

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014**



**Narragansett Bay Commission
Rhode Island**

Narragansett Bay Commission Rhode Island

*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014*

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



Photo by Patty Pinilla: Boats on Narragansett Bay

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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 Patty Pinilla: Narragansett Beach

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NARRAGANSETT BAY COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended 2014

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Comprehensive Annual Financial Report

Introductory Section



Photo by Patty Pinilla: Field's Point WWTF located on Narragansett Bay

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The Narragansett Bay Commission
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Raymond J. Marshall, P.E.
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Vincent J. Mesolella
Chairman

Executive Director

<http://www.narrabay.com>

August 5, 2014

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, 2014. 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, 2014.

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.

Hague, Sahady & Co. have issued an unqualified ("clean") opinion on the NBC's financial statements for the fiscal year ended June 30, 2014. 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 Waste Water 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.

a clean bay today a clean bay today a clean bay today a clean bay today a clean bay today a clean bay today a clean bay today a clean bay today

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's Citizen Advisory Committee (CAC) is 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 also 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).

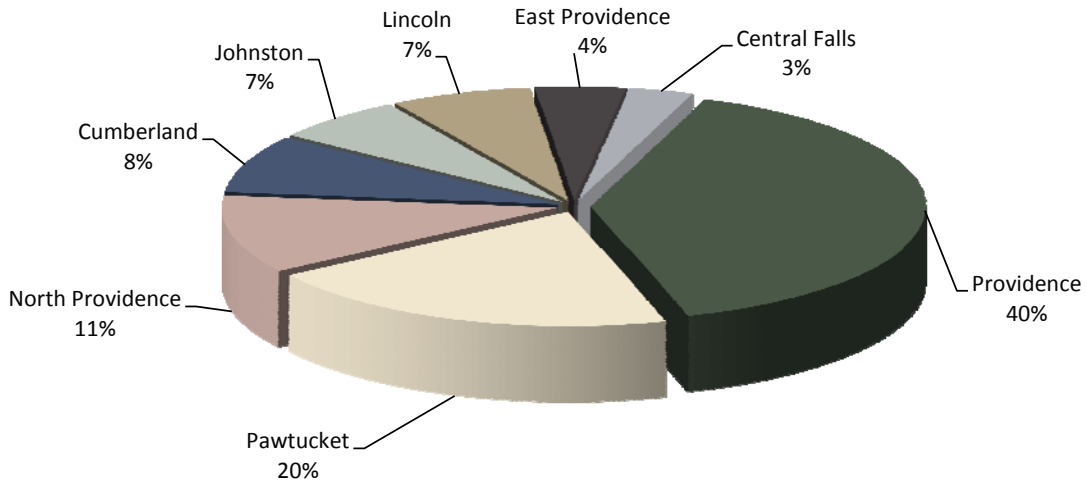
A line item budget is maintained for each individual section or program. Finance staff review the budget versus actual status on a monthly basis. All budget transfers must be approved by the Division Director and the Director of Administration and Finance. The Executive Director notifies the NBC's Finance 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.

NBC provides reliable, cost-effective wastewater collection and treatment services to over 360,000 residents and approximately 7,800 businesses in the metropolitan Providence, and Blackstone Valley areas. These communities include: Providence, North Providence, Johnston, Pawtucket, Central Falls, Cumberland, Lincoln, the northern portion of East Providence and small sections of Cranston and Smithfield.

NBC's customer base consists of residential and non-residential customer classes, which include commercial and industrial users. Of the eight major communities, Providence, Pawtucket and North Providence represent 71% of the accounts. The residential customer class has approximately 75,900 accounts, while the non-residential class has approximately 7,800 accounts.

The following chart illustrates the distribution of accounts across the eight communities.

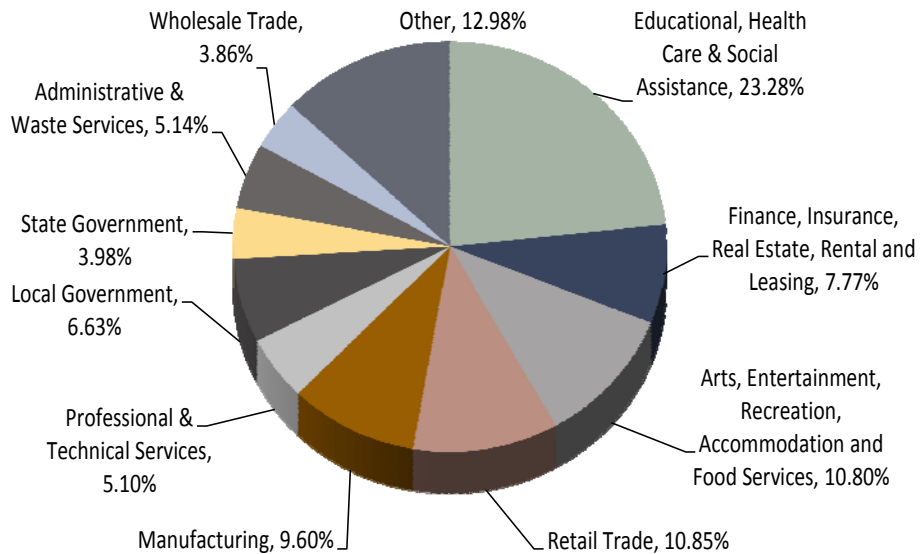
Percentage of Accounts by Community



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. It should also be mentioned that one of the primary service industries in Rhode Island is tourism, which is largely focused on recreational activities on and around Narragansett Bay. The chart below shows estimated employment by industry for the calendar year 2012.

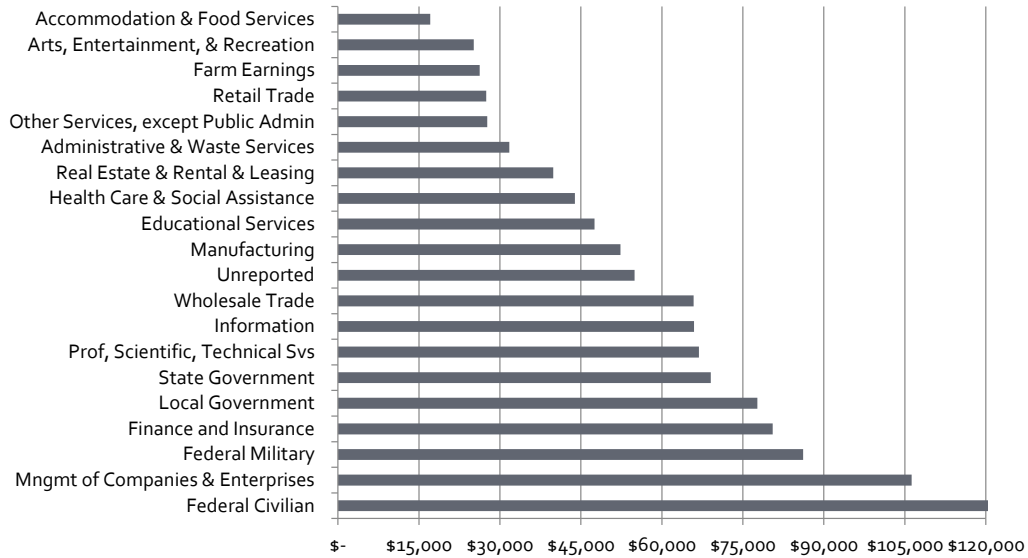
Estimated Employment by Industry



*Source: United States Regional Economic Analysis Project Industries by State 2012

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 2012.

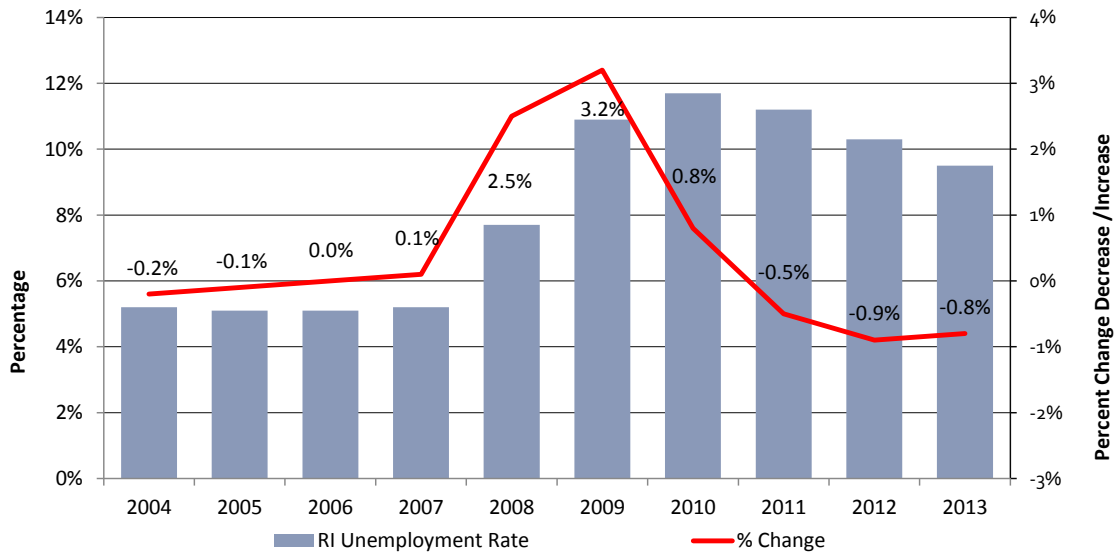
Rhode Island Average Annual Earnings per Employee by Major Industry



*Source: United States Regional Economic Analysis Project. Average Earnings per Job by Major Industry, Rhode Island 2012

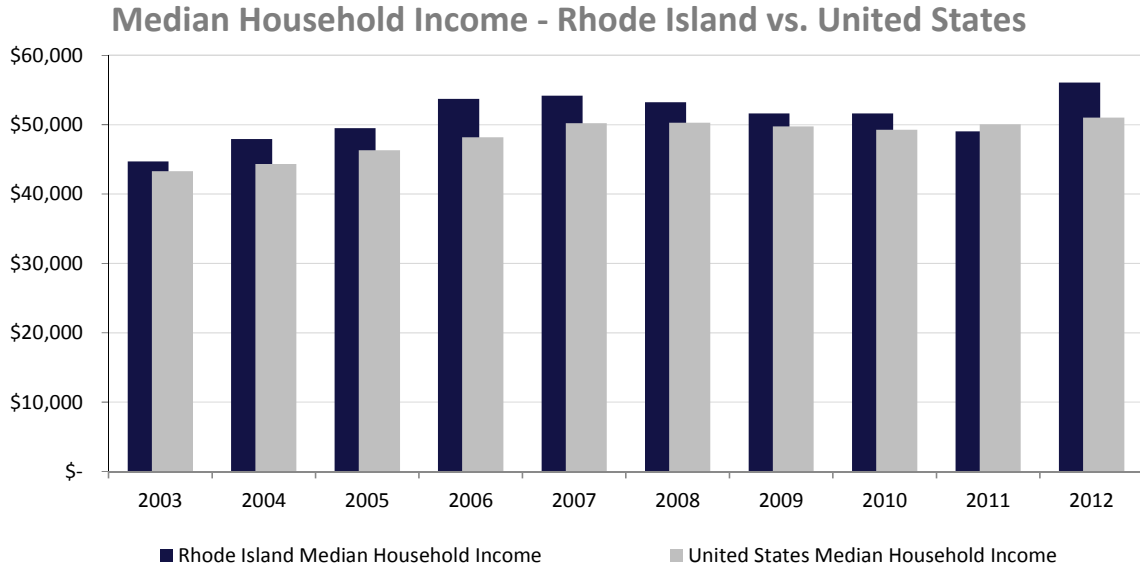
The graph below, compiled from data from the Bureau of Labor Statistics, shows historical unemployment figures over the past ten years for Rhode Island. Rhode Island unemployment rates increased significantly from 2008 to a peak rate of 11.8% in 2010 and have since declined to a rate of 9.5% in 2013.

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 2003-2012 compared to national statistics. Rhode Island’s median household income remained above the national average from 2002-2010 but fell below the national median by approximately 2% in 2011. It has since risen above the national medium average in 2012 by almost 10%.



