



Narragansett Bay Commission

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**



Narragansett Bay Commission

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013**

**Prepared by: The Division of Administration and Finance
of the Narragansett Bay Commission**



Photo by Robin Simoes: Sunset

Narragansett Bay Commission's Mission Statement

**“The mission of the Narragansett Bay Commission is
to maintain a leadership role
in the protection and enhancement of water quality
in Narragansett Bay and its tributaries
by providing safe and reliable
wastewater collection and treatment services
to its customers at a reasonable cost.”**



Photo by Barry Wenskowicz: Fog on Narragansett Bay

NARRAGANSETT BAY COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended 2013

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Comprehensive Annual Financial Report
Introductory Section



Photo by Barry Wenskowicz: Narragansett Bay

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Vincent J. Mesolella
Chairman

Raymond J. Marshall, P.E.
Executive Director

September 17, 2013

To the Chairman and the Commissioners of the Narragansett Bay Commission:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Narragansett Bay Commission (NBC) for the fiscal year ended June 30, 2013. The purpose of the report is to provide a broad financial picture of the NBC to the Board of Commissioners, NBC's customers, the public, and other interested parties.

State law requires that related parties of the State of Rhode Island publish a complete set of audited financial statements within three months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2013.

This Comprehensive Annual Financial Report (CAFR) was prepared by the NBC's staff following guidelines set forth by the Governmental Accounting Standards Board (GASB). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Bacon & Company CPA's LLC have issued an unmodified opinion on the NBC's financial statements for the fiscal year ended June 30, 2013. The Independent Auditor's report is located in the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the Independent Auditor's report and in a narrative form provides an introduction, overview, and analysis of the financial statements. The MD&A complements and should be read in conjunction with this letter of transmittal.

PROFILE OF NARRAGANSETT BAY COMMISSION

The NBC is a non-profit public corporation established in 1980 by an act of the Rhode Island Legislature. The NBC was created for purposes of acquiring, operating and upgrading the metropolitan Providence wastewater collection and treatment facilities. NBC assumed operational control of the Fields' Point Wastewater Treatment Facility on May 1, 1982. On June 27, 1991, the Governor of the State of Rhode Island signed into law legislation mandating the merger of the NBC and the former Blackstone Valley District Commission (BVDC). The merger became effective on January 1, 1992.

The NBC is a Related Organization of the State of Rhode Island for financial reporting purposes. Accordingly, the financial statements of the NBC will not be included in the State of Rhode Island's annual financial report.

A 19-member Board of Commissioners (Board) governs the NBC. The Board represents the municipalities in the service area with nine appointments, as well as ten gubernatorial appointments. Empowered with responsibilities that range from ensuring that the NBC operates a balanced budget, to approving contracts for improving and sustaining the treatment facilities and wastewater collection system, the Board meets regularly to guide the direction of the NBC.

The NBC is regulated by the Rhode Island Public Utilities Commission (PUC). Accordingly, both the Board and the PUC must authorize adjustments to sewer user rates. NBC funds its operations and maintenance costs as well as debt service.

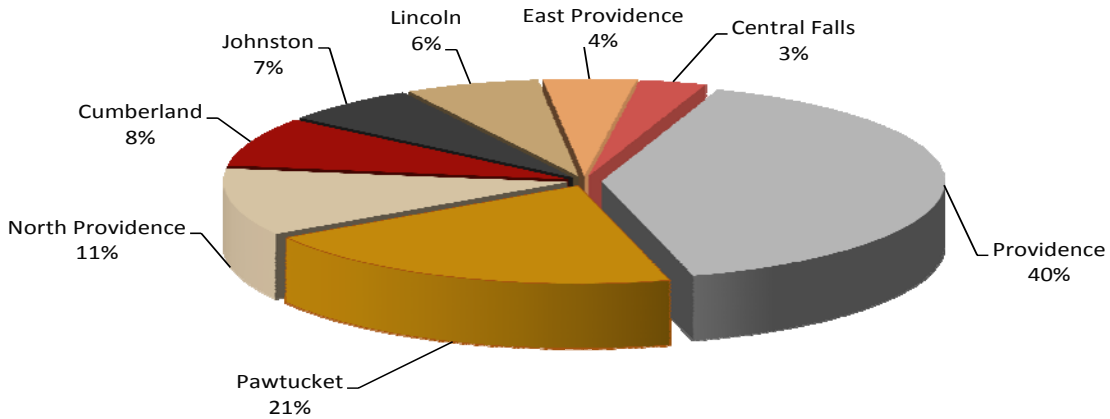
In addition, the NBC has a Citizen Advisory Committee (CAC) that consists of a diverse group of dedicated individuals, representing municipalities throughout the NBC's service area, industrial and residential users, environmental organizations and the general public. The CAC advises the Board on matters pertaining to sewer usage fees, sewer construction, pretreatment, public awareness and education.

The NBC prepares its operating budget on a modified cash basis. Accordingly, certain non-cash expenses such as depreciation and amortization are not provided for in the operating budget. The budget includes the debt service principal payments on all debt, including debt issued to finance capital projects included in NBC's Capital Improvement Program (CIP).

A line item budget is maintained for each individual section or program. Finance staff reviews the budget versus actual status on a monthly basis. All budget transfers must be approved by the Division Director and the Director of Administration and Finance. The Executive Director notifies the NBC's Finance Committee of these adjustments on a monthly basis. In addition, the Finance Committee reviews and approves the monthly financial statements and the budget versus actual expenses before they are presented at the regularly scheduled Board Meeting.

The NBC provides wastewater treatment and collection services to more than 360,000 residents and approximately 7,800 businesses in ten Rhode Island communities in the metropolitan Providence and Blackstone Valley areas. Of the member communities that make up the NBC service area, Providence, Pawtucket and North Providence represent more than 72% of the NBC's accounts represented in the following chart.

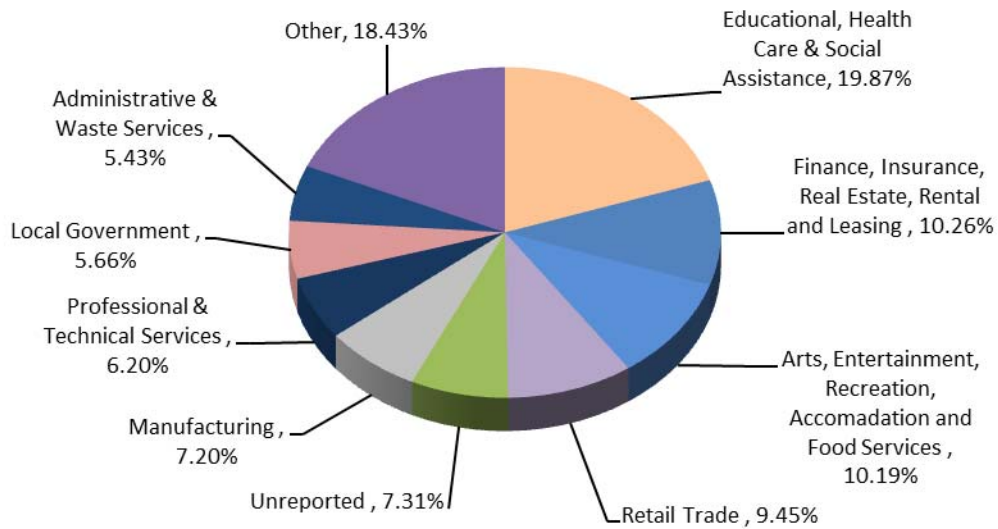
Percentage of Accounts by Community



LOCAL ECONOMY

According to the Rhode Island Department of Economic Development, the economic base of Rhode Island has shifted from manufacturing and goods to service industries over the last decade. The chart below shows estimated employment by industry for the calendar year 2011.

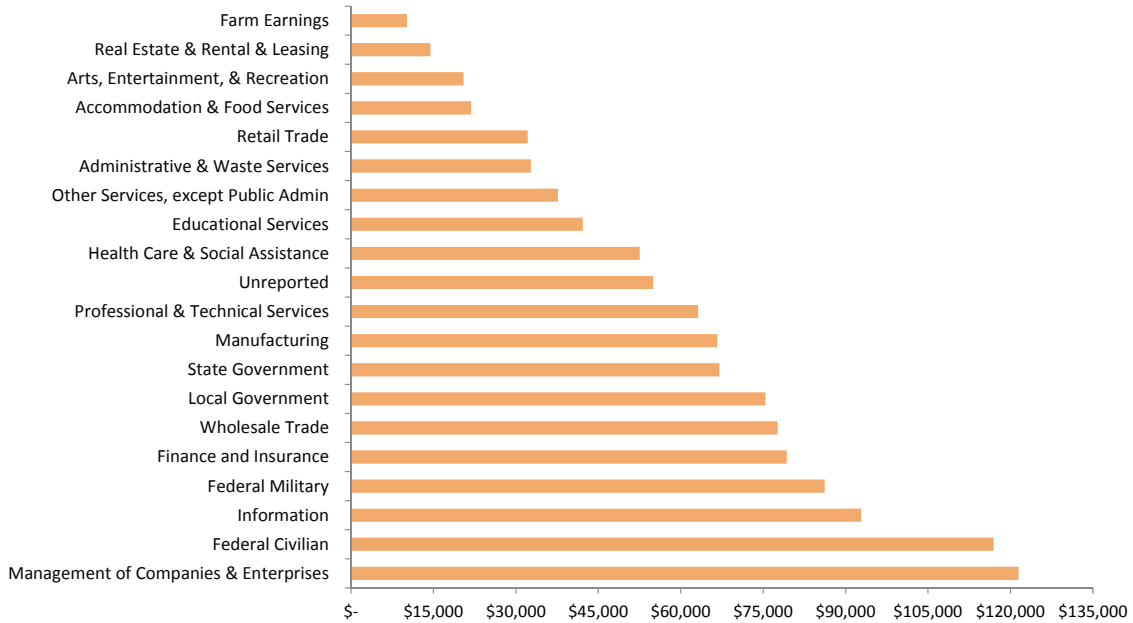
Estimated Employment by Industry



*Source: U.S. Census Bureau, 2011 American Community Survey

Employment in Rhode Island reflects the national trend towards increasing employment in the services sector. The chart below illustrates Rhode Island's average annual earnings per employee in each major industry for 2011.

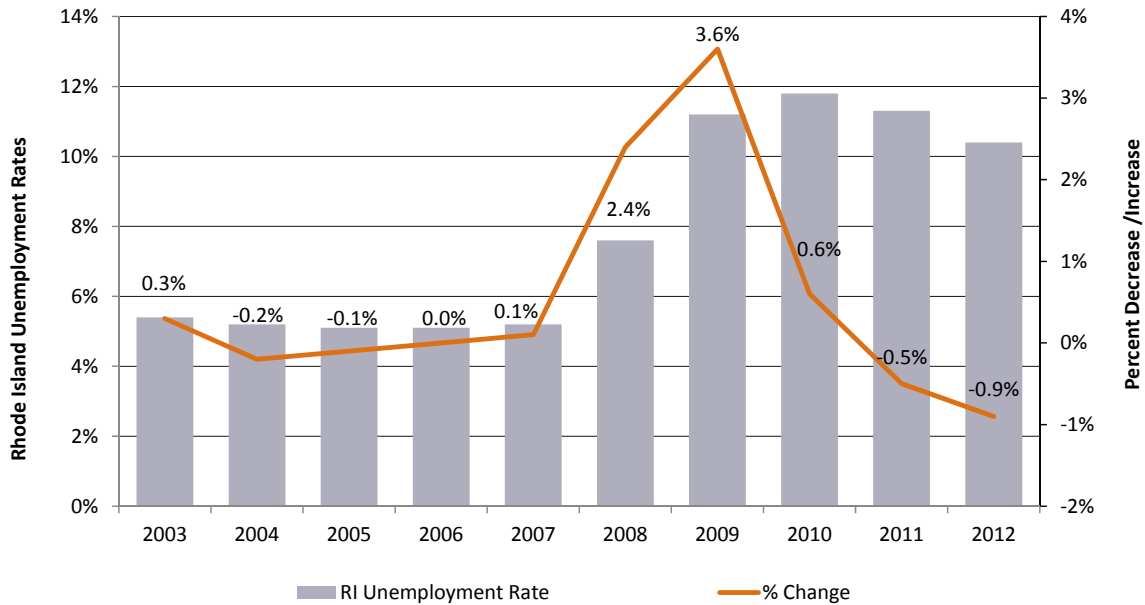
Rhode Island Average Annual Earnings per Employee by Major Industry



*Source: United States Regional Economic Analysis Project. Average Earnings per Job by Major Industry, Rhode Island 2011

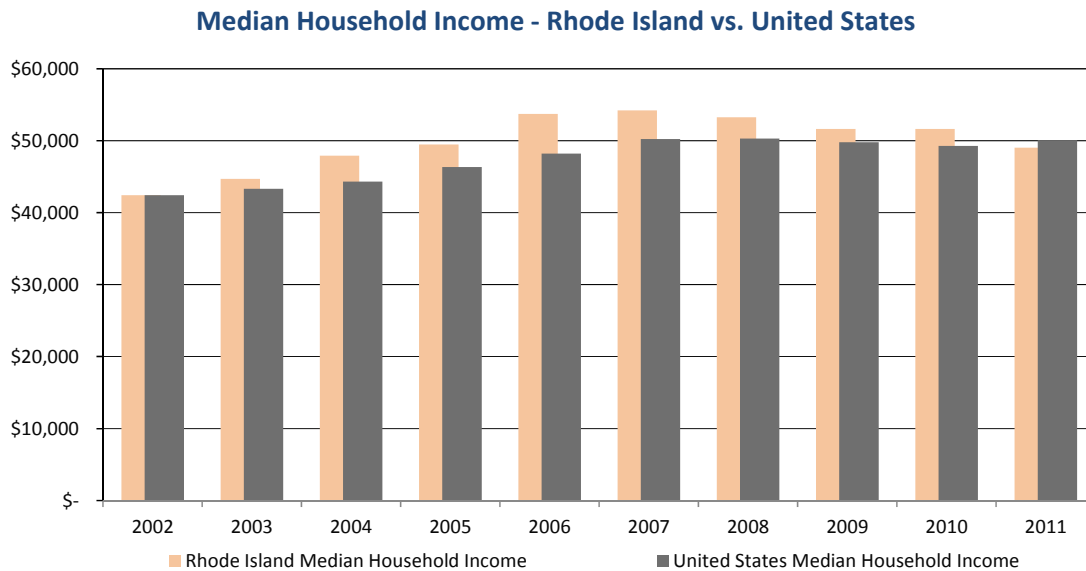
The graph below, compiled from data from the Bureau of Labor Statistics, shows historical unemployment figures over the past ten years for Rhode Island. Rhode Island unemployment rates increased significantly from 2008 to a peak rate of 11.8% in 2010 and have since declined to a rate of 10.4% in 2012.

Rhode Island Average Annual Unemployment Rates



*Source: Bureau of Labor Statistics. RI state-wide Unemployment Rates Seasonally Adjusted.

The graph below shows the median household income in Rhode Island for the years 2002-2011 compared to national statistics. Rhode Island’s median household income remained above the national average from 2001-2010 but fell below the national median by approximately 2% or \$1,021 to \$49,033 in 2011.



*Source: United States Census Bureau – Historical Income Tables

LONG-TERM FINANCIAL PLANNING

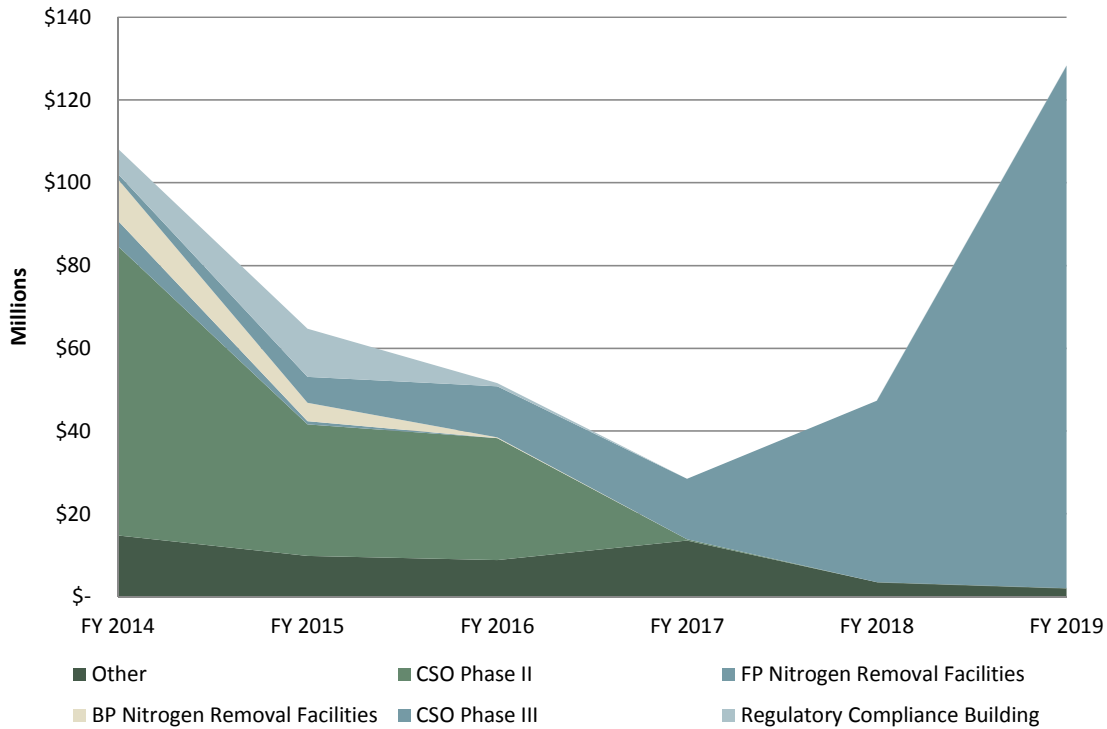
The NBC maintains and updates a long-term financial model that takes into consideration the Capital Improvement Program (CIP), cash flows, NBC’s annual operating revenues and expenses, debt service coverage, State Revolving Fund capacity and other relevant items. The model is used to develop and support financing strategies that will provide stability and continuity as well as minimize rate increases.

