

NARRAGANSETT BAY COMMISSION RHODE ISLAND



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Narragansett Bay Commission Rhode Island

*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015*

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



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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.”**



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NARRAGANSETT BAY COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended 2015

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**NARRAGANSETT BAY COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended 2015**

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INTRODUCTORY SECTION

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The Narragansett Bay Commission
One Service Road
Providence, Rhode Island 02905

401 • 461 • 8848
401 • 461 • 6540 FAX

<http://www.narrabay.com>



Vincent J. Mesolella
Chairman

Raymond J. Marshall, P.E.
Executive Director

SEPTEMBER 8, 2015

**TO THE CHAIRMAN AND THE COMMISSIONS OF
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, 2015. 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, 2015.

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, 2015. 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.

PROFILE OF NARRAGANSETT BAY COMMISSION (Continued)

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, and in addition there are 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).

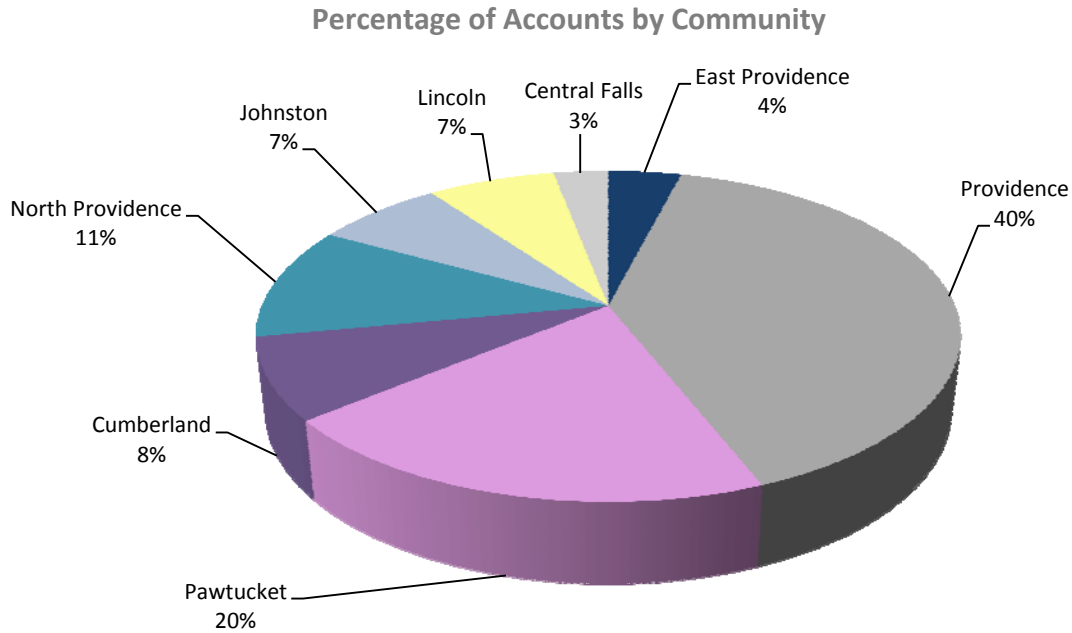
A line item budget is maintained for each individual section or program. Finance staff reviews the budget versus actual status on a monthly basis. All budget transfers must be approved by the Division Director and the Director of Administration and Finance. The Executive Director notifies the NBC's Finance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

NBC provides reliable, cost-effective wastewater collection and treatment services to over 360,000 residents and approximately 7,750 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 more than 71% of the accounts. The residential customer class has approximately 75,900 accounts, while the non-residential class has approximately 7,750 accounts.

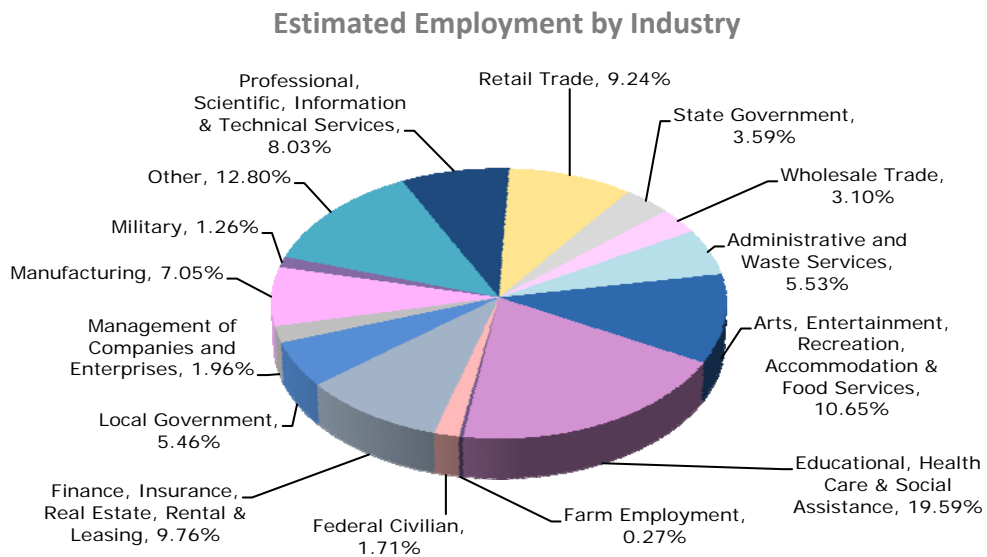
PROFILE OF NARRAGANSETT BAY COMMISSION (Continued)

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



LOCAL ECONOMY

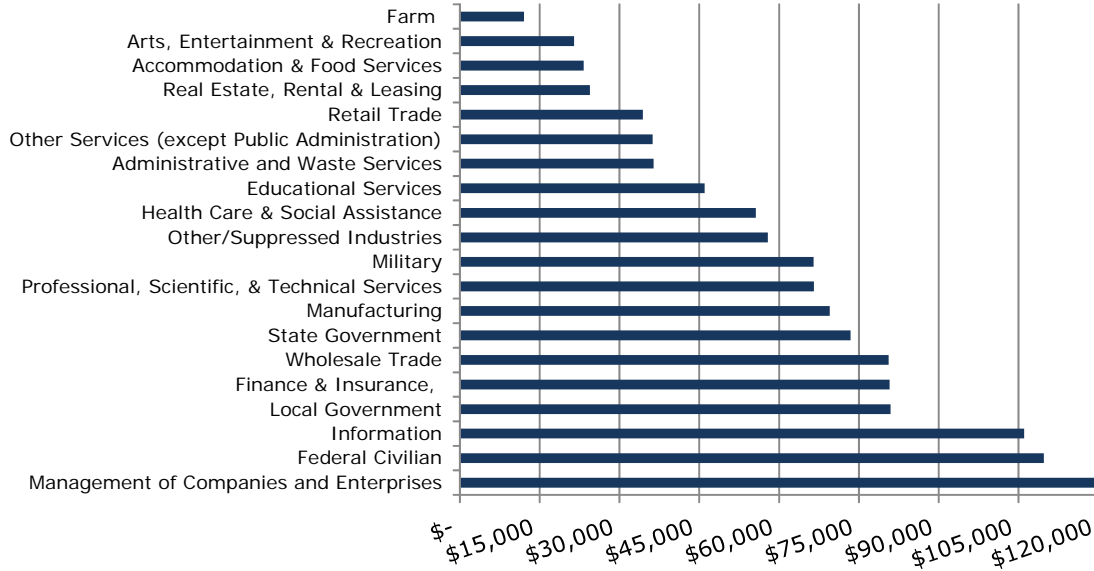
According to the Rhode Island Department of Economic Development, the economic base of Rhode Island has shifted from manufacturing and goods to service industries over the last decades. It should also be mentioned that one of the primary service industries in Rhode Island is tourism, which is largely focused on recreational activities on and around Narragansett Bay. The chart below shows estimated employment by industry for the calendar year 2013.



*Source: United States Regional Economic Analysis Project Industries by State 2013

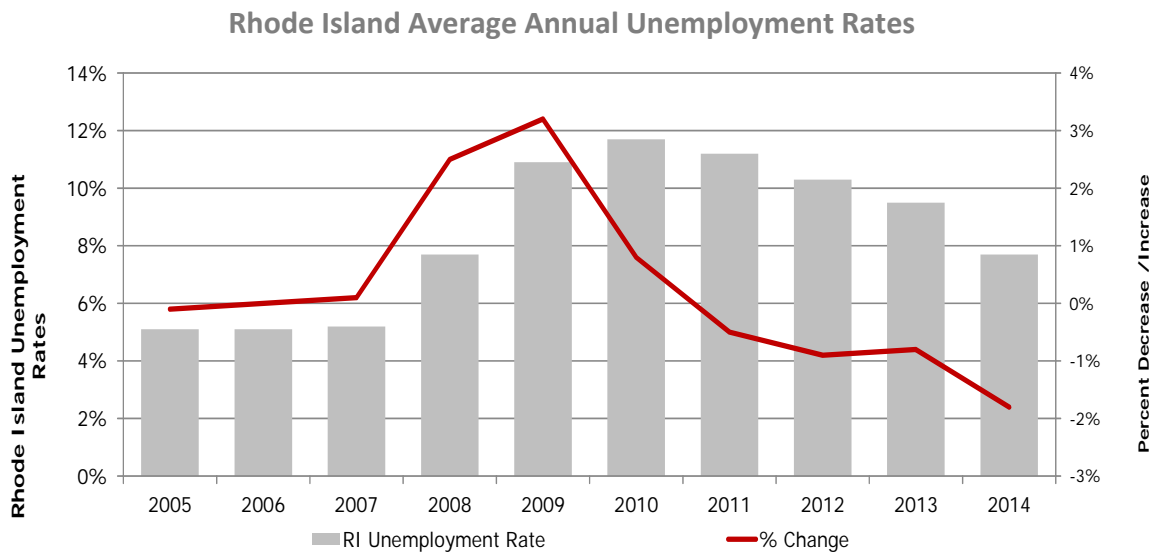
LOCAL ECONOMY (Continued)

Employment in Rhode Island reflects the national trend towards increasing employment in the services sector. The cart below illustrates Rhode Island’s average annual earnings per employee in each major industry for 2013.



