplan for the drafting and approval of the State's next Solid Waste Management Plan; and the receipt of \$551,877 in federal funding to support this and other statewide waste management initiatives.

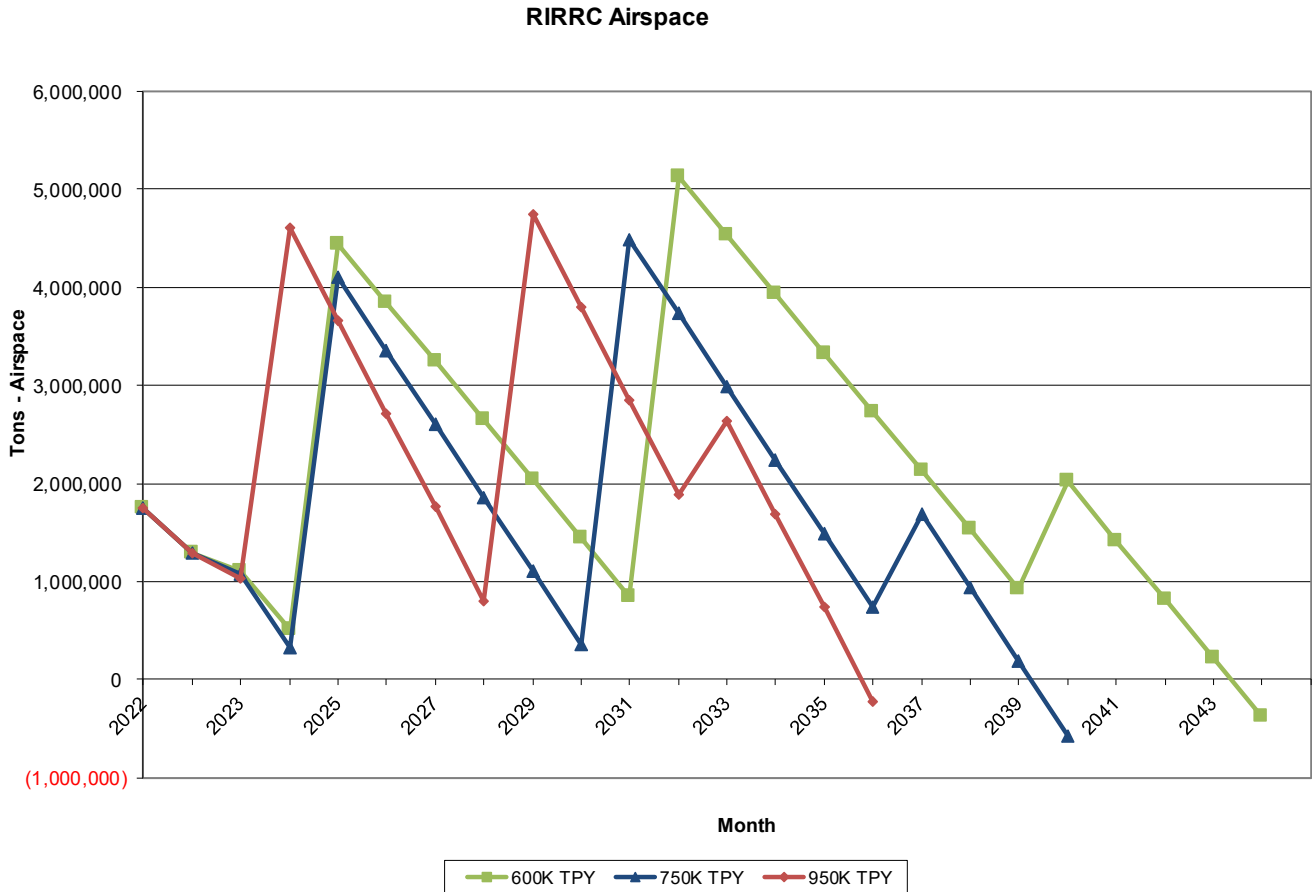
Internally Resource Recovery continued vetting mixed waste processing alternatives. This included detailed assessments of four unsolicited proposals and included a visit to the Tajiguas Resource Center in Santa Barbara, CA to view the proposed systems in operation as well as the completion of RIRRC MRF residue bale composition assessments. Primary takeaways from this work were that mixed waste processing technologies themselves are still in the developmental stage and that the markets for the resulting commodities are still too unreliable to bank on. As such, Resource Recovery shelved further consideration of mixed waste processing alternatives for the time being and shifted focus to constructing a new state of the art facility for processing mixed recyclables alone.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

Landfill Service Life

RIRRC has made great strides over the past three years in using its pricing strategy to minimize landfilled volumes to those called for in Solid Waste 2038 Master Plan. Maintaining these reductions going forward will come with some challenges but doing so presents the opportunity for meaningful gains in landfill service life. Since 2015, inbound disposal volumes had been running 200K to 300K tons per year greater than was called for in the plan, until two years ago. With the previous inbound rates, the landfill's estimated date to reach capacity was 2033/2034. With the current reduced inbound rates and gains in landfill density, it is now estimated to reach capacity after 2042/43, adding 8-9 years of landfill life.

The graph below illustrates the gains in service life that can be realized if these reduced volumes are maintained over time. For example, the dark blue line shows airspace runout at 950K tons per year, the light blue at 750K and the green line depicts what can be achieved if current volumes can be sustained at approximately 600K.



RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Management's Discussion and Analysis - Continued
June 30, 2023 and 2022

Economic Factors

The Corporation's goal is to remain economically self-sufficient while continuing to generate cash reserves to finance approximately \$22.1M of major capital investments in FY2024.

- In October 2022, the municipal tip fee was recalculated in accordance with the State's Administrative Procedures Act (APA) which established a Municipal Solid Waste Disposal Fee Pricing Structure and Procedure. This recalculation resulted in a price increase of \$9.00 per ton for FY24 and FY25. In December 2022 the Board of Commissioners chose to phase in the increase over two years given RIRRC's strong cash position and concerns raised by Rhode Island's cities and towns. The phased in increase of \$4.50 raised the municipal tip fee to \$58.50 and went into effect July 1, 2023. The full municipal tip fee of \$63.00 is set to take effect on July 1, 2024; the municipal tip fee is scheduled to be recalculated in October 2024.
- RIRRC was scheduled to complete the phase out of the volume discount pricing it offers on its commercial solid waste 300-ton minimum contracts on July 1, 2021. However, as market conditions remain in flux because of the pandemic, the previously approved \$15 per ton increase has been postponed until a greater level of stability returns to the market and the ramifications of doing so can be more accurately forecasted. As of July 1, 2022, the volume discount along with early payment discounts have been eliminated. Commercial solid waste is now billed at \$115. There were no solid waste price increases for FY2023.
- FY24 commodity revenues for outbound recycling products are based on market pricing. The revenues for fiber and plastics rebounded strongly in the wake of the pandemic for FY22 however have fallen off significantly in FY2023 and are projected to stay at depressed levels for FY2024.
- Beginning in FY18, RIRRC began utilizing a capital reserve account to assist in funding the future construction of a new MRF or Mixed Waste Processing Facility (MWPF). Given other pending capital outlays and expected revenue decreases transfers to this sinking fund were postponed for a two-year period pushing construction of the preferred alternative until sometime after 2025. For FY2024 the sinking fund will again be funded with an additional \$10M to bring the balance to \$26M. Preliminary construction costs are estimated at \$55M - \$70M for a traditional MRF.
- RIRRC continues to closely analyze our cost needs and reduce expenses at all levels, both vertically and horizontally, while at the same time looking for new revenue sources and maximize tipping revenues all while providing the same high-level service.
- RIRRC is actively seeking short-term options and developing strategies for long-term options that extend landfill life and research alternatives for the States future disposal needs.