MAJOR INITIATIVES

The NBC’s fiscal year 2015 – 2019 CIP identifies 58 projects totaling approximately \$320.5 million either in progress, to be initiated, or to be completed during fiscal years 2015 -2019, in addition to \$108.3 million in expenditures in fiscal year 2014, for a total of approximately \$428.8 million over the six-year period. Expenditures on these projects are necessary in order to comply with current and future regulatory requirements, take advantage of technological changes, and ensure the integrity of the NBC’s infrastructure.

This year's CIP includes costs for five significant Capital Improvement Projects: construction of the CSO Phase II Facilities, Nutrient Removal Facilities at Field's Point Wastewater Treatment Facility (WWTF), Nutrient Removal Facilities at Bucklin Point WWTF, the commencement of the design and construction phase of the Phase III CSO Facilities in FY 2014, and the construction of the Regulatory Compliance Building. Cost of these five projects during the five-year period total \$282.8 million, or 88% of this year's CIP. The following graph shows the programmed expenditures for NBC's major initiatives and other smaller projects included in the CIP over the next six years.

Expenditures by Major Project

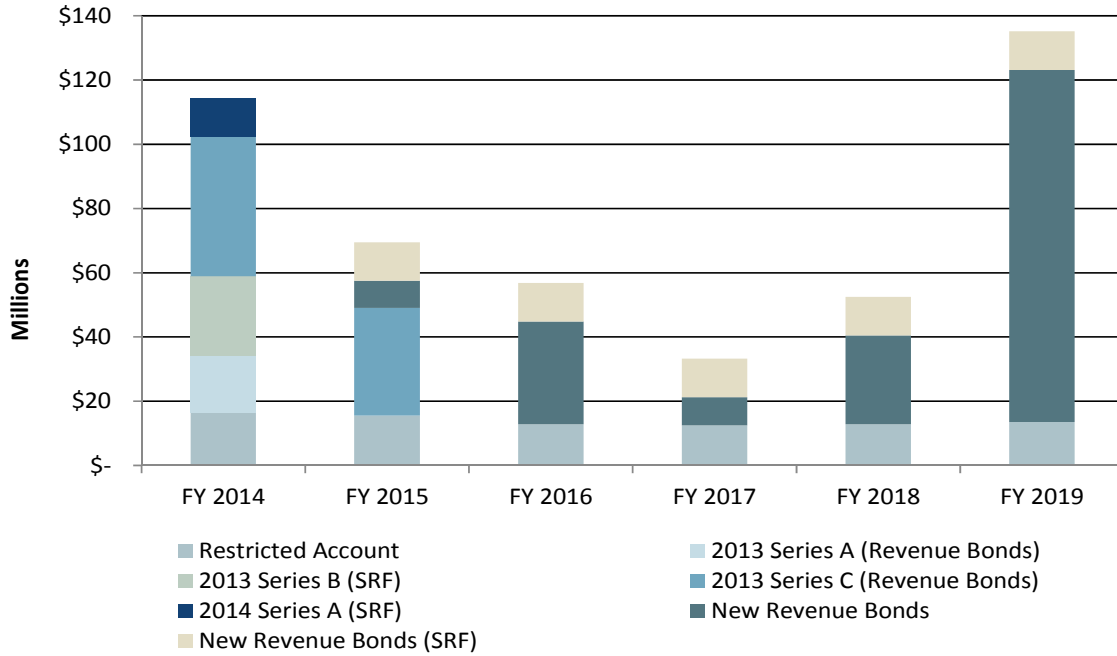


FUNDING OF THE CIP

In FY 2014, NBC plans to fund the CIP with approximately \$24.7 million in existing State Revolving Funds (SRF) proceeds borrowed through the Rhode Island Clean Water Finance Agency (RICWFA), \$16.5 million in Restricted Funds, and \$0.4 million in Capital Funds. The NBC also plans to borrow \$12 million from the RICWFA and issue \$77 million in revenue bonds.

NBC's long-term financing strategy includes funding as much as possible from the RICWFA. For planning purposes, the RICWFA's loan capacity is estimated at \$12 million per year for a total of \$60 million for the five-year CIP period. Because NBC's capital needs exceed RICWFA capacity, the NBC plans on issuing \$186.5 million in revenue bonds, making it NBC's largest source of capital. In addition, it's projected that \$83.7 million will be available in restricted funds generated from prior year debt coverage. The actual timing and type of debt issuance will be determined based upon cash flows, market conditions, RICWFA loan capacity and other factors. The graph on the next page illustrates the projected sources of funds for FY 2014 through FY 2019. NBC will rely heavily on revenue bonds to finance the CIP.

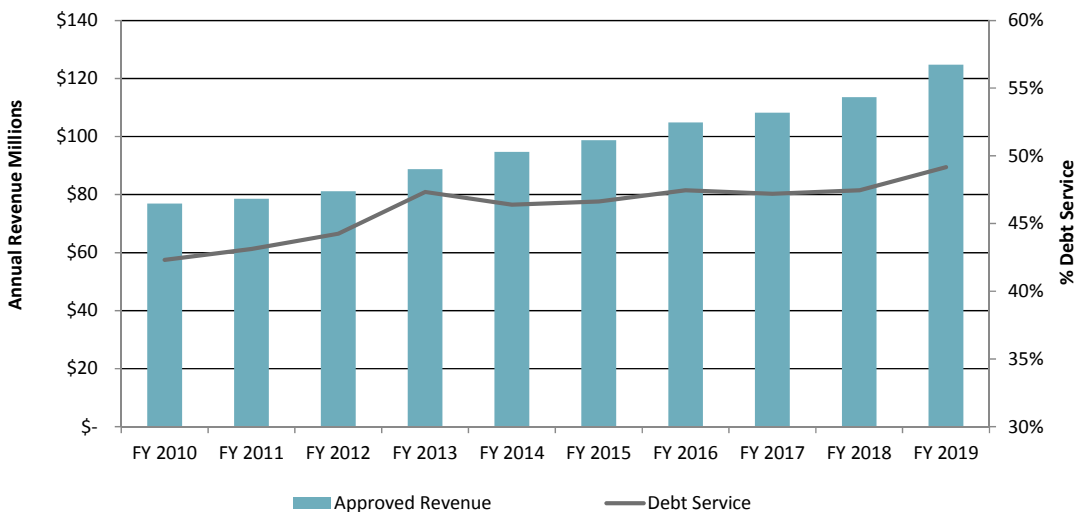
Sources of Funds



IMPACT OF CIP ON DEBT SERVICE

Since the CIP is financed primarily through the issuance of long-term debt, the capital program’s primary impact on the operating budget is the payment of the associated principal and interest. Overall, debt service is anticipated to increase from approximately \$44 million in FY 2014 to approximately \$61.3 million in FY 2019. The chart below shows debt service as a percentage of projected revenues through FY 2019. Annual debt service as a percentage of total revenue is projected to rise from 46.4% in FY 2014 to 49.2% in FY 2019 as NBC begins to finance the construction of the CSO Phase III Facilities. All debt service projections are based on a number of assumptions including the cash flow estimates outlined in the CIP.

Debt Service vs. Annual Revenue



AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to the NBC for its CAFR for the fiscal year ended June 30, 2012. This was the eleventh consecutive year that the NBC has received this prestigious award. In order to be awarded a Certificate of Achievement, the NBC issued an easily readable and efficiently organized CAFR which satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR meets the high standards of the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the NBC received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2012. The GFOA also awarded NBC Special Performance Measures Recognition and Special Capital Recognition. In order to qualify for the Distinguished Budget Presentation award, the budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the NBC's Division of Administration and Finance. Credit also must be given to the Chairman and the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the NBC's finances.

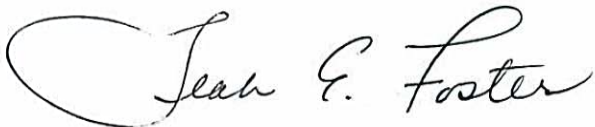
Respectfully Submitted,



Raymond Marshall, PE
Executive Director



Karen L. Giebink
Director of Administration and Finance



Leah E. Foster, CPA
Accounting Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Narragansett Bay
Commission, Rhode Island**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

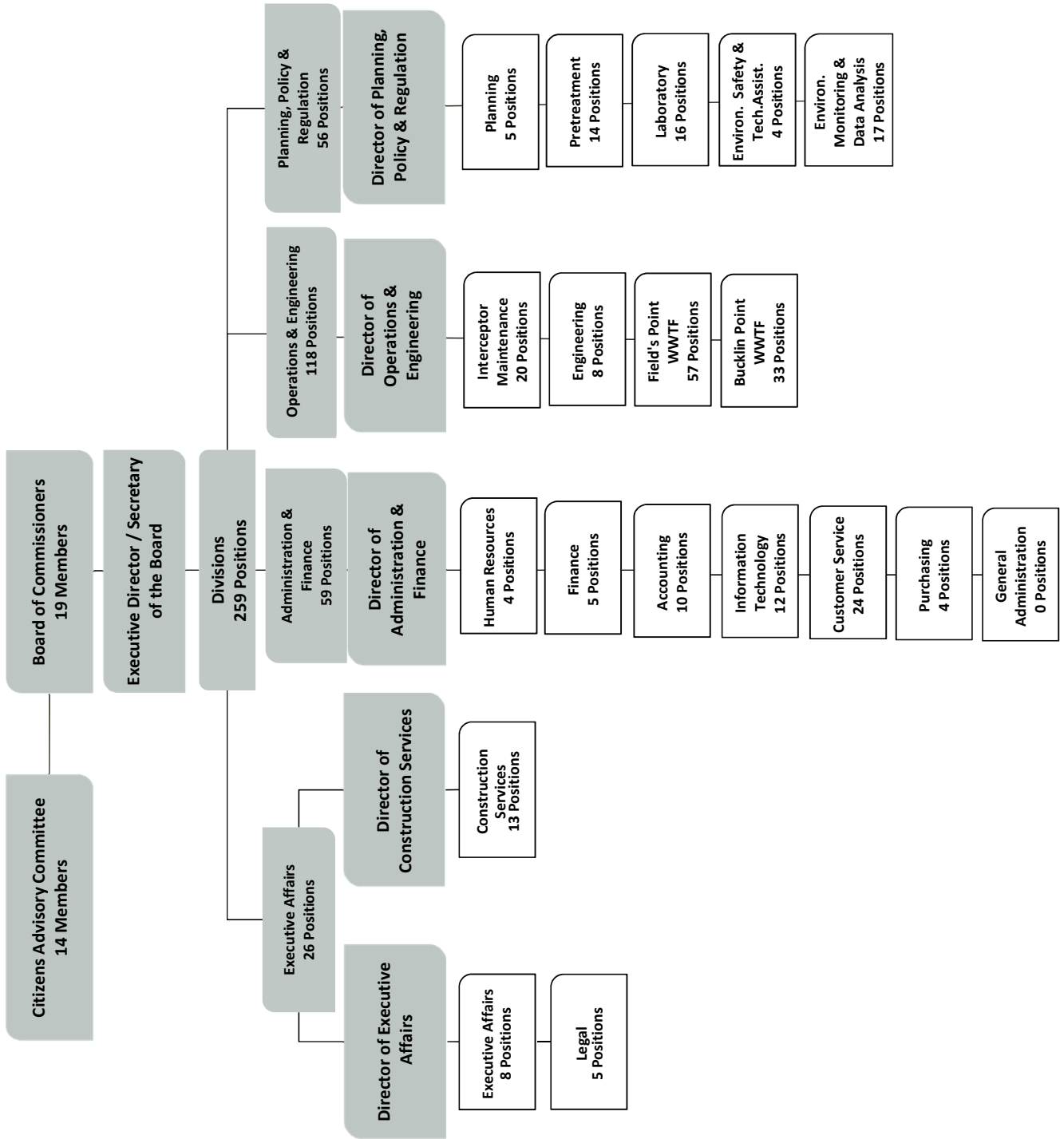
Executive Director/CEO

**NARRAGANSETT BAY COMMISSION
BOARD OF COMMISSIONERS**

*Vincent J. Mesolella, Jr. Chairman
Raymond J. Marshall, Executive Director and Secretary of the Board
Angelo S. Rotella, Vice Chairman
Robert P. Andrade, Treasurer*

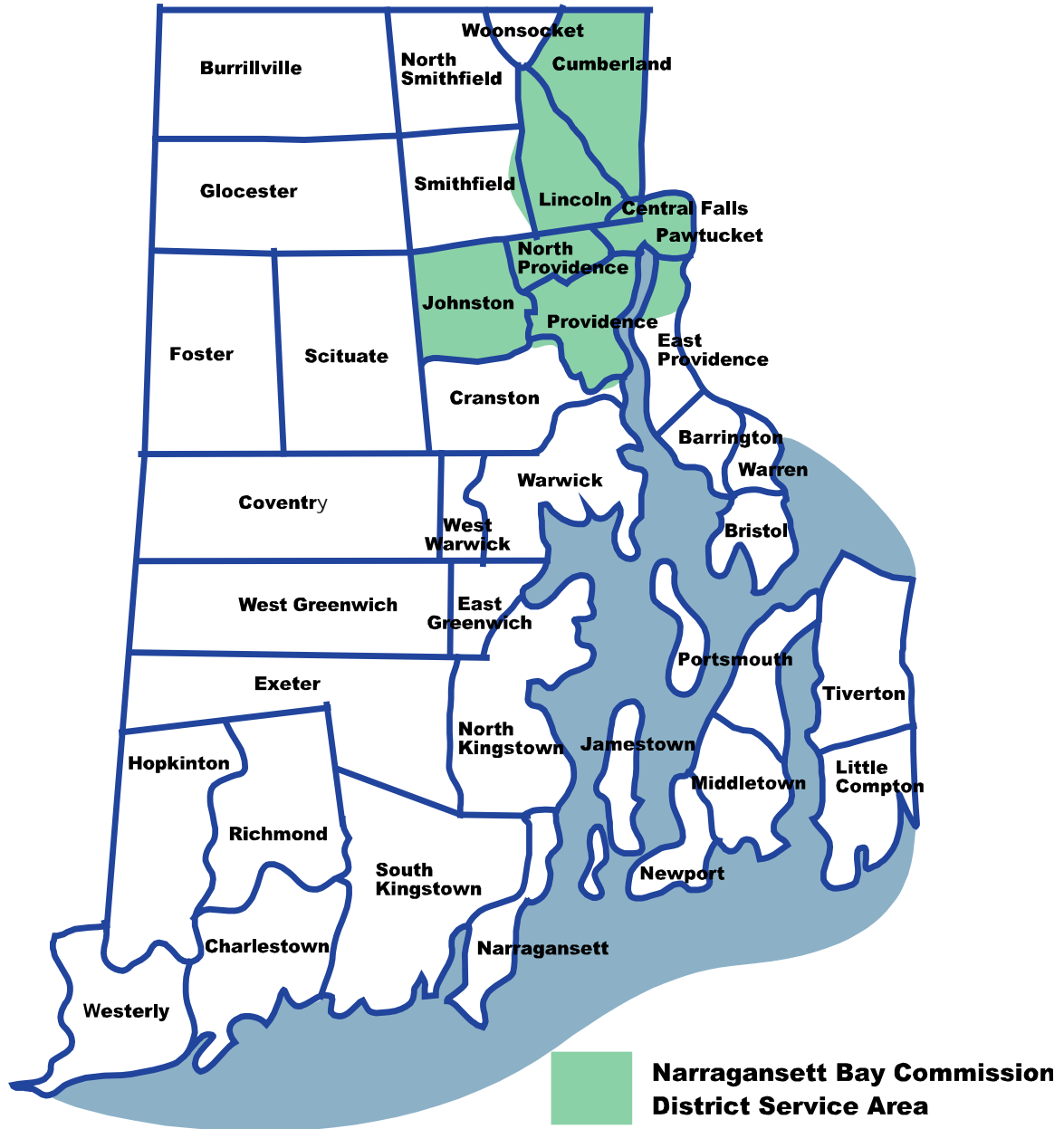
*Dr. Richard Burroughs
Dr. Bruce Campbell
Mario Carlino
Michael DiChiro, Esq
Jonathan K. Farnum
Seth H. Handy
Joseph Kimball
Ronald Leone
John MacQueen
Joan P. Milas
Alessandro Montanari
Alan Nathan
Michael A. Salvatore
Leo P. Thompson
Richard D. Worrell*

Narragansett Bay Commission Organization Chart



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NARRAGANSETT BAY COMMISSION SERVICE AREA



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Comprehensive Annual Financial Report
Financial Section



Photo by John Zuba: Dolphins in Narragansett Bay

Independent Auditor's Report

To the Board of Commissioners
Narragansett Bay Commission
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NBC, as of June 30, 2013 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and supplementary pension information on pages 16 through 22 and pages 47 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NBC's basic financial statements. The schedule of expenses – budget to actual, the combining schedule of net position, the combining schedule of revenues, expenses and changes in net position, and the schedule of travel expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenses – budget to actual, the combining schedule of net position, the combining schedule of revenues, expenses and changes in net position, and the schedule of travel expenses is the responsibility of management and was derived from and relates 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 expenses – budget to actual, the combining schedule of net position, the combining schedule of revenues, expenses and changes in net position, the schedule of travel expenses are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013 on our consideration of NBC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NBC's internal control over financial reporting and compliance.