*Source: US Regional Economic Analysis Project. Average Earnings per Job by Major Industry, Rhode Island 2013

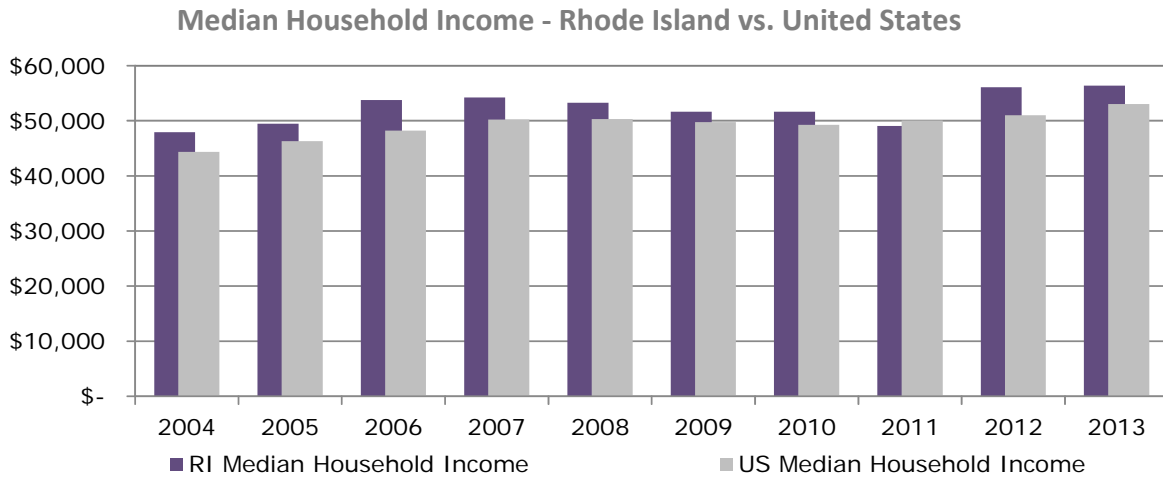
The graph below, compiled from data from the Bureau of Labor Statistics, shows historical unemployment figures over the past ten years for Rhode Island. Rhode Island unemployment rates increased significantly from 2008 to a peak rate of 11.8% in 2010 and have since declined to a rate of 7.7% in 2014.



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

LOCAL ECONOMY (Continued)

The graph below shows the median household income in Rhode Island for the years 2004-2013 compared to national statistics. With the exception of 2011, Rhode Island's median household income has been higher than the national median household income.



*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.

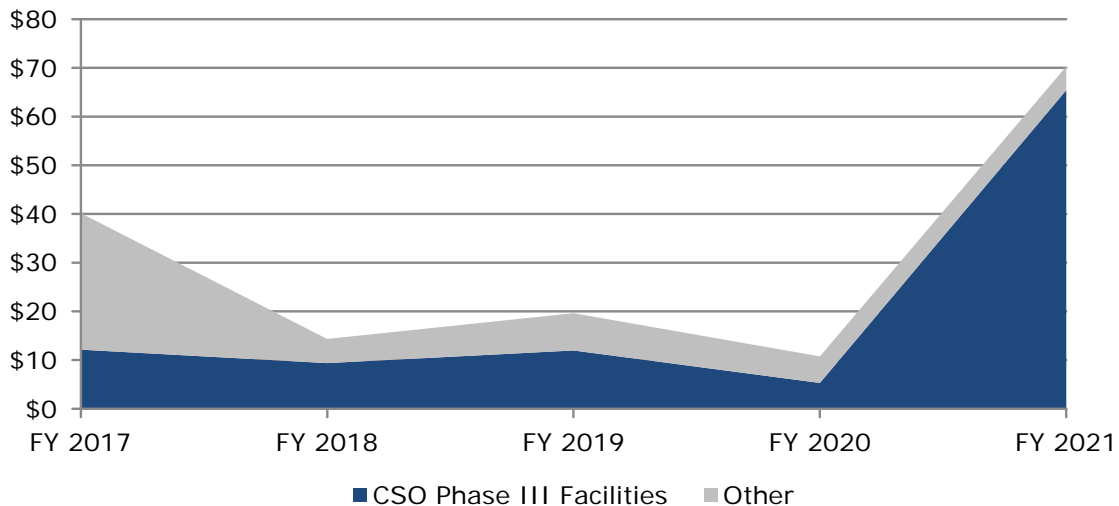
MAJOR INITIATIVES

NBC's current CIP identifies 60 projects totaling approximately \$155.3 million, either in progress, to be initiated, or to be completed during the fiscal years of 2017 -2021. In addition, the CIP includes \$33.6 million in expenditures in fiscal year 2016, for a total of approximately \$188.9 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.

MAJOR INITIATIVES (Continued)

The most significant project included in NBC's 2017-2021 CIP is the third and final phase of the federally mandated Combined Sewer Overflow (CSO) Abatement Program. The CSO Phase III Facilities account for \$104.3 million or 67% of the total CIP expenses during the five-year window. The Consent Agreement between NBC and the Rhode Island Department of Environmental Management (RIDEM) requires completion of preliminary design within one year following completion of Phase II and final design within one year of RIDEM's approval of preliminary design. The pre-design cost projection for the proposed alternative is \$815 million.

Expenditures by Major Project
(In Millions)



FUNDING OF THE CIP

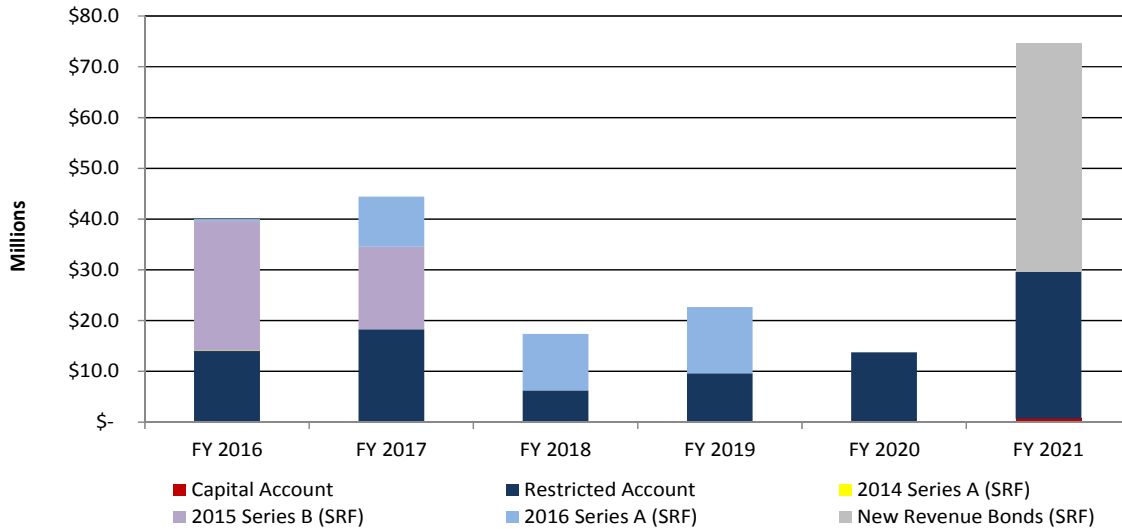
In FY 2016, NBC plans to fund the CIP with approximately \$14.0 million in Restricted Funds and also two loans totaling \$76.3 million from the Rhode Island Infrastructure Bank (RIIB) (formerly known as Rhode Island Clean Water Finance Agency (RICWFA)).

NBC's long-term financing strategy includes funding as much as possible from the RIIB. Accordingly, this plan is based on loan capacity figures provided by RIIB to the extent that additional capital funding is needed. As a result of the CSO Phase III Facilities reevaluation process in FY 2015, NBC's programmed capital needs during the next several years are significantly lower than previously projected. The long-term model reflects the use of \$121.3 million in existing and planned borrowings from the RIIB and the use of \$90.9 million in restricted funds or "pay-as-you-go" capital. The updated cash flows do not reflect any new borrowings from RIIB during the fiscal years 2017 through 2020 or the issuance of any revenue bonds during the fiscal years 2016 through 2021.

The actual timing and the type of debt issuance will be determined based upon cash flows, market conditions, RIIB loans and other factors. The graph on the next page illustrates the projected sources of funds for the fiscal years 2016 through 2021.