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, 34 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, 2023 and 2022

Assets and Deferred Outflow of Resources

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and equivalents	\$ 74,544,933	\$ 62,097,224
Accounts receivable, net	3,597,089	7,213,807
Inventories	3,680,958	2,834,387
Current portion of lease receivable	38,949	37,036
Prepaid expenses	<u>902,528</u>	<u>704,115</u>
Total Current Assets	<u>82,764,457</u>	<u>72,886,569</u>
Noncurrent Assets:		
Restricted assets:		
Cash and equivalents	-	16
Assets held in trust	129,634,210	123,572,578
Land held for sale	1,453,722	1,453,722
Capital assets:		
Non-depreciable:		
Land used in operations	10,731,910	10,731,910
Construction in progress	40,605,405	38,256,769
Depreciable:		
Capital assets, net	51,293,730	54,999,781
Lease receivable, net of current portion	1,171,852	1,210,801
Other assets	<u>609,400</u>	<u>609,400</u>
Total Noncurrent Assets	<u>235,500,229</u>	<u>230,834,977</u>
Total Assets	<u>318,264,686</u>	<u>303,721,546</u>
Deferred Outflow of Resources Related to OPEB	<u>57,232</u>	<u>64,824</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 318,321,918</u>	<u>\$ 303,786,370</u>

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

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Statements of Net Position - Continued

June 30, 2023 and 2022

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2023</u>	<u>2022</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,544,277	\$ 7,832,988
Current portion of closure, post-closure	28,779	29,973
Current portion of pollution remediation	1,033,819	901,527
Current portion of lease liability	6,747	19,744
Current portion of SBITA liability	19,672	-
Current portion of notes payable	250,000	250,000
Current portion of bonds payable	-	4,517,346
Total Current Liabilities	<u>8,883,294</u>	<u>13,551,578</u>
Noncurrent Liabilities:		
Closure, post-closure	122,602,986	118,356,662
Pollution remediation	12,972,564	11,519,848
Lease liability, net of current portion	-	6,747
SBITA liability, net of current portion	5,090	-
Notes payable	1,142,877	1,392,877
Total OPEB liability	<u>528,938</u>	<u>527,187</u>
Total Noncurrent Liabilities	<u>137,252,455</u>	<u>131,803,321</u>
Total Liabilities	<u>146,135,749</u>	<u>145,354,899</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to OPEB	241,532	261,349
Deferred inflows of resources related to lease receivable	<u>1,141,252</u>	<u>1,200,029</u>
Total Deferred Inflows of Resources	<u>1,382,784</u>	<u>1,461,378</u>
Total Liabilities and Deferred Inflows of Resources	<u>147,518,533</u>	<u>146,816,277</u>
Net Position:		
Net investment in capital assets	102,599,536	103,961,969
Unrestricted	<u>68,203,849</u>	<u>53,008,124</u>
Total Net Position	<u>170,803,385</u>	<u>156,970,093</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 318,321,918</u>	<u>\$ 303,786,370</u>

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

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Charges for services, principally tipping fees	\$ 59,564,204	\$ 55,873,136
Recycling	8,143,106	14,863,456
Other operating revenues	<u>1,321,742</u>	<u>1,074,057</u>
Total Operating Revenues	<u>69,029,052</u>	<u>71,810,649</u>
Operating Expenses:		
Personnel costs	17,497,525	16,335,361
Contractual services	8,189,388	7,989,378
Utilities	2,100,570	2,092,686
Repairs and maintenance	3,488,333	3,743,950
Other supplies and expenses	5,755,655	5,473,756
Grants to municipalities for recycling	127,623	160,067
Bad debts (recoveries)	54,493	(152,408)
Provisions for landfill closure and post-closure care and pollution remediation obligations	6,754,070	7,889,427
Depreciation, depletion and amortization	<u>12,788,013</u>	<u>14,149,210</u>
Total Operating Expenses	<u>56,755,670</u>	<u>57,681,427</u>
Operating Income	<u>12,273,382</u>	<u>14,129,222</u>
Nonoperating Revenues (Expenses):		
Interest expense	(64,311)	(193,390)
Interest income and investment gain (loss)	1,705,575	(7,917,202)
Loss on settlements, net	(85,537)	(70,186)
Gain on disposal of assets, net	<u>4,183</u>	<u>52,341</u>
Total Nonoperating Revenues (Losses), Net	<u>1,559,910</u>	<u>(8,128,437)</u>
Increase in Net Position	<u>13,833,292</u>	<u>6,000,785</u>
Net Position, Beginning of Year	<u>156,970,093</u>	<u>150,969,308</u>
Net Position, End of Year	<u>\$ 170,803,385</u>	<u>\$ 156,970,093</u>

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

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Payments received from providing services	\$ 71,324,028	\$ 69,754,800
Receipts from other operating revenue	1,300,001	1,050,737
Payments to suppliers for goods and services	(17,564,246)	(16,033,816)
Payments to employees for services	(17,524,822)	(16,406,212)
Payments in connection with Host Community Agreement	(4,269,180)	(4,435,743)
Payments to municipalities for recycling grants	<u>(127,623)</u>	<u>(160,067)</u>
Net Cash Provided by Operating Activities	<u>33,138,158</u>	<u>33,769,699</u>
Cash Flows from Capital and Related Financing Activities:		
Payments for capital assets and deferred costs	(11,406,840)	(27,541,377)
Proceeds from sale of assets	28,180	52,341
Interest paid on notes payable, bonds payable, leases, and SBITAs	(64,311)	(193,390)
Principal paid on notes payable, bonds payable, leases, and SBITAs	(4,805,900)	(4,662,685)
Payments of legal settlement, net	<u>(85,537)</u>	<u>(70,186)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(16,334,408)</u>	<u>(32,415,297)</u>
Cash Flows from Investing Activities:		
Sale (Purchase) of investments, net	(6,061,632)	3,934,840
Interest and investment income (expense)	<u>1,705,575</u>	<u>(7,917,202)</u>
Net Cash Applied to Investing Activities	<u>(4,356,057)</u>	<u>(3,982,362)</u>
Net Increase (Decrease) in Cash and Equivalents	12,447,693	(2,627,960)
Cash and Equivalents, Beginning of Year	<u>62,097,240</u>	<u>64,725,200</u>
Cash and Equivalents, End of Year	<u>\$ 74,544,933</u>	<u>\$ 62,097,240</u>

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

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Statements of Cash Flows - Continued

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating income	\$ 12,273,382	\$ 14,129,222
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, depletion and amortization	12,788,013	14,149,210
Bad debts (net of recovery)	54,493	(152,408)
Gain on disposal and sale of assets	(4,183)	(52,341)
Changes in assets and liabilities:		
Accounts receivable	3,562,225	(829,384)
Lease receivable	37,036	35,457
Inventories	(846,571)	(570,028)
Prepaid expenses	(198,413)	102,174
Land held for Sale	-	1,376,927
Accounts payable and accrued expenses	(288,711)	(1,002,437)
Total OPEB activity	(10,474)	(29,072)
Deferred inflows of resources related to lease receivable	(58,777)	(58,777)
Landfill closure and post-closure care and pollution remediation obligation	<u>5,830,138</u>	<u>6,671,156</u>
Net Cash Provided by Operating Activities	<u>\$ 33,138,158</u>	<u>\$ 33,769,699</u>
Cash and Equivalents as Reported in the Financial Statements Consist of:		
Unrestricted:		
Cash and equivalents	\$ 74,544,933	\$ 62,097,224
Restricted:		
Cash and equivalents	<u>-</u>	<u>16</u>
Total Cash and Equivalents	<u>\$ 74,544,933</u>	<u>\$ 62,097,240</u>

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

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Statements of Fiduciary Net Position

June 30, 2023 and 2022

Assets

	2023	2022
	Pension Trust Fund	Pension Trust Fund
Assets:		
Mutual Funds	\$ 36,628,857	\$ 33,805,371
Cash and equivalents	261	308
Other assets	15,688	27,208
Notes receivable from participants	<u>205,934</u>	<u>193,524</u>
Total Assets	<u>36,850,740</u>	<u>34,026,411</u>

Liabilities and Fiduciary Net Position

Fiduciary Net Position:		
Net position restricted for pension benefits	<u>36,850,740</u>	<u>34,026,411</u>
Total Net Fiduciary Position	<u>\$ 36,850,740</u>	<u>\$ 34,026,411</u>

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

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Statements of Changes in Fiduciary Net Position