Bacon & Company, LLC

Warwick, Rhode Island
September 17, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Narragansett Bay Commission's financial performance provides an overview of NBC's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the transmittal letter beginning on page one and NBC's basic financial statements, which begin on page 23.

FINANCIAL STATEMENTS

Our discussion and analysis is intended to serve as an introduction to the NBC's basic financial statements, which consist of the financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The financial statements report information about the NBC 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 the Financial Statements.

The Statement of Net Position presents the financial position of the NBC on the accrual basis of accounting, with the exception of fine assessments and monitoring fees that are recorded on a cash basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NBC 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 NBC's operations over the past year and can be used to determine whether the NBC has successfully recovered all its costs through its user fees and other charges.

The final 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, noncapital 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 the financial statements provide additional information that is essential for a full understanding of the data provided in the statements. The notes to the financial statements can be found on pages 28-45 of this report.

FINANCIAL HIGHLIGHTS

The NBC's financial condition is strong and the NBC's performance for the current year exceeded the budget. The following are the key financial highlights:

- The assets of NBC exceeded its liabilities at the close of the most recent fiscal year by \$396,866,751 (total net position). Of this amount, \$76,419,156 (unrestricted) may be used to meet NBC's ongoing obligations.

- Operating revenues increased by \$1,929,542 during 2013 compared to 2012.
- Operating expenses increased by \$999,022 during 2013 compared to 2012.
- The total change in net position was \$20,667,755, a decrease of \$2,296,938 from the prior year.
- Debt Service Coverage calculated as gross revenue, less operating expenses exclusive of depreciation and amortization, divided by total debt service was 133% for fiscal year 2013, exceeding the 125% debt service coverage level recommended by credit rating agencies.

FINANCIAL ANALYSIS

Net position over time may serve as a useful indicator of a government's financial position. In the case of NBC, assets exceeded liabilities by \$396,866,751 as of June 30, 2013. This represents an increase in total net position of \$20,667,755 or 5.5% from FY 2012 and demonstrates that the financial position of NBC is improving.

The largest portion of the NBC's net position, 80%, reflects its investment in capital assets (e.g., land, buildings, equipment, and capital projects) less any related debt used to acquire those assets that is still outstanding. The NBC uses these capital assets to provide wastewater treatment and collection services to its customers. Consequently, only the unrestricted net position is available for future spending. Although the NBC's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

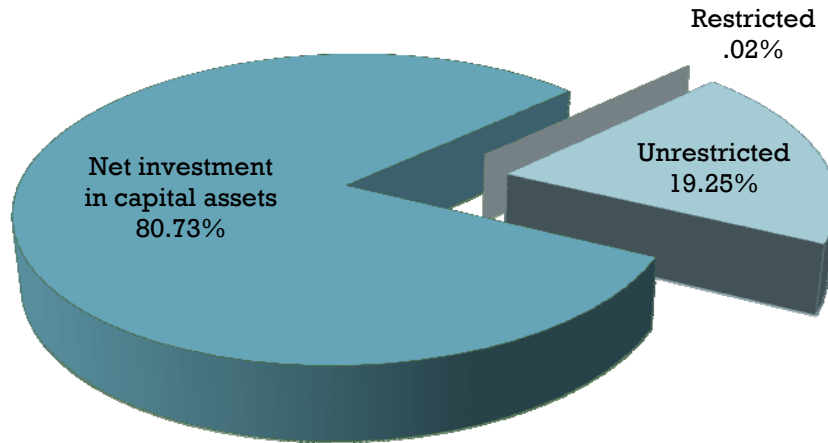
	2013	2012
Current assets	\$ 55,335,133	\$ 70,953,177
Restricted assets	80,211,489	57,105,801
Capital assets (net)	852,369,344	758,849,912
Other assets	6,219,225	5,842,168
Total assets	994,135,191	892,751,058
Current liabilities	46,754,295	43,706,895
Noncurrent liabilities	550,514,145	472,845,167
Total liabilities	597,268,440	516,552,062
Net investment in capital assets	320,372,754	298,407,024
Restricted	74,841	87,748
Unrestricted	76,419,156	77,704,224
Total net position	\$ 396,866,751	\$ 376,198,996

The table on the previous page reflects a decrease in Current assets of \$15,618,044 from FY 2012 to FY 2013. This decrease reflects the expenditure of proceeds from NBC borrowings issued through the Rhode Island Clean Water Finance Association (RICWFA). There is also a significant increase in Capital assets (net) of \$93,519,432 from FY 2012 to FY 2013. This increase is the result of substantial progress that NBC made in FY 2013 on the initiatives identified in the Capital Improvement Program (CIP).

In FY 2013, the NBC shows restricted assets of \$80,211,489. Of this amount \$74,841 is restricted for future environmental enforcement activities in accordance with Rhode Island General Law Section 46-25-38.1. These funds are held in a restricted cash account and are reflected as a restricted net asset. In addition, \$37,772,462 is restricted cash for future debt service and debt service coverage in accordance with the Report and Order of the Rhode Island Public Utilities Commission (PUC) as well as the Trust Indenture. As of June 30, 2013, the NBC's restricted cash account for future acquisition and construction of capital assets had a balance of \$42,364,186 which is a \$21,217,209 increase from FY 2012. This increase reflects the unspent proceeds from the 2013 Series A Revenue bonds issued on March 21, 2013.

In 2013, the current liabilities increased by \$3,047,400. This is the result of an increase in accounts and contracts payable. There was also an increase in the current portion of the long-term debt and loans payable. The non-current liabilities increased by \$77.6 million primarily as a result of the \$71.48 million 2013 Series A Revenue Bonds.

**Net Position
As of June 30, 2013**

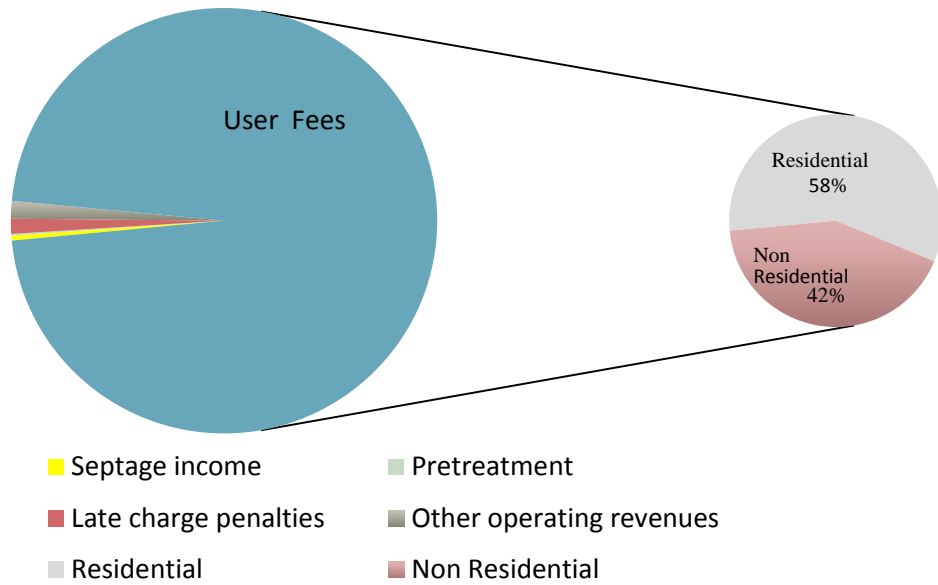


Condensed Statement of Revenues, Expenses and Changes in Net Position

	2013	2012
Operating Revenues		
User fees	\$ 77,949,901	\$ 75,921,752
Pretreatment	1,077,887	1,188,851
Septage income	300,319	304,157
Late charge penalties	918,134	918,943
Other operating revenues	102,491	85,487
Nonoperating revenue	228,810	387,935
Total revenue	80,577,542	78,807,125
Operating Expenses		
Personnel services	19,858,457	19,412,763
General and administration	882,086	860,923
Operating and maintenance	6,935,268	7,179,838
Depreciation and amortization	10,974,885	10,569,625
Contractual Services	7,104,834	6,780,533
Miscellaneous	790,037	742,863
Nonoperating expenses	13,718,422	11,846,434
Total expenses	60,263,989	57,392,979
Net income (loss) before capital contributions	20,313,553	21,414,146
Capital contributions	354,202	1,550,547
Change in net position	20,667,755	22,964,693
Total net position - beginning of year	376,198,996	353,234,303
Total net position - end of year	\$ 396,866,751	\$ 376,198,996

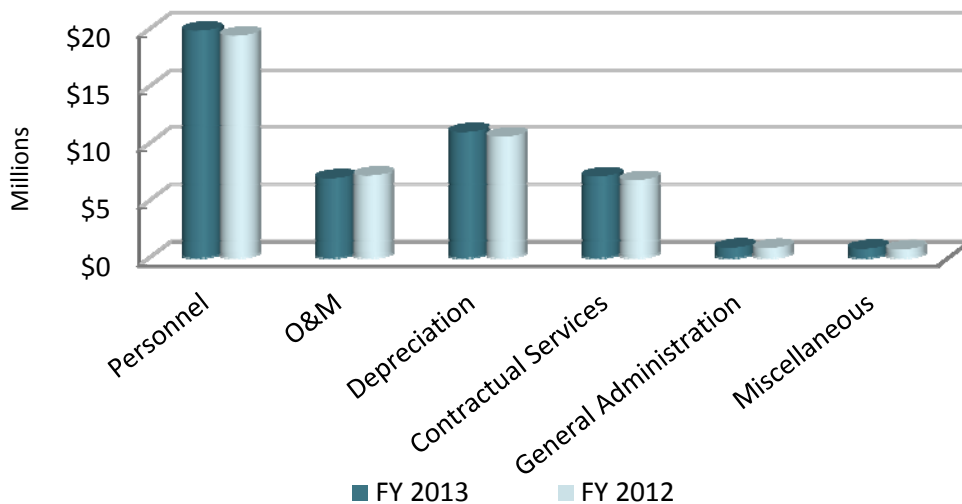
User fees are NBC's primary source of revenue, representing approximately 97% of total operating revenues. Fiscal Year 2013 user fee revenue was \$77,949,901 which is \$2,028,149 more than the prior year. The increase in user fees is primarily the result of a 2.25% rate increase effective July 1, 2012 and a 7.35% rate increase effective January 1, 2013. The rates approved increases apply to both the consumption and the flat fees.

Operating Revenue for FY 2013



Total expenses in FY 2013 increased \$2,871,010 over the prior year. Operating expenses were \$999,022 higher in FY 2013 than the prior year. Personnel expense was 2.3% higher as a result of contracted union raises and non-union merit increases and related benefits. Operations and Maintenance (O&M) expense decreased by \$244,570 primarily as the result of the operation of the NBC's new wind turbines, which reduces the need to purchase electricity at the Field's Point Wastewater Treatment Facility. Depreciation expense also increased by \$405,260 as NBC finished a number of major capital projects. These projects were reclassified to completed projects and NBC began to depreciate them. Non-operating expenses increased \$1,871,988 a result of increased interest expense on bonds and notes payable.

Operating Expenses for FY 2013 and FY 2012



CAPITAL ASSETS AND DEBT ADMINISTRATION

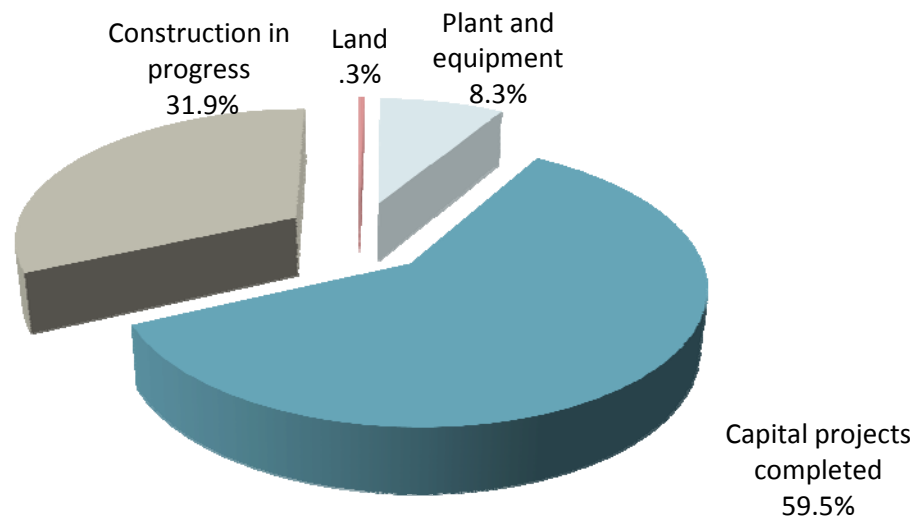
CAPITAL ASSETS

At the end of FY 2013, the NBC had \$852.4 million invested in net capital assets. This amount represents an increase of more than \$93.5 million, or 12.3% over last year. The following schedule summarizes the NBC's capital assets and changes therein, for the fiscal years ended June 30, 2013 and 2012.

Capital Assets for FY 2013 and FY 2012

	2013	2012
Capital Assets		
Land	\$ 2,754,407	\$ 2,754,407
Plant and equipment	83,918,884	81,449,851
Capital projects completed	598,301,337	527,255,060
Construction in progress	320,249,539	289,782,521
	<u>1,005,224,167</u>	<u>901,241,839</u>
Less accumulated depreciation	<u>(152,854,823)</u>	<u>(142,391,927)</u>
Net capital assets	<u>\$ 852,369,344</u>	<u>\$ 758,849,912</u>

Capital Assets As of June 30, 2013



LONG-TERM DEBT

During fiscal year 2013, the NBC borrowed \$25 million through the RICWFA of which \$80,965 is principal forgiveness related to “green” projects. NBC issued \$40 million in Bond Anticipation Notes (BANs) on November 28, 2012. NBC issued \$71,480,000 in revenue bonds and the proceeds were used to pre-pay the \$40 million BANS and to finance projects identified in the CIP. The total debt to net capital asset ratio is 67% and 65% for fiscal years ending June 30, 2013 and 2012, respectively.

For additional information related to capital assets or long-term debt see the notes to the financial statements. The notes to the financial statements can be found on pages 28-45 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

NBC is governed by a 19-member Board of Commissioners (Board) and is also regulated by the Rhode Island Public Utilities Commission (PUC). Both NBC’s Board and the PUC must authorize all adjustments to user charges.

The NBC filed a General Rate Filing with the PUC on October 5, 2012. The PUC authorized a 9.67% increase in user fee revenues effective July 1, 2013 to be recovered through flat fees and consumption fees. The PUC also authorized the elimination of the BOD/TSS surcharges from NBC’s tariffs effective January 1, 2013. All these factors were considered during the preparation of the NBC’s FY 2014 operating budget.

CONTACTING NBC’S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board, the NBC’s ratepayers, bond investors and other interested parties with the general overview of the NBC’s finances, and to demonstrate the NBC’s accountability for the financial resources it manages. If you have any questions concerning this report or need additional financial information contact the Director of Administration and Finance at One Service Road, Providence, RI, 02905.