FUNDING OF THE CIP (Continued)

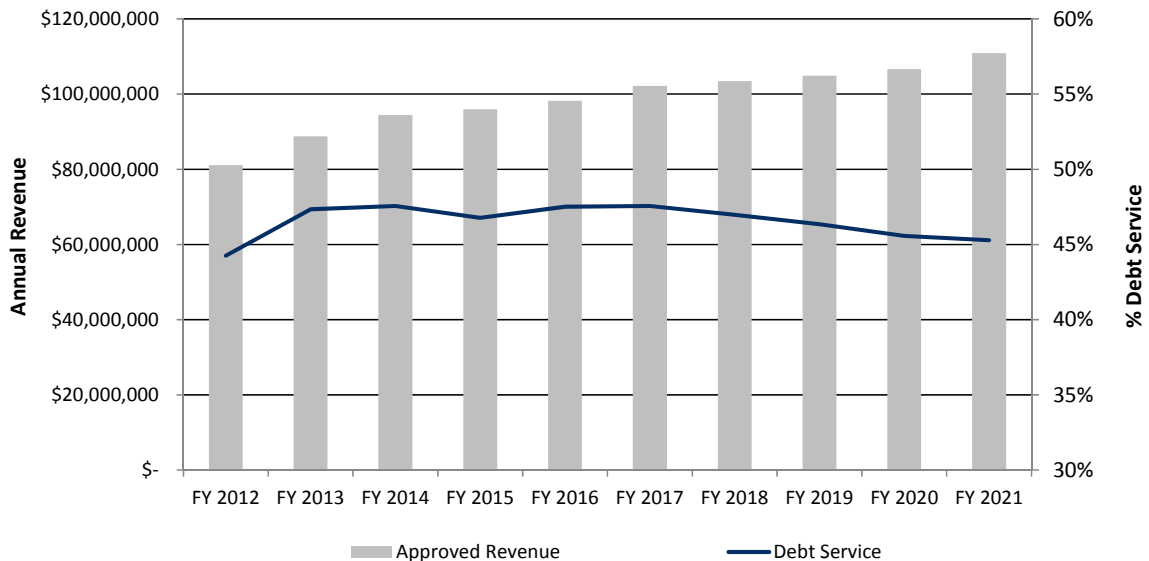
Sources of Funds



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 \$46.6 million in FY 2016 to approximately \$49.6 million in FY 2021. The chart below shows debt service as a percentage of actual and projected revenues through FY 2021. Annual debt service as a percentage of total revenue is projected to decline from 47.5% in FY 2016 to 44.8% in FY 2021. 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, 2014. This was the thirteenth 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, 2014. 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, 2014

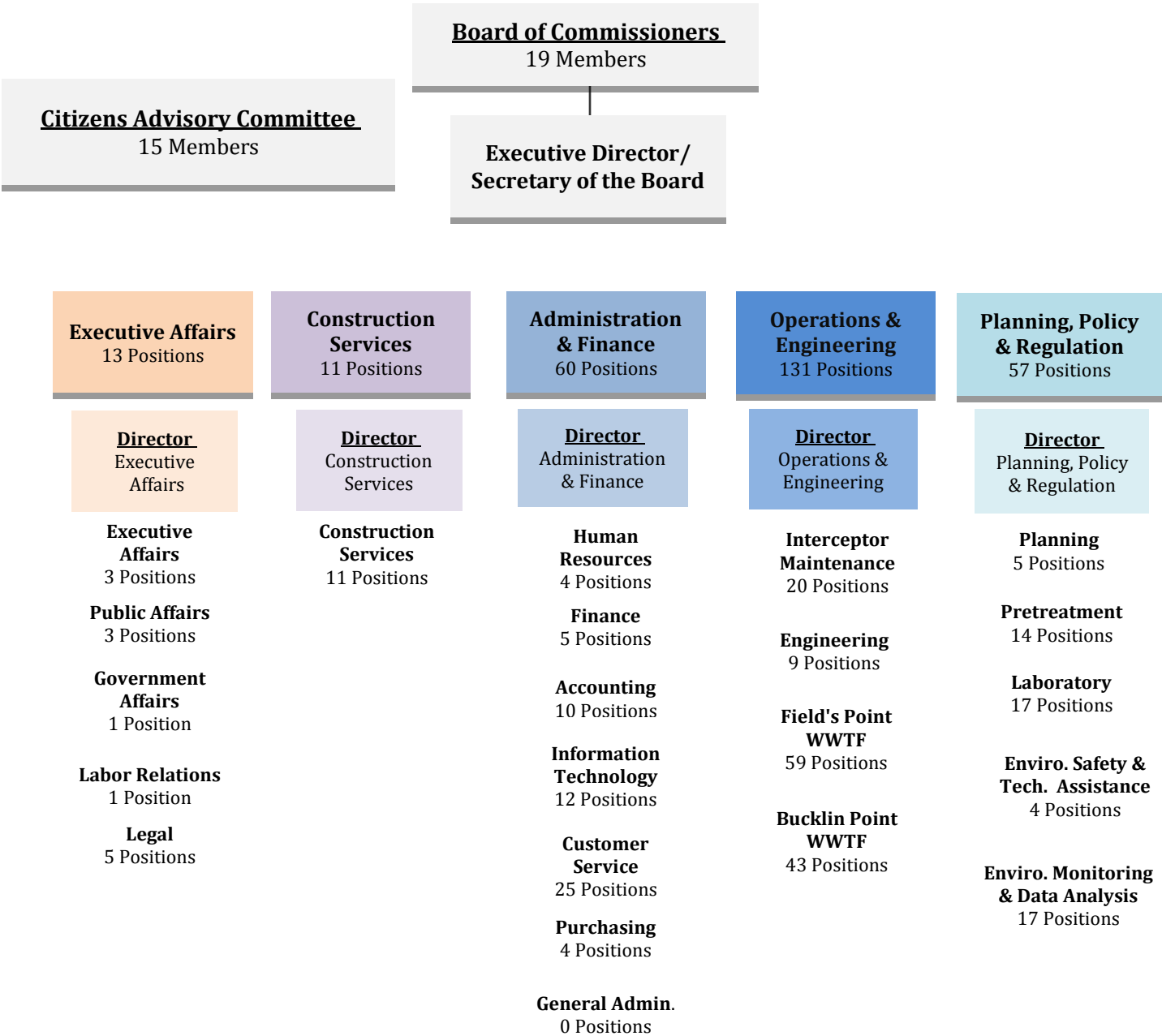
Executive Director/CEO

NARRAGANSETT BAY COMMISSION
BOARD OF COMMISSIONERS

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Angelo S. Rotella, Esq., Vice Chairman
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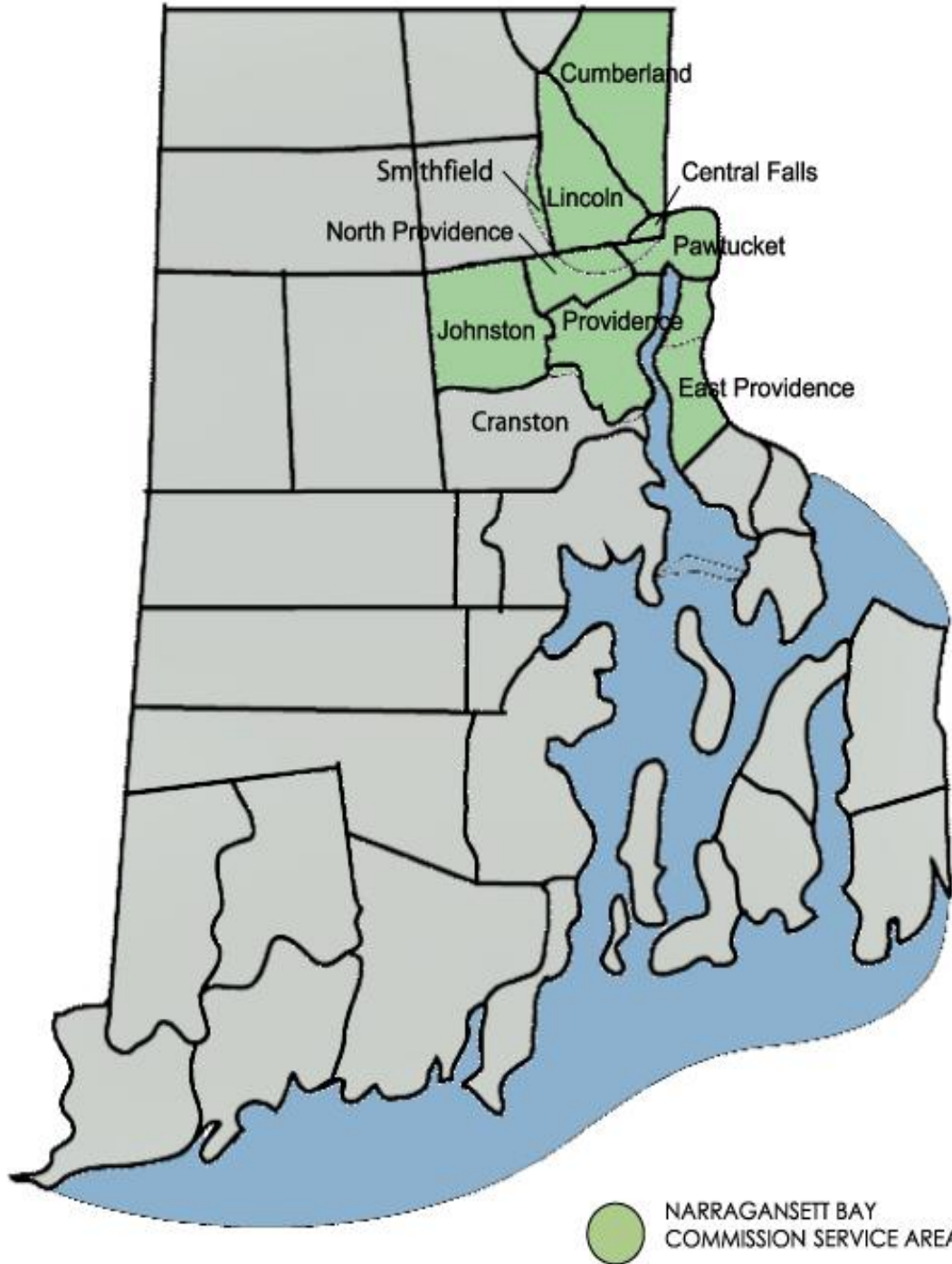
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Narragansett Bay Commission Organization Chart



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Narragansett Bay Commission Service Area



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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859
www.hague-sahady.com

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2015, NBC adopted new accounting guidance, *GASB No. 67, Financial Reporting for Pension Plans* and *GASB No. 68, Accounting and Financial Reporting for Pensions*. 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 Pension Plan information as listed on the table of contents, 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 changes in net position, and the schedule of travel expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenses - budget to actual, the combining schedule of net position, the combining schedule of revenue, expenses, and changes 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 changes 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 September 8, 2015, 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
September 8, 2015

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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, 2015. 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, non-capital financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of assets.