June 30, 2023 and 2022

	2023	2022
Additions		
Participation loan interest	\$ 7,388	\$ 10,182
Payout to recapture account	1,090	1,384
Investment income	1,551,099	1,560,996
Investment and administrative fees	(171,079)	(185,323)
Net increase (decrease) in fair value of investments	<u>2,032,786</u>	<u>(7,626,996)</u>
Net Investment Income (Loss)	<u>3,421,284</u>	<u>(6,239,757)</u>
Contributions		
Employer	2,011,831	1,851,103
Participant	<u>626,515</u>	<u>575,854</u>
Total Additions (Reductions)	<u>6,059,630</u>	<u>(3,812,800)</u>
Distributions		
Participants	3,235,301	3,575,798
Loan defaults	<u>-</u>	<u>9,663</u>
Total Deductions	3,235,301	3,585,461
Net Increase (Decrease) in Net Position Restricted for Pension Benefits	<u>2,824,329</u>	<u>(7,398,261)</u>
Net Position Restricted for Pension Benefits, Beginning of Year	<u>34,026,411</u>	<u>41,424,672</u>
Net Position Restricted for Pension Benefits, End of Year	<u>\$ 36,850,740</u>	<u>\$ 34,026,411</u>

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

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements
June 30, 2023 and 2022

Note 1 - **Summary of Significant Accounting Policies**

Organization

Rhode Island Resource Recovery Corporation (the "Corporation" or "RIRRC") 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 individuals 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 of Rhode Island for financial reporting purposes and, as such, the financial statements of the Corporation are included in the State's Annual Comprehensive Financial Report.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Corporation has determined that it functions as a Business-Type Activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements.

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 primarily include the cost primarily 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.

Fiduciary Funds

The fiduciary fund financial statements are reported using the economic resources measurement focus on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred. Fiduciary funds are not reflected in the Corporation's business type financial statements because the resources of these funds are not available to support the Corporation's own programs. The fiduciary funds consist of the defined contribution pension plan (see note 18). The defined contribution pension plan is a fiduciary fund because the Corporation has the ability to direct the deployment of the plan's asset due to the limited investments choices of the plan by the participants.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining 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), an allowance for doubtful accounts, and the total OPEB liability.

Cash and Equivalents

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

Accounts Receivable, Net

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 larger 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 approximately \$658,000 and \$1,548,000 as of June 30, 2023 and 2022, respectively.

Investments

Investments, including restricted investments, are stated 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 which are valued at the lower of cost or market value using the first-in, first-out (FIFO) method.

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.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Restricted Assets (Restricted Net Position)

Restricted assets include cash and equivalents and assets held in trust. There was \$0 and \$16 of restricted cash and equivalents as of June 30, 2023 and 2022, respectively.

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 of 10% of the asset's 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 years
Buildings and improvements	15-30 years
Machinery and equipment	5-10 years
Sewer and leachate collection systems	30 years
Furniture and equipment	5-10 years
Leased equipment	3 years
Software arrangements	2-3 years
Signs, fences and roads	3-5 years

The cost of the landfill and land improvements is depleted over the estimate useful capacity of the respective sites (Note 12).

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 amortized over the estimated life of the currently licensed landfill (Note 5). The Corporation annually evaluates all long-lived assets for impairment. Management notes no impairments as of June 30, 2023 and 2022.

Deferred Charges

Deferred charges, which are included in construction in progress on the statements 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 and will be recoverable through future revenue or will benefit future operations.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on the Corporation's policies. Unused vacation and sick leave are accumulated and accrued as earned and the liability is included in accounts payable and accrued expenses in the statements of net position.

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 12), 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.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

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 and recorded at current value of costs.

Net Position

The Corporation's net position consists of the following three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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

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

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

Tax Status

The Corporation is a component unit of the State of Rhode Island and is, therefore, generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code.

Future Governmental Accounting Pronouncements Not Implemented

GASB Statement 100 – *Accounting Changes and Error Corrections* – an amendment of GASB 62 is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

GASB Statement 101 – *Compensated Absences* is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

Management has not completed its review of the requirements of these standards and their applicability.

Note 2 - **Implementation of Newly Effective Accounting Standard**

As of July 1, 2021, the Corporation implemented GASB 96, *Subscription-based Information Technology Arrangements (SBITAs)*. GASB 96 enhances the consistency for SBITA activities and establishes the requirement to recognize a right to use asset and liability for SBITAs. As of July 1, 2021, the Corporation did not have any material SBITAs.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Note 3 - Deposits

The carrying amount of the Corporation's cash deposits, consisting of checking accounts and money market accounts totaled \$31,731,307 and \$25,032,080 as of June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the bank balance for these accounts totaled \$32,214,286 and \$28,034,063, 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.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uninsured, collateralized with securities held by pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor's government's name.

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, 2023 and 2022, all of the Corporation's cash deposits were insured and collateralized.

Investments under a repurchase agreement and in commercial paper totaling \$42,813,626 and \$37,065,160 as of June 30, 2023 and 2022, respectively, are included in cash and equivalents in the statements of net position. For purposes of disclosure, such amounts are considered investments and are included in the disclosure in Note 4.

At June 30, 2023 and 2022, the Corporation had investments (cash equivalents) consisting of approximately \$4,092,000 and \$0, respectively, in the Ocean State Investment Pool Trust ("OSIP"), an investment pool established by the State General Treasurer. The Corporation's investment accounted for .27% and .00% of the total investment in OSIP at June 30, 2023 and 2022, respectively. Agencies, authorities, commissions, boards, municipalities, political subdivisions and other public units of the State may invest in OSIP. OSIP has met the criteria outlined in GASB Statement No. 79 – Certain External Investment Pools and Pool Participants, to permit election to report its investments at amortized cost which approximates fair value.

The OSIP is not rated and the weighted average maturity of investments held by the pool, by policy, is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value ("NAV") per share. Investments reported at the NAV are not subject to the leveling categorization. There are no participant withdrawal limitations. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue, 2nd Floor, Warwick, RI 02886.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

A reconciliation of the Corporation's cash deposits as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 31,731,307	\$ 25,032,064
Restricted cash and equivalents	<u>-</u>	<u>16</u>
Deposits	<u>\$ 31,731,307</u>	<u>\$ 25,032,080</u>

Note 4 - 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.

The Corporation's investments contained on the Statements of Net Position as of June 30, 2023 and 2022 consist of the following:

	<u>Fair Value</u>		<u>Weighted Average Maturity (Years)</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Repurchase Agreement	\$ 42,813,626	\$ 37,065,160	Daily	Daily
Short-Term Bond Portfolio	39,379,777	37,787,465	2.80 yrs	2.90 yrs
TIPS Portfolio	43,494,904	32,001,191	2.70 yrs	2.50 yrs
Inter.-Term Bond Portfolio	33,522,806	42,010,180	7.20 yrs	7.20 yrs
High Yield Bond Portfolio	<u>13,236,723</u>	<u>11,773,742</u>	4.90 yrs	6.10 yrs
Total Fair Value	<u>\$ 172,447,836</u>	<u>\$ 160,637,738</u>		

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

A reconciliation of the Corporation's investments as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Business Activities:		
Cash and equivalents	\$ 42,813,626	\$ 37,065,160
Investments - held in trust	<u>129,634,210</u>	<u>123,572,578</u>
Total Business Activities	<u>172,447,836</u>	<u>160,637,738</u>
Fiduciary Activities:		
Investments - Mutual Funds	<u>36,628,857</u>	<u>33,805,371</u>
Total	<u>\$ 209,076,693</u>	<u>\$ 194,443,109</u>

Average ratings of the investments comprising the debt related securities above, as determined by Moody's, are as follows at June 30, 2023:

	<u>Repurchase</u>	<u>Fixed Income</u>	<u>Total</u>
	<u>Agreement</u>	<u>Securities</u>	
Treasury/Agency	\$ 42,813,626	\$ -	\$ 42,813,626
AAA	-	87,308,243	87,308,243
AA	-	2,592,985	2,592,985
A	-	12,992,808	12,992,808
BBB	-	15,199,040	15,199,040
BB	-	6,462,168	6,462,168
B	-	4,511,075	4,511,075
Below B	-	452,696	452,696
Not rated	<u>-</u>	<u>115,195</u>	<u>115,195</u>
Total	<u>\$ 42,813,626</u>	<u>\$ 129,634,210</u>	<u>\$ 172,447,836</u>

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Average ratings of the investments comprising the debt related securities above, as determined by Moody's, are as follows at June 30, 2022:

	Repurchase Agreement	Fixed Income Securities	Total
Treasury/Agency	\$ 37,065,160	\$ -	\$ 37,065,160
AAA	-	84,958,582	84,958,582
AA	-	2,177,030	2,177,030
A	-	11,345,082	11,345,082
BBB	-	14,314,461	14,314,461
BB	-	6,503,815	6,503,815
B	-	3,693,423	3,693,423
Below B	-	568,584	568,584
Not rated	-	11,601	11,601
	<hr/>	<hr/>	<hr/>
Total	\$ 37,065,160	\$ 123,572,578	\$ 160,637,738

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, 2023 and 2022, however, collateralized at 100% while in overnight status. FDIC insurance is provided up to \$250,000 per tax identification number.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

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 12).