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NARRAGANSETT BAY COMMISSION

Statement of Net Position

June 30, 2013

Assets

Current assets

Cash and cash equivalents	\$ 14,894,999
Accounts receivable	
Sewer use fees (net of allowance)	10,438,135
Sewer use unbilled	3,821,110
Receivables, other	990,599
Due from the Rhode Island Clean Water Finance Agency	24,649,784
Prepaid expenses	540,506
Total current assets	55,335,133

Noncurrent assets

Restricted assets

Cash, environmental enforcement	74,841
Cash and cash equivalents, restricted	37,772,462
Cash and cash equivalents, restricted for the acquisition and construction of capital assets	42,364,186
Total restricted assets	80,211,489

Capital assets

Land	2,754,407
Plant and equipment	83,918,884
Capital projects completed	598,301,337
Construction in progress	320,249,539
	1,005,224,167
Less accumulated depreciation	(152,854,823)
Net capital assets	852,369,344

Other assets

Negative net pension obligation	64,064
Organization costs (net of accumulated amortization)	10,125
Bond and loan issuance costs (net of accumulated amortization)	6,145,036
Total other assets	6,219,225

Total noncurrent assets 938,800,058

Total assets \$ 994,135,191

(Continued)

The notes to the financial statements are an integral part of this statement.

NARRAGANSETT BAY COMMISSION

Statement of Net Position (Continued)

June 30, 2013

Liabilities

Current liabilities

Accounts and contracts payable	\$ 16,731,051
Accrued interest payable	5,331,766
Accrued expenses	853,099
Unearned revenue	274,917
Current portion of loans payable	21,545,695
Current portion of leases payable	227,767
Current portion of long-term debt	1,790,000
<i>Total current liabilities</i>	<u>46,754,295</u>

Noncurrent liabilities

Other accrued expenses	2,550,354
Long-term loans payable, net	324,160,325
Long-term leases payable, net	389,369
Long-term debt, net	223,414,097
<i>Total noncurrent liabilities</i>	<u>550,514,145</u>

Total liabilities

597,268,440

Net position

Net investment in capital assets	320,372,754
Restricted, environmental enforcement	74,841
Unrestricted	76,419,156
<i>Total net position</i>	<u>\$ 396,866,751</u>

The notes to the financial statements are an integral part of this statement.

NARRAGANSETT BAY COMMISSION
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

<i>Operating revenues</i>	
User fees, residential	\$ 45,021,105
User fees, commercial and industrial	32,928,796
Permit and connection fees	95,609
Pretreatment	1,077,887
Septage income	300,319
Abatement fees	2,412
Late charge penalties	918,134
Miscellaneous revenue	4,470
<i>Total operating revenues</i>	<u>80,348,732</u>
<i>Operating expenses</i>	
Personnel services	19,858,457
Contractual services	7,104,834
Travel	36,224
Repairs and maintenance	1,595,803
Utilities	4,008,392
Supplies	1,294,849
Depreciation and amortization	10,974,885
Insurance	882,086
Miscellaneous	790,037
<i>Total operating expenses</i>	<u>46,545,567</u>
<i>Operating income</i>	<u>33,803,165</u>
<i>Non-Operating revenues (expenses)</i>	
Grants	14,980
Interest expense	(13,587,442)
Interest income	22,907
Miscellaneous non-operating income	190,923
Bond and note fees	(130,980)
<i>Total non-operating revenues (expenses)</i>	<u>(13,489,612)</u>
<i>Income before capital contributions</i>	20,313,553
<i>Capital contributions</i>	<u>354,202</u>
<i>Change in net position</i>	20,667,755
<i>Total net position - beginning of year</i>	<u>376,198,996</u>
<i>Total net position - end of year</i>	<u><u>\$ 396,866,751</u></u>

The notes to the financial statements are an integral part of this statement.

NARRAGANSETT BAY COMMISSION

Statement of Cash Flows For the Year Ended June 30, 2013

<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 80,000,658
Cash paid to suppliers for goods and services	(15,811,595)
Cash paid to employees for services	(19,675,438)
Other operating revenues	197,111
	<hr/>
<i>Net cash provided by operating activities</i>	44,710,736
	<hr/>
<i>Cash flows from noncapital financing activities</i>	
Cash receipts from grants	50,101
	<hr/>
<i>Net cash provided by noncapital financing activities</i>	50,101
	<hr/>
<i>Cash flows from capital and related financing activities</i>	
Proceeds from capital debt	115,260,604
Acquisition and construction of capital assets	(62,520,703)
Principal paid on capital debt, net	(62,180,092)
Interest paid on capital debt	(12,458,601)
Bond and note fees	(332,567)
	<hr/>
<i>Net cash used for capital and related financing activities</i>	(22,231,359)
	<hr/>
<i>Cash flows from investing activity</i>	
Interest on investments	22,907
	<hr/>
<i>Net cash provided by investing activities</i>	22,907
	<hr/>
<i>Net increase in cash and cash equivalents</i>	22,552,385
	<hr/>
<i>Cash and cash equivalents at beginning of year</i>	72,554,103
	<hr/>
<i>Cash and cash equivalents at end of year</i>	\$ 95,106,488
	<hr/> <hr/>

(Continued)

The notes to the financial statements are an integral part of this statement.

NARRAGANSETT BAY COMMISSION

*Statement of Cash Flows (Continued)
For the Year Ended June 30, 2013*

***Reconciliation of operating income to net cash
provided by operating activities:***

<i>Operating income</i>	<u>\$ 33,803,165</u>
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
Depreciation and amortization	10,974,885
Changes in assets and liabilities:	
Increase in accounts receivable	(446,178)
Increase in unbilled revenue	(49,621)
Increase in other receivables	(172,538)
Decrease in prepaid expenses	124,113
Decrease in negative net pension obligation	30,232
Increase in accounts and contracts payable	74,344
Increase in other accrued expenses	178,599
Increase in unearned revenue	2,812
Non-operating income reported as operating revenues received	<u>190,923</u>
<i>Total adjustments</i>	<u>10,907,571</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 44,710,736</u></u>

Noncash capital and related financing activities

Purchase of equipment financed by a capital lease

Increase in capital asset	\$ 622,958
Increase in capital lease	622,958

The NBC participates in the State Revolving Loan Fund as described in Note 6 to the financial statements. Project costs are paid directly by the Rhode Island Clean Water Finance Agency (RICWFA) on behalf of the NBC and the related loan payable and debt forgiveness, which is reported as contribution capital, is reported in the financial statements. The State Revolving Loan Project activity during the year was as follows:

Decrease in Due from RICWFA	\$ 16,237,273
Increase in Bond issuance costs - RICWFA	331,250
Increase in Capital Assets - Project invoices paid by RICWFA	41,179,259
Contributed capital received - Principal Forgiveness	354,202
Increase in Loan Payable - RICWFA	24,919,034

The notes to the financial statements are an integral part of this statement.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

The financial statements of the Narragansett Bay Commission (NBC) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of NBC's financial statements.

NOTE 1 – REPORTING ENTITY

The Narragansett Bay Commission (NBC) is a public corporation established in 1980 by an Act of the Rhode Island Legislature. NBC was created for purposes of acquiring, planning, constructing, extending, improving, operating and maintaining publicly owned wastewater treatment facilities (Field's Point Facility) in the District. NBC took over operational control on May 1, 1982. The Field's Point service area includes the City of Providence and the Towns of North Providence and Johnston and portions of the Town of Lincoln and the City of Cranston.

On June 27, 1991, the Governor of the State of Rhode Island signed into law legislation mandating the merger of NBC and the Blackstone Valley District Commission (BVDC). The merger became effective January 1, 1992. The Bucklin Point service area includes the City of Pawtucket, the City of Central Falls, the Rumford area of the City of East Providence and portions of the Towns of Lincoln, Cumberland and Smithfield.

NBC also accepts septage generated from within the State of Rhode Island at its Lincoln septage facility. NBC can provide service to other communities as long as it is a mutual agreement between the two parties.

NBC is considered a related organization of the State of Rhode Island for financial reporting purposes. NBC is reported as a related organization of the State of Rhode Island, and not as a component unit, based on the criteria of GASB Statement No. 14 "The Financial Reporting Entity", as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units" and as amended by GASB Statement No. 61 "Financial Reporting Entity – Omnibus".

The State of Rhode Island is accountable for NBC due to the fact that the Governor appoints the voting majority of NBC's Board of Commissioners. The State of Rhode Island, however, is not financially accountable for the following reasons: it is unable to impose its will on NBC; NBC provides no specific financial benefit to, or imposes no specific financial burden on the State of Rhode Island and NBC is not fiscally dependent on the State of Rhode Island.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of NBC conform to generally accepted accounting principles as applicable to governmental proprietary fund types (enterprise funds). For enterprise funds, the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered through user charges.

Basis of accounting – The financial statements of NBC are accounted for using the “economic resources” measurement focus and have been prepared on the accrual basis of accounting with the exception of fine assessments and monitoring fees, which are recorded on a cash basis. Under the accrual basis of accounting, all assets and liabilities associated with operations are included on the Statement of Net Position, and revenues are recorded when earned and expenses recognized at the time liabilities are incurred.

Cash equivalents – For purposes of the statement of cash flows, cash equivalents are considered to be all highly liquid investments (including restricted assets purchased) with a maturity of three months or less.

Cash and cash equivalents restricted accounts – Based upon a Report and Order issued by the Rhode Island Public Utilities Commission (PUC), along with the Trust Indenture and supplemental indentures, NBC established accounts for operating capital assets, debt service, debt service coverage and an Operating Reserve for Revenue Stability Fund. NBC is required to set aside a certain percentage of its monthly receipts from user charges into the restricted cash accounts. Funds from the accounts may only be used for those expenses outlined above and any other use so ordered by the PUC and in conformance with the Trust Indenture and supplemental indentures.

Cash and cash equivalents are also restricted for acquisition and construction of capital assets as set forth in the Trust Indenture and supplemental indentures.

The restricted cash for environmental enforcement activities is in accordance with Rhode Island General Law 46-25.

Investments – NBC reports investments at fair value.

NBC is authorized to invest excess funds, by provisions of its Act, in obligations of the State of Rhode Island and of the United States Government or certain agencies thereof, and in certificates of deposit. NBC is also authorized to enter into repurchase agreements.

Receivables – Permit fees and fixed fees for sewer usage are billed to all customers in advance on a monthly basis. Consumption based fees are billed in arrears on a monthly basis, based on estimated and actual water consumption meter readings.

The allowance for doubtful accounts for June 30, 2013 was \$563,349.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

Capital assets – Capital assets are valued at cost. Plant and equipment and capital projects completed are depreciated using the straight-line method over the estimated useful lives of the respective assets. Construction in progress and land are not depreciated. NBC’s asset capitalization threshold is \$2,500. Depreciation expense is recognized over the following useful lives:

	<u>Years</u>
Plant and equipment	3-50
Capital projects completed	5-100

Construction in progress – Construction in progress consists of the capital projects’ design, planning and construction costs. Upon completing the project and finalizing the financial transaction, the construction in progress is transferred into the completed project capital asset account. Once transferred, NBC will start to depreciate the completed capital project.

Organization costs – Organization costs, which were assumed from BVDC in the merger, are amortized on a straight-line method over a 60-year period ending June 30, 2014.

The total organization costs at June 30, 2013 were \$581,385. The accumulated amortization through June 30, 2013 was \$571,260.

Long-term debt – Long-term debt is reported as a liability in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium. Bond and loan issuance costs are reported as deferred charges and amortized over the term of the related debt.

The total bond premiums as of June 30, 2013 were \$8,480,610.

The total bond and loan issuance costs as of June 30, 2013 were \$9,826,429. The accumulated amortization through June 30, 2013 was \$3,681,393.

Unearned revenue – Unearned revenue represents amounts billed in the current fiscal year for pretreatment fees relating to the subsequent fiscal year.

Capital contributions – Capital contributions represent financial assistance from Federal and State governments for the construction and upgrade of sewer treatment facilities and related capital projects.

Operating revenues and expenses – Operating revenues and expenses for NBC are those that result from providing wastewater treatment and collection services and related activities. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Income taxes – NBC is exempt from Federal and State income taxes.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

Regulatory – NBC is a regulated utility, and its rates are set by the PUC. For rate-making purposes, depreciation expense is excluded while principal payments and capital outlays are included in the total expenses to arrive at a regulatory net income (loss). For this reason, the net income (loss) on a regulatory basis differs from the change in net position in the audited financial statements, which are prepared in conformance with generally accepted accounting principles.

Estimates – The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash deposits: NBC’s cash deposits are in one financial institution. The carrying amount of deposits is separately displayed on the Statement of Net Position as “cash and cash equivalents”.

The carrying value of deposits, investments and petty cash funds reported on the Statement of Net Position as “cash and cash equivalents” are as follows:

Cash deposits	\$ 12,726,006
Cash equivalents	82,379,457
Petty cash	625
Cash with customer service	400
<i>Total cash and cash equivalents</i>	<u><u>\$ 95,106,488</u></u>

In accordance with Rhode Island General Laws, Chapter 35-10.1, 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 of time deposits with maturities greater than sixty 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 of deposits, regardless of maturity.

The carrying amount of NBC’s deposits at June 30, 2013 was \$12,726,006 and the bank balance was \$13,082,935.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, NBC will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2013, \$12,832,935 of NBC’s bank balance of \$13,082,935 was exposed to custodial credit risk as follows:

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

	Bank Balance
Insured (Federal depository insurance funds)	\$ 250,000
Collateralized with securities held by pledging financial institution's or its agent, in NBC's name	12,832,935
Total	\$ 13,082,935

Investments – NBC’s investments as of June 30, 2013 were as follows:

<i>As of June 30, 2013</i>	<i>Fair Value</i>	<i>Maturity</i>
Goldman Sachs Financial Square Government Fund	\$ 80,554,828	average 57 days
Ocean State Investment Pool	1,824,629	N/A
	\$ 82,379,457	

Interest rate risk – Funds held by NBC are invested in accordance with NBC’s investment policy. This investment policy does not limit investment maturities as a means of limiting its exposure to fair value losses arising from interest rates. Money held by the Trustee under the Indenture must be invested in accordance with Permitted Investments as defined under the Trust Indenture and all supplemental indentures, which mitigates interest rate exposure by limiting Federal funds or bankers acceptances to a maximum term of one year and requires Bond Insurer approval of Repurchase Agreements which exceed 30 days.

Credit risk – NBC’s investment policy objective states that all financial assets held by NBC shall be invested in a manner that will preserve the value and safety of capital. NBC shall invest funds in order to maximize earnings and minimize risk during the period of availability of the funds. NBC’s investment policy limits investments to U.S. Treasury securities, securities of the U.S. government agencies and instrumentalities that are backed by the full faith and credit or guarantee of the U.S. government, which have a liquid market with a readily determinable market value, investment-grade obligations of the State of Rhode Island, or any municipality or political subdivision of the State of Rhode Island, repurchase agreements backed by collateral, certificate of deposits, money market mutual funds whose portfolios consist of U.S. Treasury securities, U.S. agency obligations and repurchase agreements fully collateralized by such securities and governmental investment products backed by collateral consisting of U.S. Treasury and U.S. Agency securities. The Ocean State Investment Pool is not rated. Money held by the Trustee under the Indenture is invested at the direction of an Authorized Officer from NBC and must be invested in accordance with Permitted Investments as defined under the Trust Indenture and all supplemental indentures. The monies invested in the Money Market Funds held by the Trustee were rated Aaa-mf by Moody’s Investor Service, Inc.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

Concentration of credit risk – NBC’s investment policy is not specific but states that investments shall be diversified to minimize the risk of loss that may occur due to concentration in a specific maturity, a specific issue or a specific class of securities.

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2013:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Non-depreciable assets:				
Land	\$ 2,754,407	\$ -	\$ -	\$ 2,754,407
Construction in progress	289,782,521	101,513,295	71,046,277	320,249,539
Total non-depreciable assets	<u>292,536,928</u>	<u>101,513,295</u>	<u>71,046,277</u>	<u>323,003,946</u>
Depreciable assets:				
Plant and equipment	81,449,851	2,532,690	63,657	83,918,884
Capital projects completed	527,255,060	71,046,277	-	598,301,337
Total depreciable assets	<u>608,704,911</u>	<u>73,578,967</u>	<u>63,657</u>	<u>682,220,221</u>
Less accumulated depreciation for:				
Plant and equipment	(60,058,561)	2,476,737	63,657	(62,471,641)
Capital projects completed	(82,333,366)	8,049,816	-	(90,383,182)
Less accumulated depreciation	<u>(142,391,927)</u>	<u>10,526,553</u>	<u>63,657</u>	<u>(152,854,823)</u>
Total capital assets, net	<u>\$ 758,849,912</u>	<u>\$ 164,565,709</u>	<u>\$ 71,046,277</u>	<u>\$ 852,369,344</u>

NOTE 5 – SHORT-TERM DEBT

NBC issued Revenue Bond Anticipation Notes in advance of issuing debt on November 28, 2012, depositing the proceeds in its Project Fund account, which is held with its Trustee. The notes were paid on March 21, 2013.