The Notes to 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 29-56 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 2015 total net position was \$423,709,343 which is an increase of \$7,925,319. Of this amount, \$76,548,661 (unrestricted) may be used to meet NBC's ongoing obligations.

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

FINANCIAL HIGHLIGHTS (Continued)

- The total change in net position was \$27,838,073 in FY 2015 compared to \$25,062,307 in FY 2014, which is an increase of \$2,775,766.
- During FY 2015, NBC implemented GASB 67 and 68 which changed the Statement of Net Position to include total net pension liability as a liability as opposed to the previously reported Net Pension Obligation under GASB 25 and 27. The new implementation also changed the presentation of the Notes to the Financial Statements and the Required Supplementary Information (RSI).
- NBC restated the beginning net position by \$(19,912,754) for the implementation of GASB 68, which requires Net Pension Liability to be recorded in the Statement of Net Position.
- Total revenues increased from \$92,335,532 in FY 2014 to \$95,190,225 in FY 2015, which is a \$2,854,693 increase.
- Total expenses decreased from \$67,354,190 in FY 2014 to \$67,352,152 in FY 2015, which is a \$2,038 decrease.
- Debt Service Coverage calculated as gross revenue, less operating expenses exclusive of depreciation and amortization, divided by total debt service was 144% for fiscal year 2015, exceeding the 125% debt service coverage level recommended by credit rating agencies.
- Effective September 19, 2014, NBC raised its flat fees and consumption fees by 3.97%.
- In FY 2015, NBC successfully refunded both the 2005 Series A and the 2007 Series A Wastewater System Revenue Bonds.

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 \$423,709,343 as of June 30, 2015. The FY 2015 change in net position was \$27,838,073. Of this amount, \$19,912,754 was used to restate Net Position for the implementation of GASB 68. The remaining \$7,925,319 represents an increase in total net position and demonstrates that the financial position of NBC is improving.

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

FINANCIAL ANALYSIS (Continued)

Condensed Statement of Net Position

Assets	2015	2014
Current assets	\$ 39,495,708	\$ 74,003,337
Restricted assets	74,973,824	66,879,869
Capital assets (net)	952,446,642	931,850,699
Other assets	213,413	213,413
Total assets	<u>1,066,916,174</u>	<u>1,072,947,318</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources	<u>5,558,781</u>	<u>488,263</u>
Total deferred outflows	<u>5,558,781</u>	<u>488,263</u>
Liabilities		
Current liabilities	39,573,560	47,280,741
Noncurrent liabilities	<u>606,847,938</u>	<u>610,098,671</u>
Total liabilities	<u>646,421,498</u>	<u>657,379,412</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources	<u>2,344,114</u>	<u>272,145</u>
Total deferred inflows	<u>2,344,114</u>	<u>272,145</u>
Net Position		
Net investment in capital assets	347,106,277	330,483,472
Restricted	54,405	72,426
Unrestricted	<u>76,548,661</u>	<u>85,228,126</u>
Total net position	<u>\$ 423,709,343</u>	<u>\$ 415,784,024</u>

The condensed statement above reflects a decrease in current assets of \$34,507,629 from FY 2014 to FY 2015. This decrease reflects a reduction in the amount due from the Rhode Island Infrastructure Bank (RIIB) related to unspent proceeds from NBC's \$45,000,000 borrowing on March 6, 2014.

In FY 2015, the NBC shows restricted assets of \$74,973,824. Of this amount \$54,405 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 position. In addition, \$39,986,303 is restricted cash held in the Debt Service Fund for 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, 2015, the NBC's restricted cash account for future acquisition and construction of capital assets had a balance of \$26,935,758. Also, \$3,497,335 is restricted in the Debt Service Reserve Fund and \$4,500,023 is restricted for Operation Reserve for Revenue Stability Fund.

**NARRAGANSETT BAY COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

FINANCIAL ANALYSIS (Continued)

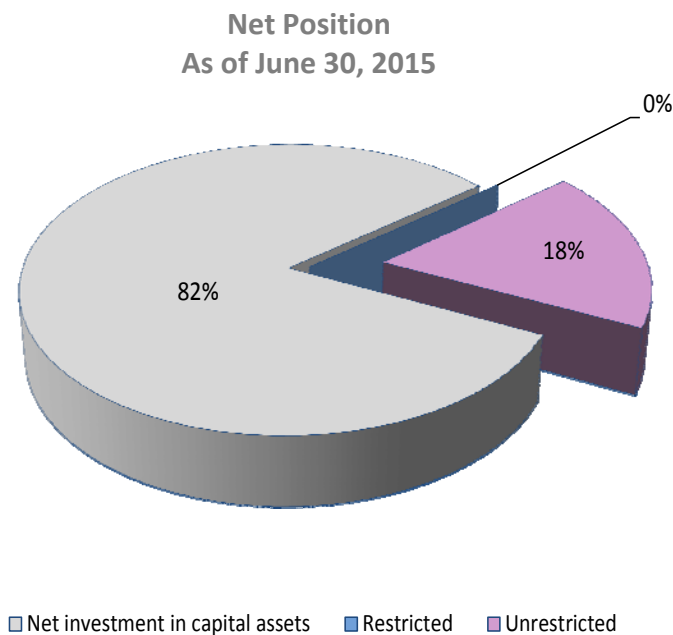
There is also a significant increase in Capital assets (net) of \$20,595,943 from FY 2014 to FY 2015. This increase is the result of substantial progress that NBC made in FY 2015 on the initiatives identified in the Capital Improvement Program (CIP).

In FY 2015, the total deferred outflows of resources increased from \$488,263 in FY 2014 to \$5,558,781 in FY 2015. The increase of \$5,070,518 was a result of implementation of GASB 68 relating to pensions and an increase to loss on refunding of debt.

In FY 2015, the current liabilities decreased by \$7,707,181. This is the result of a decrease in the current portion of the contracts payable. The non-current liabilities decreased by \$3,250,733 which was due to the payment of debt service and the refunding of two bond issues.

In FY 2015, the total deferred inflows of resources increased from \$272,145 in FY 2014 to \$2,344,114 in FY 2015. The increase of \$2,071,969 was a result of the implementation of GASB 68 relating to pensions.

The largest portion of the NBC’s net position, 82%, 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 position is 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. NBC ended the FY 2015 with an increase in net position of \$27,838,073. 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)**

FINANCIAL ANALYSIS (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2015	2014
Operating Revenues		
User fees	\$ 92,007,299	\$ 89,182,519
Pretreatment	1,076,481	1,095,551
Septage income	336,037	310,136
Late charge penalties	999,867	1,013,240
Other operating revenues	596,158	546,569
Non-operating Revenue	174,383	187,517
Total revenue	95,190,225	92,335,532
Operating Expenses		
Personnel services	20,946,735	21,090,749
General and administration	979,426	961,936
Operations and maintenance	6,930,801	7,081,179
Depreciation and amortization	12,983,750	11,812,153
Contractual Services	7,469,034	8,036,730
Miscellaneous	846,462	795,751
Non-operating Expenses	17,195,944	17,575,692
Total expenses	67,352,152	67,354,190
Net income (loss) before capital contributions	27,838,073	24,981,342
Capital Contributions	-	80,965
Change in net position	27,838,073	25,062,307
Total Net Position - beginning of year	415,784,024	396,866,751
Net Position Restatement	(19,912,754)	(6,145,034)
Total Net Position - end of year	\$ 423,709,343	\$ 415,784,024

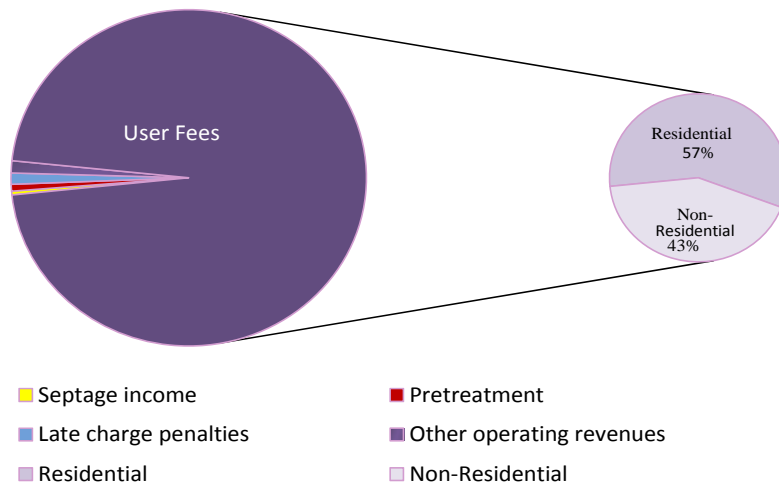
REVENUES

User fees are NBC's primary source of revenue, representing approximately 97% of total operating revenues. Fiscal Year 2015 user fee revenue was \$92,007,299 which is \$2,824,780 more than the prior year. The increase in user fees is the result of a 3.97% rate increase effective September 19, 2014. These PUC approved rate increases applied to both consumption and flat fees. In FY 2015, the non-user fee operating revenue increased by \$43,047 primarily as the result of the increase in other operating revenues and septage income.