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. Currently, the assets are invested in approximately 68% U.S. Government-backed securities and approximately 32% corporate bonds. Through June 30, 2023 the government-backed securities are allocated on a 26% short-term TIPS, 34% intermediate-term investments grade and 3% short-term investment grade and 10% High-Yield Corporate as directed by the Board-approved investment policy. Investments in bonds are not insured.

Investments Measured at Fair Value

The Corporation categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Corporation has the following fair value measurements:

Fixed income securities of \$129,634,210 and \$123,512,578 and mutual funds of \$36,628,857 and \$33,805,371 at June 30, 2023 and 2022, respectively, are valued using quoted market prices (Level 1 inputs).

Restricted Assets

Restricted assets as of June 30, 2023 and 2022, consisting of cash and equivalents, are restricted as follows:

	<u>2023</u>	<u>2022</u>
Mandated by Bond Indentures:		
Project Account - Series 2013	\$ <u> - </u>	\$ <u> 16 </u>

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

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Note 5 - Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets being depreciated:				
Land, residential buffer	\$4,210,896	\$ -	\$ -	\$4,210,896
Capital improvements	145,045,448	-	-	145,045,448
Automobiles and trucks	1,709,557	265,819	(25,347)	1,950,029
Buildings and improvements	44,647,176	-	-	44,647,176
Computers and equipment	56,363,285	9,054,847	(33,945)	65,384,187
Leased equipment	57,798	-	-	57,798
Software arrangements	-	81,692	-	81,692
Other depreciable property	<u>38,927,068</u>	<u>-</u>	<u>(300,582)</u>	<u>38,626,486</u>
Total capital assets being depreciated	<u>290,961,228</u>	<u>9,402,358</u>	<u>(359,874)</u>	<u>300,003,712</u>
Less accumulated depreciation and depletion:				
Land, residential buffer	(4,210,896)	-	-	(4,210,896)
Capital improvements	(127,014,681)	(6,504,559)	-	(133,519,240)
Automobiles and trucks	(1,364,809)	(142,823)	25,347	(1,482,285)
Buildings and improvements	(38,693,512)	(356,210)	-	(39,049,722)
Computers and equipment	(48,108,818)	(3,636,021)	14,131	(51,730,708)
Leased equipment	(32,110)	(19,266)	-	(51,376)
Software arrangements	-	(37,858)	-	(37,858)
Other depreciable property	<u>(16,536,621)</u>	<u>(2,091,276)</u>	<u>-</u>	<u>(18,627,897)</u>
Total accumulated depreciation and depletion	<u>(235,961,447)</u>	<u>(12,788,013)</u>	<u>39,478</u>	<u>(248,709,982)</u>
Total capital assets being depreciated, net	<u>54,999,781</u>	<u>(3,385,655)</u>	<u>(320,396)</u>	<u>51,293,730</u>
Non-depreciable capital assets:				
Land used in operations	10,731,910	-	-	10,731,910
Construction in progress	<u>38,256,769</u>	<u>6,968,283</u>	<u>(4,619,647)</u>	<u>40,605,405</u>
Capital assets, net	<u>\$ 103,988,460</u>	<u>\$ 3,582,628</u>	<u>\$ (4,940,043)</u>	<u>\$ 102,631,045</u>

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets being depreciated:				
Land, residential buffer	\$ 4,210,896	\$ -	\$ -	\$ 4,210,896
Capital improvements	142,535,625	2,509,823	-	145,045,448
Automobiles and trucks	1,774,794	74,453	(139,690)	1,709,557
Buildings and improvements	40,224,483	4,422,693	-	44,647,176
Computers and equipment	55,748,451	1,254,738	(639,904)	56,363,285
Leased equipment	57,798	-	-	57,798
Other depreciable property	<u>37,254,844</u>	<u>1,739,433</u>	<u>(67,209)</u>	<u>38,927,068</u>
Total capital assets being depreciated	<u>\$ 281,806,891</u>	<u>\$ 10,001,140</u>	<u>\$ (846,803)</u>	<u>\$ 290,961,228</u>
Less accumulated depreciation and depletion:				
Land, residential buffer	(4,210,896)	-	-	(4,210,896)
Capital improvements	(119,723,123)	(7,291,558)	-	(127,014,681)
Automobiles and trucks	(1,372,172)	(132,327)	139,690	(1,364,809)
Buildings and improvements	(38,382,772)	(310,740)	-	(38,693,512)
Computers and equipment	(44,305,853)	(4,442,869)	639,904	(48,108,818)
Leased equipment	(12,844)	(19,266)	-	(32,110)
Other depreciable property	<u>(14,584,171)</u>	<u>(1,952,450)</u>	<u>-</u>	<u>(16,536,621)</u>
Total accumulated depreciation and depletion	<u>(222,591,831)</u>	<u>(14,149,210)</u>	<u>779,594</u>	<u>(235,961,447)</u>
Total capital assets being depreciated, net	59,215,060	(4,148,070)	(67,209)	54,999,781
Non-depreciable capital assets:				
Land used in operations	9,354,983	1,376,927	-	10,731,910
Construction in progress	<u>21,973,909</u>	<u>19,062,665</u>	<u>(2,779,805)</u>	<u>38,256,769</u>
Capital assets, net	<u>\$ 90,543,952</u>	<u>\$ 16,291,522</u>	<u>\$ (2,847,014)</u>	<u>\$ 103,988,460</u>

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Note 6 - Land Used in Operations

Land used in 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.

Note 7 - 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.

Land held for sale consists of three lots. These lots are located in the industrial park. Lot 7 is 7.03 acres located on Green Earth Avenue. Lots 1 and 3 are 8.68 and 3.10 buildable acres, respectively, located on Recycle Road. The land held for sale is carried at the lower of historical cost or fair value. During the year ended June 30, 2022, Lot 1 was reclassified to land used in operations.

Note 8 - Lease Receivable and Deferred Inflow of Resources

The Corporation is a lessor of two current long-term leases for equipment and a work site. Significant lease terms are described below:

The first lease began in September 1997 expiring in 2042. Monthly payments range from \$2,650 through \$3,938 over the course of the lease. The Corporation also receives a revenue share from the lessee that is not included in the lease receivable balance as it is not reasonably estimable over the life of the lease. For the years ended June 30, 2023 and 2022, the revenue share received by the Corporation was approximately \$7,000 and \$9,000, respectively. The lease has one additional five-year option to renew.

The second lease began in December 2008 expiring in 2042. Minimum monthly payments of \$3,400 are required. The monthly lease payments are adjusted based on the consumer price index ("CPI"). Actual monthly rent payments for the years ended June 30, 2023 and 2022 were \$5,244 and \$4,638, respectively. For the years ended June 30, 2023 and 2022, no adjustment to deferred inflows due to changes in CPI were recorded due to the immateriality. No other monthly payments are due. There are no renewal options included in this lease agreement.