*Source: United States Census Bureau – Historical Income Tables

LONG-TERM FINANCIAL PLANNING

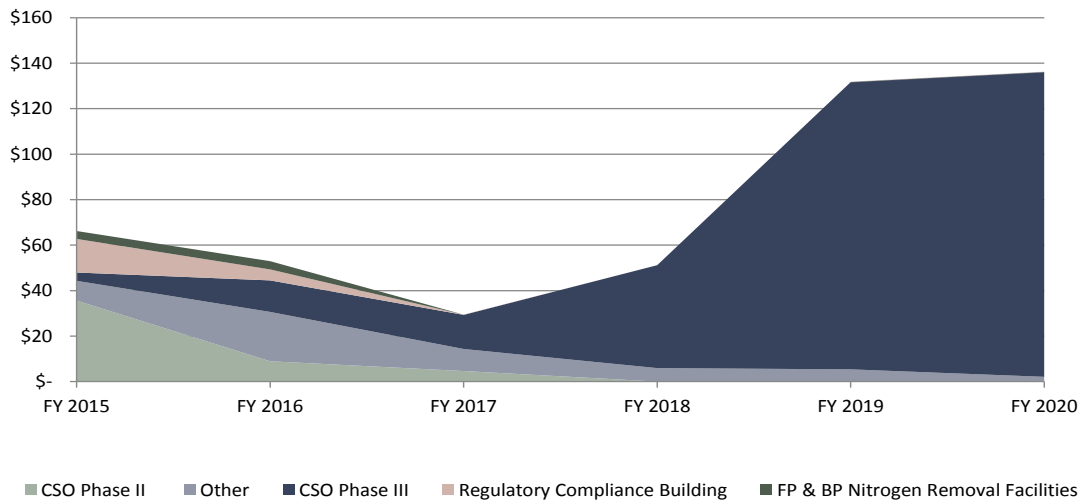
The NBC maintains and updates a long-term financial model that takes into consideration the Capital Improvement Program (CIP), cash flows, NBC’s annual operating revenues and expenses, debt service coverage, State Revolving Fund capacity and other relevant items. The model is used to develop and support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

MAJOR INITIATIVES

The NBC’s fiscal year 2016 – 2020 CIP identifies 71 projects totaling approximately \$401.3 million either in progress, to be initiated, or to be completed during the fiscal years of 2016 - 2020. In addition, the CIP includes \$66.2 million in expenditures in fiscal year 2015, for a total of approximately \$467.5 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 and Bucklin Point Wastewater Treatment Facility (WWTF), the reevaluation, design and construction phase of the Phase III CSO Facilities, and the construction of the Regulatory Compliance Building. Costs for these five projects during the five-year period total \$356.5 million, or 89% 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

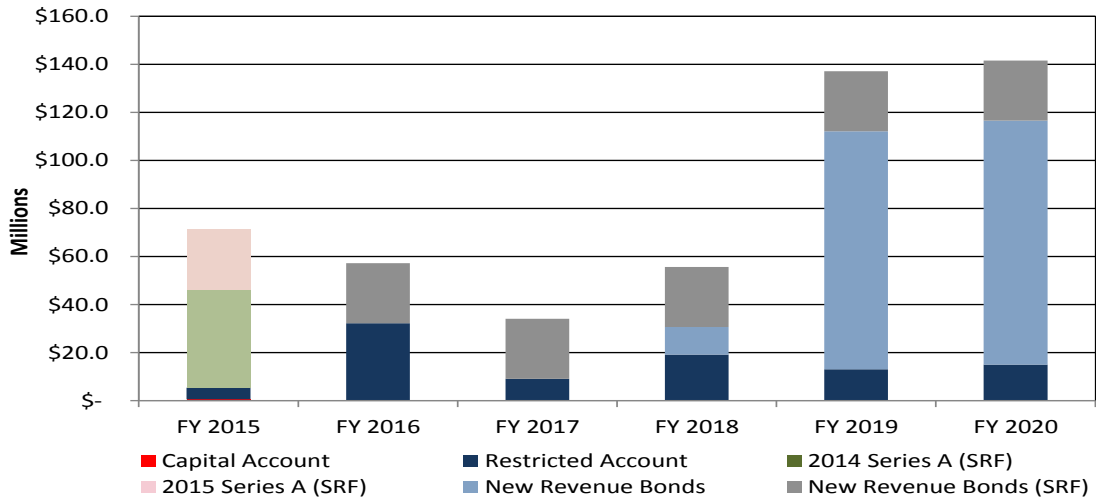


FUNDING OF THE CIP

In FY 2015, NBC plans to fund the CIP with approximately \$44.0 million in existing State Revolving Funds (SRF) proceeds borrowed through the Rhode Island Clean Water Finance Agency (RICWFA), \$18.6 million in Restricted Funds, and \$0.6 million in Capital Funds. The NBC also plans to borrow \$25.0 million from the RICWFA.

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 \$25 million per year for a total of \$125 million for the five-year CIP period. Because NBC’s capital needs exceed RICWFA capacity, the NBC plans on issuing \$212.0 million in revenue bonds during the fiscal years 2015 through 2020, making it NBC’s largest source of capital. The actual timing and type of debt issuance will be determined based upon cash flows, market conditions, RICWFA loan availability and other factors. The graph on the following page illustrates the projected sources of funds for FY 2015 through FY 2020. NBC will rely heavily on revenue bonds to finance the CIP, with the revenue bond issuance peaking in FY 2020 at nearly \$102.0 million.

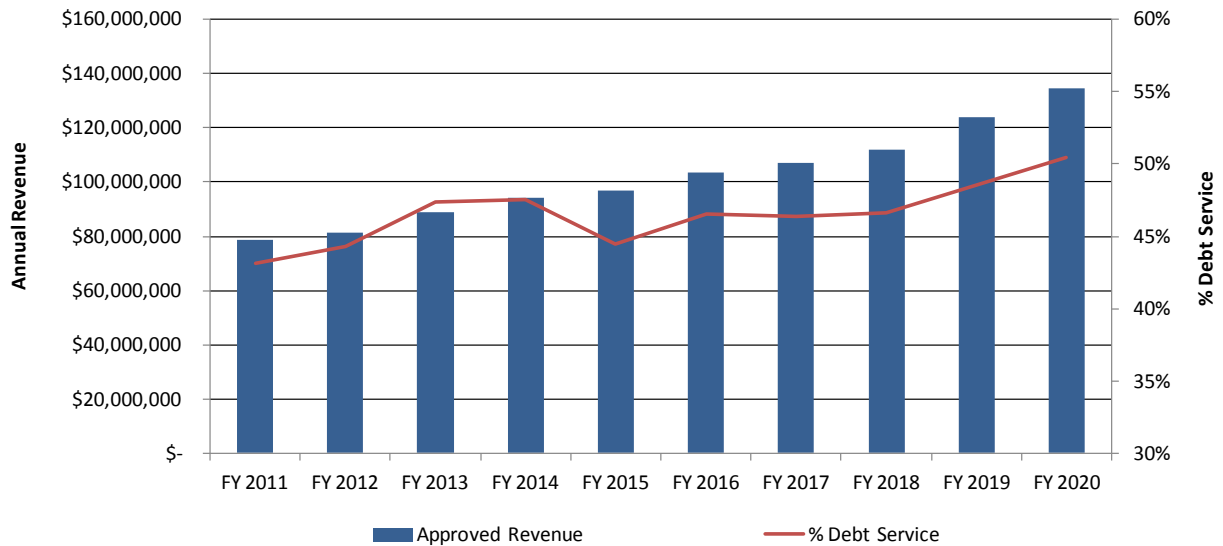
Sources of Funds



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 \$43.1 million in FY 2015 to approximately \$67.9 million in FY 2020. The chart below shows debt service as a percentage of projected revenues through FY 2020. Annual debt service as a percentage of total revenue is projected to rise from 44.4% in FY 2015 to 50.5% in FY 2020 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, 2013. This was the twelfth 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 satisfied 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, 2013. 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.

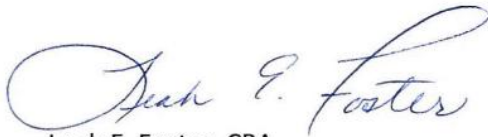
Respectfully Submitted,



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, 2013

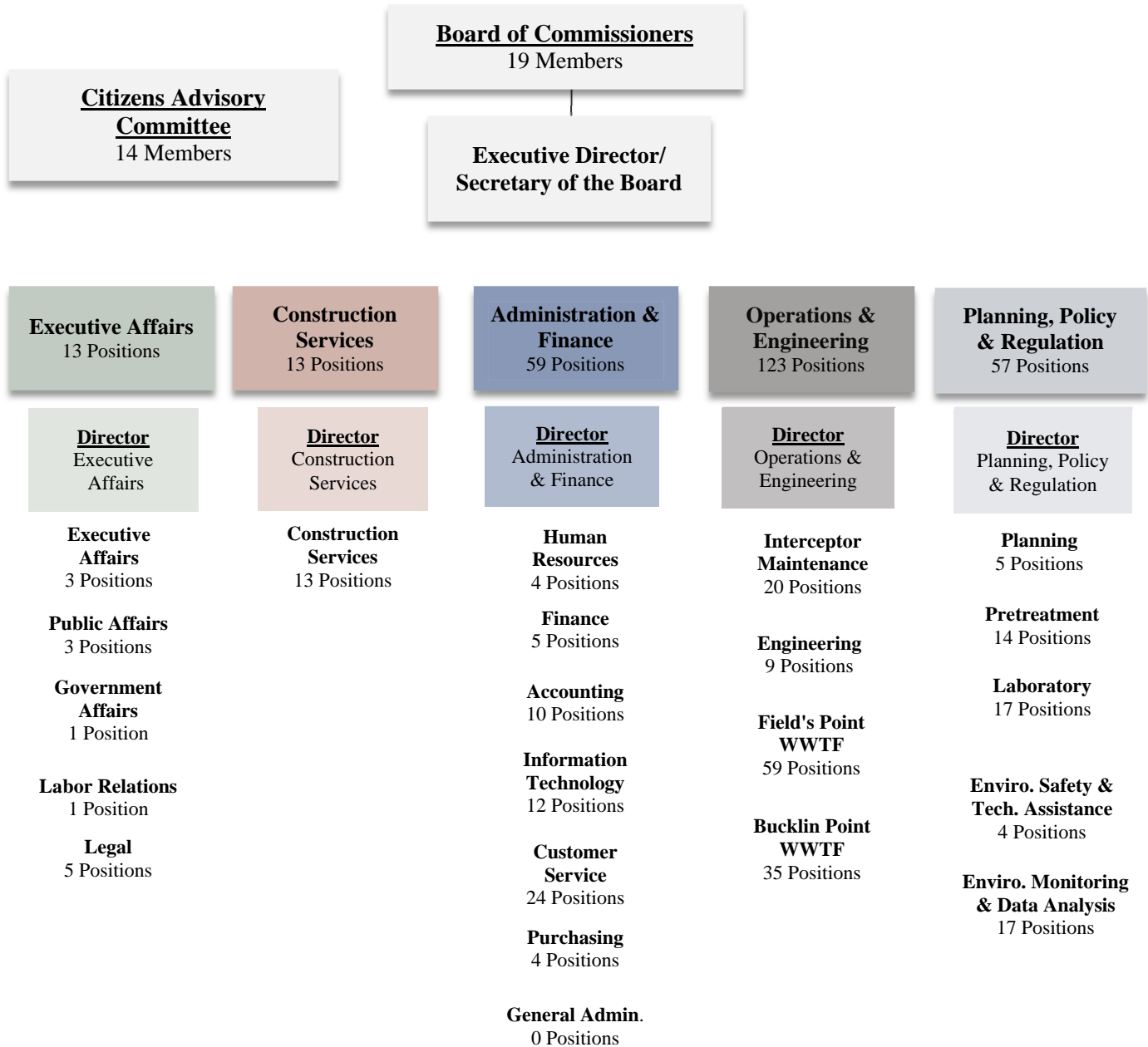
Executive Director/CEO

NARRAGANSETT BAY COMMISSION
BOARD OF COMMISSIONERS

Vincent J. Mesolella, Jr. Chairman
Angelo S. Rotella, Vice Chairman
Robert P. Andrade, Treasurer

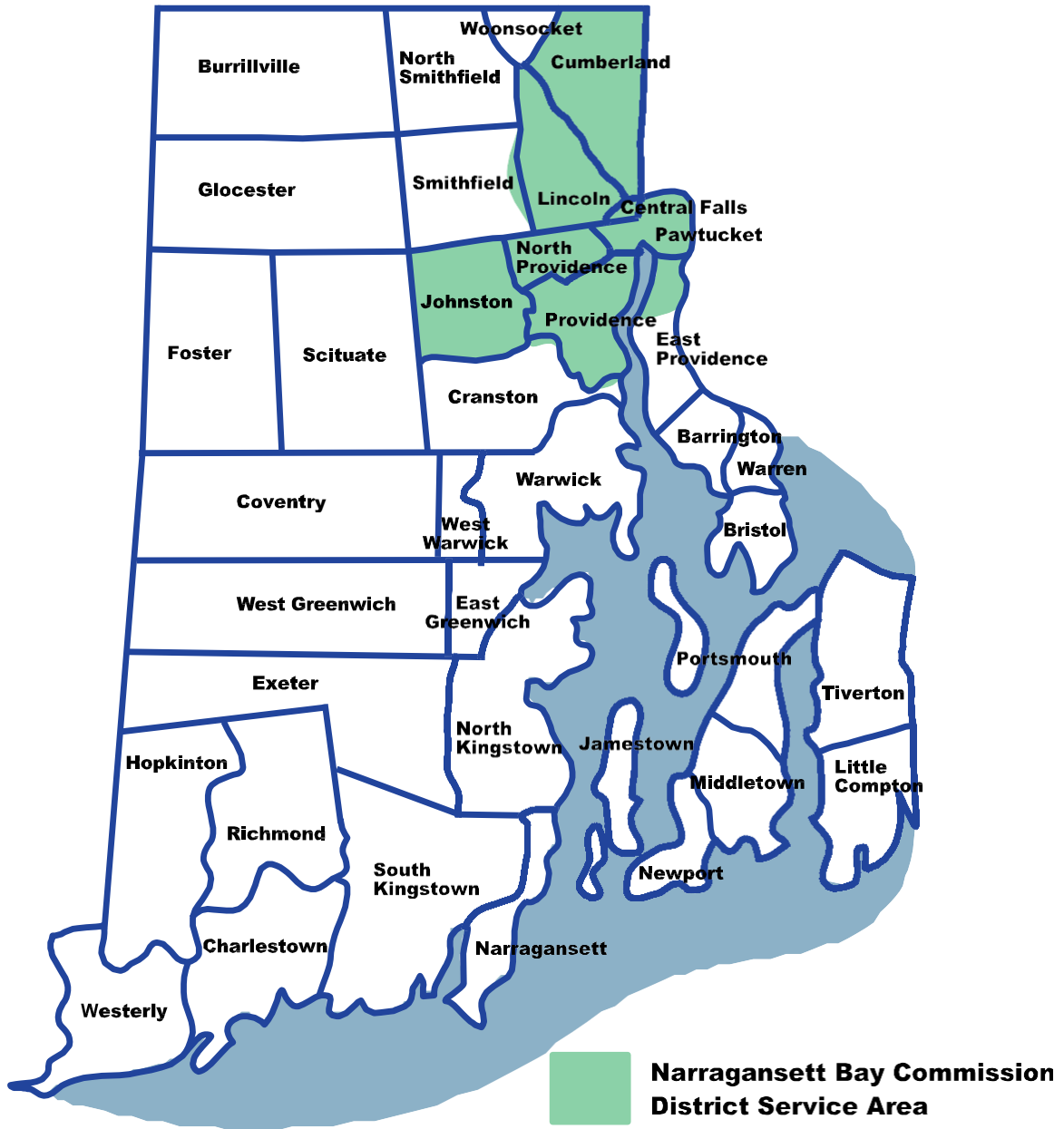
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Michael DiChiro, Esq.
Jonathan K. Farnum
Seth H. Handy, Esq.
Joseph Kimball
Paul Lemont
Ronald Leone
John MacQueen
Joan P. Milas
Alessandro Montanari
Alan Nathan
Richard D. Worrell

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 Patty Pinilla: Narragansett Bay

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HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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TEL. (508) 675-7889
FAX (508) 675-7859

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Governmental 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 opinions.