**NARRAGANSETT BAY COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

FINANCIAL ANALYSIS (Continued)

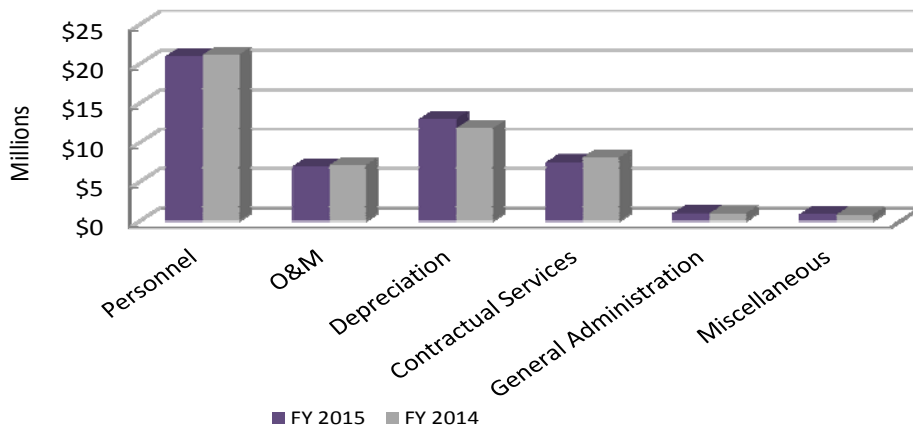
Operating Revenue for FY 2015



EXPENSES

Total expenses in FY 2015 decreased \$2,038 over the prior year. Operating expenses were \$377,710 higher in FY 2015 than the prior year. The increase in operating expenses was driven by a number of factors. Most notably, Depreciation expense increased by \$1,171,597 as NBC finished a number of major capital projects. These projects were reclassified to completed projects and NBC began to depreciate them. The higher depreciation expense was offset partially by a \$144,014 decrease in Personnel services resulting from the change in pension expense as prescribed to GASB 68. In addition, Contractual services decreased by \$567,696 in FY 2015 due to lower biosolids disposal costs resulting from lower dry ton production at Fields Point. Non-operating expenses decreased \$379,748 as a result of decreased interest expense on bonds and notes payable and bond and note fees.

Operating Expenses for FY 2015 and FY 2014



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

FINANCIAL ANALYSIS (Continued)

NET POSITION RESTATEMENT

The FY 2014 net position was restated for the implementation of GASB 65. The FY 2015 net position was restated for the implementation of GASB 68.

CAPITAL ASSETS AND DEBT ADMINISTRATION

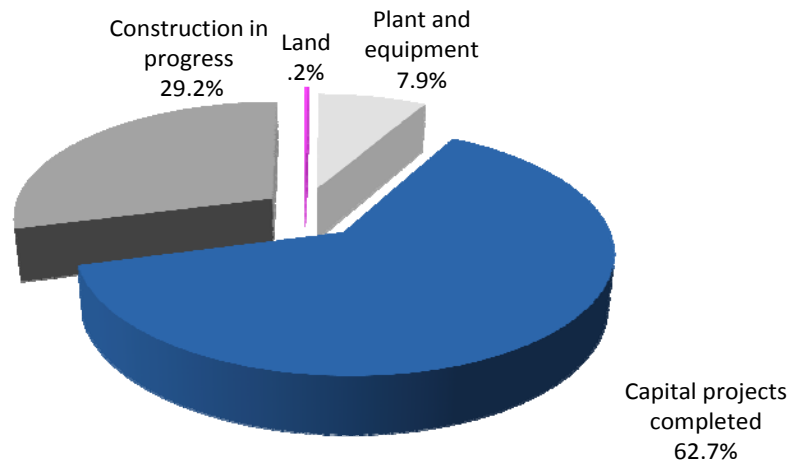
CAPITAL ASSETS

At the end of FY 2015, the NBC had \$952.4 million invested in net capital assets. This amount represents an increase of more than \$20.6 million, or 2.2% over last year. The following table summarizes the NBC's capital assets and changes therein, for the years ended June 30, 2015 and June 30, 2014.

Capital Assets

	2015	2014
Capital Assets		
Land	\$ 2,754,407	\$ 2,754,407
Plant and equipment	88,933,709	86,302,765
Capital projects completed	708,054,132	646,648,276
Construction in progress	329,874,143	360,531,394
	<u>1,129,616,391</u>	<u>1,096,236,842</u>
Less accumulated depreciation	<u>(177,169,749)</u>	<u>(164,386,143)</u>
Net capital assets	<u>\$ 952,446,642</u>	<u>\$ 931,850,699</u>

**Capital Assets
June 30, 2015**



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

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

LONG-TERM DEBT

During fiscal year 2015, the NBC successfully refunded both the 2005 Series A and the 2007 Series A Wastewater System Revenue Bonds. The combined net present value savings of these two refundings was \$10.1 million. In addition NBC's FY 2015 debt service expense was a net \$0.6 million lower on these bond issues as a result. Due to timing issues, the FY 2015 planned borrowing through the RIIB did not close during the fiscal year and therefore NBC did not have any associated debt service. NBC continues to benefit from historic low short-term interest rates and realized interest savings of more than \$1.6 million on the Variable Rate Demand Bonds (VRDBs). The combination of these events resulted in debt service expense that was \$3.1 million less than the budgeted amount. The total debt to net capital asset ratio is 64% and 68% for fiscal years ending June 30, 2015 and 2014, respectively.

Standard and Poor's performed credit reviews as part of the bond refundings in September 2014 and March 2015. As a result of their review, they assigned NBC's refunding bonds an AA- credit rating and reaffirmed NBC's underlying rating on outstanding wastewater system revenue bonds as AA- with a stable outlook. Standard and Poor's also affirmed the AAA/A-1+ rating on the NBC's 2008 VRDBs, based on the application of joint criteria with NBC's AA- and the letter of credit provided by U.S. Bank N.A. This credit rating will ensure NBC's continued access to credit markets and is advantageous for the marketability of NBC's VRDBs.

For additional information related to capital assets or long-term debt see the Notes to the Financial Statements. The Notes to the Financial Statements can be found on pages 35-40 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. On June 29, 2015 the PUC approved a 2.37% user fee increase effective July 1, 2015, for debt service and debt service coverage. This factor was considered during the preparation of the NBC's FY 2016 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 a need for 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, 2015

Assets	
Current assets	
Cash and cash equivalents	\$ 15,999,803
Accounts receivable	
Sewer use (net of allowance)	10,487,394
Sewer use unbilled	4,819,849
Receivables, other	42,422
Due from Rhode Island Infrastructure Bank	6,713,012
Prepaid expenses	1,433,228
Total current assets	39,495,708
Non-current assets	
Restricted assets	
Cash and cash equivalents, environmental enforcement	54,405
Cash and cash equivalents, operating reserve for revenue stability fund	4,500,023
Cash and cash equivalents, restricted for debt service	39,986,303
Cash and cash equivalents, restricted for debt service reserve fund	3,497,335
Cash and cash equivalents, restricted for acquisition and construction of plant assets	26,935,758
Total restricted assets	74,973,824
Capital assets	
Land	2,754,407
Plant and equipment	88,933,709
Capital projects completed	708,054,132
Construction in progress	329,874,143
Subtotal	1,129,616,391
Less: accumulated depreciation	177,169,749
Total net capital assets	952,446,642
Total non-current assets	1,027,420,466
Total assets	1,066,916,174
Deferred outflows of resources	
Loss on refunding of debt	2,196,681
ERSRI - contribution paid subsequent to measurement date	1,329,983
Non-union Pension - change in assumptions	1,560,180
Non-union Pension - difference between expected and actual experience	210,013
Non-union Pension - difference between projected and actual earnings	261,924
Total deferred outflows of resources	\$ 5,558,781

(Continued)

The Notes to Financial Statements are an integral part of this statement.

NARRAGANSETT BAY COMMISSION

Statement of Net Position (Continued)

June 30, 2015

Liabilities	
Current liabilities	
Accounts payable	\$ 2,667,517
Contracts payable	5,072,450
Accrued interest payable	5,331,179
Accrued expenses	993,612
Current portion of the other accrued expenses	80,865
Current portion of loans payable	25,284,371
Current portion of leases payable	143,566
Total current liabilities	39,573,560
Non-current liabilities	
Long-term other accrued expenses, net	2,867,961
Long-term net pension liability - ERSRI	15,554,087
Long-term net pension liability - Non-Union Plan	4,864,294
Long-term loans payable, net	320,847,681
Long-term leases payable, net	109,731
Long-term debt, net	262,604,184
Total non-current liabilities	606,847,938
Total liabilities	646,421,498
Deferred inflows of resources	
Unearned revenue billed in advance	271,768
Gain on refunding of debt	188,075
ERSRI - change in assumptions	168,936
ERSRI - difference between projected and actual earnings	1,193,124
Non-union Pension - difference between expected and actual experience	150,858
Non-union Pension - difference between projected and actual earnings	371,353
Total deferred inflows of resources	2,344,114
Net position	
Net investment in capital assets	347,106,277
Restricted for environmental enforcement	54,405
Unrestricted	76,548,661
Total Net Position	\$ 423,709,343

The Notes to Financial Statements are an integral part of this statement.