The Corporation's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the lease receivable and deferred inflows of resources. The borrowing rate used for both leases described above was 3.35%.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Lease receivable and deferred inflows of resources as of June 30,:

June 30, 2023				
	Variable and Straightline Lease Revenue	Lease Interest Income	Lease Receivable	Deferred Inflow
Lease 1	\$ 33,385	\$ 18,783	\$ 553,325	\$ 512,315
Lease 2	32,392	22,457	657,476	628,937
	\$ 65,777	\$ 41,240	\$ 1,210,801	\$ 1,141,252
June 30, 2022				
	Variable and Straightline Lease Revenue	Lease Interest Income	Lease Receivable	Deferred Inflow
Lease 1	\$ 35,385	\$ 19,214	\$ 566,712	\$ 538,700
Lease 2	32,392	23,235	681,125	661,329
	\$ 67,777	\$ 42,449	\$ 1,247,837	\$ 1,200,029

Annual receipt of lease payments for all leases, including interest, subsequent to June 30, 2023, are as follows:

Year Ending	June 30,	Principal	Interest
2024	\$	38,949	\$ 39,970
2025		40,939	38,635
2026		43,009	37,232
2027		45,162	35,758
2028		47,407	34,211
2029-2033		274,007	145,057
2034-2038		345,213	93,490
2039-2043		376,115	29,248

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Note 9 - **Long-Term Liabilities**

Bonds Payable

In May 2013, the Corporation issued Resource Recovery System Revenue Bonds, Leachate Pretreatment Facility Project, Series 2013 ("Leachate Bonds"), 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 Leachate Bonds 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 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, 2023 and 2022, the Corporation was in compliance with all bond indenture covenants.

Bonds payable as of June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Resource Recovery System Revenue		
Bonds, Series 2013	\$ -	\$ 4,517,346
Less: current portion	<u>-</u>	<u>(4,517,346)</u>
	<u>\$ -</u>	<u>\$ -</u>

Notes Payable

As part of a legal settlement with the Town of Johnston (the "Host Community") concerning odor conditions, the Corporation 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, 2023 and 2022, amounts owed were \$535,734, and \$642,877, respectively.

As part of a second settlement, executed in 2016, the Town of Johnston assigned certain rights it obtained under a settlement agreement with Broadrock Gas Services LLC ("Broadrock") to the Corporation. The rights assigned concerned the obligation of Broadrock to transfer the operations of the gas collection system to an independent third-party operator and its enforcement rights associated with the obligation. For the assignment of these rights, the Corporation agreed to pay the Host Community a \$2,000,000 installment note over 14 years, equal to \$142,857 per year. As of June 30, 2023 and June 30, 2022, the amounts owed were \$857,143 and \$1,000,000, respectively.

No interest is incurred on either note payable due to a lack of materiality.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Aggregate scheduled principal payments due on the notes through maturity are as follows:

Year Ending	
June 30,	Principal
2024	\$ 250,000
2025	250,000
2026	250,000
2027	250,000
2028	250,000
2029-2030	<u>142,877</u>
	<u>\$ 1,392,877</u>

The following is a summary of changes in bonds and notes payable, OPEB, and lease liabilities for the years ended June 30, 2023 and 2022:

	Balance			Balance	Amounts
	July 1, 2022	Additions	Reductions	June 30, 2023	Due Within
					One Year
Bonds payable	\$ 4,517,346	\$ -	\$ 4,517,346	\$ -	\$ -
Notes payable	1,642,877	-	250,000	1,392,877	250,000
Total OPEB liability	527,187	1,751	-	528,938	-
SBITA liability	-	43,572	18,810	24,762	19,672
Lease liability	<u>26,491</u>	<u>-</u>	<u>19,744</u>	<u>6,747</u>	<u>6,747</u>
	<u>\$ 6,713,901</u>	<u>\$ 45,323</u>	<u>\$ 4,805,900</u>	<u>\$ 1,953,324</u>	<u>\$ 276,419</u>

	Balance			Balance	Amounts
	July 1, 2021	Additions	Reductions	June 30, 2022	Due Within
					One Year
Bonds payable	\$ 8,911,013	\$ -	\$ 4,393,667	\$ 4,517,346	\$ 4,517,346
Notes payable	1,892,877	-	250,000	1,642,877	250,000
Total OPEB liability	693,800	-	166,613	527,187	-
Lease liability	<u>45,509</u>	<u>-</u>	<u>19,018</u>	<u>26,491</u>	<u>19,744</u>
	<u>\$ 11,543,199</u>	<u>\$ -</u>	<u>\$ 4,829,298</u>	<u>\$ 6,713,901</u>	<u>\$ 4,787,090</u>

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Note 10 - 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, 2023 and 2022 totaled approximately \$1,418,000 and \$1,288,000, respectively.

Amounts incurred under the agreement for the years ended June 30, 2023 and 2022 were approximately \$4,474,000 and \$4,606,000, respectively, of which approximately \$1,188,000 and \$1,096,000 remained unpaid and is included in accounts payable as of June 30, 2023 and 2022, 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 \$305,000 and \$288,000 for the years ended June 30, 2023 and 2022, respectively. Due to the fact the current agreement is over 20 years old, the Town of Johnston and RIRRC are reviewing the Host Community Agreement with the intention of updating the current agreement in both parties' best interest.

Note 11 - 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.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

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. In June 2013, the lessee acquired the gas collection system. Since this date, no royalties have been received by the Corporation under the revised methodology. Monthly royalty payments to the Corporation will be calculated as a) the number of hours in a month, multiplied by b) 12 megawatts per hour, multiplied by c) net revenues for the month, divided by d) the total number of megawatt-hours of electricity produced. The monthly royalty payment due to the Corporation is reduced on a decreasing percentage basis each year from 100% in years 1 through 5 to 0.0% in year 10 and thereafter and is further offset by a monthly credit to the operator on a dollar-for-dollar basis up to a maximum of \$416,667 a month.

In conjunction with the amended and restated site lease and landfill gas delivery 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 is 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 fiscal 2013, 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, and expansion of or capital improvements to the gas system transfers to the owner. The Corporation estimated this date to be March 1, 2013, and accordingly only recorded expenditures relating to the gas collection system through that 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 12, 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. Additionally, as discussed in Note 12, the Corporation is still responsible for a portion of the sulfur-related operating, major maintenance and capital costs.

Note 12 - Commitments

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. On May 12, 2020 the Restated Sewer Agreement was terminated with the execution of the new Sewer Connection Agreement. Under the terms of the new agreement, the Corporation will be allowed to discharge effluent that emanates specifically from Phase V and Phase IV underdrain flows in accordance with Industrial Wastewater Discharge Permit No. 1808 at rates consistent with other industrial operations.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Additional tertiary system fees may be billed at \$1,666.67 per day (adjusted yearly by the Boston CPI-U) during the out of permit season, from November 1 through March 31, if levels of Arsenic or Selenium exceed certain limits. RIRRC is allowed to discharge a maximum of 400,000 gallon per day. The term of this lease is forty-five (45) years from the agreement's effective date.

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. Phases V and VI are active.

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. Based on estimates by the Corporation's engineers, approximately 91.43% of the capacity for Phase V has been used as of June 30, 2023 and this phase has temporarily stopped accepting waste. On February 8, 2011, a permit was approved by the RIDEM to operate Phase VI of the Central Landfill. Phase VI started accepting waste in December 2015 and is at approximately 34.07% of capacity as of June 30, 2023.

Landfill Closure and Post-Closure

The Environmental Protection Agency 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, III and IV were closed by the Corporation in prior years. In 2005, the Corporation began landfilling in Phase V, which is near capacity and has temporarily stopped accepting waste. In December 2015, the Corporation began accepting waste in Phase VI.

Changes in closure and post-closure care obligations for the years ended June 30, 2023 and 2022 are as follows:

<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
<u>\$ 118,386,635</u>	<u>\$ 9,119,834</u>	<u>\$ 4,874,704</u>	<u>\$ 122,631,765</u>	<u>\$ 28,779</u>
<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Current</u> <u>Portion</u>
<u>\$ 109,950,596</u>	<u>\$ 10,278,238</u>	<u>\$ 1,842,199</u>	<u>\$ 118,386,635</u>	<u>\$ 29,973</u>

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

A summary of closure, post-closure liabilities by Phase for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Phase I	\$ 646,084	\$ 700,263
Phases II and III	17,597,648	17,552,474
Phase IV	16,393,462	20,197,166
Phase V	46,259,184	42,682,920
Phase VI	41,217,372	36,684,318
Other	<u>518,015</u>	<u>569,494</u>
Total	122,631,765	118,386,635
Less: current portion	<u>(28,779)</u>	<u>(29,973)</u>
Closure, post-closure - noncurrent portion	<u>\$ 122,602,986</u>	<u>\$ 118,356,662</u>

As of June 30, 2023, 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	\$ 4,337,582	91.43%	1year, 1 month
Phase VI	\$ 79,770,955	34.07%	20 years, 4 months

As of June 30, 2023, the Corporation revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$5,830,138 increase of the corresponding liability from \$130,808,010 at June 30, 2022, to \$136,638,148 at June 30, 2023. The increase is the result of the new requirement to commercially treat water that was previously processed onsite.