Short-term debt activity for the year ended June 30, 2013 was as follows:

	<u>June 30, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2013</u>
Revenue Bond				
Anticipation Notes	\$ -	\$40,000,000	\$40,000,000	\$ -

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

NOTE 6 – LOANS PAYABLE

NBC has eighteen loans outstanding with the Rhode Island Clean Water Finance Agency (RICWFA) at June 30, 2013 as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2013</u>
The Butler Hospital Project - Series 1992A - The total loan authorized is \$1,662,055, dated March 12, 1992, with an interest rate of 3.2644%,	\$ 115,415	\$ -	\$ 115,415	\$ -
The Washington Park Project - Series 1992 - The total loan authorized is \$3,694,678, dated September 24, 1992, with an interest rate of 1.9773%.	456,432	-	225,410	231,022
Pooled Loan #1 - Series 1993 - The total loan authorized is \$14,781,000, dated March 10, 1993, with an interest rate of 3.16917%.	3,867,750	-	915,000	2,952,750
Pooled Loan #2 - Series 1994 - The total loan authorized is \$17,279,000, dated June 29, 1994, with an interest rate of 2.9938%.	4,448,807	-	1,055,306	3,393,501
Pooled Loan #3 - Series 1997 - The total loan authorized is \$8,150,000, dated March 3, 1997, with an interest rate of 3.14473%.	3,973,116	-	436,398	3,536,718
Pooled Loan #4 - Series 1999 - The total loan authorized is \$23,955,000, dated February 4, 1999 with an interest rate of 3.032%.	13,560,000	-	1,435,000	12,125,000
Pooled Loan #5 - Series 2001 - The total loan authorized is \$57,000,000, dated November 1, 2001, with an interest rate of 2.671%.	29,495,000	-	3,350,000	26,145,000
Pooled Loan #6 - Series 2002 - The total loan authorized is \$57,000,000, dated October 24, 2002, with an interest rate of 1.0785%.	34,996,505	-	2,780,975	32,215,530
Pooled Loan #7 - Series 2003 - The total loan authorized is \$40,000,000, dated November 13, 2003, with an interest rate of 1.349%.	27,591,000	-	1,882,000	25,709,000
Pooled Loan #8 - 2004 Series B - The total loan authorized is \$40,000,000, dated December 30, 2004, with an interest rate of 1.404%.	32,627,000	-	1,618,000	31,009,000

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2013</u>
Pooled Loan #9 - 2005 Series B - The total loan authorized is \$30,000,000, dated December 15, 2005, with an interest rate of 1.397%.	\$ 22,127,000	\$ -	\$ 1,392,000	\$ 20,735,000
Pooled Loan #10 - 2006 Series A - The total loan authorized is \$30,000,000, dated December 21, 2006, with an interest rate of 1.27%.	23,441,000	-	1,379,000	22,062,000
Pooled Loan #11 - 2007 Series B - The total loan authorized is \$25,000,000, dated December 12, 2007, with an interest rate of 1.475%.	23,700,000	-	1,194,000	22,506,000
Pooled Loan #12 - 2009 Series A - The total loan authorized is \$55,000,000, dated October 6, 2009, with principal forgiveness of \$8,302,114 with an interest rate of .877%.	46,273,360	-	424,526	45,848,834
Pooled Loan #12 - Takeover - 2010 - Series A The total loan authorized is \$2,000,000, dated February 2, 2010, with principal forgiveness of \$301,895 and an interest rate of .522%.	1,563,106	-	68,773	1,494,333
Pooled Loan #13 - 2010 Series B - The total loan authorized is \$20,000,000, dated June 24, 2010, with an interest rate of 2.143%.	19,194,000	-	809,000	18,385,000
Pooled Loan #14 - 2011 Series A - The total loan authorized is \$30,000,000, dated March 29, 2011, with principal forgiveness of \$1,845,345 and an interest rate of 2.259%.	28,154,655	-	1,111,170	27,043,485
Pooled Loan #15 - 2012 Series A - The total loan authorized is \$27,750,000, dated June 28, 2012, with principal forgiveness of \$354,202 and an interest rate of 2.088%.	25,395,798	-	985	25,394,813
Pooled Loan #16 - 2013 Series B - The total loan authorized is \$25,000,000, dated June 6, 2013, with principal forgiveness of \$80,966 and an interest rate of 2.092%.	-	24,919,034	-	24,919,034
Total loans payable	\$ 340,979,944	<u>\$ 24,919,034</u>	<u>\$ 20,192,958</u>	\$ 345,706,020
Less current portion	(20,192,958)			(21,545,695)
Net long-term loans payable	<u>\$ 320,786,986</u>			<u>\$ 324,160,325</u>

NARRAGANSETT BAY COMMISSION

Notes to Financial Statements

June 30, 2013

The RICWFA pays all invoices, which have been certified by the NBC, directly to the contractors or reimburses NBC for costs incurred on the projects funded by the RICWFA loans. As of June 30, 2013, loans payable of \$345,706,020 are reported on the Statement of Net Position. A receivable from RICWFA of \$24,649,784 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2013. The total loan authorized must be drawn down within three years. NBC is obligated for the total loan amount once the underlying bonds are issued on NBC's behalf by RICWFA.

Maturities of loans payable as of June 30, 2013 are due in future years as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 21,545,695	\$ 7,864,698	\$ 29,410,393
2015	23,028,273	7,675,180	30,703,453
2016	23,427,371	7,169,182	30,596,553
2017	23,913,150	6,651,346	30,564,496
2018	24,609,360	6,117,060	30,726,420
2019-2023	119,604,317	22,235,647	141,839,964
2024-2028	69,981,285	10,755,795	80,737,080
2029-2033	38,030,604	2,707,763	40,738,367
2034	1,565,965	23,724	1,589,689
	<u>\$ 345,706,020</u>	<u>\$ 71,200,395</u>	<u>\$ 416,906,415</u>

NOTE 7 – CAPITAL LEASES

NBC entered into capital leases for computers. The assets are included in NBC's Statement of Net Position at June 30, 2013 are as follows:

Plant and equipment	<u>\$622,958</u>
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Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2013.

As of June 30, 2013, future minimum rental commitments under capital leases are as follows:

<u>Years Ending June 30</u>	
2014	\$ 239,708
2015	177,098
2016	123,992
2017	<u>99,455</u>
Total future minimum rental payments	640,253
Less interest portion of payments	<u>(23,117)</u>
Present value of minimum lease payments	617,136
Less current maturities of capital lease	<u>(227,767)</u>
Net long-term capital lease obligations	<u>\$ 389,369</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

The changes in capital leases for the year ended June 30, 2013 was as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2013</u>
Capital Leases	<u>\$249,436</u>	<u>\$622,958</u>	<u>\$255,258</u>	<u>\$617,136</u>

NOTE 8 – LONG TERM DEBT

Long-term debt at June 30, 2013 consists of the following:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2013</u>
Revenue Bonds 2005 Series A, 5% average coupon rate, dated August 4, 2005, maturing August 1, 2035 (net of premium amortized at June 30, 2013 of \$2,429,506)	\$ 47,429,506	\$ -	\$ -	\$ 47,429,506
Revenue Bonds 2007 Series A, 4.84825% average coupon rate, dated February 8, 2007, maturing February 1, 2037 (net of premium amortized at June 30, 2013 of \$1,919,216)	44,419,216	-	-	44,419,216
Revenue Bonds (variable rate) 2008 Series A, dated July 17, 2008, maturing September 1, 2034 (net of refunding loss amortized at June 30, 2013 of \$511,513)	59,455,236	-	1,711,749	57,743,487
Revenue Bonds 2013 Series A, 4.332913% average coupon rate, dated March 21, 2013, maturing September 1, 2043 (net of premium amortized at June 30, 2013 of \$4,131,888)	-	<u>75,611,888</u>	-	<u>75,611,888</u>
Total long-term debt	<u>\$151,303,958</u>	<u>\$75,611,888</u>	<u>\$ 1,711,749</u>	<u>\$225,204,097</u>
Less current portion	<u>(1,735,000)</u>			<u>(1,790,000)</u>
Net long-term debt	<u>\$149,568,958</u>			<u>\$223,414,097</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

Maturities of long-term debt for the year ending June 30, 2014 through 2044 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,790,000	\$ 9,269,892	\$ 11,059,892
2015	1,855,000	9,379,794	11,234,794
2016	1,915,000	9,313,294	11,228,294
2017	1,990,000	9,244,300	11,234,300
2018	2,055,000	9,172,944	11,227,944
2019-2023	11,555,000	44,689,769	56,244,769
2024-2028	29,010,000	41,606,463	70,616,463
2029-2033	57,635,000	31,516,336	89,151,336
2034-2038	57,985,000	17,452,281	75,437,281
2039-2043	41,985,000	6,266,450	48,251,450
2044	9,460,000	189,200	9,649,200
	<u>\$217,235,000</u>	<u>\$188,100,723</u>	<u>\$ 405,335,723</u>

The above bonds are subject to federal arbitrage regulations. Based on current calculations, NBC has no arbitrage liability.

On July 17, 2008, NBC issued \$66,360,000 in Wastewater System Revenue Refunding Bonds to refund on a current basis, \$65,765,000 of the outstanding Wastewater System Revenue Bonds, 2004 Series A and to pay the costs of issuance associated therewith. The reacquisition price exceeded the net carrying amount of the old debt by \$627,767. This amount is being netted against the new debt and amortized over the new debt's life.

These bonds have been issued in weekly rate mode but can be changed by NBC to a daily, commercial paper or term rate mode. The interest rate is determined weekly or daily based on the mode and interest is paid monthly. The interest rate for the bonds outstanding during fiscal year 2013 ranged from .06% to .24%. The Bonds shall be repaid from Revenues, as defined in the Indenture of the Commission pledged under the Indenture and funds drawn under an irrevocable direct pay letter of credit issued by US Bank. Under the Letter of Credit, the Bank is obligated to pay to the Trustee, upon presentation of required documentation, the amount necessary to pay the principal and purchase price of and interest on the Bonds of up to 60 days at the maximum rate of 10% on the Bonds. The Letter of Credit provides that it will expire on July 13, 2013.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

NOTE 9 – COMPENSATED ABSENCES

NBC’s employees are granted vacation and sick leave in varying amounts based on years of service with NBC. At the termination of service, an employee is paid for accumulated unused vacation leave and sick leave. Sick leave payments are based on age and years of service for both union and non-union employees. NBC has determined that the dollar value of accumulated accrued vacation leave and sick leave, valued at the current rate of pay, at June 30, 2013 to be \$2,550,354. The accrued vacation and sick leave is reported on the Statement of Net Position as other accrued expenses.

The changes in compensated absences for the year ended June 30, 2013 were as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 2,303,666	\$ 328,930	\$ 82,242	\$ 2,550,354	\$ -

NOTE 10 – RISK MANAGEMENT

NBC is exposed to various risk of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; health of employees and natural disasters. NBC purchases commercial insurance for property damage, general liability, errors and omissions and employee health coverage.

NBC has been commercially insured for workers’ compensation benefits since March 1, 2000. Prior to that date, NBC was self-insured and the workers’ compensation benefits were administered by the State of Rhode Island. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 – NET POSITION

Net investment in Capital Assets is intended to reflect the portion of net position that are associated with nonliquid capital assets less outstanding capital asset related debt.

Chapter 46-25 of the general laws enacted by the General Assembly established a restricted environmental enforcement fund. The fund consists of sums recovered by administrative or civil enforcement action and may be used as outlined in chapter 46-25. NBC has restricted net position equal to the balance of funds in the environmental enforcement restricted cash and cash equivalent account.

NBC considers restricted resources to have been spent when an expense is incurred for which both restricted and unrestricted net position are available.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

NOTE 12 – PENSION PLANS

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components.

Defined Benefit Plan Description

All NBC eligible full-time union employees participate in a cost-sharing multiple-employer defined benefit pension plan administered by the State of Rhode Island Employees' Retirement System (ERS). The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. The level of benefits provided to state employees is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly.

Funding Policy

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. NBC employees are required to contribute 3.75% of their annual covered salary. NBC is required to contribute at an actuarially determined rate; the rate was 21.18% of annual covered payroll for the fiscal year ended June 30, 2013. NBC contributed \$1,164,519, \$1,228,735, and \$1,094,426 for the fiscal years ended June 30, 2013, 2012 and 2011, respectively, equal to 100% of the required contributions for each year.

Defined Contribution Plan Description

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

NBC contributed \$52,714 for the fiscal year ended June 30, 2013 (which was the first year of the defined contribution plan), equal to 100% of the required contributions for that year.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained by writing to the Employees' Retirement System of Rhode Island, 50 Service Avenue, Warwick, RI 02886.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

NON-UNION PROFIT-SHARING PLAN

NBC's Board of Commissioners approved a resolution, at the regular business meeting on May 15, 2002, adopting the Narragansett Bay Commission Non-union Defined Contribution Plan, which is a profit-sharing plan for its non-union employees pursuant to 401(a) of the Internal Revenue Code. The profit-sharing plan is a defined contribution, single employer pension plan. As of June 30, 2013, there were 119 active participants.

Contributions are discretionary and established annually and may be amended by the Board of Commissioners. NBC's contribution to the profit-sharing plan for the year ended June 30, 2013 amounted to \$394,326 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2013. Employees are allowed to make voluntary contributions to the profit-sharing plan on an after-tax basis. The employees' contribution to the plan for the year ended June 30, 2013 amounted to \$0.

Non-union employees are eligible to participate in the profit-sharing plan if they have performed one year of service and are at least twenty-one years of age. These provisions were adopted and may be amended by the Board of Commissioners.

NBC funds the annual profit-sharing plan contribution biweekly based on each eligible employee's biweekly compensation. The plan is administered by a third-party administrator and Capital Bank and Trust is the Plan's trustee.

NBC's payroll for employees covered by the profit-sharing plan was \$7,886,531 for the year ended June 30, 2013. The total payroll for the year ended June 30, 2013 amounted to \$14,532,037.

NON-UNION DEFINED BENEFIT PLAN

Plan Description

NBC's Board of Commissioners approved a resolution, at the regular business meeting on December 20, 2004 adopting a defined benefit plan for its non-union employees effective February 1, 2005, pursuant to 401(a) of the Internal Revenue Code. The plan is a single-employer, defined benefit pension plan. The plan year begins January 1 and ends December 31, with the initial plan year ending December 31, 2005.

The Pension Plan is being administered by third party administrator and Reliance Trust Company is the Plan's trustee.

NBC's payroll for employees covered by the Plan for the year ended June 30, 2013 was \$7,310,817 and NBC's total payroll was \$14,532,037.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

At December 31, 2012, employee membership related to the plan was as follows:

Active	104
Vested Terminations/Inactive	21
Retired	<u>9</u>
Total	<u>134</u>

Benefit Provisions

All non-union employees are eligible to participate in the plan after the completion of one year of service and attaining age 21. The monthly retirement benefit is based on 1% of average monthly compensation multiplied by total years of service limited to 30 years. Participants are eligible to retire at age 65 after 5 years of service. A participant is eligible for early actuarially adjusted retirement after 20 years of service and if they have attained age 62. The Plan has cliff vesting after 7 years. There were no retirement benefit payment distributions for the first five years of the plan. The Board is authorized to establish and amend all plan provisions.

Effective as of January 1, 2007 the Plan was amended such that 1,000 hours of service was added to the definitions of both "Period of Service" and "Period of Participation."

Funding Policy

The contribution requirements of the plan participants and NBC are established and may be amended by the Board. Eligible plan participants must contribute 5% of covered earnings. NBC is required to contribute an actuarially determined amount. The annual required contribution for the plan year January 1, 2012 through December 31, 2012 was \$470,174.

The contributions made to the plan for the plan year ended December 31, 2012 were \$794,928, which consists of employer contributions of \$439,942 and employee contributions of \$354,986.

Annual Pension Cost

NBC's annual pension cost and net pension obligation for the plan year ended December 31, 2012 were as follows:

Annual required contribution (ARC)	\$ 470,174
Interest on net pension obligation	-
Adjustment to ARC	<u>-</u>
Annual pension cost (APC)	470,174
Contributions made	<u>439,942</u>
Increase in net pension obligation	30,232
Negative net pension obligation, beginning of year	<u>(94,296)</u>
Negative net pension obligation, end of year	<u>\$ (64,064)</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

Three-Year Trend Information

<u>Plan Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Negative Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2010	\$759,694	106%	\$(69,089)
12/31/2011	421,510	106%	(94,296)
12/31/2012	470,174	94%	(64,064)

Contributions as of December 31, 2010 include employee contributions. As of December 31, 2011 employee contributions were not included pursuant to GASB 27.

Actuarial Methods and Assumptions

The annual required contribution was determined by an actuarial valuation as of December 31, 2012 using the entry age normal cost with frozen initial liability actuarial cost method. The actuarial assumptions included (a) 6% investment rate of return and (b) projected salary increases of 3.5% per year due to inflation and merit raises. NBC's unfunded actuarial accrued liability is being amortized over 30 years on a closed basis using the level dollar method. The remaining amortization period at December 31, 2012 is 23 years. The actuarial value of the investments was based on market value.