Opinions

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

Change in Accounting Principle

As discussed in Note 5 to the financial statements, in 2014, NBC adopted new accounting guidance, *GASB No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress and Schedule of Employer Contributions and budgetary comparison information on pages 47-48 and 49-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 opinions 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 revenue, expenses, and changed 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 revenue, expenses, and changed in net position, and the schedule of travel expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses - budget to actual, the combining schedule of net position, the combining schedule of revenue, expenses, and changed in net position, and 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2014, 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. That 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.

Hague, Sabady & Co. PC

Fall River, Massachusetts
August 5, 2014

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NARRAGANSETT BAY COMMISSION

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, 2014. It should be read in conjunction with the transmittal letter beginning on page 1 and NBC's basic financial statements, which begin on page 24.

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 29-46 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:

- NBC's FY 2014 total net position was \$415,784,024 which is an increase of \$25,062,307. Of this amount, \$85,228,126 (unrestricted) may be used to meet NBC's ongoing obligations.

NARRAGANSETT BAY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- During FY 2014, NBC implemented GASB 65 which changes the Statement of Net Position to include deferred outflows of resources and deferred inflows of resources as a new account classification. For comparison purposes, NBC applied GASB 65 retroactively by reclassifying the Statement of Net Position for FY 2013 in the Condensed Statement of Net Position on the following page.
- The total change in net position was \$25,062,307 in FY 2014 compared to \$20,667,755 in FY 2013, which is an increase of \$4,394,552.
- NBC restated beginning net position by \$6,145,034 for the implementation of GASB 65, which requires the elimination of the bond and loan issuance costs.
- The total revenues increased from \$80,577,542 in FY 2013 to \$92,335,532 in FY 2014, which is an \$11,757,990 increase.
- During FY 2014, NBC started selling the Renewable Energy Credits (RECs) generated by the NBC's three wind turbines.
- The total expenses increased from \$60,263,989 in FY 2013 to \$67,354,190 in FY 2014, which is a \$7,090,201 increase.
- Debt Service Coverage calculated as gross revenue, less operating expenses exclusive of depreciation and amortization, divided by total debt service was 136% for fiscal year 2014, exceeding the 125% debt service coverage level recommended by credit rating agencies.
- Effective July 1, 2013, NBC raised its flat fees and consumption fees by 9.66%.
- In FY 2014, NBC borrowed \$45 million through the Rhode Island Clean Water Finance Agency (RICWFA) to fund the Capital Improvement Program (CIP).
- In FY 2014, NBC borrowed \$34.97 million in revenue bonds to fund the CIP.

FINANCIAL ANALYSIS

NET POSITION

Net position over time may serve as a useful indicator of a government's financial position. In the case of NBC, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$415,784,024 as of June 30, 2014. This represents an increase in total net assets of \$25,062,307 or 6.41% from FY 2013 and demonstrates that the financial position of NBC is improving.

NARRAGANSETT BAY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Net Position

Assets	2014	2013
Current assets	\$ 74,003,337	\$ 55,335,133
Restricted assets	66,879,869	80,211,489
Capital assets (net)	931,850,699	852,369,344
Other assets	<u>213,413</u>	<u>74,191</u>
Total assets	1,072,947,318	987,990,157
 Deferred Outflows of Resources		
Loss on refunding of debt	<u>488,263</u>	<u>511,513</u>
Total deferred outflows	488,263	511,513
 Liabilities		
Current liabilities	47,280,741	46,479,378
Noncurrent liabilities	<u>610,098,671</u>	<u>551,025,658</u>
Total liabilities	657,379,412	597,505,036
 Deferred Inflows of Resources		
Unearned revenue billed in advance	<u>272,145</u>	<u>274,917</u>
Total deferred inflows	272,145	274,917
 Net Position		
Net investment in capital assets	330,483,472	320,372,754
Restricted for Environment Enforcement	72,426	74,841
Unrestricted	<u>85,228,126</u>	<u>70,274,122</u>
Total net position	<u>\$ 415,784,024</u>	<u>\$ 390,721,717</u>

The table above reflects an increase in current assets of \$18,668,204 from FY 2013 to FY 2014. This increase reflects an increase in the amount due from the Rhode Island Clean Water Finance Agency (RICWFA) related to unspent proceeds from NBC's March 6, 2014 \$45,000,000 borrowing.

In FY 2014, the NBC shows restricted assets of \$66,879,869. Of this amount \$72,426 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, \$42,325,309 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, 2014, the NBC's restricted cash account for future acquisition and construction of capital assets had a balance of \$24,482,134 which is a \$17,882,052 decrease from FY 2013. This decrease is a result of spending 2013 Series A bond proceeds.

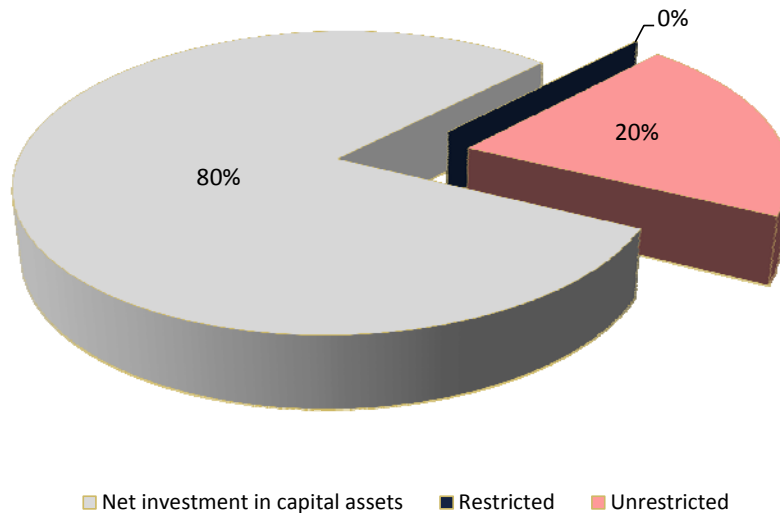
NARRAGANSETT BAY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

There is also a significant increase in Capital assets (net) of \$79,481,355 from FY 2013 to FY 2014. This increase is the result of substantial progress that NBC made in FY 2014 on the initiatives identified in the Capital Improvement Program (CIP).

In 2014, the current liabilities increased by \$801,363. This is the result of an increase in in the current portion of the long-term loans payable.

The largest portion of the NBC's net position, 80%, reflects its net investment in capital assets. The NBC uses these capital assets to provide wastewater treatment and collection services to its customers. Consequently, only the unrestricted net assets are available for future spending. Although the NBC's investment in its 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.

Net Position
As of June 30, 2014



CHANGES IN NET POSITION

NBC ended the FY 2014 with an increase in net position of \$25,062,307. NBC has included a Condensed Statement of Revenues, Expenses and Changes in Net Position on the following page.

NARRAGANSETT BAY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Revenues, Expenses and Changes in Net Position

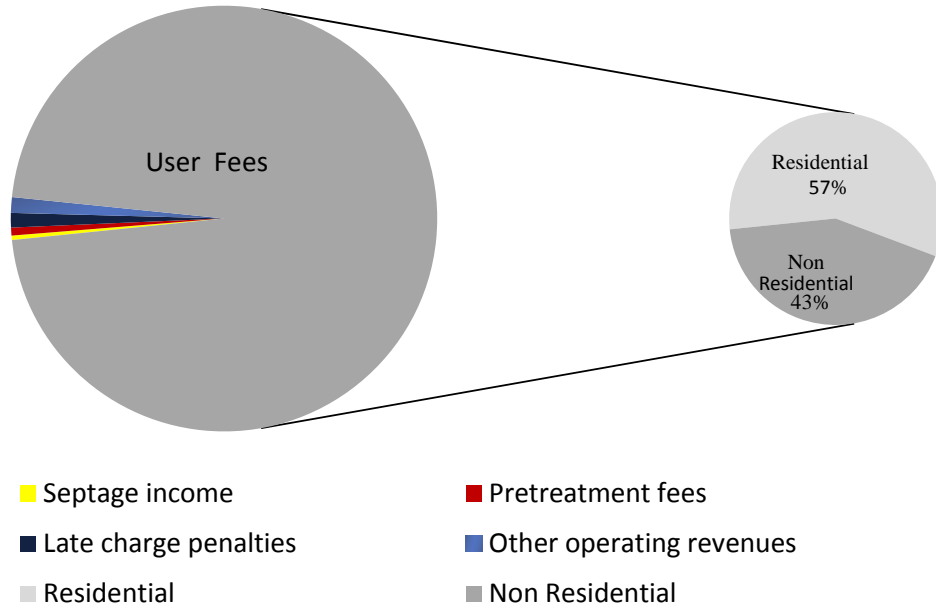
	2014	2013
Operating Revenues		
User fees	\$ 89,182,519	\$ 77,949,901
Pretreatment fees	1,095,551	1,077,887
Septage income	310,136	300,319
Late charge penalties	1,013,240	918,134
Other operating revenues	546,569	102,491
Nonoperating revenue	187,517	228,810
Total revenue	92,335,532	80,577,542
Operating Expenses		
Personnel services	21,090,749	19,858,457
General and administration	961,936	882,086
Operations and maintenance	7,081,179	6,935,268
Depreciation and amortization	11,812,153	10,974,885
Contractual Services	8,036,730	7,104,834
Miscellaneous	795,751	790,037
Nonoperating expenses	17,575,692	13,718,422
Total expenses	67,354,190	60,263,989
Net income before capital contributions	24,981,342	20,313,553
Capital contributions	80,965	354,202
Change in net position	25,062,307	20,667,755
Total net position - beginning of year	390,721,717	376,198,996
Net position restatement	-	(6,145,034)
Total net position - end of year	\$ 415,784,024	\$ 390,721,717

REVENUES

User fees are NBC's primary source of revenue, representing approximately 97% of total operating revenues. Fiscal Year 2014 user fee revenue was \$89,182,519 which is \$11,232,618 more than the prior year. The increase in user fees is the effect of a 9.66% rate increase effective July 1, 2013. This PUC approved rate increase applied to both consumption and flat fees. FY 2014 other operating revenue increased by \$444,078 primarily as the result of the sale of Renewable Energy Credits (RECs) produced by NBC's wind turbines located at Field's Point.

NARRAGANSETT BAY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Revenue for FY 2014



EXPENSES

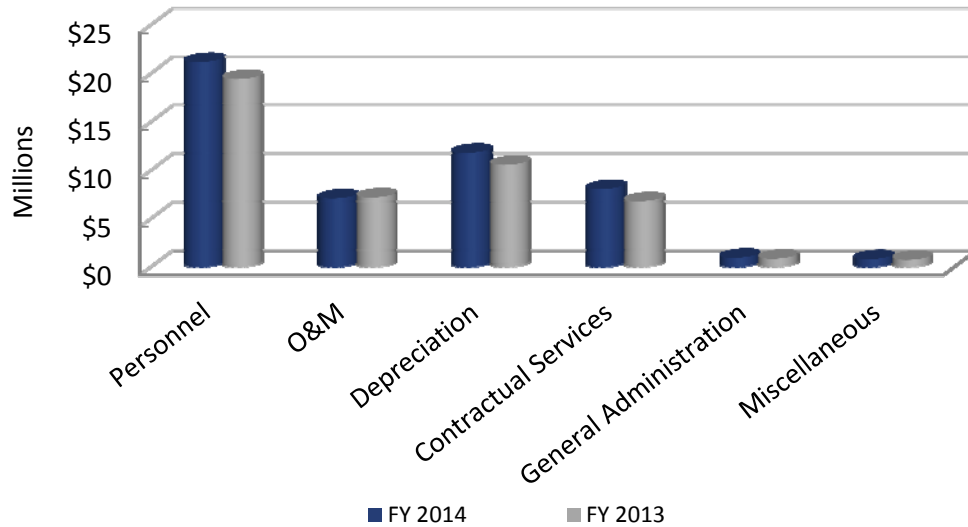
Total expenses in FY 2014 increased \$7,090,201 over the prior year. Operating expenses were \$3,232,931 higher in FY 2014 than the prior year.