NARRAGANSETT BAY COMMISSION
Schedule of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Operating revenues	
User fees, residential	\$ 53,044,437
User fees, commercial and industrial	38,962,862
Permit and connection fees	100,906
Pretreatment fees	1,076,481
Environmental enforcement	5,972
Septage income	336,037
Late charge penalties	999,867
Miscellaneous revenue	489,280
Total operating revenues	<u>95,015,842</u>
Operating expenses	
Personnel services	20,946,735
General and administration	979,426
Operations and maintenance	6,930,801
Depreciation	12,983,750
Contractual services	7,469,034
Miscellaneous	846,462
Total operating expenses	<u>50,156,208</u>
Operating income	<u>44,859,634</u>
Non-operating revenues (expenses)	
Interest expense	(16,475,516)
Interest income	5,839
Grant income	4,910
Bond and note fees	(720,428)
Miscellaneous	163,634
Total non-operating revenues (expenses)	<u>(17,021,561)</u>
Change in net position	27,838,073
Total net position, beginning of year	415,784,024
Net position restatement	<u>(19,912,754)</u>
Total net position, end of year	<u><u>\$ 423,709,343</u></u>

The Notes to Financial Statements are an integral part of this statement.

NARRAGANSETT BAY COMMISSION

Statement of Cash Flow For the Year Ended June 30, 2015

Cash flows from operating activities	
Cash received from customers	\$ 94,733,065
Cash paid to supplies for goods and services	(30,953,465)
Cash paid to employees for services	(16,225,723)
Other non-operating revenues	168,544
	<hr/>
Net cash provided by operating activities	47,722,421
	<hr/>
Cash flows from capital related financing activities	
Proceeds from capital debt	36,985,695
Acquisitions and construction of capital assets	(33,579,692)
Principal paid on capital debt	(23,028,273)
Interest paid on capital debt	(17,188,998)
Bonds and note fees	(720,428)
	<hr/>
Net cash used from capital related financing activities	(37,531,696)
	<hr/>
Cash flows from investing activities	
Interest income	5,839
	<hr/>
Net cash provided by investing activities	5,839
	<hr/>
Net increase in cash and cash equivalents	10,196,564
	<hr/>
Cash and cash equivalents, beginning of year	80,777,063
	<hr/>
Cash and cash equivalents, end of year	\$ 90,973,627

(Continued)

NARRAGANSETT BAY COMMISSION

Statement of Cash Flow (Continued)

For the Year Ended June 30, 2015

Reconciliation of operating income to net cash provided by operating activities

Operating Income	\$ 44,859,634
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	12,983,750
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Decrease in accounts receivable user fees	308,557
Increase in unbilled revenue	(578,702)
Increase in other receivables	(12,255)
Increase in prepaid expenses	(372,145)
Increase in pension deferred outflows of resources	(1,662,410)
Increase in pension deferred inflows of resources	1,217,900
Decrease in net pension liability	(314,279)
Decrease in accounts and contracts payable	(9,214,211)
Increase in accrued expenses	338,415
Decrease in unearned revenue billed in advance	(377)
Non-operating revenue reported as operating revenue received	<u>168,544</u>
Total adjustments	<u>2,862,787</u>
Net cash provided by operating activities	<u><u>\$ 47,722,421</u></u>

Non-cash capital and related financing activities

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 Infrastructure Bank (RIIB) on behalf of the NBC. The 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:

Decrease in amount due from RIIB	\$ 37,264,782
Increase in capital assets	37,264,782
Decrease in bond and note fees	574,077
Decrease in loan payable	23,028,273

NARRAGANSETT BAY COMMISSION

Notes to Financial Statements

June 30, 2015

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.

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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Implementation of New Accounting Principles - For the year ending June 30, 2015, NBC implemented the following pronouncements issued by the GASB:

- GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- GASB Statement No. 68, *Accounting and Financial Reporting Pensions - an amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations of Disposals of Government Operations* – no material reporting impact for NBC
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*

The implementation of GASB Statements No. 68 and 71 represented a significant change in the accounting and reporting of pension expense and the related liability. For the first time, NBC recognized its long-term obligation for pension benefits as a liability to more comprehensively measure the annual costs of pension benefits. The implementation of these statements also expanded pension related note disclosures and required supplementary information. As a result of these changes in accounting principles, NBC has restated its beginning net position within the business-type activities. See "Note 11 Restatement" on page 40 for more information.

Cash equivalents - For purposes of the statement of cash flows, all cash equivalents are considered to be highly liquid investments (including restricted assets) 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-two 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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 was \$1,524,527.

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. Bonds payable are reported net of the applicable bond premium.

The total bond premiums as of June 30, 2015 were \$19,784,184.

The total bond and loan fees for the year ending June 30, 2015 were \$720,428.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System Plan Rhode Island (ERSRI) and the additions to/deductions from ERSRI's fiduciary net position have been determined on the same basis as they are reported by ERSRI. For further information on both the ERSRI plan and Non-Union Defined Benefit Plan, please refer to Note 12 of the financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The ERSRI plan has a measurement date of June 30, 2014 while the NBC's non-union pension plan has a measurement date of June 30, 2015.

Unearned revenue billed in advance - 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 wastewater treatment facilities and related capital projects.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating revenues and expenses - Operating revenues and expenses for NBC are those that result from providing wastewater treatment and collection services and related activities. They also include 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.

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	\$ 13,575,257
Cash equivalents	77,397,345
Petty cash	625
Cash with Customer Service	<u>400</u>
Total cash and cash equivalents	<u>\$ 90,973,627</u>

In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions, which do not meet minimum capital standards prescribed by federal regulators, shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

The carrying amount of NBC's deposits at June 30, 2015 was \$13,575,257 and the bank balance was \$13,758,943.

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, 2015, \$13,508,943 of NBC's bank balance of \$13,758,943 was exposed to custodial credit risk as follows:

	Bank Balance
Insured (Federal depository insurance funds)	\$ 250,000
Collateralized with securities held by pledging financial institution or its agent, in NBC's name	13,508,943
	\$ 13,758,943

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, 2015 were as follows:

	Fair Value	Maturity
Goldman Sachs Financial Square Government Fund	\$ 75,569,206	Average 57 days
Ocean State Investment Pool	1,828,139	N/A
	\$ 77,397,345	

Interest rate risk - Funds held by NBC are invested in accordance with NBC's investment policy. This 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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 4 - CAPITAL ASSETS

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

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Non-depreciable assets				
Land	\$ 2,754,407	\$ -	\$ -	\$ 2,754,407
Construction in Progress	360,531,394	30,748,605	(61,405,856)	329,874,143
Total non-depreciable assets	<u>363,285,801</u>	<u>30,748,605</u>	<u>(61,405,856)</u>	<u>332,628,550</u>
Depreciable assets				
Plant and equipment	86,302,765	2,831,088	(200,144)	88,933,709
Capital projects completed	646,648,276	61,405,856	-	708,054,132
Total depreciable assets	<u>732,951,041</u>	<u>64,236,944</u>	<u>(200,144)</u>	<u>796,987,841</u>
Less accumulated depreciation for				
Plant and equipment	(64,819,513)	(3,192,419)	200,144	(67,811,788)
Capital projects completed	(99,566,630)	(9,791,331)	-	(109,357,961)
Less accumulated depreciation	<u>(164,386,143)</u>	<u>(12,983,750)</u>	<u>200,144</u>	<u>(177,169,749)</u>
Total capital assets, net	<u>\$ 931,850,699</u>	<u>\$ 82,001,799</u>	<u>\$ (61,405,856)</u>	<u>\$ 952,446,642</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, 2015 to be \$2,948,825. 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, 2015 were as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 2,680,716</u>	<u>\$ 297,709</u>	<u>\$ 29,600</u>	<u>\$ 2,948,825</u>	<u>\$ 80,865</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 6 - LOANS PAYABLE

NBC has eighteen loans outstanding with the Rhode Island Infrastructure Bank (RIIB) at June 30, 2015 as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</u>
Pooled Loan #1 - Series 1993 - The total loan authorized is \$14,781,000, dated March 10, 1993, with an interest rate of 3.16917%.	\$ 2,004,000	\$ -	\$ 983,750	\$ 1,020,250
Pooled Loan #2 - Series 1994 - The total loan authorized is \$17,279,000, dated June 29, 1994, with an interest rate of 2.9938%.	2,301,140	-	1,130,719	1,170,421
Pooled Loan #3 - Series 1997 - The total loan authorized is \$8,150,000, dated March 3, 1997, with an interest rate of 3.14473%.	3,084,334	-	468,955	2,615,379
Pooled Loan #4 - Series 1999 - The total loan authorized is \$23,955,000, dated February 4, 1999, with an interest rate of 3.032%.	10,730,000	-	1,195,000	9,535,000
Pooled Loan #5 - Series 2001 - The total loan authorized is \$57,000,000 dated November 1, 2001, with an interest rate of 2.671%.	22,795,000	-	3,205,000	19,590,000
Pooled Loan #6 - Series 2002 - The total loan authorized is \$57,000,000, dated October 24, 2002, with an interest rate of 1.0785%.	29,360,665	-	2,930,718	26,429,947
Pooled Loan #7 - Series 2003 - The total loan authorized is \$40,000,000, dated November 13, 2003, with an interest rate of 1.349%.	23,792,000	-	1,953,000	21,839,000
Pooled Loan #8 - 2004 Series B - The total loan authorized is \$40,000,000, dated December 30, 2004, with an interest rate of 1.404%.	29,252,000	-	2,045,000	27,207,000
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%.	19,317,000	-	1,444,000	17,873,000
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%.	20,659,000	-	1,427,000	19,232,000
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%.	21,292,000	-	1,236,000	20,056,000

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 6 - LOANS PAYABLE (CONTINUED)

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</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%.	\$ 45,424,308	\$ -	\$ 849,052	\$ 44,575,256
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%.	1,424,711	-	71,321	1,353,390
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%.	17,566,000	-	831,000	16,735,000
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%.	25,920,114	-	1,136,510	24,783,604
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%.	24,320,016	-	1,066,703	23,253,313
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%.	24,918,037	-	1,054,545	23,863,492
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	\$ 369,160,325	\$ -	\$ 23,028,273	\$ 346,132,052
Less current portion	(23,028,273)			(25,284,371)
Net long-term loans payable	\$ 346,132,052			\$ 320,847,681

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 6 - LOANS PAYABLE (CONTINUED)

The RIIB 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 RIIB loans. As of June 30, 2015, loans payable of \$346,132,052 are reported on the Statement of Net Position. A receivable from RIIB of \$6,713,012 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2015. 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 RIIB.