As more fully described in Note 11, 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 and expansion of or capital improvements to the gas system, transferred 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 current information.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

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 reasonably possible that these estimates and assumptions could change in the near-term and that the change could be material.

Included in restricted assets in the accompanying statements of net position as of June 30, 2023 and 2022 is \$83,060,390 and \$77,294,969, respectively, placed in trust to meet the financial requirements of closure and post-closure care related to Phases II, III, IV, V and VI. The Corporation plans to make additional trust fund contributions each year to enable it to satisfy these future costs.

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.

Pollution Remediation Obligations

Changes in the pollution remediation obligations for the years ended June 30, 2023 and 2022 are as follows:

<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
<u>\$ 12,421,375</u>	<u>\$ 1,585,008</u>	<u>\$ -</u>	<u>\$ 14,006,383</u>	<u>\$ 1,033,819</u>
 Balance <u>July 1, 2021</u>	 <u>Additions</u>	 <u>Reductions</u>	 Balance <u>June 30, 2022</u>	 Current <u>Portion</u>
 <u>\$ 14,186,258</u>	 <u>\$ -</u>	 <u>\$ 1,764,883</u>	 <u>\$ 12,421,375</u>	 <u>\$ 901,527</u>

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

During 1996, the Corporation entered into a Consent Decree with the EPA concerning remedial actions taken by the Corporation for groundwater contamination. The Consent Decree, which was approved by the U.S. District Court on October 2, 1996, required the establishment of a trust fund in the amount of \$27,000,000 for remedial purposes. The balance of the trust fund totaled \$46,573,820 and \$46,277,609 as of June 30, 2023 and 2022, 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 \$14,006,000 and \$12,421,000 as of June 30, 2023 and 2022, respectively.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

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 \$518,017 and \$569,494 as of June 30, 2023 and 2022, respectively, which is included in pollution and remediation obligations on the statements of net position.

Gas System Commitments

In August 2010, the Corporation entered into an agreement for the construction and operation of a sulfur treatment system for the purpose of reducing the levels of sulfur in the gas collection system. The Corporation is committed to reimburse the operator for 50% of the operator's direct, unallocated costs not to exceed \$345,416 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 shares in 50% of the cost of major maintenance or future capital expenditures relating to the system.

Note 13 - Lease and SBITA Liabilities

Lease Liabilities

A summary of the Corporation's leases at June 30, 2023 and 2022 is as follows:

<u>Description</u>	<u>Date</u>	<u>Terms</u>	<u>Payment</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	6/30/2023	6/30/2022
					<u>Lease</u> <u>Liability</u>	<u>Lease</u> <u>Liability</u>
Equipment	11/1/2020	36 months	\$ 1,700	3.75%	\$ 6,747	\$ 26,491

In November 2020, the Corporation entered into a three-year lease agreement for equipment. Payments of \$1,700 are due monthly. No specific options to renew are agreed upon in the lease. No other monthly payments are due associated with this agreement. The Corporation's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability.

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2023 are as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2024	\$ <u>6,747</u>	\$ <u>53</u>

SBITA Liabilities

The Corporation has entered into subscription-based information technology arrangements (SBITAs) involving its cloud storage, data protection, and wireless networking systems.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

The cloud storage arrangement is a three-year agreement, initiated in fiscal year 2022 with a monthly payment of \$1,713 and an initial one-time cost of \$8,155. The Corporation has used a 5.57% discount rate for this arrangement based on the market rate of similar length debt as of the implementation date to determine the present value of the intangible right-to-use asset and SBITA liability. The Corporation does not have an option to extend the agreement and there is no option to purchase the software.

The data protection arrangement is a three-year agreement, initiated in fiscal year 2021 with no monthly payment and an initial one-time cost of \$21,088. The Corporation has used a 5.57% discount rate for this arrangement based on the market rate of similar length debt as of the implementation date to determine the present value of the intangible right-to-use asset and SBITA liability. The Corporation does not have an option to extend the agreement and there is no option to purchase the software.

The Corporation has two wireless networking arrangements which are three-year agreements, initiated in fiscal year 2022 with no monthly payments and an initial combined one-time cost of \$21,897. The Corporation has used a 5.57% discount rate for this arrangement based on the market rate of similar length debt as of the implementation date to determine the present value of the intangible right-to-use asset and SBITA liability. The Corporation does not have an option to extend the agreements and there are no options to purchase the software.

At June 30, 2023, the total costs of the Corporation's subscription assets are recorded as \$81,692, less accumulated amortization of \$37,858.

Annual requirements to amortize SBITA liability and related interest subsequent to June 30, 2023 are as follows:

Year Ending				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2024	\$ 19,672	\$ 791	\$ 20,463	
2025	<u>5,090</u>	<u>24</u>	<u>5,114</u>	
	<u>\$ 24,762</u>	<u>\$ 815</u>	<u>\$ 25,577</u>	

Note 14 - Postemployment Benefits Other than Pensions (OPEB)

Plan Description

The Corporation administers an employee Retiree Healthcare Plan (the "Plan"), which is a single-employer defined benefit healthcare plan. Benefit provisions are established by the governing body of the Corporation and may be amended at any time. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity. No assets are accumulated in a trust that meets the criteria of GASB Statement 75, paragraph 4.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Benefits Provided

Postretirement benefits include medical and dental coverage for the employee, their spouse, and dependents. No life insurance is provided. Coverage under this plan is continued for those employees who retire under the pension plan from active employment at their normal or early retirement age. Coverage is one covered month of full premium for each year of service the participant accumulates up to a maximum of 12 months coverage. As an elective, the participant may choose half premium coverage wherein the Corporation and the participant each pay half the premium due each month in return for receiving two months coverage for each year of service to a maximum of 24 months.

Employees Covered by Benefit Terms

As of June 30, 2023 and 2022, the following were participant counts:

	<u>2023</u>	<u>2022</u>
Active participants	37	41
Retirement participants	<u>2</u>	<u>1</u>
Total	<u>39</u>	<u>42</u>

Employees hired after December 31, 2008 are ineligible for benefits under the plan.

Total OPEB Liability

The Corporation's total OPEB liability of \$528,938 at June 30, 2023 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022. The Corporation's total OPEB liability of \$527,187 at June 30, 2022 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions and Other Inputs

Economic Assumptions

Discount rate	3.65% as of June 30, 2023
	3.54% as of June 30, 2022

Since the plan is unfunded (i.e., the plan is a pay-as-you-go plan), prescribed by GASB Statement 75, the discount rate is based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. The Corporation elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index.

Demographic Assumptions

Mortality For the year ended June 30, 2023, mortality rates based on Pri-2012 Mortality Tables with generational mortality improvements using Scale MP-2020.

For the year ended June 30, 2022, mortality rates based on Pri-2012 Mortality Tables with generational mortality improvements using Scale MP-2020.

Turnover Rates varying by age and service.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Disability	None assumed.		
Retirement	Earlier of (i) age 62 and 5 years of service or (ii) age 65.		
Coverage level	Based on coverage level during active employment.		
Participation rate	80% of employees covered during active employment who retire prior to age 65 are assumed to elect coverage. No employees retiring after age 65 will elect coverage.		
Salary increases	3%, average, including inflation		
Healthcare cost trend rates	<u>Year</u>	<u>Medical</u>	<u>Dental</u>
	1	8%	4%
	2	7%	4%
	3	6%	4%
	4+	5%	4%

Changes in the Total OPEB Liability

The following provides a reconciliation of the total OPEB liability from June 30, 2022 to June 30, 2023:

Balance, June 30, 2022	\$ 527,187
Service cost	14,943
Interest	18,823
Difference between expected and actual experience	(8,697)
Changes in assumptions or other inputs	(2,483)
Benefit payments	(20,835)
Net change	<u>1,751</u>
Balance, June 30, 2023	<u>\$ 528,938</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023 with the same Pri-2012 Mortality Table with Scale MP-2020.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

The following provides a reconciliation of the total OPEB liability from June 30, 2021 to June 30, 2022:

Balance, June 30, 2021	\$ 693,800
Service cost	20,846
Interest	14,975
Difference between expected and actual experience	(145,303)
Changes in assumptions or other inputs	(14,413)
Benefit payments	<u>(42,718)</u>
Net change	<u>(166,613)</u>
 Balance, June 30, 2022	 <u>\$ 527,187</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 3.54% in 2022.