The increase in operating expenses was driven by a number of factors. Personnel services increased by \$1,232,292 or 6.21% as a result of contracted union raises and non-union merit increases and related benefits. Contractual services were \$931,896 or 13.1% higher in FY 2014 primarily as the result of biosolids disposal costs at Field's Point that were \$512,301 higher than the prior year. New Biological Removal (BNR) facilities went on-line at Field's Point in FY 2014 and the higher treatment levels increased biosolids production. Contractual services also increased due to a CPI increase in the Bucklin Point management contract and higher regulatory expenses. Depreciation expense increased by \$837,268 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 \$3,857,270 as a result of increased interest expense on bonds and notes payable and bond and note issuance.

NARRAGANSETT BAY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses for FY 2014 and FY 2013



CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

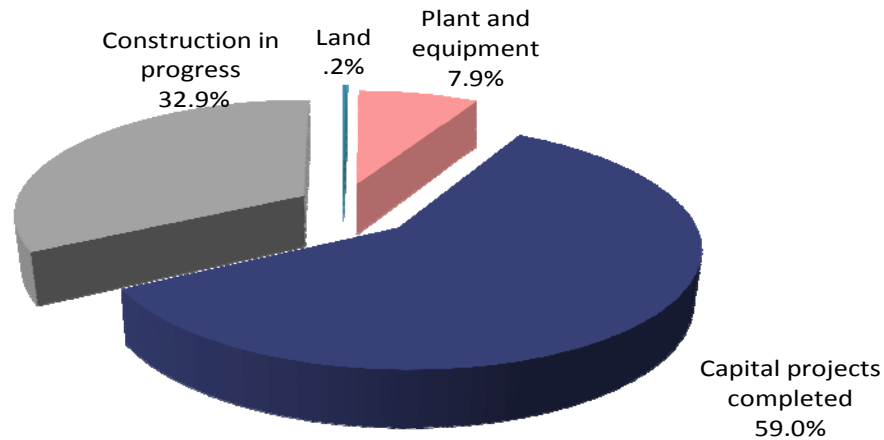
At the end of FY 2014, the NBC had \$931.9 million invested in net capital assets. This amount represents an increase of more than \$79.5 million, or 9.3% over last year. The following table summarizes the NBC's capital assets and changes therein, for the years ended June 30, 2014 and June 30, 2013.

Capital Assets

	2014	2013
Capital Assets		
Land	\$ 2,754,407	\$ 2,754,407
Plant and equipment	86,302,765	83,918,884
Capital projects completed	646,648,276	598,301,337
Construction in progress	360,531,394	320,249,539
	<u>1,096,236,842</u>	<u>1,005,224,167</u>
Less accumulated depreciation	<u>(164,386,143)</u>	<u>(152,854,823)</u>
Net capital assets	<u><u>\$ 931,850,699</u></u>	<u><u>\$ 852,369,344</u></u>

NARRAGANSETT BAY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Capital Assets
As of June 30, 2014**



LONG-TERM DEBT

During fiscal year 2014, the NBC borrowed \$45 million from the RICWFA and issued \$34.97 million in revenue bonds. The funds borrowed will be used to finance projects identified in the CIP. The total debt to net capital asset ratio is 68% and 67% for fiscal years ending June 30, 2014 and 2013, respectively.

For additional information related to capital assets (Note 4) or long-term debt (Notes 6 and 8) see the notes to the financial statements. These notes to the financial statements can be found on pages 34-38 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 December 23, 2013 for a 5.46% rate increase effective January 23, 2014. The PUC suspended the effective date of the new rates in order to conduct hearings and discovery and must render a decision on the rate case by September 23, 2014. These factors were considered during the preparation of the NBC's FY 2015 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 a general overview of the NBC's finances, and to demonstrate the NBC's accountability for the financial resources it manages. If there are any questions concerning this report or need of additional financial information please contact the Director of Administration and Finance at One Service Road, Providence, RI, 02905.

NARRAGANSETT BAY COMMISSION

Statement of Net Position

June 30, 2014

Assets

Current assets

Cash and cash equivalents	\$	13,897,194
Accounts receivable:		
Sewer use (net of allowance)		10,795,952
Sewer use unbilled		4,241,147
Receivables, other		30,167
Due from Rhode Island Clean Water Finance Agency		43,977,794
Prepaid expenses		1,061,083

Total current assets 74,003,337

Noncurrent assets

Restricted assets

Cash and cash equivalents, environmental enforcement	72,426
Cash and cash equivalents, restricted	42,325,309
Cash and cash equivalents, restricted for the acquisition and construction of plant assets	24,482,134

Total restricted assets 66,879,869

Capital assets

Land	2,754,407
Plant and equipment	86,302,765
Capital projects completed	646,648,276
Construction in progress	360,531,394
Subtotal	1,096,236,842
Less accumulated depreciation	164,386,143

Net capital assets 931,850,699

Other assets

Negative net pension obligation	213,413
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Total noncurrent assets 998,943,981

Total assets 1,072,947,318

Deferred outflows of resources

Loss on refunding of debt	488,263
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Total deferred outflows of resources \$ 488,263

(Continued)

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

NARRAGANSETT BAY COMMISSION

Statement of Net Position (Continued)

June 30, 2014

Liabilities

Current liabilities

Accounts payable	\$	1,897,444
Contracts payable		15,056,734
Accrued interest payable		6,044,661
Accrued expenses		923,307
Current portion of other accrued expenses		137,640
Current portion of loans payable		23,028,273
Current portion of leases payable		<u>192,682</u>

Total current liabilities 47,280,741

Noncurrent liabilities

Long-term other accrued expenses, net		2,543,076
Long-term loans payable, net		346,132,052
Long-term leases payable, net		253,296
Long-term debt, net		<u>261,170,247</u>

Total noncurrent liabilities 610,098,671

Total liabilities 657,379,412

Deferred inflows of resources

Unearned revenue billed in advance		<u>272,145</u>
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Total deferred inflows of resources 272,145

Net position

Net investment in capital assets		330,483,472
Restricted for environmental enforcement		72,426
Unrestricted		<u>85,228,126</u>

Total net position \$ 415,784,024

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, 2014*

Operating revenues	
User fees, residential	\$ 51,129,479
User fees, commercial and industrial	38,053,040
Permit and connection fees	112,773
Pretreatment fees	1,095,551
Environmental enforcement	15,229
Septage income	310,136
Abatement fees	3,384
Late charge penalties	1,013,240
Miscellaneous revenue	415,183
Total operating revenues	<u>92,148,015</u>
Operating expenses	
Personnel services	21,090,749
General and administration	961,936
Operations and maintenance	7,081,179
Depreciation and amortization	11,812,153
Contractual services	8,036,730
Miscellaneous	795,751
Total operating expenses	<u>49,778,498</u>
Operating income	<u>42,369,517</u>
Non-Operating revenues (expenses)	
Interest expense	(16,660,404)
Interest income	5,433
Bond and note issuance costs	(915,288)
Miscellaneous income	182,084
Total non-operating revenues (expenses)	<u>(17,388,175)</u>
Net income before capital contributions	24,981,342
Capital contributions	80,965
Change in net position	25,062,307
Total net position, beginning of year	396,866,751
Net position restatement	<u>(6,145,034)</u>
Total net position, end of year	<u>\$ 415,784,024</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, 2014

Cash flows from operating activities	
Cash received from customers	\$ 92,327,821
Cash paid to suppliers for goods and services	(21,336,976)
Cash paid to employees for services	(16,875,596)
Other non-operating revenues	<u>182,084</u>
Net cash provided by operating activities	<u>54,297,333</u>
Cash flows from capital and related financing activities	
Proceeds from capital debt	62,776,795
Acquisitions and construction of capital assets	(91,202,418)
Principal paid on capital debt	(23,343,771)
Interest paid on capital debt	(15,947,509)
Bond and note fees	<u>(915,288)</u>
Net cash used for capital and related financing activities	<u>(68,632,191)</u>
Cash flows from investing activities	
Interest income	<u>5,433</u>
Net cash provided by investing activities	<u>5,433</u>
Net increase (decrease) in cash and cash equivalents	(14,329,425)
Cash and cash equivalents, beginning of year	<u>95,106,488</u>
Cash and cash equivalents, end of year	<u>\$ 80,777,063</u>

(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, 2014

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

Operating income	\$	42,369,517
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Adjustments to reconcile operating income to net cash provided by operating activities

Depreciation and amortization		11,812,153
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Increase in accounts receivable		(357,816)
Increase in unbilled revenue		(420,037)
Decrease in other receivables		960,432
Increase in prepaid expenses		(520,576)
Increase in negative net pension obligation		(149,349)
Increase in accounts and contracts payable		223,127
Increase in accrued expenses		200,570
Decrease in unearned revenue billed in advance		(2,772)
Non-Operating revenue reported as operating revenue received		182,084
Total adjustments		<u>11,927,816</u>

Net cash provided by operating activities	\$	<u>54,297,333</u>
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Noncash capital and related financing activities

Purchase of equipment financed by a capital lease

Increase in capital asset	\$	67,940
Increase in capital lease		67,940

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 contributed capital, is reported in the financial statements. The State Revolving Loan Project activity during the year was as follows:

Increase in amount Due from RICWFA	\$	19,328,008
Increase in Bond issuance costs - RICWFA		607,577
Increase in capital assets - project invoices paid by RICWFA		25,145,380
Contributed capital received - principal forgiveness		80,965
Increase in loan payable - RICWFA	\$	45,000,000

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2014

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 (Continued)
June 30, 2014

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 twenty Supplemental Indentures (collectively “the 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 all revenue 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.

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

The restricted cash for environmental enforcement activities is in accordance with Rhode Island General Law 46-25-38.1.

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 - 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, 2014 was \$225,340. The percentage of allowance for doubtful accounts decreased in the current year from 5% to 2% based on collections.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The total bond premiums as of June 30, 2014 were \$10,755,247.

The total bond and loan issuance costs for the year ending June 30, 2014 were \$915,288.

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.

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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	\$	11,557,688
Cash equivalents		69,218,350
Petty cash		625
Cash with customer service		400
		400
Total cash and cash equivalents	\$	80,777,063

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, 2014 was \$11,557,688 and the bank balance was \$12,104,752.

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, 2014, \$11,854,752 of NBC's bank balance of \$12,104,752 was exposed to custodial credit risk as follows:

		<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$	250,000
Collateralized with securities held by pledging financial institutions or its agent, in NBC's name		11,854,752
		\$ 12,104,752

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Generally Accepted Accounting Principles (GAAP) requires the following accounts to be considered cash equivalents, however, NBC considers them to be investments. For financial statement purposes, they have been recorded in accordance with GAAP. For disclosure purposes only, NBC's investments as of June 30, 2014 were as follows:

<u>As of June 30, 2014</u>	<u>Fair Value</u>	<u>Maturity</u>
Goldman Sachs Financial Square Government Fund	\$ 67,392,251	average 57 days
Ocean State Investment Pool	1,826,099	N/A
	<u>\$ 69,218,350</u>	

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 Trust 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. The monies invested in the Money Market Funds held by the Trustee were rated Aaa-mf by Moody's Investor Service, Inc.

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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 4 - CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2014:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Non-depreciable assets:				
Land	\$ 2,754,407	\$ -	\$ -	\$ 2,754,407
Construction in progress	<u>320,249,539</u>	<u>88,628,794</u>	<u>(48,346,939)</u>	<u>360,531,394</u>
Total non-depreciable assets	<u>323,003,946</u>	<u>88,628,794</u>	<u>(48,346,939)</u>	<u>363,285,801</u>
Depreciable assets:				
Plant and equipment	83,918,884	2,654,589	(270,708)	86,302,765
Capital projects completed	<u>598,301,337</u>	<u>48,346,939</u>	<u>-</u>	<u>646,648,276</u>
Total depreciable assets	<u>682,220,221</u>	<u>51,001,528</u>	<u>(270,708)</u>	<u>732,951,041</u>
Less accumulated depreciation for:				
Plant and equipment	(62,471,641)	(2,618,580)	270,708	(64,819,513)
Capital projects completed	<u>(90,383,182)</u>	<u>(9,183,448)</u>	<u>-</u>	<u>(99,566,630)</u>
Less accumulated depreciation	<u>(152,854,823)</u>	<u>(11,802,028)</u>	<u>270,708</u>	<u>(164,386,143)</u>
Total capital assets, net	<u>\$ 852,369,344</u>	<u>\$ 127,828,294</u>	<u>\$ (48,346,939)</u>	<u>\$ 931,850,699</u>

NOTE 5 - 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, 2014 to be \$2,680,716. 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, 2014 were as follows:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Compensated absences	<u>\$ 2,550,354</u>	<u>\$ 264,973</u>	<u>\$ 134,611</u>	<u>\$ 2,680,716</u>	<u>\$ 137,640</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 6 - LOANS PAYABLE