Maturities of loans payable as of June 30, 2015 are due in future years as follows:

<i>Year Ending</i> <u>June 30,</u>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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	26,812,719	6,067,847	32,880,566
2021-2025	114,219,493	21,816,110	136,035,603
2026-2030	67,748,052	10,454,725	78,202,776
2031-2035	32,997,922	1,993,469	34,991,391
	<u>\$ 346,132,052</u>	<u>\$ 70,317,075</u>	<u>\$ 416,449,127</u>

NOTE 7 – CAPITAL LEASES

Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2015.

As of June 30, 2015, future minimum rental commitments under capital leases are as follows:

<i>Year Ending</i> <u>June 30,</u>	
2016	\$ 147,711
2017	<u>111,315</u>
Total future minimum rental payments	259,026
Less interest portion of payments	<u>(5,729)</u>
Present value of minimum lease payments	253,297
Less current maturities of capital leases	<u>(143,566)</u>
Net long-term capital leases	<u><u>\$ 109,731</u></u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 7 - CAPITAL LEASES (CONTINUED)

The changes in capital leases for the year ended June 30, 2015 were as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</u>
Capital Leases	\$ 445,978	\$ -	\$ 192,681	\$ 253,297

NOTE 8 – LONG TERM DEBT

Long-term debt at June 30, 2015 consists of the following:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments/ Refunding</u>	<u>June 30, 2015</u>
Revenue Bonds 2005 Series A, 5% average coupon rate, dated August 4, 2005, maturing August 1, 2035.	\$ 47,429,506	\$ -	\$ 47,429,506	\$ -
Revenue Bonds 2007 A, 4.84825% average coupon rate, dated February 8, 2007, maturing February 1, 2037.	44,419,216	-	44,419,216	-
Revenue Bonds (variable rate) 2008 Series A, dated July 17, 2008, maturing September 1, 2034.	56,465,000	-	-	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, 2015 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, 2015 of \$2,274,637).	37,244,637	-	-	37,244,637
Revenue Bonds 2014 Series B, 4.861248% average coupon rate, dated October 28, 2014, maturing September 1, 2035 (net of premium amortized at June 30, 2015 of \$7,381,545).	-	47,201,545	-	47,201,545
Revenue Bonds 2015 Series A, 4.942067% average coupon rate, dated May 5, 2015, maturing February 1, 2037 (net of premium amortized at June 30, 2015 of \$5,996,114.)	-	46,081,114	-	46,081,114
Total long-term debt payable	\$261,170,247	<u>\$93,282,659</u>	<u>\$ 91,848,722</u>	\$ 262,604,184
Less current portion	<u>-</u>			<u>-</u>
Net long-term debt payable	<u>\$261,170,247</u>			<u>\$ 262,604,184</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 8 - LONG TERM DEBT (CONTINUED)

Maturities of long-term debt for the year ending June 30, 2016 through 2044 are as follows:

<i>Year Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<u>June 30,</u>			
2016	\$ -	\$ 10,174,662	\$ 10,174,662
2017	-	10,682,351	10,682,351
2018	-	10,685,975	10,685,975
2019	-	10,685,975	10,685,975
2020	-	10,689,599	10,689,599
2021-2025	16,300,000	52,129,144	68,429,144
2026-2030	62,835,000	43,663,078	106,498,078
2031-2035	82,335,000	27,478,145	109,813,145
2036-2040	45,675,000	12,252,550	57,927,550
2041-2044	35,675,000	2,925,300	38,600,300
	<u>* \$ 242,820,000</u>	<u>\$ 191,366,779</u>	<u>\$ 434,186,779</u>

*Principal total of \$242,820,000 plus premium to be amortized as of June 30, 2015 on bonds of \$19,784,184 equals total long-term debt of \$262,604,184.

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 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 2015 ranged from .02% to .12%. 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.

On October 28, 2014, NBC issued \$39,820,000 in Wastewater System Revenue Refunding Bonds to refund, on an advanced refunding basis, \$45,000,000 of the outstanding Wastewater System Revenue Bonds, 2005 Series A and to pay the costs of issuance associated therewith. The net carrying value of the old debt exceeded the reacquisition price by \$197,031 which is being amortized over the new debt's life as a deferred inflow of resources.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 8 - LONG TERM DEBT (CONTINUED)

Also, on May 5, 2015, NBC issued \$40,085,000 in Wastewater System Revenue Refunding Bonds to refund, on an advanced basis, \$42,500,000 of the outstanding Wastewater System Revenue Bonds, 2007 Series A and to pay the costs of issuance associated therewith. The reacquisition price exceeded the net carrying value of the old debt by \$1,810,381 which is being amortized over the new debt's life as a deferred outflow of resources.

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 is 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 has been restated as a result of GASB 68 retrospective adjustments made to reclassify prior year balances. Such adjustments are summarized as follows:

	<i>Net Position</i>
Beginning balance, July 1, 2014	\$ 415,784,024
To restate prior year to include net pension liability GASB 68	(19,912,754)
Beginning balance, July 1, 2014, restated	\$ 395,871,270

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

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.

General Information about the Pension Plan

Plan description - All NBC eligible full-time union employees participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (ERSRI). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement, disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at www.ersri.org.

Benefit provisions - The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service and service connected disability benefits with no minimum service requirement.

Contributions - The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, NBC employees were required to contribute 3.75% of their annual covered salary. The NBC is required to contribute at an actuarially determined rate; the rate was 23.33% of annual covered payroll for the fiscal year ended June 30, 2015. The NBC contributed \$1,329,983, \$1,317,046 and \$1,164,519 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2015 the NBC reported a liability of \$15,554,087 for its proportionate share of the net pension liability related to its participation in ERSRI. The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The NBC proportion of the net pension liability was based on its share of contributions to the ERSRI for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014 the NBC proportion was 0.87%.

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward - service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for state employees (determined on a funding basis) decreased from 57.4% to 56.1%.

For the year ended June 30, 2015 the NBC recognized pension expense of \$1,148,282. At June 30, 2015 the NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Contribution paid subsequent to measurement date	\$ 1,329,983	\$ -
Change in assumptions	-	(168,936)
Net difference between projected and actual earnings	-	(1,193,124)
Total deferred outflows / (inflows)	\$ 1,329,983	\$ (1,362,060)

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources (Continued)

The NBC's contributions of \$1,329,983 paid in fiscal year 2015 subsequent to the measurement date were reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Deferred Inflows and Outflows of Resources</u>
2015	\$ (336,760)
2016	(336,760)
2017	(336,760)
2018	(336,760)
2019	(15,020)
Total	<u>\$ (1,362,060)</u>

Actuarial Assumptions - The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

Mortality rates were based on 115% (males) and 95% (females) of the RP-2000 combined healthy mortality tables with white collar adjustments projected with scale AA from 2000.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND (CONTINUED)

Actuarial Assumptions (Continued)

The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

<u><i>Asset Class</i></u>	<u><i>Target Allocation</i></u>	<u><i>Medium-term expected real rate of return</i></u>
Global Equity	38%	6.50%
Private Equity	7%	9.05%
Equity Hedge Funds	8%	4.75%
Absolute Return Hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	<u>100%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the net pension liability (asset) calculated using the discount rate of 7.5% as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate.

	<u><i>1% Decrease (6.5%)</i></u>	<u><i>Current Discount Rate (7.5%)</i></u>	<u><i>1% Increase (8.5%)</i></u>
Plan's Net Pension Liability	<u>\$ 19,210,681</u>	<u>\$ 15,554,087</u>	<u>\$ 11,822,522</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND (CONTINUED)

Defined Contribution Plan:

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. The Retirement Board is the plan administrator and plan trustee. The Employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Plan contributions - 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. As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

The NBC contributed \$57,009 for the fiscal year ended June 30, 2015, equal to 100% of the required contributions for the fiscal year.

Plan vesting and contribution forfeiture provisions - The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is nonforfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits - Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing quality military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

The System 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 at <http://www.ersri.org>.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

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, 2015, there were 120 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, 2015 amounted to \$422,569 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2015. 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, 2015 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 \$8,939,428 for the year ended June 30, 2015. The total payroll for the year ended June 30, 2015 amounted to \$15,456,170.

NON-UNION DEFINED BENEFIT PLAN

Plan Description

Plan Administration - The Board of the Narragansett Bay Commission (Board) 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 Plan assets are invested under a group annuity contract issued by MassMutual Financial Group, which also provides certain administrative services. NBC has a third party administrator, The Angell Pension Group, Inc. and Reliance Trust Company is the Plan's trustee. Various asset classes and investment manager styles are used to create a broadly diversified portfolio. The Investment Committee (IC) develops long-term asset allocation ranges, and works in conjunction with NBC's investment advisor GPS Investment Advisors, LLC, a fiduciary to the Plan, to select investments and review asset allocations and performance. Please refer to the Notes of the Financial Statements under "Investment Policy" for more information on asset allocations.