Funding Status and Funding Progress

The funded status of the plan as of December 31, 2012 the most recent actuarial valuation is as follows:

<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of Assets</u>	<u>Actuarial Accrued</u> <u>Liability (AAL)</u>	<u>Unfunded (AAL)</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as</u> <u>a % of</u> <u>Covered</u> <u>Payroll</u>
12/31/2012	\$6,983,232	\$11,608,513	\$4,625,281	60.16%	\$7,056,463	65.55%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

A separate audited pension plan financial statement is not available for the plan year ended December 31, 2012.

NOTE 13 – SALARY DEFERRAL

Under a salary reduction plan adopted by NBC, the gross pay of non-union employees of the Field's Point service area was reduced by 12 ½% from March 10, 1991 through June 29, 1991; the gross pay of union employees of the Bucklin Point service area was reduced 14% from April 21, 1991 through June 29, 1991; and the gross pay of all non-union employees of the Field's Point service area was reduced 10% from June 30, 1991 through March 21, 1992. The equivalent number of pay

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

hours was accrued as deferred vacation days. Field's Point service area employees may discharge this additional deferred leave during any payroll period following the payroll period(s) in which it was earned commencing July 1, 1991.

Bucklin Point service area employees may discharge this additional deferred leave during any payroll period following the payroll period(s) in which it was earned. Cash payment may be elected for one additional day of paid leave per calendar month commencing July 1, 1992.

Employees at either facility may retain this additional deferred leave to be paid upon termination and at such time, receive payment at their then-current rate of pay.

Salary deferred under the salary reduction plan is included in compensated absences as of June 30, 2013 and is reported as a long-term liability within other accrued expenses.

NOTE 14 – USER BILLING

At its 1983 session, the Rhode Island General Assembly enacted Public Law 1983 Chapter 235, which amended NBC's enabling legislation (Title 46, Chapter 25 of the General Laws). The amendment required that NBC institute a retail billing system with rates and fees subject to review and approval by the PUC. A PUC approved retail billing system went into effect July 1, 1985, for the Field's Point service area, and January 1, 1992, for the Bucklin Point service area.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

NBC has entered into various engineering and construction contracts for the design and improvement of its facilities as part of its capital improvement program. Commitments under these contracts aggregated approximately \$89,246,990 at June 30 2013.

NBC, during the ordinary course of its operations, is a party to various claims, legal actions and complaints. In the opinion of NBC's management and legal counsel, the potential liability to NBC, if any, or an evaluation of the outcome to these matters cannot be made at the present time.

NOTE 16 – POST-EMPLOYMENT UNION HEALTHCARE PLAN

Plan Description

The Narragansett Bay Commission contributes (for union employees) to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers Other Post Employment Benefit System (OPEB). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including Narragansett Bay Commission.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2013

Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB system issues a stand-alone, publically available financial report that includes the financial statements and required supplementary information. A copy of the report can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02903.

Funding Policy

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2013 was 6.86% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Narragansett Bay Commission's contributions to the plan for the fiscal years ended June 30, 2013, 2012, and 2011 were \$375,736, \$360,384 and \$354,976 respectively, which represents 100% of the ARC.

NARRAGANSETT BAY COMMISSION
Required Supplementary Information
Schedule of Funding Progress (1) Non-Union Defined Benefit Plan
"Unaudited"

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) -Entry Age</i>	<i>Unfunded Liability/ (Funding) (Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
12/31/2007	\$ 2,351,065	\$ 7,296,345	\$4,945,280	32.22%	\$ 5,843,128	84.63%
12/31/2008	2,331,076	8,229,436	5,898,360	28.33%	6,279,494	93.93%
12/31/2009	3,641,180	9,084,433	5,443,253	40.08%	6,596,574	82.52%
12/31/2010	4,862,359	9,871,087	5,008,728	49.26%	6,667,172	75.13%
12/31/2011	5,639,361	10,496,408	4,857,047	53.73%	6,642,470	73.12%
12/31/2012	6,983,232	11,608,513	4,625,281	60.16%	7,056,463	65.55%

(1) The information included in the schedule of funding progress was obtained from the annual actuarial valuation at the date indicated.

NARRAGANSETT BAY COMMISSION
Required Supplementary Information - Non-Union Defined Benefit Pension Plan
Schedule of Employer Contributions
"Unaudited"

<u><i>Plan Year Ending December 31</i></u>	<u><i>(1) Annual Required Contribution</i></u>	<u><i>(1) Actual Contribution</i></u>	<u><i>Percent Funded</i></u>
2007	\$ 687,937	\$ 717,033	104%
2008	800,139	743,593	93%
2009	785,638	779,195	99%
2010	759,694	803,414	106%
2011	421,510	446,718	106%
2012	470,174	439,942	94%

(1) Contributions from 12/31/2007 through 12/13/2010 include employee contributions. As of 12/31/2011 employee contributions were not included pursuant to GASB 25.

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NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Expenses			
Personnel services			
Union regular	\$ 5,605,456	\$ 5,568,502	\$ 36,954
Union overtime	500,698	439,426	61,272
Non-union regular	8,523,187	8,449,979	73,208
Non-union overtime	96,839	95,267	1,572
Non-union limited	32,923	23,282	9,641
Fringe benefits	7,423,863	7,188,573	235,290
Project salaries and fringe benefits capitalized	(1,966,665)	(1,906,571)	(60,094)
Total personnel services	<u>20,216,301</u>	<u>19,858,458</u>	<u>357,843</u>
Contract services			
Medical services	9,065	7,987	1,078
Biosolids disposal	4,170,671	4,440,239	(269,568)
Screening and grit disposal	125,606	124,802	804
Security services	47,420	38,845	8,575
Regulatory expenses	296,715	286,550	10,165
Legal services	192,300	155,846	36,454
Management/audit services	2,058,235	1,861,701	196,534
Special clerical services	58,000	46,867	11,133
Other special services	112,600	115,425	(2,825)
Total contract services	<u>7,070,612</u>	<u>7,078,262</u>	<u>(7,650)</u>
Travel			
Local travel	5,120	3,340	1,780
Long distance travel	40,450	32,884	7,566
Total travel	<u>45,570</u>	<u>36,224</u>	<u>9,346</u>
Repairs and maintenance			
Building and ground maintenance	129,101	125,465	3,636
Vehicle fuel and maintenance	225,020	219,114	5,906
Repairs, building and structures	496,220	479,384	16,836
Repairs, highway and walls	4,300	4,120	180
Maintenance/service agreements	788,670	742,665	46,005
Highway and landscape	13,500	10,493	3,007
Diesel for equipment	15,000	14,561	439
Total repairs and maintenance	<u>1,671,811</u>	<u>1,595,802</u>	<u>76,009</u>

(Continued)

NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis)-(Continued)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Utilities			
Telephone	\$ 160,460	\$ 150,482	\$ 9,978
Central telephone services	5,000	5,210	(210)
Fuel, gas	399,285	336,511	62,774
Electricity	4,545,440	3,491,204	1,054,236
Water	36,000	24,985	11,015
Total utilities	<u>5,146,185</u>	<u>4,008,392</u>	<u>1,137,793</u>
Supplies			
Clothing and clothing materials	27,385	23,121	4,264
Building and machinery supplies and expenses	263,550	256,459	7,091
Educational expenses	49,646	41,393	8,253
Lab supplies	268,675	274,344	(5,669)
Computer supplies	74,285	71,506	2,779
Other operating supplies and expenses	12,100	10,210	1,890
Chemicals	618,111	603,165	14,946
Total supplies	<u>1,313,752</u>	<u>1,280,198</u>	<u>33,554</u>
Miscellaneous			
Office expense	75,940	71,604	4,336
Postage	375,525	371,359	4,166
Dues and subscriptions	58,165	54,269	3,896
Freight	37,425	34,183	3,242
Insurance	493,000	492,197	803
Workers' compensation insurance	369,000	355,826	13,174
Workers' compensation old claims	57,509	34,063	23,446
Printing and binding	140,225	138,453	1,772
Advertising	13,100	10,548	2,552
Rental of outside property	4,880	3,702	1,178
Rental of equipment	17,370	14,859	2,511
Rental of clothing	29,950	28,301	1,649
Safety equipment	23,865	21,331	2,534
Miscellaneous	4,000	9,258	(5,258)
Public outreach education	19,000	19,171	(171)
Total miscellaneous	<u>1,718,954</u>	<u>1,659,124</u>	<u>59,830</u>
Total operating expenses	<u>37,183,185</u>	<u>35,516,460</u>	<u>1,666,725</u>

(Continued)

NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis)-(Continued)
For the Year Ended June 30, 2013

	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Non-operating expenses</i>			
Interest expense- 2005 Series A	\$ 2,290,000	\$ 2,266,742	\$ 23,258
Interest expense- 2007 Series A	2,065,563	2,065,563	-
Interest expense- 2008 Series A	2,054,106	540,879	1,513,227
Interest expense- 2013 Series A	930,000	929,338	662
Interest expense- SRF	7,714,810	7,713,095	1,715
Interest expense- BANS	100,000	62,778	37,222
Interest expense- leases	12,000	9,048	2,952
Programmed new debt	1,184,750	-	1,184,750
<i>Total non-operating expenses</i>	16,351,229	13,587,443	2,763,786
<i>Capital outlays</i>			
Building and plant equipment	568,000	402,073	165,927
Office furniture and equipment	125,000	39,058	85,942
Computer software	280,000	163,487	116,513
Computer hardware	755,000	729,307	25,693
Buildings and other structures	115,000	21,806	93,194
Replacement reserve	1,720,700	1,032,617	688,083
Automotive equipment	170,700	144,341	26,359
<i>Total capital outlays</i>	3,734,400	2,532,689	1,201,711
<i>Debt service principal</i>	21,927,958	21,924,835	3,123
<i>Total budgeted expenses</i>	\$ 79,196,772	\$ 73,561,427	\$ 5,635,345

The NBC prepares its operating budget on a modified cash basis. Accordingly certain noncash expenditures such as depreciation and amortization expense are not provided for in the operating budget.

Reconciliation of Budgetary Basis Expenses to GAAP Expenses:

<i>Total expenses on budgetary basis</i>	\$ 73,561,427
Add:	
Depreciation	10,526,553
Amortization	448,331
Grant expenses	54,222
Bond and note fees	130,980
Less:	
Capital outlay	(2,532,689)
Debt service principal	(21,924,835)
<i>Total expenses on a GAAP basis</i>	\$ 60,263,989

NARRAGANSETT BAY COMMISSION

Combining Schedule of Net Position

June 30, 2013

<i>Assets</i>	<i>Revenue Fund</i>	<i>O & M Fund</i>	<i>Project Fund</i>	<i>Debt Service Fund</i>	<i>Operating Reserve for Revenue Stability Fund</i>	<i>Total</i>
Current assets						
Cash and cash equivalents	\$ 8,707,492	\$ 5,769,327	\$ 418,180	\$ -	\$ -	\$ 14,894,999
Accounts receivable	10,438,135	-	-	-	-	10,438,135
Sewer use (net of allowance)	3,821,110	-	-	-	-	3,821,110
Sewer use unbilled	1,247	232,152	757,200	-	-	990,599
Receivables, other	-	-	24,649,784	-	-	24,649,784
Due from Rhode Island Clean Water Finance Agency	-	540,506	-	-	-	540,506
Prepaid expenses	-	-	-	-	-	-
Total current assets	<u>22,967,984</u>	<u>6,541,985</u>	<u>25,825,164</u>	<u>-</u>	<u>-</u>	<u>55,335,133</u>
Noncurrent assets						
Restricted assets						
Cash and cash equivalents, environmental enforcement	74,841	-	-	-	-	74,841
Cash and cash equivalents, restricted	-	-	161,669	33,107,555	4,503,238	37,772,462
Cash and cash equivalents, restricted for the acquisition and construction of plant assets	-	-	42,364,186	-	-	42,364,186
Total restricted assets	<u>74,841</u>	<u>-</u>	<u>42,525,855</u>	<u>33,107,555</u>	<u>4,503,238</u>	<u>80,211,489</u>
Capital assets						
Land	-	-	2,754,407	-	-	2,754,407
Plant and equipment	-	-	83,918,884	-	-	83,918,884
Capital projects completed	-	-	598,301,337	-	-	598,301,337
Construction in progress	-	-	320,249,539	-	-	320,249,539
Less accumulated depreciation	-	-	1,005,224,167	-	-	1,005,224,167
Net capital assets	<u>-</u>	<u>-</u>	<u>(152,854,823)</u>	<u>-</u>	<u>-</u>	<u>(152,854,823)</u>
Other assets						
Negative net pension obligation	-	64,064	-	-	-	64,064
Organization costs (net of accumulated amortization)	-	10,125	-	-	-	10,125
Bond and loan issuance costs (net of accumulated amortization)	-	-	6,145,036	-	-	6,145,036
Total other assets	<u>-</u>	<u>74,189</u>	<u>6,145,036</u>	<u>-</u>	<u>-</u>	<u>6,219,225</u>
Total noncurrent assets	<u>74,841</u>	<u>74,189</u>	<u>901,040,235</u>	<u>33,107,555</u>	<u>4,503,238</u>	<u>938,800,058</u>
Total assets	<u>\$ 23,042,825</u>	<u>\$ 6,616,174</u>	<u>\$ 926,865,399</u>	<u>\$ 33,107,555</u>	<u>\$ 4,503,238</u>	<u>\$ 994,135,191</u>

(Continued)

NARRAGANSETT BAY COMMISSION
Combining Schedule of Net Position (Continued)
 June 30, 2013

	<i>Revenue Fund</i>	<i>O & M Fund</i>	<i>Project Fund</i>	<i>Debt Service Fund</i>	<i>Operating Reserve for Revenue Stability Fund</i>	<i>Total</i>
Liabilities						
Current liabilities						
Accounts and contracts payable	\$ 149,383	\$ 1,696,580	\$ 14,885,088	\$ -	\$ -	\$ 16,731,051
Accrued interest payable	-	-	-	5,331,766	-	5,331,766
Accrued expenses	-	819,411	33,688	-	-	853,099
Unearned revenue	274,917	-	-	-	-	274,917
Current portion of loans payable	-	-	21,545,695	-	-	21,545,695
Current portion of leases payable	-	-	227,767	-	-	227,767
Current portion of long-term debt	-	-	1,790,000	-	-	1,790,000
Total current liabilities	<u>424,300</u>	<u>2,515,991</u>	<u>38,482,238</u>	<u>5,331,766</u>	<u>-</u>	<u>46,754,295</u>
Noncurrent liabilities						
Other accrued expenses	-	2,550,354	-	-	-	2,550,354
Long-term loans payable, net	-	-	324,160,325	-	-	324,160,325
Long-term leases payable, net	-	-	389,369	-	-	389,369
Long-term debt, net	-	-	223,414,097	-	-	223,414,097
Total noncurrent liabilities	<u>-</u>	<u>2,550,354</u>	<u>547,963,791</u>	<u>-</u>	<u>-</u>	<u>550,514,145</u>
Total liabilities	<u>424,300</u>	<u>5,066,345</u>	<u>586,446,029</u>	<u>5,331,766</u>	<u>-</u>	<u>597,268,440</u>
Net position						
Investment in capital assets, net of related debt	-	-	320,372,754	-	-	320,372,754
Restricted, environmental enforcement	74,841	-	-	-	-	74,841
Unrestricted	22,543,684	1,549,829	20,046,616	27,775,789	4,503,238	76,419,156
Total net position	<u>\$ 22,618,525</u>	<u>\$ 1,549,829</u>	<u>\$ 340,419,370</u>	<u>\$ 27,775,789</u>	<u>\$ 4,503,238</u>	<u>\$ 396,866,751</u>

NARRAGANSETT BAY COMMISSION
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2013

	<i>Revenue Fund</i>	<i>O & M Fund</i>	<i>Project Fund</i>	<i>Debt Service Fund</i>	<i>Operating Reserve for Revenue Stability Fund</i>	<i>Total</i>
Operating revenues						
User fees, residential	\$ 45,021,105	-	-	-	-	\$ 45,021,105
User fees, commercial and industrial	32,928,796	-	-	-	-	32,928,796
Permit and connection fees	95,609	-	-	-	-	95,609
Pretreatment	1,077,887	-	-	-	-	1,077,887
Septage income	300,319	-	-	-	-	300,319
Abatement fees	2,412	-	-	-	-	2,412
Late charge penalties	918,134	-	-	-	-	918,134
Miscellaneous revenue	4,470	-	-	-	-	4,470
Total operating revenues	<u>80,348,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,348,732</u>
Operating expenses						
Personnel services	-	19,858,457	-	-	-	19,858,457
Contractual services	-	7,104,834	-	-	-	7,104,834
Travel	-	36,224	-	-	-	36,224
Repairs and maintenance	-	1,595,803	-	-	-	1,595,803
Utilities	-	4,008,392	-	-	-	4,008,392
Supplies	-	1,294,849	-	-	-	1,294,849
Depreciation and amortization	-	10,974,885	-	-	-	10,974,885
Insurance	-	882,086	-	-	-	882,086
Miscellaneous	-	790,037	-	-	-	790,037
Total operating expenses	<u>-</u>	<u>46,545,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,545,567</u>
Operating income (loss)	<u>80,348,732</u>	<u>(46,545,567)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,803,165</u>

(Continued)

NARRAGANSETT BAY COMMISSION

Combining Schedule of Revenues, Expenses and Changes in Net Position (Continued)

For the year ended June 30, 2013

	Revenue Fund	O & M Fund	Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Total
Non-Operating revenues (expenses)						
Grant	\$ 14,980	\$ -	\$ -	\$ -	\$ -	\$ 14,980
Interest expense	-	(9,048)	-	(13,578,394)	-	(13,587,442)
Interest income	1,640	1,625	12,487	5,582	1,573	22,907
Miscellaneous income	190,923	-	-	-	-	190,923
Bond and note issuance costs	-	-	-	(130,980)	-	(130,980)
Total non-operating revenues (expenses)	207,543	(7,423)	12,487	(13,703,792)	1,573	(13,489,612)
Net income(loss) before capital contributions and transfers	80,556,275	(46,552,990)	12,487	(13,703,792)	1,573	20,313,553
Capital contributions	-	-	354,202	-	-	354,202
Transfers in (out)	(81,868,740)	47,412,010	19,958,771	14,497,959	-	-
Change in net position	(1,312,465)	859,020	20,325,460	794,167	1,573	20,667,755
Total net position beginning of year	23,930,990	690,809	320,093,910	26,981,622	4,501,665	376,198,996
Total net position end of year	\$ 22,618,525	\$ 1,549,829	\$ 340,419,370	\$ 27,775,789	\$ 4,503,238	\$ 396,866,751

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Comprehensive Annual Financial Report
Statistical Section



Photo by Mike Spring: Narragansett Bay Commissions wind turbine

STATISTICAL SECTION

This part of the NBC's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statement, note disclosure, and required supplementary information says about the NBC's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the NBC's financial performance and well-being have changed over time.