NBC has eighteen loans outstanding with the Rhode Island Clean Water Finance Agency (RICWFA) at June 30, 2014 as follows:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>
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%.	\$ 231,022	\$ -	\$ 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%.	2,952,750	-	948,750	2,004,000
Pooled Loan #2 - Series 1994 - The total loan authorized is \$17,279,000, dated June 29, 1994, with an interest rate of 2.9938%.	3,393,501	-	1,092,361	2,301,140
Pooled Loan #3 - Series 1997 - The total loan authorized is \$8,150,000, dated March 3, 1997, with an interest rate of 3.14473%.	3,536,718	-	452,384	3,084,334
Pooled Loan #4 - Series 1999 - The total loan authorized is \$23,955,000, dated February 4, 1999 with an interest rate of 3.032%.	12,125,000	-	1,395,000	10,730,000
Pooled Loan #5 - Series 2001 - The total loan authorized is \$57,000,000, dated November 1, 2001, with an interest rate of 2.671%.	26,145,000	-	3,350,000	22,795,000
Pooled Loan #6 - Series 2002 - The total loan authorized is \$57,000,000, dated October 24, 2002, with an interest rate of 1.0785%.	32,215,530	-	2,854,865	29,360,665
Pooled Loan #7 - Series 2003 - The total loan authorized is \$40,000,000, dated November 13, 2003, with an interest rate of 1.349%.	25,709,000	-	1,917,000	23,792,000
Pooled Loan #8 - 2007 Series B - The total loan authorized is \$40,000,000, dated December 30, 2004, with an interest rate of 1.404%.	31,009,000	-	1,757,000	29,252,000
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%.	20,735,000	-	1,418,000	19,317,000
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%.	22,062,000	-	1,403,000	20,659,000
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%.	22,506,000	-	1,214,000	21,292,000

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 6 - LOANS PAYABLE (CONTINUED)

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>
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%.	\$ 45,848,834	\$ -	\$ 424,526	\$ 45,424,308
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%.	1,494,333	-	69,622	1,424,711
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%.	18,385,000	-	819,000	17,566,000
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%.	27,043,485	-	1,123,371	25,920,114
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%.	25,394,813	-	1,074,797	24,320,016
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	-	997	24,918,037
Pooled Loan #17 - Series 2014 A - The total loan authorized is \$45,000,000, dated March 6, 2014, with an interest rate of 2.467%.	-	45,000,000	-	45,000,000
Total loans payable	\$ 345,706,020	\$ 45,000,000	\$ 21,545,695	\$ 369,160,325
Less current portion	(21,545,695)			(23,028,273)
Net long-term loans payable	<u>\$ 324,160,325</u>			<u>\$ 346,132,052</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 6 - LOANS PAYABLE (CONTINUED)

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, 2014, loans payable of \$369,160,325 are reported on the Statement of Net Position. A receivable from RICWFA of \$43,977,794 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2014. 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, 2014 are due in future years as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 23,028,273	\$ 8,098,655	\$ 31,126,928
2016	25,284,371	8,307,329	33,591,700
2017	25,783,150	7,785,435	33,568,585
2018	26,495,360	7,233,676	33,729,036
2019	26,790,985	6,658,485	33,449,470
2020-2024	122,163,935	24,535,199	146,699,134
2025-2029	74,674,173	12,514,744	87,188,917
2030-2034	42,023,078	3,234,078	45,257,156
2035	2,917,000	48,131	2,965,131
	<u>\$ 369,160,325</u>	<u>\$ 78,415,731</u>	<u>\$ 447,576,056</u>

NOTE 7 - CAPITAL LEASES

NBC entered into new capital leases for computers during fiscal year 2014. The amount of these assets are included in NBC's Statement of Net Position at June 30, 2014 are as follows:

Plant and equipment	<u>\$ 67,940</u>
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Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2014.

As of June 30, 2014, future minimum rental commitments under capital leases are as follows:

<u>Years Ending June 30,</u>	
2015	\$ 200,576
2016	147,712
2017	<u>111,315</u>
Total future minimum rental payments	459,603
Less interest portion of payments	<u>(13,625)</u>
Present value of minimum lease payments	445,978
Less current maturities of capital lease	<u>(192,682)</u>
Net long-term capital lease obligations	<u>\$ 253,296</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 7 - CAPITAL LEASES (CONTINUED)

The changes in capital leases for the year ended June 30, 2014 was as follows:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>
Capital Leases	\$ 617,136	\$ 67,940	\$ 239,098	\$ 445,978

NOTE 8 - LONG TERM DEBT

Long-term debt at June 30, 2014 consists of the following:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</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, 2014 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, 2014 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	58,255,000 *	-	1,790,000	56,465,000
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, 2014 of \$4,131,888)	75,611,888	-	-	75,611,888
Revenue Bonds 2013 Series C, 4.687151% average coupon rate, dated December 12, 2013, maturing September 1, 2033 (net of premium amortized at June 30, 2014 of \$2,274,637)	-	37,244,637	-	37,244,637
Total long-term debt payable, restated	\$ 225,715,610	<u>\$ 37,244,637</u>	<u>\$ 1,790,000</u>	\$ 261,170,247
Less current portion	<u>(1,790,000)</u>			-
Net long-term debt payable, restated	<u>\$ 223,925,610</u>			<u>\$ 261,170,247</u>

* restated for reclassification of the loss on refunding of debt from long-term debt to deferred outflows of resources required by GASB 65.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 8 - LONG TERM DEBT (CONTINUED)

Maturities of long-term debt for the year ending June 30, 2015 through 2044 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 11,085,037	\$ 11,085,037
2016	-	11,088,662	11,088,662
2017	-	11,081,413	11,081,413
2018	-	11,085,037	11,085,037
2019	-	11,085,037	11,085,037
2020-2024	10,635,000	54,756,339	65,391,339
2025-2029	55,235,000	47,966,792	103,201,792
2030-2034	86,190,000	32,093,102	118,283,102
2035-2039	54,620,000	14,756,233	69,376,233
2040-2044	43,735,000	4,513,500	48,248,500
	<u>* \$ 250,415,000</u>	<u>\$ 209,511,153</u>	<u>\$ 459,926,153</u>

*Principal total of \$250,415,000 plus premium to be amortized as of June 30, 2014 on bonds of \$10,755,247 equals total long-term debt of \$261,170,247.

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 amortized over the new debt's life as a deferred outflows of resources.

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 2014 ranged from .02% to .11%. 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, 2016.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 9 - 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 10 - 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 46-25-38.1 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 46-25-38.1. 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.

NOTE 11 – RESTATEMENT

The net position and long-term bonds have been restated as a result of GASB 65 retrospective adjustments made to reclassify prior year balances. Such adjustments are summarized as follows:

	Net Position
Beginning balance, July 1, 2014	\$ 396,866,751
To restate prior year to write off bond issuance costs as required by GASB 65	(6,145,034)
Beginning balance, July 1, 2014, restated	\$ 390,721,717
Long Term Bonds	
Beginning balance, July 1, 2014	\$ 225,204,097
To reclassify loss on refunding of debt from long term debt to deferred outflow of resources as required by GASB 65	511,513
Beginning balance, July 1, 2014, restated	\$ 225,715,610

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2014

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 23.05% of annual covered payroll for the fiscal year ended June 30, 2014. NBC contributed \$1,312,711, \$1,164,519, and \$1,228,735 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively, equal to 100% of the required contributions for each year.

New Accounting Guidance Effective For Fiscal 2015

GASB Statement No, 68, *Accounting and Financial Reporting for Pensions*, is effective for fiscal 2015 and is applicable for employees participating in a cost-sharing multiple employer plan such as ERS. The Narragansett Bay Commission will be required to restate beginning net position as of July 1, 2014 to recognize the employer's proportionate share of the plan's net pension obligation. Pension expense reported in NBC's financial statements will reflect the change in the net pension liability for the fiscal 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 \$57,125 for the fiscal year ended June 30, 2014, 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 (Continued)
June 30, 2014

NOTE 12 - PENSION PLANS (CONTINUED)

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, 2014, there were 125 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, 2014 amounted to \$411,638 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2014. 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, 2014 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 Reliance Trust Company is the Plan's trustee.

NBC's payroll for employees covered by the profit-sharing plan was \$8,232,750 for the year ended June 30, 2014. The total payroll for the year ended June 30, 2014 amounted to \$15,221,091.

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, 2014 was \$7,650,880 and NBC's total payroll was \$15,221,091.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 12 - PENSION PLANS (CONTINUED)

At December 31, 2013, employee membership related to the plan was as follows:

Active	109
Vested Terminations/Inactive	22
Retired	<u>11</u>
Total	<u>142</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 plans to contribute an actuarially determined amount. The annual required contribution for the fiscal year ending June 30, 2014 was \$470,780.

The contributions made to the plan for the fiscal year ended June 30, 2014 were \$948,410, which consists of employer contributions of \$549,435 and employee contributions of \$398,975.

Annual Pension Cost

NBC's annual pension cost and negative net pension obligation for the fiscal year ended June 30, 2014 were as follows:

Annual required contribution (ARC)	\$ 470,780
Interest earned on negative net pension obligation	(4,082)
Adjustment to ARC	<u>5,391</u>
Annual pension cost (APC)	472,089
Contribution made	<u>549,435</u>
Increase in negative net pension obligation	(77,346)
Negative net pension obligation, beginning of year	<u>(136,067)</u>
Negative net pension obligation, end of year	<u><u>\$ (213,413)</u></u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
 June 30, 2014

NOTE 12 - PENSION PLANS (CONTINUED)

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>
12/31/2012	\$ 470,174	94%	\$ (64,064)
12/31/2013	463,823	116%	(136,067)
* 06/30/2014	470,780	117%	(213,413)

* Fiscal year 2014 is the first year that this information is available on a fiscal year basis.

Actuarial Methods and Assumptions

The annual required contribution was determined by an actuarial valuation as of December 31, 2013 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 compensation 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, 2013 is 22 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, 2013 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>
12/31/2013	\$ 8,611,528	\$ 12,856,259	\$ 4,244,731	66.98%	\$ 7,374,668	57.56%

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, 2013.

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 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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 13 - SALARY DEFERRAL (CONTINUED)

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, 2014 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 \$40,641,524 at June 30 2014.

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.

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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 16 - POST-EMPLOYMENT UNION HEALTHCARE PLAN (CONTINUED)

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 2014 was 7.07% 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, 2014, 2013, and 2012 were \$405,491, \$375,736, and \$360,384 respectively, which represents 100% of the ARC.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 5, 2014, the date the financial statements were available to be issued. No subsequent events were identified.

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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>
12/31/2005	\$ 749,690	\$ 5,841,205	\$ 5,091,515	12.83%	\$ 5,673,797	89.74%
12/31/2006	1,550,915	6,549,837	4,998,922	23.68%	5,769,487	86.64%
12/31/2007	2,361,065	7,296,345	4,945,280	32.22%	5,843,128	84.63%
12/31/2008	2,331,076	8,229,436	5,895,360	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%
12/31/2013	8,611,528	12,856,259	4,244,731	66.98%	7,374,668	57.56%

(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>Plan Year</u> <u>Ending</u> <u>December 31</u>	<u>(1)</u> <u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>(1)</u> <u>Actual</u> <u>Contribution</u>	<u>Percent</u> <u>Funded</u>
2005	\$ 681,441	\$ 726,893	107%
2006	677,295	691,106	102%
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%
2013	463,823	535,826	116%

(1) Contributions from 12/31/2005 through 12/31/2010 include employee contributions. As of 12/31/2011 employee contributions were not included pursuant to GASB 25.

NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<i>Variance Favorable (Unfavorable)</i>
Operating expenses			
Personnel services			
Union regular	\$ 6,152,818	\$ 5,886,387	\$ 266,431
Union overtime	502,398	484,341	18,057
Non-union regular	8,748,973	8,741,363	7,610
Non-union overtime	100,400	72,271	28,129
Non-union limited	31,250	20,537	10,713
Fringe benefits	8,121,770	7,744,911	376,859
Project salaries and fringe benefits capitalized	<u>(1,924,560)</u>	<u>(1,859,061)</u>	<u>(65,499)</u>
Total personnel services	<u>21,733,049</u>	<u>21,090,749</u>	<u>642,300</u>
General and administration			
Insurance	513,000	549,961	(36,961)
Workers' compensation insurance	397,742	397,742	-
Workers' compensation old claims	<u>20,000</u>	<u>14,233</u>	<u>5,767</u>
Total general and administration	<u>930,742</u>	<u>961,936</u>	<u>(31,194)</u>
Operations and maintenance			
Travel			
Local travel	4,883	2,545	2,338
Long distance travel	<u>53,773</u>	<u>40,603</u>	<u>13,170</u>
Total travel	<u>58,656</u>	<u>43,148</u>	<u>15,508</u>
Repairs and maintenance			
Building and ground maintenance	128,302	119,172	9,130
Vehicle fuel and maintenance	228,540	228,291	249
Repairs, building and structures	454,668	437,392	17,276
Repairs, highway and walls	5,900	5,217	683
Maintenance/service agreements	945,554	906,276	39,278
Highway and landscape	<u>13,600</u>	<u>13,072</u>	<u>528</u>
Total repairs and maintenance	<u>1,792,264</u>	<u>1,725,079</u>	<u>67,185</u>
Utilities			
Telephone	165,034	149,310	15,724
Central telephone services	4,500	3,389	1,111
Fuel, gas	397,971	390,192	7,779
Electricity	3,440,059	3,273,552	166,507
Water	<u>36,250</u>	<u>33,817</u>	<u>2,433</u>
Total utilities	<u>4,043,814</u>	<u>3,850,260</u>	<u>193,554</u>

(Continued)

NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis) (Continued)
For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operations and maintenance (continued)			
Supplies			
Clothing and clothing materials	\$ 31,900	\$ 27,536	\$ 4,364
Building and machinery supplies and expenses	241,325	233,632	7,693
Educational expenses	64,813	47,833	16,980
Lab supplies	294,110	294,106	4
Computer supplies	86,325	66,385	19,940
Other operating supplies and expenses	14,477	11,383	3,094
Chemicals	<u>877,654</u>	<u>766,317</u>	<u>111,337</u>
Total supplies	<u>1,610,604</u>	<u>1,447,192</u>	<u>163,412</u>
Total operations and maintenance	<u>7,505,338</u>	<u>7,065,679</u>	<u>439,659</u>
Contract services			
Medical services	11,390	10,530	860
Biosolids disposal	4,511,289	4,952,541	(441,252)
Screening and grit disposal	128,034	114,233	13,801
Security services	43,900	34,201	9,699
Regulatory expenses	281,500	403,885	(122,385)
Legal services	206,000	181,645	24,355
Management/audit services	2,144,050	2,153,440	(9,390)
Special clerical services	43,650	39,941	3,709
Other special services	<u>212,200</u>	<u>146,314</u>	<u>65,886</u>
Total contract services	<u>7,582,013</u>	<u>8,036,730</u>	<u>(454,717)</u>
Miscellaneous			
Office expense	81,447	74,627	6,820
Postage	396,745	389,517	7,228
Dues and subscriptions	61,235	53,173	8,062
Freight	35,300	30,593	4,707
Printing and binding	145,320	134,052	11,268
Advertising	15,050	12,488	2,562
Rental of outside property	9,554	4,203	5,351
Rental of equipment	16,520	14,944	1,576
Rental of clothing	31,800	30,619	1,181
Safety equipment	28,455	28,455	-
Miscellaneous	3,600	2,154	1,446
Public outreach education	<u>19,000</u>	<u>20,926</u>	<u>(1,926)</u>
Total miscellaneous	<u>844,026</u>	<u>795,751</u>	<u>48,275</u>
Total operating expenses	<u>38,595,168</u>	<u>37,950,845</u>	<u>644,323</u>

(Continued)

NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis) (Continued)
For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Non-operating expenses			
Interest expense- 2005 Series A	\$ 2,250,000	\$ 2,250,000	\$ -
Interest expense- 2007 Series A	2,065,563	2,065,563	-
Interest expense- 2008 Series A	1,991,938	465,219	1,526,719
Interest expense- 2013 Series A	3,078,692	3,078,604	88
Interest expense- 2013 Series C	915,800	915,704	96
Interest expense- RICWFA	7,873,695	7,872,863	832
Interest expense- leases	15,000	12,451	2,549
Programmed new debt	<u>2,442,196</u>	<u>-</u>	<u>2,442,196</u>
Total non-operating expenses	<u>20,632,884</u>	<u>16,660,404</u>	<u>3,972,480</u>
Capital outlays			
Building and plant equipment	684,000	541,543	142,457
Office furniture and equipment	362,600	267,676	94,924
Computer software	390,000	184,058	205,942
Computer hardware	459,500	423,653	35,847
Building and other structures	18,000	-	18,000
Replacement reserve	1,667,600	975,511	692,089
Automotive equipment	<u>310,600</u>	<u>262,148</u>	<u>48,452</u>
Total capital outlays	<u>3,892,300</u>	<u>2,654,589</u>	<u>1,237,711</u>
Debt service principal	<u>23,335,695</u>	<u>23,335,695</u>	<u>-</u>
Total budget expenses	<u>\$ 86,456,047</u>	<u>\$ 80,601,533</u>	<u>\$ 5,854,514</u>

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:

Total expenses on budgetary basis	\$ 80,601,533
Add:	
Depreciation	11,802,028
Amortization	10,125
EEF Expenses	15,500
Bond and note fees	915,288
Less:	
Capital outlay	(2,654,589)
Debt service principal	<u>(23,335,695)</u>
Total expenses on a GAAP basis	<u>\$ 67,354,190</u>

NARRAGANSETT BAY COMMISSION
Combining Schedule of Net Position
 June 30, 2014

	<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>
Assets						
Current assets						
Cash and cash equivalents	\$ 8,351,561	\$ 4,960,825	\$ 584,808	\$ -	\$ -	\$ 13,897,194
Accounts receivable:						
Sewer use (net of allowance)	10,795,952					10,795,952
Sewer use unbilled	4,241,147					4,241,147
Receivables, other	30,167					30,167
Due from Rhode Island Clean Water Finance Agency			43,977,794			43,977,794
Prepaid Expenses	-	1,061,083	-	-	-	1,061,083
Total current assets	23,418,827	6,021,908	44,562,602	-	-	74,003,337
Noncurrent assets						
Restricted assets						
Cash and cash equivalents, environmental enforcement	72,426					72,426
Cash and cash equivalents, restricted			161,679	42,163,630		42,325,309
Cash and cash equivalents, restricted for the acquisition and construction of plant assets	-	-	19,978,621	-	4,503,513	24,482,134
Total restricted assets	72,426	-	20,140,300	42,163,630	4,503,513	66,879,869
Capital assets						
Land			2,754,407			2,754,407
Plant and equipment			86,302,765			86,302,765
Capital projects completed			646,648,276			646,648,276
Construction in progress	-	-	360,531,394	-	-	360,531,394
Total	-	-	1,096,236,842	-	-	1,096,236,842
Less accumulated depreciation	-	-	164,386,143	-	-	164,386,143
Net capital assets	-	-	931,850,699	-	-	931,850,699
Other assets						
Negative net pension obligation	-	213,413	-	-	-	213,413
Total noncurrent assets	72,426	213,413	951,990,999	42,163,630	4,503,513	998,943,981
Total assets	23,491,253	6,235,321	996,553,601	42,163,630	4,503,513	1,072,947,318
Deferred outflows of resources						
Loss on refunding of debt	-	-	488,263	-	-	488,263
Total deferred outflows of resources	\$ -	\$ -	\$ 488,263	\$ -	\$ -	\$ 488,263

(Continued)

NARRAGANSETT BAY COMMISSION
Combining Schedule of Net Position (Continued)
June 30, 2014

	<u>Revenue Fund</u>	<u>O & M Fund</u>	<u>Project Fund</u>	<u>Debt Service Fund</u>	<u>Operating Reserve for Revenue Stability Fund</u>	<u>Total</u>
Liabilities						
Current liabilities						
Accounts payable	\$ 31,602	\$ 1,865,842	\$ -	\$ -	\$ -	\$ 1,897,444
Contracts payable			15,056,734			15,056,734
Accrued interest payable				6,044,661		6,044,661
Accrued expenses		923,307				923,307
Current portion of other accrued expenses		137,640				137,640
Current portion of loans payable			23,028,273			23,028,273
Current portion of leases payable	-	-	192,682	-	-	192,682
Total current liabilities	<u>31,602</u>	<u>2,926,789</u>	<u>38,277,689</u>	<u>6,044,661</u>	<u>-</u>	<u>47,280,741</u>
Noncurrent liabilities						
Long-term other accrued expenses, net		2,543,076				2,543,076
Long-term loans payable, net			346,132,052			346,132,052
Long-term leases payable, net			253,296			253,296
Long-term debt, net	-	-	261,170,247	-	-	261,170,247
Total noncurrent liabilities	<u>-</u>	<u>2,543,076</u>	<u>607,555,595</u>	<u>-</u>	<u>-</u>	<u>610,098,671</u>
Total liabilities	<u>31,602</u>	<u>5,469,865</u>	<u>645,833,284</u>	<u>6,044,661</u>	<u>-</u>	<u>657,379,412</u>
Deferred inflows of resources						
Unearned revenue billed in advance	272,145	-	-	-	-	272,145
Total deferred inflows of resources	<u>272,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,145</u>
Net position						
Net investment in capital assets			330,483,472			330,483,472
Restricted for environmental enforcement	72,426					72,426
Unrestricted	23,115,080	765,456	20,725,108	36,118,969	4,503,513	85,228,126
Total net position	<u>\$ 23,187,506</u>	<u>\$ 765,456</u>	<u>\$ 351,208,580</u>	<u>\$ 36,118,969</u>	<u>\$ 4,503,513</u>	<u>\$ 415,784,024</u>

NARRAGANSETT BAY COMMISSION
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	<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	\$ 51,129,479	\$ -	\$ -	\$ -	\$ -	\$ 51,129,479
User fees, commercial and industrial	38,053,040					38,053,040
Permit and connection fees	112,773					112,773
Pretreatment fees	1,095,551					1,095,551
Environmental enforcement	15,229					15,229
Septage income	310,136					310,136
Abatement fees	3,384					3,384
Late charge penalties	1,013,240					1,013,240
Miscellaneous revenue	415,183	-	-	-	-	415,183
Total operating revenues	<u>92,148,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,148,015</u>
Operating expenses						
Personnel services		21,090,749				21,090,749
General and administration		961,936				961,936
Operations and maintenance		7,081,179				7,081,179
Depreciation and amortization		11,812,153				11,812,153
Contractual services		8,036,730				8,036,730
Miscellaneous	-	795,751	-	-	-	795,751
Total operating expenses	<u>-</u>	<u>49,778,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,778,498</u>
Operating income (loss)	<u>\$ 92,148,015</u>	<u>\$ (49,778,498)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,369,517</u>

(Continued)

NARRAGANSETT BAY COMMISSION
Combining Schedule of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended June 30, 2014

	<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>
Non-Operating revenues (expenses)						
Interest expense	\$ -	\$ (12,450)	\$ -	\$ (16,647,954)	\$ -	\$ (16,660,404)
Interest income	1,478		2,240	1,440	275	5,433
Bond and note issuance costs				(915,288)		(915,288)
Miscellaneous income	182,084	-	-	-	-	182,084
Total non-operating revenues (expenses)	<u>183,562</u>	<u>(12,450)</u>	<u>2,240</u>	<u>(17,561,802)</u>	<u>275</u>	<u>(17,388,175)</u>
Net income before capital contributions and transfers	<u>92,331,577</u>	<u>(49,790,948)</u>	<u>2,240</u>	<u>(17,561,802)</u>	<u>275</u>	<u>24,981,342</u>
Capital contributions			80,965			80,965
Transfers in (out)	(91,762,596)	49,006,575	16,851,039	25,904,982	-	-
Change in net position	568,981	(784,373)	16,934,244	8,343,180	275	25,062,307
Total net position, beginning of year	22,618,525	1,549,829	340,419,370	27,775,789	4,503,238	396,866,751
Net position restatement	-	-	(6,145,034)	-	-	(6,145,034)
Total net position, end of year	<u>\$ 23,187,506</u>	<u>\$ 765,456</u>	<u>\$ 351,208,580</u>	<u>\$ 36,118,969</u>	<u>\$ 4,503,513</u>	<u>\$ 415,784,024</u>

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Comprehensive Annual Financial Report

Statistical Section



Photo by Patty Pinilla: Man Fishing on Narragansett Bay

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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

Years Ending June 30,	Net Investment in Capital Asset	Restricted Environmental Enforcement	Unrestricted	Total Net Position
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
*2014	330,483,472	72,426	85,228,126	415,784,024

* Restated net position - see note 11

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

	<u>2014 *</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues										
User fees	\$ 89,182,519	\$ 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
Pretreatment fees	1,095,551	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
Other operating revenue	1,869,945	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
Total operating revenue	<u>92,148,015</u>	<u>80,348,732</u>	<u>78,419,190</u>	<u>75,912,575</u>	<u>71,774,049</u>	<u>70,543,681</u>	<u>67,077,731</u>	<u>58,657,407</u>	<u>59,026,164</u>	<u>53,777,902</u>
Non-Operating Revenues										
Interest income	5,433	22,907	10,868	11,609	47,803	420,017	2,195,657	2,849,252	2,483,388	914,079
Grants	-	14,980	129,327	66,851	279,978	34,300	27,653	49,037	20,695	35,530
Other non-operating revenues	182,084	190,923	247,740	263,238	280,656	185,832	95,316	111,703	30,465	-
Total non-operating revenue	<u>187,517</u>	<u>228,810</u>	<u>387,935</u>	<u>341,698</u>	<u>608,437</u>	<u>640,149</u>	<u>2,318,626</u>	<u>3,009,992</u>	<u>2,534,548</u>	<u>949,609</u>
Operating Expenses										
Personnel services	21,090,749	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
Contractual services	8,036,730	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
General and administration	8,838,866	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
Depreciation and amortization	11,812,153	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
Total operating expenses	<u>49,778,498</u>	<u>46,545,567</u>	<u>45,546,545</u>	<u>44,026,019</u>	<u>43,370,480</u>	<u>40,978,687</u>	<u>39,115,762</u>	<u>36,735,163</u>	<u>34,429,132</u>	<u>32,813,233</u>
Non-Operating Expenses										
Interest expense	16,660,404	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
Other expenses	915,288	130,980	60,883	136,664	36,381	15,945	24,720	36,740	1,016,836	8,436
Total non-operating expenses	<u>17,575,692</u>	<u>13,718,422</u>	<u>11,846,434</u>	<u>11,023,690</u>	<u>10,856,852</u>	<u>12,029,329</u>	<u>13,146,180</u>	<u>11,950,278</u>	<u>10,853,018</u>	<u>8,390,415</u>
Net income before capital contributions	24,981,342	20,313,533	21,414,146	21,204,564	18,155,154	18,175,814	17,134,415	12,981,958	16,535,995	13,523,863
Capital contributions	80,965	354,202	1,550,547	4,042,838	4,905,969	-	-	5,626	1,165,958	2,941,693
Change in Net Position	25,062,307	20,667,735	22,964,693	25,247,402	23,061,123	18,175,814	17,134,415	12,987,584	17,701,953	16,465,556
Net position, beginning	<u>390,721,717</u>	<u>376,198,996</u>	<u>353,234,303</u>	<u>327,986,901</u>	<u>304,925,778</u>	<u>286,749,964</u>	<u>269,615,549</u>	<u>256,627,965</u>	<u>238,926,012</u>	<u>222,460,456</u>
Net position, ending	<u>\$ 415,784,024</u>	<u>\$ 396,866,731</u>	<u>\$ 376,198,996</u>	<u>\$ 353,234,303</u>	<u>\$ 327,986,901</u>	<u>\$ 304,925,778</u>	<u>\$ 286,749,964</u>	<u>\$ 269,615,549</u>	<u>\$ 256,627,965</u>	<u>\$ 238,926,012</u>

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* In 2014, beginning fund balance was restated as a result of GASB 65 which reclassified bond issuance cost from a liability to an expense.