Sensitivity Analysis

This section provides information about the sensitivity of the total OPEB liability to certain assumptions made in the actuarial valuation. The discount rate and benefit cost trend rate are the most significant assumptions used in the actuarial valuation. The below shows the effect of increasing and decreasing the assumptions by 1.0% above and below the projected levels in all future years.

Discount Rate – Total OPEB Liability

June 30, 2023			
Current			
1.0% Decrease		Discount Rate	1.0% Increase
(2.65% Discount Rate)		(3.65%)	(4.65% Discount Rate)
\$ 552,149	\$	528,938	\$ 507,150
 June 30, 2022			
Current			
1.0% Decrease		Discount Rate	1.0% Increase
(2.54% Discount Rate)		(3.54%)	(4.54% Discount Rate)
\$ 554,400	\$	527,187	\$ 500,084

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Healthcare Rate – Total OPEB Liability

June 30, 2023			
Current			
1.0% Decrease	Healthcare Rate	1.0% Increase	
\$ 485,736	\$ 528,938	\$ 576,208	
June 30, 2022			
Current			
1.0% Decrease	Healthcare Rate	1.0% Increase	
\$ 478,869	\$ 527,187	\$ 582,415	

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2023 and 2022, the Corporation recognized OPEB expense of \$10,360 and \$13,646, respectively. At June 30, 2023 and 2022, the Corporation reported a deferred outflow of resources and deferred inflows of resources related to OPEB as follows:

	<u>2023</u>	<u>2022</u>
<u>Deferred Outflow of Resources</u>		
Changes in assumptions	<u>\$ 57,232</u>	<u>\$ 64,824</u>
<u>Deferred Inflows of Resources</u>		
Changes in assumptions	\$ 19,055	\$ 19,159
Differences between expected and actual plan experience	<u>222,477</u>	<u>242,190</u>
	<u>\$ 241,532</u>	<u>\$ 261,349</u>

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Amounts reported as deferred outflow of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	
<u>June 30,</u>	
2024	\$ (23,406)
2025	(23,406)
2026	(23,406)
2027	(23,406)
2028	(23,406)
Thereafter	<u>(67,270)</u>
	<u>\$ (184,300)</u>

Note 15 - Settlements

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) make annual payments of \$107,143 to the Town for the next fourteen years. The balance outstanding at June 30, 2023 and 2022 is \$535,714 and \$642,877, respectively, and is included in notes payable on the statements of net position. See Note 9 for additional disclosure.

On January 27, 2016, the Town of Johnston and the Corporation reached a settlement in which the Town of Johnston would assign certain rights it obtained with a settlement agreement with Broadrock Gas Services, LLC to the Corporation. The rights the Town assigned concern the obligation of Broadrock to transfer the operations of the gas collection system to an independent third-party operator and its associated enforcement rights. For the assignment of these rights, the Corporation agreed to pay the Town a \$2,000,000 installment note over 14 years, equal to \$142,877 per year. As of June 30, 2023 and 2022, the amount owed is \$857,163 and \$1,000,000, respectively, which is included in notes payable on the statements of net position. See Note 9 for additional disclosure.

Note 16 - 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.

Concentrations

In fiscal years 2023 and 2022, no single privately-owned customer's revenue represents 10% or greater of the Corporation's revenue.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Financial Statements - Continued
June 30, 2023 and 2022

Note 17 - 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. No claims have exceeded coverage during the past three years.

Note 18 - 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 mandatory 5% salary deferral amount.

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 did not require mandatory participant contributions. On August 2, 2015, the Plan was further restated from a 401(K) profit sharing plan to a 401(a) retirement 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 401(K) plan.

The Corporation pays this contribution into the 401(a) plan for the participants. Because the law treats this contribution for income tax purposes as an employer contribution, it will be contributed to the 401(a) Plan on the participants' behalf on a pre-tax basis ("picked up"). The participants will not be able to make pre-tax elective deferral contributions to the Plan on or after August 2, 2015. Participants are immediately 100% vested in their contributions to the Plan and earnings thereon. The Plan provides that the Corporation contributes 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 \$160,200 for calendar year 2023 and \$147,000 for calendar year 2022. The employer FICA portion of contributions is made in lieu of participant social security administration withholdings.

On January 15, 2016, the Internal Revenue Service accepted the Voluntary Correction Plan as submitted. A favorable determination letter was received on September 27, 2016.

The Corporation contributed approximately \$2,012,000 and \$1,851,000 to the Plan for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, there were no securities of the Corporation or loans to the Corporation included in the Plan's assets.

Note 19 - Subsequent Events

Management has evaluated the activity of the Corporation through December 8, 2023, the date these financial statements were available for issuance, and has concluded that no events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Schedule of Changes in the Corporation's

Total OPEB Liability and Related Ratios (Unaudited)

Year ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB liability:						
Service cost	\$ 14,943	\$ 20,846	\$ 28,665	\$ 22,295	\$ 25,862	\$ 26,039
Interest	18,823	14,975	15,051	25,095	25,822	22,910
Differences between expected and actual experience	(8,697)	(145,303)	-	(150,271)	-	-
Changes on assumptions or other inputs	(2,483)	(14,413)	1,839	74,572	12,029	(10,568)
Benefit payments	<u>(20,835)</u>	<u>(42,718)</u>	<u>(8,295)</u>	<u>(15,614)</u>	<u>(9,259)</u>	<u>(12,538)</u>
Net change in total OPEB liability	1,751	(166,613)	37,260	(43,923)	54,454	25,843
Total OPEB liability, beginning of year	<u>527,187</u>	<u>693,800</u>	<u>656,540</u>	<u>700,463</u>	<u>646,009</u>	<u>620,166</u>
Total OPEB liability, end of year	<u>\$ 528,938</u>	<u>\$ 527,187</u>	<u>\$ 693,800</u>	<u>\$ 656,540</u>	<u>\$ 700,463</u>	<u>\$ 646,009</u>
 Covered payroll	 \$ 3,150,019	 \$ 3,940,755	 \$ 4,467,524	 \$ 4,467,524	 \$ 4,429,640	 \$ 4,429,640
Total OPEB liability as a percentage of covered payroll	16.79%	13.38%	15.53%	14.70%	15.81%	14.58%

Notes:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

This schedule is presented using the optional format of combining the required schedules in paragraphs 170a and 170b of GASB Statement 75.

See independent auditor's report on supplementary information.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to the Required Supplementary Information (Unaudited)
June 30, 2023 and 2022

Note 1 - **Changes in Assumptions**

Fiscal Year Ended June 30, 2023

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023 using the same assumed mortality of Pri-2012 Mortality Table with Scale MP-2020.

Fiscal Year Ended June 30, 2022

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 3.54% in 2022 using the same assumed mortality of Pri-2012 Mortality Table with Scale MP-2020.

Fiscal Year Ended June 30, 2021

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2021 as well as a change in assumed mortality from the Pri-2012 Mortality Table with Scale MP-2019 to the Pri-2012 Mortality Table with Scale MP-2020.

Fiscal Year Ended June 30, 2020

Changes in assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020 as well as a change in assumed mortality from the RP-2006 Mortality Table with Scale MP-2018 to the Pri-2012 Mortality Table with Scale MP-2019.

Fiscal Year Ended June 30, 2019

Changes in assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

SUPPLEMENTARY INFORMATION

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Schedule of Travel and Entertainment Expenses

June 30, 2023

Date	Payee	Purpose	Amount
9/28/2022	Joseph Reposa	Visit mixed solid waste in CA - Airfare	\$ 1,427
9/28/2022	Joseph Reposa	Visit mixed solid waste in CA - Hotel, Transport, Meals	1,830
12/15/2022	Jared Rhodes	MWPF Tour Santa Barbara, CA - Airfare	1,619
11/30/2022	David Bordieri	Mileage July 2022 - October 2022	<u>357</u>
			<u>5,233</u>
Summary of other expenses under \$200 each:			
		Mileage, Parking, Tolls, Etc.	<u>1,818</u>
			<u>\$ 7,051</u>

See independent auditor's report on supplementary information.