- Net Position by Component
- Changes in Net Position
- Revenue by Source
- Expenses by Function

Revenue Capacity

These schedules contain information to help the reader assess the NBC's most significant revenue sources.

- User Fee Revenue by Customer Type
- Residential Sewer Rates
- Non-Residential Sewer Rates
- Comparative Sewer Rates – RI Municipalities
- Principal Commercial Users

Debt Capacity

These schedules contain information to help the reader assess the affordability of the NBC's current levels of outstanding debt and the NBC's ability to issue additional debt in the future.

- Ratios of Outstanding Debt
- Debt Service Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the NBC's financial activities take place.

- Demographic Statistics
- Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the NBC's financial report relates to the Services the NBC provides and the activities it performs.

- Operating Indicators by Division
- Budgeted Employees by Activity

Sources: Unless otherwise noted, the information in these schedules was derived from the comprehensive annual financial report for the relevant year.

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NARRAGANSETT BAY COMMISSION
Net Position By Component - (Unaudited)
Last Ten Fiscal Years

<i>Years Ending June 30,</i>	<i>Investment in Capital Assets, net of related debt</i>	<i>Restricted Environmental Enforcement</i>	<i>Unrestricted</i>	<i>Total Net Position</i>
2004	\$ 176,130,955	\$ 34,340	\$ 46,295,161	\$ 222,460,456
2005	195,783,867	49,193	43,092,952	238,926,012
2006	205,752,364	84,735	50,790,866	256,627,965
2007	214,974,154	127,370	54,514,025	269,615,549
2008	228,385,908	189,545	58,174,511	286,749,964
2009	240,723,854	157,021	64,044,903	304,925,778
2010	264,347,077	146,170	63,493,654	327,986,901
2011	281,322,303	118,796	71,793,204	353,234,303
2012	298,407,024	87,748	77,704,224	376,198,996
2013	320,372,754	74,841	76,419,156	396,866,751

NARRAGANSETT BAY COMMISSION
Change in Net Position (Unaudited)
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Revenues										
User fees	\$ 77,949,901	\$ 75,921,752	\$ 73,412,706	\$ 69,224,415	\$ 67,958,753	\$ 64,462,984	\$ 56,094,973	\$ 56,395,730	\$ 51,186,822	\$ 47,873,355
Pretreatment fees	1,077,887	1,087,140	1,109,709	1,114,004	1,126,654	1,115,529	1,163,397	1,165,749	1,209,418	1,234,447
Other operating revenue	1,320,944	1,410,298	1,390,160	1,435,630	1,458,274	1,499,218	1,399,037	1,464,685	1,381,662	1,305,690
Total Operating Revenues	80,348,732	78,419,190	75,912,575	71,774,049	70,543,681	67,077,731	58,657,407	59,026,164	53,777,902	50,413,492
Non-Operating Revenues										
Interest income	22,907	10,868	11,609	47,803	420,017	2,195,657	2,849,252	2,483,388	914,079	515,567
Grants	14,980	129,327	66,851	279,978	34,300	27,653	49,037	20,695	35,530	74,983
Other non-operating revenue	190,923	247,740	263,238	280,656	185,832	95,316	111,703	30,465	-	-
Total Non-operating Revenues	228,810	387,935	341,698	608,437	640,149	2,318,626	3,009,992	2,534,548	949,609	590,550
Operating Expenses										
Personnel Services	19,858,457	19,412,763	18,751,300	18,767,282	17,832,832	17,052,860	16,043,809	15,681,061	15,367,770	14,984,343
Contractual Services	7,104,834	6,780,533	6,614,019	7,008,213	7,221,939	7,214,382	6,474,726	5,299,762	3,226,479	3,470,114
General and Administrative	8,607,391	8,783,624	8,223,641	8,529,977	8,622,100	7,384,874	7,413,415	7,319,290	7,821,574	7,050,880
Depreciation and amortization	10,974,885	10,569,625	10,437,059	9,065,008	7,301,816	7,463,646	6,803,213	6,129,019	6,397,410	6,265,860
Total Operating Expenses	46,545,567	45,546,545	44,026,019	43,370,480	40,978,687	39,115,762	36,735,163	34,429,132	32,813,233	31,771,197
Non-Operating Expenses										
Interest Expense	13,587,442	11,785,551	10,887,026	10,820,471	12,013,384	13,121,460	11,913,538	9,836,182	8,381,979	5,720,685
Other Expenses	130,980	60,883	136,664	36,381	15,945	24,720	36,740	1,016,836	8,436	49,740
Total Non-operating Expenses	13,718,422	11,846,434	11,023,690	10,856,852	12,029,329	13,146,180	11,950,278	10,595,585	8,390,415	5,770,425
Net Income before capital contributions	20,313,553	21,414,146	21,204,564	18,155,154	18,175,814	17,134,415	12,981,958	16,535,995	13,523,863	13,462,420
Capital contribution	354,202	1,550,547	4,042,838	4,905,969	-	-	5,626	1,165,958	2,941,693	2,223,373
Change in Net Position	20,667,755	22,964,693	25,247,402	23,061,123	18,175,814	17,134,415	12,987,584	17,701,953	16,465,556	15,685,793
Net Position- beginning	376,198,996	353,234,303	327,986,901	304,925,778	286,749,964	269,615,549	256,627,965	238,926,012	222,460,456	206,774,663
Net Position- ending	\$ 396,866,751	\$ 376,198,996	\$ 353,234,303	\$ 327,986,901	\$ 304,925,778	\$ 286,749,964	\$ 269,615,549	\$ 256,627,965	\$ 238,926,012	\$ 222,460,456

NARRAGANSETT BAY COMMISSION
Revenue by Source (Unaudited)
Last Ten Fiscal Years

Years Ending June 30,	Operating Revenue										Non-Operating Revenue				Total Revenue
	User Fees	Permit and Connection Fees	Pretreatment	Environmental Enforcement	Septage Income	Late Charge Penalties	BOD/TSS Surcharge	Other Revenue	Total Operating Revenue	Grants	Interest Income	Miscellaneous			
2004	\$ 47,873,355	\$ 115,241	\$ 1,234,447	\$ 44,443	\$ 532,769	\$ 434,081	\$ 134,448	\$ 44,708	\$ 50,413,492	\$ 74,983	\$ 515,567	\$ -	\$ 51,004,042		
2005	51,186,822	197,595	1,209,418	69,536	435,145	458,176	194,215	26,995	53,777,902	35,530	914,079	-	54,727,511		
2006	56,395,730	357,496	1,165,749	81,398	387,068	447,672	152,123	38,928	59,026,164	20,695	2,483,388	30,465	61,560,712		
2007	56,094,973	205,589	1,163,397	52,525	357,206	631,183	139,815	12,719	58,657,407	49,037	2,849,252	111,703	61,667,399		
2008	64,462,984	181,290	1,115,529	75,500	372,711	741,834	116,096	11,787	67,077,731	27,653	2,195,657	95,316	69,396,357		
2009	67,958,753	140,822	1,126,654	3,700	382,955	849,127	66,439	15,231	70,543,681	34,300	420,017	185,832	71,183,830		
2010	69,224,415	86,009	1,114,004	13,650	380,579	901,619	29,419	24,354	71,774,049	279,978	47,803	280,656	72,382,486		
2011	73,412,706	82,914	1,109,709	8,315	293,718	951,351	44,704	9,158	75,912,575	66,851	11,609	263,238	76,254,273		
2012	75,921,752	85,487	1,087,140	1,000	304,157	918,943	93,462	7,249	78,419,190	129,327	10,868	247,740	78,807,125		
2013	77,949,901	95,609	1,077,887	-	300,319	918,134	-	6,882	80,348,732	14,980	22,907	190,923	80,577,542		

NARRAGANSETT BAY COMMISSION
Expenses by Function (Unaudited)
Last Ten Fiscal Years

Years Ending June 30,	Operating Expenses										Non-operating Expenses		Total Expenses
	Personnel Services	Contractual Services	Repairs and Maintenance	Utilities	Supplies	Depreciation Amortization	Miscellaneous	Operating Expenses	Interest Expenses	Other Expenses			
2004	\$ 14,984,343	\$ 3,470,114	\$ 1,321,740	\$ 2,922,865	\$ 1,173,647	\$ 6,265,860	\$ 1,632,628	\$ 31,771,197	\$ 5,720,685	\$ 49,740	\$ 37,541,622		
2005	15,367,770	3,226,479	1,378,543	3,809,972	1,132,783	6,397,410	1,500,276	32,813,233	8,381,979	8,436	41,203,648		
2006	15,681,061	5,299,762	1,259,874	3,470,521	1,044,137	6,386,452	1,287,325	34,429,132	9,836,182	759,403	45,024,717		
2007	16,043,809	6,474,726	1,349,609	3,345,585	1,067,524	6,803,213	1,650,697	36,735,163	11,913,538	36,740	48,685,441		
2008	17,052,860	7,214,382	1,258,783	3,435,790	1,183,308	7,463,646	1,506,993	39,115,762	13,121,460	24,720	52,261,942		
2009	17,832,832	7,221,939	1,304,720	4,156,172	1,479,232	7,301,816	1,681,976	40,978,687	12,013,384	15,945	53,008,016		
2010	18,767,282	7,008,213	1,265,659	4,187,385	1,474,302	9,065,008	1,602,631	43,370,480	10,820,471	36,381	54,227,332		
2011	18,751,300	6,614,019	1,315,887	3,940,125	1,255,828	10,437,059	1,711,801	44,026,019	10,887,026	136,664	55,049,709		
2012	19,412,763	6,780,533	1,617,879	4,247,867	1,143,635	10,569,625	1,774,243	45,546,545	11,785,551	60,883	57,392,979		
2013	19,858,457	7,104,834	1,595,803	4,008,392	1,294,849	10,974,885	1,708,347	46,545,567	13,587,442	130,980	60,263,989		

NARRAGANSETT BAY COMMISSION
User Fee Revenue by Customer Type - (Unaudited)
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Residential	\$ 45,021,105	\$ 43,266,302	\$ 41,892,869	\$ 39,392,798	\$ 38,727,419	\$ 36,113,007	\$ 30,990,979	\$ 30,875,896	\$ 27,436,514	\$ 26,103,320
Commercial	31,111,175	30,886,203	29,713,682	28,295,493	27,647,095	26,584,703	23,412,834	23,454,508	21,715,154	19,744,104
Industrial	1,817,621	1,769,247	1,806,155	1,536,124	1,584,239	1,765,274	1,691,160	2,065,326	2,035,154	2,025,931
Total	<u>\$ 77,949,901</u>	<u>\$ 75,921,752</u>	<u>\$ 73,412,706</u>	<u>\$ 69,224,415</u>	<u>\$ 67,958,753</u>	<u>\$ 64,462,984</u>	<u>\$ 56,094,973</u>	<u>\$ 56,395,730</u>	<u>\$ 51,186,822</u>	<u>\$ 47,873,355</u>

NARRAGANSETT BAY COMMISSION
Schedule of Residential Sewer Rates - (Unaudited)
Last Ten Fiscal Years

<u><i>Fiscal Year</i></u>	<u><i>Fixed Rate (per Dwelling Unit)</i></u>	<u><i>Consumption Rate (HCF)</i></u>
2004	\$ 79.00	\$ 1.625
2005	83.70	1.722
2006	94.38	1.942
2007	98.21	2.021
2008	112.35	2.309
2009	124.98	2.569
2010	159.21	2.569
2011	162.79	2.627
2012	168.21	2.714
2013	1-Jul-12	2.775
2013	1-Jan-13	2.979

* HCF - per hundred cubic feet

NARRAGANSETT BAY COMMISSION
Schedule of Non-residential Sewer Rates - (Unaudited)
Last Ten Fiscal Years

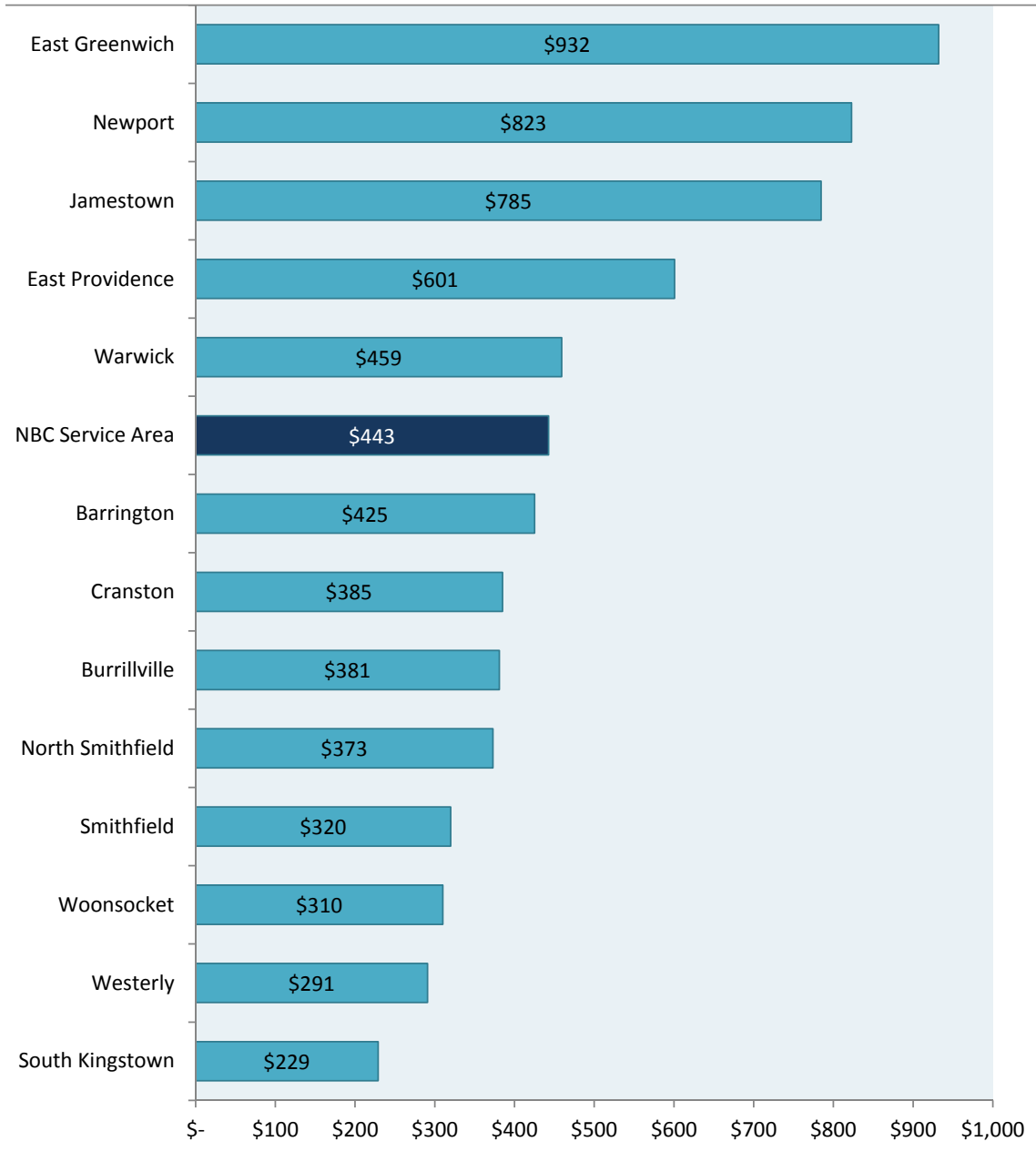
<u>Fiscal Year</u>	<u>Non-Residential Fixed Rate (Based on 5/8" meter)</u>	<u>Industrial Consumption Rate (HCF)</u>	<u>Commercial Consumption Rate (HCF)</u>
2004	\$ 177	\$ 1.515	\$ 2.355
2005	188	1.605	2.495
2006	212	1.810	2.813
2007	221	1.884	2.927
2008	253	2.153	3.349
2009	281	2.395	3.725
2010	380	2.395	3.725
2011	389	2.449	3.809
2012	402	2.531	3.936
2013 1-Jul-12	411	2.588	4.025
2013 1-Jan-13	441	2.778	4.321

* HCF - per hundred cubic feet

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Annual Residential Sewer Charges Rhode Island Cities & Towns

The survey shown below, conducted by the Narragansett Bay Commission (NBC) in 2012, compares the annual residential sewer charges for participating Rhode Island Cities & Towns. The survey shows NBC, with its current fee structure, ranks 9th lowest among participants.