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

<i>Years Ending June 30,</i>	<i>Operating Revenue</i>								<i>Non-Operating Revenue</i>			<i>Total Revenue</i>	
	<i>User Fees</i>	<i>Permit and Connection Fees</i>	<i>Pretreatment</i>	<i>Environmental Enforcement</i>	<i>Septage Income</i>	<i>Late Charges Penalties</i>	<i>BOD/TSS Surcharge</i>	<i>Other Revenue</i>	<i>Total Operating Revenue</i>	<i>Grants</i>	<i>Interest Income</i>		<i>Miscellaneous</i>
2005	\$ 51,186,822	\$ 197,959	\$ 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
2014	89,182,519	112,773	1,095,551	15,229	310,136	1,013,240	-	418,567	92,148,015	-	5,433	182,084	92,335,532

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

<i>Years Ending June 30,</i>	<i>Operating Expenses</i>							<i>Non-Operating Expenses</i>			<i>Total Expenses</i>
	<i>Personnel Services</i>	<i>Contractual Services</i>	<i>Repairs and Maintenance</i>	<i>Utilities</i>	<i>Supplies</i>	<i>Depreciation Amortization</i>	<i>Miscellaneous</i>	<i>Operating Expenses</i>	<i>Interest Expenses</i>	<i>Other Expenses</i>	
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	46,740	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
2014	21,090,749	8,036,730	1,725,079	3,850,260	1,462,692	11,812,153	1,800,835	49,778,498	16,660,404	915,288	67,354,190

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	\$51,129,479	\$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
Commercial	36,073,080	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
Industrial	<u>1,979,960</u>	<u>1,817,621</u>	<u>1,769,247</u>	<u>1,806,155</u>	<u>1,536,124</u>	<u>1,584,239</u>	<u>1,765,274</u>	<u>1,691,160</u>	<u>2,065,326</u>	<u>2,035,154</u>
Total	<u>\$89,182,519</u>	<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>

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

<u>Fiscal Year</u>		<u>Fixed Rate (per Dwelling Unit)</u>	<u>Consumption Rate (HCF) *</u>
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	171.99	2.775
2013	1-Jan-13	184.63	2.979
2014		202.47	3.267

* HCF - per hundred cubic feet

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

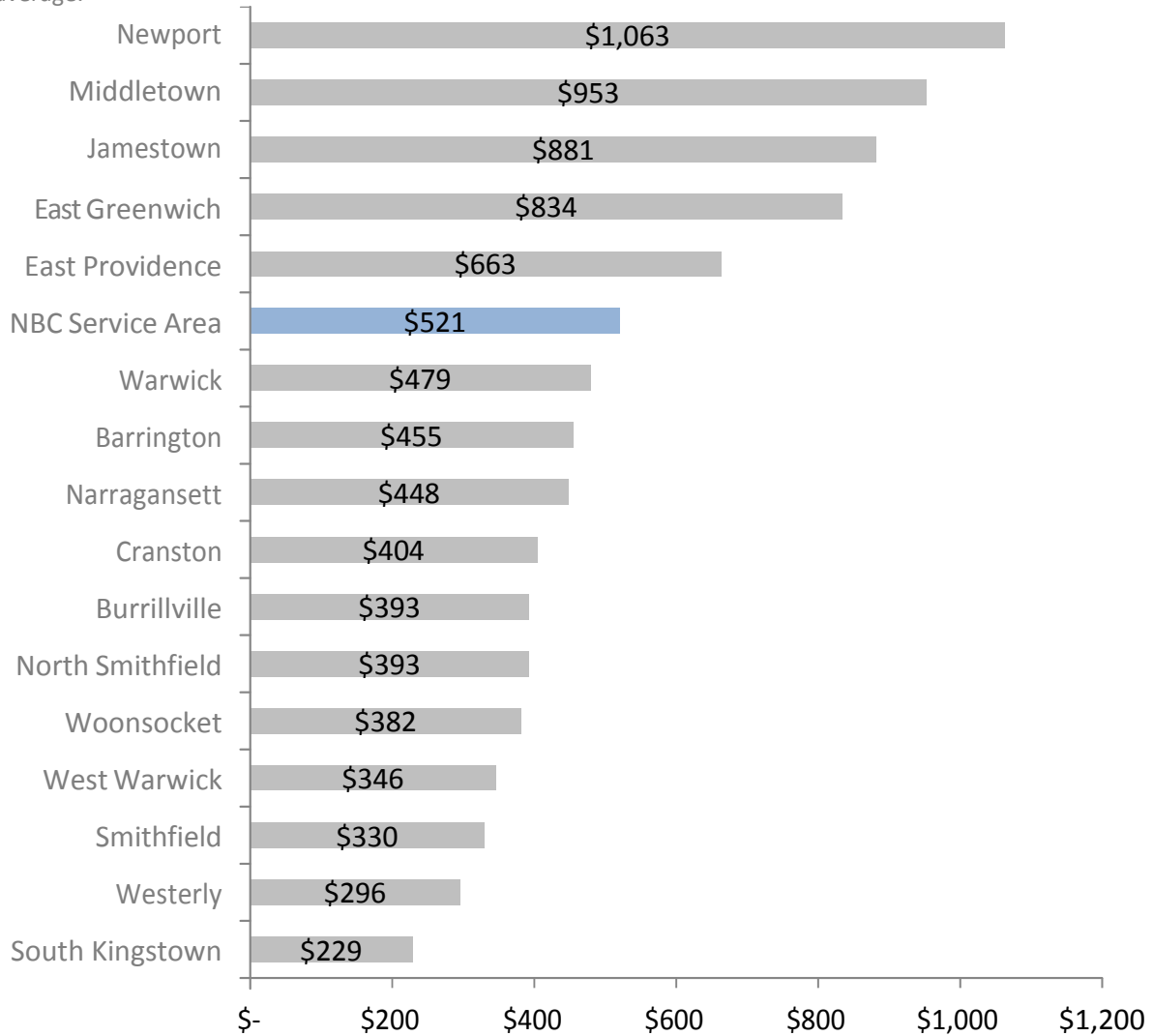
<u>Fiscal Year</u>	<u>Non-Residential Fixed Rate (Based on 5/8" meter)</u>	<u>Industrial Consumption Rate (HCF) *</u>	<u>Commerical Consumption Rate (HCF) *</u>
2005	\$ 188	\$ 1.605	\$ 2.495
2006	212	1.810	2.813
2007	221	1.884	2.927
2008	253	2.153	3.349
2009	281	2.395	3.725
2010	380	2.395	3.725
2011	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
2014	484	3.046	4.738

* HCF - per hundred cubic feet

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Annual Residential Sewer Charges Rhode Island Cities & Town

The survey shown below, conducted by the Narragansett Bay Commission (NBC) in 2013, compares the annual residential sewer charges for participating Rhode Island Cities & Towns. It shows, despite NBC's large operations and significant capital improvements, NBC's average residential user rate remains below the state average.



Source: 2013 Narragansett Bay Commission Residential Sewer User Survey

In this survey, all Annual Residential Sewer Charges are based on 97.6 HCF.

The average 2013 Annual Residential Sewer User Fee for Rhode Island Cities & Towns is \$534.

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NARRAGANSETT BAY COMMISSION
Principal Commercial Users - (Unaudited)
 2014 and 2005

<u>Company</u>	2014			2005		
	<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	\$ 1,419,325	1	1.59%	\$ 1,219,120	2	2.38%
Brown University	1,407,084	2	1.58%	1,235,432	1	2.41%
Rhode Island Hospital	1,348,510	3	1.51%	894,054	3	1.75%
City of Providence	687,165	4	0.77%	500,503	4	0.98%
City of Pawtucket	644,123	5	0.72%	388,969	6	0.76%
Providence School Department	514,970	6	0.58%	466,015	5	0.91%
Johnson & Wales	445,516	7	0.50%	296,433	8	0.58%
Providence College	436,807	8	0.49%	302,083	7	0.59%
State of Rhode Island	371,397	9	0.42%			
Rhode Island School of Design	299,078	10	0.34%			
Roger William Hospital				253,714	9	0.50%
Rhode Island College				246,089	10	0.48%
	<u>\$ 7,573,975</u>		<u>8.49%</u>	<u>\$ 5,802,412</u>		<u>11.34%</u>

Source: NBC's billing records

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

<i>Fiscal Year Ended June 30,</i>	<i>Loans Payable</i>	<i>Bonds Payable</i>	<i>Lease Payable</i>	<i>Total Outstanding Debt</i>	<i>Capitalized Assets*</i>	<i>Construction in Process</i>	<i>Total Capital Assets</i>	<i>Ratio of Outstanding Debt to Capital Assets</i>	<i>Ratio of Outstanding Debt per Population (1)</i>	<i>Percentage Personal Income to Outstanding Debt (1)</i>
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	543.53	0.012%
2014	369,160,325	261,170,247	445,978	630,776,550	571,319,305	360,531,394	931,850,699	0.68	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 Revenue (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>	
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
2014	92,335,532	37,966,345	54,369,187	23,335,695	16,647,953	39,983,648	1.36

(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) (1)</i>	<i>Per Capita Income (1)</i>	<i>Labor Force (2)</i>	<i>School Enrollment (3)</i>	<i>Unemployment Rate (2)</i>
2005	1,067,916	\$ 38,992	\$ 36,513	561,256	153,560	5.00%
2006	1,063,096	41,257	38,809	572,567	153,417	5.10%
2007	1,057,315	43,125	40,788	573,472	151,619	5.10%
2008	1,055,003	44,143	41,842	572,473	145,342	7.60%
2009	1,053,646	43,470	41,257	565,414	145,231	10.90%
2010	1,052,769	45,267	42,999	573,804	145,118	11.70%
2011	1,050,646	46,881	44,621	562,886	142,854	11.30%
2012	1,050,292	48,184	45,877	558,027	142,481	10.40%
2013	1,051,511	49,433	47,012	556,679	142,008	9.50%
2014	N/A	N/A	N/A	559,578	N/A	7.90%

(1) Source: United State Bureau of Economic Analysis

(2) Source: Bureau of Labor Statistics. RI state-wide Unemployment Rates Seasonally Adjusted.

(3) Source: Rhode Island Department of Education

NARRAGANSETT BAY COMMISSION

Principal Employers - (Unaudited)

2014 and 2005

<i>Company</i>	<i>2014</i>			<i>2005</i>		
	<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	11,555	1	3.00%	10,597	1	2.64%
Care New England	8,117	2	2.11%	6,526	2	1.63%
CVS Corp	6,200	3	1.61%	5,314	5	1.32%
Citizens Bank	5,390	4	1.40%	5,500	4	1.37%
Brown University	4,326	5	1.12%	3,251	7	0.81%
Fidelity Investments	3,700	6	0.96%			
Diocese of Providence	3,500	7	0.91%	6,200	3	1.55%
Electric Boat	2,970	8	0.77%			
Naval Undersea Warfare Center	2,566	9	0.67%			
Bank of America	2,500	10	0.65%	3,240	8	0.81%
Stop & Shop				4,455	6	1.11%
RIARC				2,383	9	0.59%
Jan Companies				2,240	10	0.56%
	<u>50,824</u>		<u>13.21%</u>	<u>49,706</u>		<u>12.39%</u>

Source : 2005 RI Economic Development Corporation
2014 Providence Business News - Book of Lists 2014

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of employees	245	254	246	246	244	237	241	245	247	247
<i>Field's Point Plant (Largest WWTF in RI)</i>										
Daily average treatment in gallons (mgd)	42.50	43.07	45.66	43.49	51.75	47.20	49.39	53.07	45.69	45.69
Total wet weather treatment capacity treatment (mgd)	200	200	200	200	200	200	200	200	200	200
Number of pump stations	4	4	4	4	4	4	4	4	4	5
Number of active combined sewer overflows (CSOs)	37	38	38	38	38	38	38	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
<i>Bucklin Point Plant (Second largest WWTF in RI)</i>										
Daily average treatment in gallons (mgd)	21.7	19.8	20.4	20.0	19.7	24.0	24.83	24.83	24.61	24.61
Maximum daily capacity of treatment (mgd)	116	116	116	116	116	116	116	116	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	26	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

<u>Departments</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Executive Affairs	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Construction Services	13.0	13.0	12.0	12.0	10.0	10.0	9.0	10.0	10.0	9.9
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	5.0	5.5
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	10.0	11.0	11.0
Information Technology	12.0	12.0	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	24.0	22.0	22.0	22.0	21.0	21.0
Purchasing	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Planning	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0
Pretreatment	14.0	14.0	14.0	15.0	15.0	15.0	15.0	15.0	15.0	16.0
Laboratory	16.0	16.0	16.0	16.0	17.0	15.0	15.0	15.0	15.0	15.0
Environmental Safety and Technical Assistance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Environmental Monitoring and Data Analysis	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Interceptor Maintenance	20.0	20.0	21.0	22.0	22.0	22.0	22.0	22.0	21.0	23.0
Engineering	9.0	8.0	9.0	10.0	10.0	11.0	11.0	10.0	10.0	10.0
Field's Point WWTF	57.0	57.0	58.0	56.0	56.0	56.0	56.0	56.0	56.0	61.0
Bucklin Point WWTF	34.0	33.0	33.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Total	<u>261.0</u>	<u>259.0</u>	<u>260.0</u>	<u>260.0</u>	<u>258.0</u>	<u>255.0</u>	<u>254.0</u>	<u>254.0</u>	<u>253.0</u>	<u>261.4</u>

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Comprehensive Annual Financial Report

Compliance Section



Photo by Patty Pinilla: Sunset on Narragansett Bay

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HAGUE, SAHADY & CO., P.C.