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Schedule of Net Position

State of Rhode Island Required Format

June 30, 2023

Assets

Current Assets:

Cash and cash equivalents	\$ 74,544,933
Receivables (net)	3,597,089
Inventories	3,680,958
Current portion of lease receivable	38,949
Other assets	902,528
Total Current Assets	82,764,457

Noncurrent Assets:

Restricted assets:	
Investments	129,634,210
Land held for sale	1,453,722
Capital assets	
Non-depreciable:	
Land used in operations	10,731,910
Construction in progress	40,605,405
Depreciable:	
Capital assets, net	51,293,730
Lease receivable, net of current portion	1,171,852
Other assets, net of amortization	609,400
Total Noncurrent Assets	235,500,229

Total Assets	318,264,686
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Deferred Outflow of Resources:

Deferred OPEB amounts	57,232
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Total Assets and Deferred Outflows of Resources	\$ 318,321,918
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Liabilities

Current Liabilities:

Accounts payable	\$ 7,022,025
Compensated absences	522,252
Current portion of closure, post-closure	28,779
Current portion of pollution remediation	1,033,819
Current portion of lease liability	6,747
Current portion of SBITA liability	19,672
Current portion of notes payable	250,000
Total Current Liabilities	8,883,294

Noncurrent Liabilities:

Closure, post-closure	122,602,986
Pollution remediation	12,972,564
SBITA liability, net of current portion	5,090
Notes payable	1,142,877
Total OPEB liability	528,938
Total Noncurrent Liabilities	137,252,455

Total Liabilities	146,135,749
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Deferred Inflows of Resources:

Deferred OPEB amounts	241,532
Deferred lease receivable amounts	1,141,252

Total Deferred Inflows of Resources	1,382,784
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Net Position:

Net investment in capital assets	102,599,536
Unrestricted	68,203,849
Total Net Position	\$ 170,803,385

Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 318,321,918
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See independent auditor's report on supplementary information.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Schedule of Expenses, Revenues and Changes in Net Position
State of Rhode Island Required Format
For the year ended June 30, 2023

Expenses	\$ 56,755,670
Program Revenue:	
Charges for services	67,707,310
Other operating revenues	<u>1,321,742</u>
Net Revenues	<u>12,273,382</u>
General Revenue:	
Interest and investment earnings	1,620,038
Gain on disposal of assets	4,183
Interest expense	<u>(64,311)</u>
Total General Revenue	<u>1,559,910</u>
Change in Net Position	<u>13,833,292</u>
Total Net Position - Beginning	<u>156,970,093</u>
Total Net Position - Ending	<u>\$ 170,803,385</u>

See independent auditor's report on supplementary information.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Schedule of Debt Service to Maturity
State of Rhode Island Required Format
June 30, 2023

Notes Payable

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 250,000	-
2025	250,000	-
2026	250,000	-
2027	250,000	-
2028	250,000	-
2028-2030	<u>142,877</u>	<u>-</u>
	<u>\$ 1,392,877</u>	<u>\$ -</u>

Lease Liability

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	<u>\$ 6,747</u>	<u>\$ 53</u>

SBITA Liability

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 19,672	791
2025	<u>5,090</u>	<u>24</u>
	<u>\$ 24,762</u>	<u>\$ 815</u>

See independent auditor's report on supplementary information.

RHODE ISLAND RESOURCE RECOVERY CORPORATION

(a Component Unit of the State of Rhode Island)

Schedule of Changes in Long-Term Debt

State of Rhode Island Required Format

June 30, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 4,517,346	\$ -	\$ 4,517,346	\$ -	\$ -	\$ -
Notes payable	1,642,877	-	250,000	1,392,877	250,000	1,142,877
Total OPEB liability	527,187	1,751	-	528,938	-	528,938
Compensated absences	566,870	-	44,618	522,252	522,252	-
Lease liability	26,491	-	19,744	6,747	6,747	-
SBITA Liability	-	43,572	18,810	24,762	19,672	5,090
Other liabilities:						
Pollution remediation	12,421,375	1,585,008	-	14,006,383	1,033,819	12,972,564
Landfill closure and post-closure care	<u>118,386,635</u>	<u>9,119,834</u>	<u>4,874,704</u>	<u>122,631,765</u>	<u>28,779</u>	<u>122,602,986</u>
	<u>\$ 138,088,781</u>	<u>\$ 10,750,165</u>	<u>\$ 9,725,222</u>	<u>\$ 139,113,724</u>	<u>\$ 1,861,269</u>	<u>\$ 137,252,455</u>

See independent auditor's report on supplementary information.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
(a Component Unit of the State of Rhode Island)
Notes to Schedules
June 30, 2023

Note 1 - **Basis of Presentation**

The accompanying Schedule of Net Position, Schedule of Expenses, Revenues and Changes in Net Position, Schedule of Debt Service to Maturity, Schedule of Changes in Long-Term Debt, and Schedule of Travel and Entertainment Expenses have been prepared in a manner prescribed by the State of Rhode Island Office of Accounts and Control.

Note 2 - **Reclassification to Conform with Current Presentation**

Certain amounts in these financial schedules have been reclassified from the Rhode Island Resource Recovery Corporation's audited general-purpose financial statements to conform with this requested presentation.

Note 3 - **Long Term Liabilities**

The following is a summary of changes in bonds and notes payable for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 4,517,346	\$ -	\$ 4,517,346	\$ -	\$ -
Notes payable	1,642,877	-	250,000	1,392,877	250,000
Total OPEB liability	527,187	1,751	-	528,938	-
SBITA liability	-	43,572	18,810	24,762	19,672
Lease liability	<u>26,491</u>	<u>-</u>	<u>19,744</u>	<u>6,747</u>	<u>6,747</u>
	<u>\$ 6,713,901</u>	<u>\$ 45,323</u>	<u>\$ 4,805,900</u>	<u>\$ 1,953,324</u>	<u>\$ 276,419</u>

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Commissioners of
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, which comprise the statement of net position and fiduciary net position as of June 30, 2023, the related statements of revenue, expenses, and change in net position and fiduciary net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2023.

Report on 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") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal controls, described in the accompanying schedule of finding and recommendation as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of finding and recommendation as item 2023-001.

Rhode Island Resource Recovery Corporation's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the finding identified in our audit and described in the accompanying schedule of finding and recommendation. The Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads 'Withum Smith & Brown, PC'. The signature is written in a cursive, flowing style.

December 8, 2023

Schedule of Finding and Recommendation

Finding 2023-001: Conflict of Interest

Criteria:

Employees of Rhode Island Resource Recovery Corporation (the "Corporation") are provided a copy of the Corporation's employee handbook and conflict of interest policy and are required to sign to acknowledge their receipt of both documents. In addition, public officials and employees of the State of Rhode Island are required to abide by the State's code of ethics policy. These policies and procedures state that in the case of a related party transaction occurring, it should be documented, in writing, with the appropriate level of management and an affected employee should recuse themselves from voting or participating in any ongoing business with the related party.

Condition:

The Corporation's employee handbook, conflict of interest policy, and State ethics policy are part of the Corporation's internal control framework. During our inquiries of management and those charged with governance, it was discovered that there was a related party transaction that violated the Corporation's conflict of interest policies and procedures, and the State's code of ethics policies and procedures. This transaction occurred in a prior audit period.

Cause:

Management was not aware of their responsibilities to document the existence of the related party relationship or recuse themselves from ongoing business with the related party.

Effect:

The internal control procedures designed and implemented for related party transactions were not effective in the circumstance described above.

Identification as a Repeat Finding, if Applicable:

Not applicable

Recommendation:

We recommend that the Corporation review and improve the standard operating procedures for conflicts of interest and perform formal training for existing employees and include the training as part of on-boarding for new employees.

Management's Response:

We agree with the finding. Management has reviewed and improved the standard operating procedures and controls related to conflicts of interest. These actions include the deployment of enhanced conflict of interest policies, new standard operating procedures for management and employees, as well as guidelines for identifying potential conflicts of interest. All affected management and employees received in person training which included how to identify potential conflicts of interest and the necessary steps to ensure compliance. This enhanced training curriculum has been included as part of the annual employee handbook signoff and training for existing employees as well as a standard part of the on-boarding training curriculum for all new employees. These changes have been implemented as of the financial statement issuance date.