Source: 2012 Narragansett Bay Commission Residential Sewer User Survey

Notes:

In this survey, all Annual Residential Sewer Charges are based on 97.6 HCF. The average 2012 Annual Residential Sewer User Fee for Rhode Island Cities & Towns is \$483.

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NARRAGANSETT BAY COMMISSION
Principal Commercial Users - (Unaudited)
2013 and 2004

<u>Company</u>	<u>2013</u>			<u>2004</u>		
	<u>Annual billing</u>	<u>Rank</u>	<u>Percentage of total billing</u>	<u>Annual billing</u>	<u>Rank</u>	<u>Percentage of total billing</u>
Providence Housing Authority	\$ 1,253,762	1	1.57%	\$ 597,333	3	1.25%
Brown University	1,222,953	2	1.53%	987,026	1	2.06%
RI Hospital	1,200,086	3	1.50%	793,662	2	1.66%
City of Providence	663,928	4	0.83%	433,357	4	0.91%
City of Pawtucket	569,566	5	0.71%	345,899	6	0.72%
Providence School Department	460,157	6	0.58%	352,762	5	0.74%
Providence College	370,196	7	0.46%			
Johnson & Wales	363,957	8	0.46%	325,445	7	0.68%
State of RI	334,789	9	0.42%			
Rhode Island School of Design	253,912	10	0.32%			
Roger Williams Hospital				232,996	9	0.49%
Rhode Island College				319,700	8	0.67%
Veterans Administration Medical Center				180,352	10	0.38%
Total	\$ 6,693,306		8.38%	4,568,532		6.23%

NARRAGANSETT BAY COMMISSION
Ratios of Outstanding Debt - (Unaudited)
Last Ten Years

Fiscal Year Ended June 30,	Loans Payable	Bonds Payable	Lease Payable	Total Outstanding Debt	Capitalized Assets*	Construction in Process	Total Capital Assets	Ratio of Outstanding Debt to Capital Assets	Ratio of Outstanding Debt per Population (1)	Percentage Personal Income to Outstanding Debt (1)
	2004	\$ 204,228,468	\$ 81,628,122	\$ 453,757	\$ 286,310,347	\$ 203,821,078	\$ 201,485,348	\$ 405,306,426	0.71	267.31
2005	222,735,236	70,000,000	481,393	293,216,629	211,608,992	271,817,109	483,426,101	0.61	275.47	0.013%
2006	247,768,485	116,064,506	495,453	364,328,444	220,781,312	330,122,836	550,904,148	0.66	344.03	0.011%
2007	269,690,992	159,068,722	587,356	429,347,070	225,428,491	378,547,610	603,976,101	0.71	407.68	0.010%
2008	269,026,900	157,613,722	585,756	427,226,378	226,015,839	412,852,916	638,868,755	0.67	406.58	0.010%
2009	271,381,022	156,089,206	441,456	427,911,684	225,324,137	431,243,898	656,568,035	0.65	406.29	0.010%
2010	255,695,266	154,547,457	365,855	410,608,578	479,512,217	193,843,866	673,356,083	0.61	390.10	0.011%
2011	269,436,595	152,950,708	282,318	422,669,621	476,713,013	228,402,550	705,115,563	0.60	402.04	0.011%
2012	340,979,944	151,303,958	249,436	492,533,338	469,067,391	289,782,521	758,849,912	0.65	468.95	0.010%
2013	345,706,020	225,204,097	617,136	571,527,253	532,119,805	320,249,539	852,369,344	0.67	N/A	N/A

* Capitalized assets net of accumulated depreciation

(1) See the Demographics and Economic Statistics for the personal income and population

NARRAGANSETT BAY COMMISSION
Schedule of Debt Service Coverage - (Unaudited)
Last Ten Fiscal Years

<i>Fiscal Year</i>	<i>Gross Revenues (1)</i>	<i>Operating Expenses (2)</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirement</i>			<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2004	\$ 51,004,042	\$ 25,738,005	\$25,266,037	\$ 8,934,425	\$ 5,694,831	\$ 14,629,256	1.73
2005	54,727,511	26,601,612	28,125,899	9,035,349	7,295,728	16,331,077	1.72
2006	61,560,712	28,300,113	33,260,599	10,922,981	9,840,948	20,763,929	1.60
2007	61,667,399	29,931,950	31,735,449	12,502,822	10,742,156	23,244,978	1.37
2008	69,396,357	31,652,116	37,744,241	16,800,972	12,879,158	29,680,130	1.27
2009	71,183,830	33,676,871	37,506,959	17,457,042	11,982,197	29,439,239	1.27
2010	72,382,486	34,305,472	38,077,014	18,148,897	10,620,806	28,769,703	1.32
2011	76,254,273	33,588,960	42,665,313	18,702,732	10,349,378	29,052,110	1.47
2012	78,807,125	34,976,920	43,830,205	20,350,893	10,961,097	31,311,990	1.40
2013	80,577,542	35,570,682	45,006,860	21,927,959	11,964,723	33,892,682	1.33

(1) Total revenues including interest income

(2) Total operating expenses exclusive of depreciation and amortization

NARRAGANSETT BAY COMMISSION
Demographic Statistics - (Unaudited)
State of Rhode Island
Last Ten Fiscal Years

<i>Fiscal Year</i>	<i>Population (1)</i>	<i>Personal Income (Millions of dollars)(4)</i>	<i>Per Capita Income (4)</i>	<i>Labor Force (2)</i>	<i>School Enrollment (3)</i>	<i>Unemployment Rate (2)</i>
2004	1,071,095	\$ 36,453	\$ 33,733	562,289	158,592	5.20%
2005	1,064,439	38,907	36,153	569,451	153,560	5.00%
2006	1,058,991	39,054	36,289	578,243	153,417	5.10%
2007	1,053,136	41,745	39,463	576,987	151,619	5.00%
2008	1,050,788	43,091	41,008	567,597	145,342	7.80%
2009	1,053,209	43,185	41,003	567,093	145,231	11.20%
2010	1,052,567	44,801	42,579	566,166	145,118	10.30%
2011	1,051,302	46,248	43,992	563,506	142,854	11.27%
2012	1,050,292	47,253	44,990	563,202	142,481	9.90%
2013	N/A	N/A	N/A	N/A	N/A	N/A

- (1) Source United States Census Bureau
- (2) Source Rhode Island Department of Labor
- (3) Source Rhode Island Department of Education
- (4) Source Rhode Island Department of Commerce

NARRAGANSETT BAY COMMISSION
Principal Employers - (Unaudited)
2013 and 2004

<u>Company</u>	<u>2013</u>			<u>2004</u>		
	<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total State Employment</i>	<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total State Employment</i>
Lifespan	11,869	1	2.74%	11,110	1	2.22%
Diocese of Providence	6,200	2	1.43%	5,630	3	1.12%
Care New England	5,953	3	1.37%	5,858	2	1.17%
CVS Corp	5,800	4	1.34%	5,183	4	1.03%
Citizens Bank	4,991	5	1.15%	4,984	5	0.99%
Brown University	4,800	6	1.11%	4,450	7	0.89%
Stop & Shop	3,632	7	0.84%	4,555	6	0.91%
Bank of America	3,500	8	0.81%	3,636	8	0.73%
Fidelity Investments	2,934	9	0.68%			
RI ARC	2,851	10	0.66%	2,383	9	0.48%
Jan Companies				2,260	10	0.45%
Total	52,530		12.12%	50,049		9.99%

Source: RI Economic Development Corporation

NARRAGANSETT BAY COMMISSION
Operating Indicators by Division - (Unaudited)
Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of Employees	254	246	246	244	237	241	245	247	247	255
Field's Point Plant (Largest WWTF in RI)										
Daily average treatment in gallons (mgd)	43.06	43.06	43.06	43.06	43.06	49.39	53.07	45.69	45.69	41.00
Maximum daily capacity of treatment (mgd)	200	200	200	200	200	200	200	200	200	200
Number of pump stations	4	4	4	4	4	4	4	4	5	5
Number of active combined sewer overflows (CSOs)	38	38	38	38	38	38	39	39	39	39
Miles of interceptor	80	80	80	80	80	80	80	80	80	80
Number of tide gates	32	32	32	32	32	32	32	32	32	32
Bucklin Point Plant (Second largest WWTF in RI)										
Daily average treatment in gallons (mgd)	19.6	19.6	19.6	19.6	19.6	24.83	24.83	24.61	24.61	24.48
Maximum daily capacity of treatment (mgd)	116	116	116	116	116	116	116	46	46	46
Number of pump stations	3	3	3	3	3	3	3	3	3	3
Number of active combined sewer overflows (CSOs)	26	26	26	26	26	26	27	27	27	27
Miles of interceptor	30	30	30	30	30	30	30	30	30	30

Mgd = million gallons per day
Source: Management of NBC

NARRAGANSETT BAY COMMISSION
Budgeted Employees by Activity - (Unaudited)
Last Ten Fiscal Years

<i>Departments</i>	<i>FY 2013</i>	<i>FY 2012</i>	<i>FY 2011</i>	<i>FY 2010</i>	<i>FY 2009</i>	<i>FY 2008</i>	<i>FY 2007</i>	<i>FY 2006</i>	<i>FY 2005</i>	<i>FY 2004</i>
Executive	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0
Construction Services	13.0	12.0	12.0	10.0	10.0	9.0	10.0	10.0	9.9	11.0
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Legal	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.3
Finance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Accounting	10.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0	11.0	12.0
Information Technology	12.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Customer Service	24.0	24.0	24.0	24.0	22.0	22.0	22.0	21.0	21.0	20.0
Purchasing	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	6.0
Planning	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Pretreatment	14.0	14.0	15.0	15.0	15.0	15.0	15.0	15.0	16.0	16.0
Laboratory	16.0	16.0	16.0	17.0	15.0	15.0	15.0	15.0	15.0	15.0
Environmental Safety & Technical Assistance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Environmental Monitoring & Data Analysis	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	18.0
Interceptor Maintenance	20.0	21.0	22.0	22.0	22.0	22.0	22.0	21.0	23.0	23.0
Engineering	8.0	9.0	10.0	10.0	11.0	11.0	10.0	10.0	10.0	10.0
Field's Point WWTF	57.0	58.0	56.0	56.0	56.0	56.0	56.0	56.0	61.0	62.0
Bucklin Point WWTF	33.0	33.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Total	259.0	260.0	260.0	258.0	254.0	254.0	254.0	253.0	261.4	264.3

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Comprehensive Annual Financial Report
Compliance Section



Photo by Diane Wenskowicz



CERTIFIED PUBLIC ACCOUNTANTS

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***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***

Independent Auditor's Report

To the Board of Commissioners
Narragansett Bay Commission
Providence, Rhode Island

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 the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, and have issued our report thereon dated September 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NBC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NBC's internal control. Accordingly, we do not express an opinion on the effectiveness of NBC'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NBC'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Warwick, Rhode Island
September 17, 2013

Narragansett Bay Commission
Long Distance Travel
FY 2013

TRAVELER	PAYEE	TRAVEL DATES	CHECK	DATE PAID BY NBC	PURPOSE OF TRAVEL	DESTINATION	MILEAGE	MEALS	REGISTRY	AIRFARE	HOTEL	MISC./ OTHER	TOTALS
PP&R (51)													
Thomas P Uva	Thomas P Uva	A 10/21/12-10/25/12	81079	8/15/12	Nat'l Conf. on Coastal & Estuarine Habitat Restoration	Tampa, FL				285.00			285.00
Thomas P Uva	Restore America's Estuaries	R 10/21/12-10/25/12	81232	8/21/12	Nat'l Conf. on Coastal & Estuarine Habitat Restoration	Tampa, FL		185.00	395.00		514.08	12.60	395.00
Thomas P Uva	Thomas P Uva	S 10/21/12-10/25/12	82156	11/7/12	Nat'l Conf. on Coastal & Estuarine Habitat Restoration	Tampa, FL							711.68
Total PP&R Cost Center (51)													1,391.68
Pretreatment (52)													
James Kelly	NEIWPCC	R 8/20/12-8/21/12	81451	9/18/12	NEIWPCC Training Program	Concord, NH			25.00				25.00
Kerry M Britt	Kerry M Britt	A 5/14/13-5/17/13	83738	3/26/13	NACWA Nat'l Pretreatment & Pollution Prevention Workshop	Portland, OR			250.00				250.00
Kerry M Britt	NACWA	R 5/15/13-5/17/13	84440	5/21/13	NACWA Nat'l Pretreatment & Pollution Prevention Workshop	Portland, OR			575.00				575.00
Kerry M Britt	Kerry M Britt	S 5/14/13-5/17/13	84591	5/28/13	NACWA Nat'l Pretreatment & Pollution Prevention Workshop	Portland, OR		175		292.60	532.44	63.84	1,063.88
Total Pretreatment Cost Center (52)													1,913.88
Lab (53)													
Angelina Glater	Northwest Analytics	R 2/11/13-2/12/13	83006	1/22/13	NWA Quality Analyst Seminar	Philadelphia, PA			895.00				895.00
Angelina Glater	Angelina Glater	S 2/11/13-2/13/13	83482	3/5/13	NWA Quality Analyst Seminar	Philadelphia, PA		50.00		318.00	366.34	18.25	752.59
E. Davies/N. Lough	NE Water Environmental Assoc.	R 3/22/13	84021	4/16/13	Certification Exam Application Fee	Mashantucket, CT			70.00				70.00
E. Davies/N. Lough	NE Interstate Water Pollution	R 3/21/13-3/22/13	84022	4/16/13	NEIWPCC Environmental Training	Mashantucket, CT			340.00				340.00
Nora Lough	NE Interstate Water Pollution	R 5/21/13	84830	6/18/13	NEIWPCC-Course: Activated Sludge Issues	Portland, ME			155.00				155.00
Nora Lough	NE Interstate Water Pollution	R 5/22/13	84830	6/18/13	NEIWPCC-Course: Lab Workshop: Microscopic Exam	Portland, ME			220.00				220.00
Nora Lough	Nora Lough	S 5/20/13-5/22/13	84750	6/11/13	NEIWPCC Joint Environmental Training	Portland, ME	199.11	75.00			361.98	42.00	678.09
Total Lab Cost Center (53)													3,110.68
Planning (54)													
Barry Wenskowitz	Barry Wenskowitz	S 9/28/12-10/3/12	81772	10/16/12	WEFTEC "Roadmap to Energy Neutral Utility"	New Orleans, LA		150.00	775.00	374.70	462.00	83.75	1,845.45
Barry Wenskowitz	NEWEA	R 10/23/12-10/24/12	82222	11/14/12	NEWEA Residuals & Biosolids Conference & Exhibit	Amherst, MA			200.00				200.00
Barry Wenskowitz	Barry Wenskowitz	S 10/23/12-10/24/12	82092	11/7/12	NEWEA Residuals & Biosolids Conference & Exhibit	Amherst, MA	111.00					7.70	118.70
James McCaughey	Water Environment Federation	R 5/6/13-5/9/13	84246	5/1/13	WEF Energy & Water 2013	Nashville, TN			615.00				615.00
James McCaughey	James McCaughey	S 5/4/13-5/8/13	84588	5/28/13	WEF Energy & Water 2013	Nashville, TN		125		285.1	440.64	69.12	919.86
James McCaughey	James McCaughey	S 5/12/13-5/18/13	84588	5/28/13	NACWA Pretreatment & Pollution Prevention Workshop	Portland, OR		200.00		514.80	532.44	90.00	1,337.24
James McCaughey	NACWA	R 5/15/13-5/17/13	84744	6/11/13	NACWA Pretreatment & Pollution Prevention Workshop	Portland, OR			575.00				575.00
Total Planning Cost Center (54)													5,611.25
EMDA (55)													
ACCRUAL													280.25
Total EMDA Cost Center (55)													280.25
GRAND TOTAL TRAVEL													\$ 32,884.24