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

To the Board of Commissioners
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, 2014, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, and have issued our report thereon dated August 5, 2014.

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 opinions 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Hague, Sabady & Co. PC

Fall River, Massachusetts
August 5, 2014

Narragansett Bay Commission
Long Distance Travel
For the Year Ended June 30, 2014

TRAVELER	PAYEE	TRAVEL DATES	CHECK	DATE PAID BY NBC	PURPOSE OF TRAVEL	DESTINATION	MILEAGE	MEALS	REGISTRY	AIRFARE	HOTEL	MISC./ OTHER	TOTALS
Executive (21)													
Raymond Marshall	Raymond Marshall	S 7/13/13-7/17/13	85241	7/23/13	NACWA 2013 Summer Conference	Cincinnati, OH		130.00		521.60	748.80	197.66	1,598.06
Diane M. Buerger	Diane M. Buerger	S 6/15/13-6/23/13	85297	7/30/13	SHRM 2013 Annual Conference & Exposition	Chicago, IL	7.91	220.00			785.74	144.80	1,158.45
Raymond Marshall	NACWA	R 7/13/13-7/17/13	85453	8/14/13	NACWA 2013 Summer Conference	Cincinnati, OH			850.00				850.00
Jamie Samons	Jamie Samons	A 11/17/13-11/19/1	86430	10/29/13	NACWA Strategic Leadership Retreat	San Antonio, TX				419.60	394.60		814.20
Raymond Marshall	Raymond Marshall	S 11/17/13-11/20/1	86828	12/3/13	NACWA Strategic Leadership Retreat	San Antonio, TX		100.00		386.60	693.51	139.90	1,320.01
Vincent Mesolella Jr	Vincent Mesolella Jr	S 9/12/13-9/13/13	87146	12/30/13	US Bank Meeting-Finance	New York, NY	195.49	100.00			727.77	203.94	1,227.20
Raymond Marshall	Raymond Marshall	S 2/1/14-2/5/14	87666	2/18/14	NACWA 2014 Winter Conference	Santa Fe, NM		185.00		289.00	594.36	128.80	1,197.16
Jamie Samons	Jamie Samons	S 2/1/14-2/5/14	87724	2/25/14	NACWA 2014 Winter Conference	Santa Fe, NM	74.26	135.00		332.49	637.64	50.00	1,229.39
Jamie Samons	NACWA	R 2/1/14-2/5/14	87957	3/18/14	NACWA 2014 Winter Conference	Santa Fe, NM			850.00				850.00
Laurie Bissonette	Laurie Bissonette	A 4/29/14-5/1/14	88091	4/1/14	NACWA 2014 Wet Weather Consent Decree Workshop	Chicago, IL				474.00	486.55		960.55
Raymond Marshall	Raymond Marshall	S 4/6/14-4/9/14	88339	4/15/14	NACWA 2014 National Water Policy Forum	Washington, DC		105.00		223.50	1,061.43	169.55	1,559.48
Jamie Samons	Jamie Samons	S 4/6/14-4/9/14	88401	4/22/14	NACWA 2014 National Water Policy Forum	Washington, DC		80.00		286.00	684.72	120.65	1,171.37
Raymond Marshall	NACWA	R 2/1/14-2/5/14	88411	4/22/14	NACWA 2014 Winter Conference	Santa Fe, NM			850.00				850.00
Diane M. Buerger	Diane M. Buerger	A 6/21/14-6/25/14	88493	4/25/14	SHRM 2014 Annual Conference & Exposition	Orlando, FL				317.00	167.63		484.63
Diane M. Buerger	Diane M. Buerger	R 6/21/14-6/25/14	88577	5/6/14	SHRM 2014 Annual Conference & Exposition	Orlando, FL			1,160.00				1,160.00
Laurie Bissonette	Laurie Bissonette	S 4/29/14-5/1/14	88597	5/6/14	NACWA 2014 Wet Weather Consent Decree Workshop	Chicago, IL		110.00				97.01	207.01
Raymond Marshall	NACWA	R 4/6/14-4/9/14	88605	5/6/14	2014 National Water Policy Forum	Washington, DC			250.00				250.00
Laurie Bissonette	NACWA	R 4/30/14-5/1/14	89109	6/17/14	NACWA 2014 Wet Weather Consent Decree Workshop	Chicago, IL			350.00				350.00
Jamie Samons	Jamie Samons	A 7/12/14-7/16/14	89101	6/17/14	NACWA 2014 Summer Conference	Portland, OR				857.99	870.20		1,728.19
Jamie Samons	Jamie Samons	S 11/17/13-11/19/1	89192	6/24/14	NACWA Strategic Leadership Retreat	San Antonio, TX		115.00			58.48	15.00	188.48
Raymond Marshall	Raymond Marshall	A 7/12/14-7/16/14	89215	6/24/14	NACWA 2014 Summer Conference	Portland, OR				991.00	950.00		1,941.00
Raymond Marshall	NACWA	R 7/12/14-7/16/14	89198	6/24/14	NACWA 2014 Summer Conference	Portland, OR			850.00				850.00
Diane M. Buerger	Diane M. Buerger	S 6/21/14-6/27/14	89425	7/15/14	Nathl SHRM Conference	Orlando, FL		220.00			457.89	180.59	858.48
Total Executive Cost Center (21)													22,803.66
Construction (22)													
Jose Medina	Jose Medina	S 5/14/13-5/16/13	85384	8/6/13	Witness performance Test-Contract 809.00 BNR	Brookshire, TX		115.00		1,008.10	231.66	167.28	1,522.04
Mark Thomas	Mark Thomas	S 10/3/13-10/4/13	86241	10/16/13	Instrumentation Factory Acceptance Test	Reading, PA	11.30	60.00		720.07		94.62	885.99
Arthur Sheridan Jr.	Arthur Sheridan Jr.	S 9/30/13-10/4/13	86705	11/19/13	Instrumentation Factory Acceptance Test	Reading, PA		250.00				438.35	688.35
Richard F Rogers Jr.	Richard F Rogers Jr.	S 11/5/13-11/6/13	86682	11/19/13	NASSCO Training & Certification Program	Hartford, CT					114.95	12.00	126.95
Richard F Rogers Jr.	NBC	11/5/13-11/6/13			Reimbursement for travel expense contract 304-56C								(126.95)
Arthur Sheridan Jr.	NBC	9/30/13-10/4/13			Reimbursement for travel expense contract 80900C								(688.35)
Mark Thomas	NBC	10/3/13-10/4/13			Reimbursement for travel expense contract 80900C								(885.99)
Total Construction Services Cost Center (22)													1,522.04
Legal (24)													
Jennifer Galego	Jennifer Galego	A 11/19/13-11/22/13	86137	10/8/13	NACWA National Clean Water Law Seminar	San Antonio, TX				479.60	591.92		1,071.52
Jennifer Galego	NACWA	R 11/20/13-11/22/13	86748	11/25/13	NACWA National Clean Water Law Seminar	San Antonio, TX			850.00				850.00
Jennifer Galego	Jennifer Galego	S 11/19/13-11/22/13	86987	12/17/13	NACWA National Clean Water Law Seminar	San Antonio, TX		145.00				145.94	290.94
Jennifer Galego	NACWA	R 4/30/14-5/1/14	88239	4/8/14	NACWA 2014 Wet Weather Consent Decree Workshop	Chicago, IL			350.00				350.00
Jennifer Galego	Jennifer Galego	A 4/29/14-5/1/14	88090	4/1/14	NACWA 2014 Wet Weather Consent Decree Workshop	Chicago, IL				474.00	486.55		960.55
Jennifer Galego	Jennifer Galego	S 4/29/14-5/1/14	88592	5/6/14	NACWA 2014 Wet Weather Consent Decree Workshop	Chicago, IL		110.00				90.01	200.01
Total Legal Cost Center (24)													3,723.02
A&F (31)													
Karen Giebink	Karen Giebink	S 9/12/13-9/13/13	86064	10/01/13	US Bank Meeting-Finance	New York, NY						508.96	508.96
Total A&F Cost Center (31)													508.96
IT (33)													
Kathleen Smith	Kathleen Smith	A 8/5/13-8/8/13	85219	7/23/13	National Environment Monitoring Conference	San Antonio, TX				582.60	371.27		953.87
Kathleen Smith	Kathleen Smith	S 8/5/13-8/8/13	85715	9/3/13	National Environment Monitoring Conference	San Antonio, TX		75.00				58.27	133.27
Kathleen Smith	Kathleen Smith	A 9/22/13-9/26/13	85960	9/24/13	Oracle World Conference	San Francisco, CA				583.60	965.96		1,549.56
Kathleen Smith	Kathleen Smith	S 9/22/13-9/26/13	86235	10/16/13	Oracle World Conference	San Francisco, CA		175.00		37.93	-	146.19	359.12
Total IT Cost Center (33)													2,995.82

Narragansett Bay Commission
Long Distance Travel
For The Year Ended June 30, 2014

TRAVELER	PAYEE	TRAVEL DATES	CHECK	DATE PAID BY NBC	PURPOSE OF TRAVEL	DESTINATION	MILEAGE	MEALS	REGISTRY	AIRFARE	HOTEL	MISC./ OTHER	TOTALS
IM (43)													
Meg Goulet	Meg Goulet	A 2/24/14-3/1/14	87346	1/21/14	WEF Utility Management Conference - 2014	Savannah, GA			630.00	207.80	895.50		1,733.30
Meg Goulet	Meg Goulet	S 2/24/14-3/1/14	87863	3/11/14	WEF Utility Management Conference - 2014	Savannah, GA		250.00			121.45	97.50	468.95
Total IM Cost Center (43)													2,202.25
Engineering (44)													
Total Engineering Cost Center (44)													-
FP (46)													
Joseph LaPlante	Joseph LaPlante	A 6/25/14-6/26/14	89103	6/17/14	NEWEA Asset Management Seminar	Portsmouth, NH			200.00		87.19		287.19
Joseph LaPlante	Joseph LaPlante	S 6/25/14-6/26/14	89519	7/17/14	NEWEA Asset Management Seminar	Portsmouth, NH	141.12						141.12
Total FP Cost Center (46)													428.31
PP&R (51)													
Total PP&R Cost Center (51)													-
Pretreatment (52)													
Kerry Britt	Kerry Britt	A 5/12/14-5/16/14	88152	4/2/14	NACWA 2014 Nat'l Pretreatment & Pollution Prevention Workshop	Minneapolis, MN				250.00			250.00
Kerry Britt	Kerry Britt	S 5/12/14-5/16/14	88937	6/3/14	NACWA 2014 Nat'l Pretreatment & Pollution Prevention Workshop	Minneapolis, MN		220.00		279.00	675.88	177.30	1,352.18
Kerry Britt	NACWA	R 5/14/14-5/16/14	89025	6/10/14	NACWA 2014 Nat'l Pretreatment & Pollution Prevention Workshop	Minneapolis, MN			775.00				775.00
Total Pretreatment Cost Center (52)													2,377.18
Lab (53)													
Walter Palm	Walter Palm	S 3/3/14-3/7/14	87995	3/18/14	Pitcon Analytical Conference	Chicago, IL		250.00	150.00	329.88	786.88	192.00	1,708.76
Leslie Ahlborg	NEIWPCC	R 5/20/14-5/21/14	89201	6/24/14	NEIWPCC Lab Procedures/NEWEA Exam	Mashantucket, CT			170.00				170.00
Total Lab Cost Center (53)													1,878.76
Planning (54)													
David Aucoin	David Aucoin	A 9/17/13-9/18/13	85199	7/23/13	National WARN Chairs Meeting	Itasca, IL				575.00	174.00		749.00
David Aucoin	David Aucoin	S 9/17/13-9/18/13	86126	10/8/13	National WARN Chairs Meeting	Itasca, IL	9.61	140.00				144.93	294.54
Bary Wenskowicz	NE Water Environmental	R 10/29/13-10/30/13	86676	11/19/13	North East Residuals & Biosolids Conference	Concord, NH			200.00				200.00
Bary Wenskowicz	Bary Wenskowicz	S 10/29/13-10/30/13	86780	12/3/13	North East Residuals & Biosolids Conference	Concord, NH	133.77				118.81		252.58
David Aucoin	NBC	9/17/13-9/19/13			Reimbursement for travel expense from Horsley Witten Group, Sandwich, MA								(963.63)
James C McCaughey	James C McCaughey	S 5/14/14-5/16/14	88934	6/3/14	NACWA 2014 Nat'l Pretreatment & Pollution Prevention Workshop	Minneapolis, MN		125.00		328.00	506.91	95.35	1,055.26
James C McCaughey	NACWA	R 5/14/14-5/16/14	89198	6/24/14	NACWA 2014 Nat'l Pretreatment & Pollution Prevention Workshop	Minneapolis, MN			575.00				575.00
Total Planning Cost Center (54)													2,162.75
EMDA (55)													
Total EMDA Cost Center (55)													-
GRAND TOTAL TRAVEL													\$ 40,602.75