Plan Membership - All full-time, non-seasonal non-union employees of NBC become participants of the Plan upon completion of the eligibility requirements. As of June 30, 2015, there were 148 Plan participants: 35 were inactive participants, of which 24 were vested and terminated and 11 were retirees, and 113 participants were active.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Plan Description (Continued)

Benefits Provided - 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 were added to the definitions of both "Period of Service" and "Period of Participation."

Contributions - The Plan was established, and is sponsored and administered by the Board. The Plan document provides for periodic NBC contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. The Board's funding policy during 2015 and in prior years provided for periodic contributions of at least the actuarial required contribution (ARC) sufficient to accumulate the necessary assets to pay benefits when due. The contribution requirements of the Plan participants and the NBC are established and may be amended by the Board. Eligible Plan participants must contribute 5% of covered earnings. To the extent that the resources are available, the Board's operating budget resolution provides for additional contributions to the Plan above the minimum ARC. The annual required NBC contribution for the fiscal year ending June 30, 2015 was \$657,313.

The contributions made to the plan for the fiscal year ended June 30, 2015 were \$1,397,053 which consists of employer contributions of \$986,656 and employee contributions of \$410,397.

Summary of Significant Accounting Policies

Basis of Accounting - The Plan's financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles that apply to governmental accounting for defined benefit plans. Employer contributions are recognized when made, because there are no required due dates for contributions. Other additions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document. Plan expenses, other than benefits and refunds, are recognized on the accrual basis in accordance with generally accepted accounting principles.

Plan Expenses - Certain expenses are paid from the assets of the Plan and are recorded as administrative expenses on the financial statements. These expenses include benefit payment processing fees and other administrative expenses.

Income Taxes - Pursuant to a determination letter received from the Internal Revenue Service (IRS) dated October 25, 2011, the Plan is exempt from federal income taxes. Although the Plan has been subsequently amended, NBC's legal counsel is of the opinion that the Plan, as amended, meets the IRS requirements and, therefore, continues to be tax exempt.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Summary of Significant Accounting Policies (Continued)

Fair Value of Investments - Plan investments are reported at fair value. The Plan's custodian provides pricing for all Plan investments. Plan investments in market-traded securities, including U.S. Government and agency securities, municipal and corporate bonds and debentures, and common stock are reported at last quoted sales/bid prices provided by independent pricing vendors. These holdings are valued by investment managers in accordance with the authoritative guidance on fair value measurements and disclosures. Valuation policies and procedures are generally described in the investment managers' financial statements. Cash equivalents are valued at cost, which approximates fair value.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial values at the date of the financial statements. Actual results could differ from these estimates.

Investments

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the IC by a majority vote of its members. It is the policy of the IC to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The primary objective of the IC's investment policy is to preserve the actuarial soundness of the Plan by achieving a long-term return of at least the actuarial return rate and to prudently manage the inherent investment risks that are related to the achievement of this goal. The IC recognizes that the investment objective is long term in nature, and that actual year-to-year returns achieved may be above or below the actuarially assumed rate of return.

The following was the IC's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Large Cap US Equity	30%
Small / Mid Cap US Equity	10%
International Equity	15%
Intermediate to Long-Term Bonds	35%
Short-Term Bonds and Cash	<u>10%</u>
Total	<u><u>100%</u></u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Investments (Continued)

Investment Policy (Continued) - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in diversified mutual funds, external investment pools, and other pooled investments are excluded. As of June 30, 2015, the Plan had no investments in any one organization that represented 5% or more of the Plan's net position restricted for pension.

Money-Weighted Rate of Return - For the year ended June 30, 2015 the annual money-weighted rate of return on Plan investments, net of investment expense, was 2.81%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

Custody and Management of Assets - During 2015 MassMutual Financial Group served as asset custodian for all Plan assets. The Board has elected to hire professional investment managers to invest the assets of the Plan on a fully discretionary basis, subject to the investment policy of the IC. The Plan is evaluated periodically against the appropriate benchmark for asset class and style. Failure to achieve the desired result does not necessitate, nor does achievement of the desired result preclude, a change in investments or termination of investment managers.

Custodial Credit Risk – Custodian credit risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name.

At June 30, 2015, there were no deposits subject to custodial credit risk.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Since the debt investment portfolio may contain holdings with prepayments and variable cash flows, an analysis of interest rate risk using the money-weighted selected period performance method is presented in the schedule below:

<i>Sector</i>	<i>Market Value</i>	<i>3 Months</i>	<i>1 Year</i>	<i>3 Year</i>	<i>Inception to Date (44 Months)</i>
MassMutual Core SAGIC	\$ 522,291	0.71	2.62	2.44	2.48
Select MetroWest Total Return Bond	2,143,646	(1.36)	1.02	2.11	2.82
Permier Babson Capital Inf.-Protect. and Income	533,918	(1.28)	(2.47)	(1.72)	(0.48)
Delaware Extended Duration Bond	1,004,458	(7.00)	(0.87)		
Alliance Bernstein Global Bond Advisor	532,182	(2.21)	2.08		
American Funds Washington Mutual	755,914	(1.24)	3.32		
MassMutual S&P 500 Index Fund	1,642,542	0.12	6.95	13.59	13.49
MFS Growth I	767,966	0.20	10.01		
MFS Mid Cap Value	214,921	(1.53)	(0.21)		
MassMutual S&P Mid Cap Index	323,989	(1.26)	6.14		
Select T. Rowe Price/Frontier Mid Cap Growth II	221,982	1.35	14.56		
JP Morgan Small Cap Value	213,439	(2.01)	1.37		
T. Rowe Price New Horizons	222,355	1.23	11.30	26.16	23.38
MassMutual MSCI EAFE International Index	544,927	0.52	(4.29)		
American Funds EuroPacific Growth	<u>1,095,253</u>	1.01	1.39	12.48	10.24
Total fund	<u>\$ 10,739,783</u>	(1.10)	2.81	8.03	7.74

Credit Risk – Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations to the Plan. There are no Plan-wide policy limitations for credit risk exposures within the portfolio.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or a deposit. At June 30, 2015, there were no deposits subject to foreign currency risk.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Investments (Continued)

Derivatives - Derivatives are financial instruments whose values depend upon, or are derived from, the value of something else, such as one or more underlying investments, indexes or currencies. Derivatives may be used both for hedging and to enhance returns. Derivatives may be traded on organized exchanges, or individually negotiated transactions with other parties, known as over-the-counter derivatives. Derivatives involve special risks and costs and may result in losses to the Plan. The successful use of derivatives requires sophisticated management, and, to the extent that derivatives are used, the Plan will depend on the investment managers and their advisors to analyze and manage derivatives transactions.

Certain commingled funds held by the Plan at the year-end were permitted through their individual investment guidelines to use derivative instruments, including forwards, futures, swaps, and options. Disclosures about derivative holdings of the commingled fund managers can be found in their respective audited financial statements. The plan did not directly own any derivatives as of June 30, 2015.

Net Pension Liability - The components of the NBC's net pension liability at June 30, 2015, were as follows:

Total pension liability	\$	16,104,077
Plan fiduciary net position		<u>(11,239,783)</u>
NBC's net pension liability	\$	<u>4,864,294</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>69.79%</u>

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance as of July 1, 2014	\$ 13,349,388	\$ 9,701,640	\$ 3,647,748
Changes for the year:			
Service cost	504,855	-	504,855
Interest on total pension liability	803,212	-	803,212
Differences between expected and actual experience	232,651	-	232,651
Change in assumptions	1,350,562		1,350,562
Contributions - employer	-	986,656	(986,656)
Contributions - employee	-	410,397	(410,397)
Net investment income	-	283,708	(283,708)
Benefit payments	(136,591)	(136,591)	-
Administrative expense	-	(6,027)	6,027
Net changes	<u>2,754,689</u>	<u>1,538,143</u>	<u>1,216,546</u>
Balance as of June 30, 2015	<u>\$ 16,104,077</u>	<u>\$ 11,239,783</u>	<u>\$ 4,864,294</u>

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	N/A
Salary increases	3.50%, average, including inflation
Investment rate of return	6.00%, net of pension plan investment expense, including inflation

Mortality rates were based on RP-2014 blended 60% white collar and 40% blue collar tables for annuitants and non-annuitants (separate tables for male/female) with MP-2014 mortality improvement scale.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period ended June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table based upon the actuaries assumptions:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap US Equity	7.5%
Small / Mid Cap US Equity	7.7%
International Equity	8.0%
Intermediate to Long-Term Bonds	4.0%
Short-Term Bonds and Cash	2.2%

Discount Rate – The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that NBC contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 12 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the NBC, calculated using the discount rate of 6.00%, as well as what the NBC's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
Plan's Net Pension Liability	\$ 7,199,095	\$ 4,864,294	\$ 2,917,109

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the NBC recognized pension expense of \$427,540. At June 30, 2015, the NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 210,013	\$ (150,858)
Change in assumptions	1,560,180	-
Net difference between projected and actual earnings	261,924	(371,353)
	\$ 2,032,117	\$ (522,211)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Inflows and Outflows of Resources
2016	\$ 118,462
2017	118,462
2018	119,940
2019	242,739
2020	177,258
Thereafter	733,045
Total	\$ 1,509,906

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

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 12½% 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.

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, 2015 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 \$28,127,935 at June 30 2015.

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 NBC contributes (for union employees) to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the RI 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 NBC.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

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

Plan Description (Continued)

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

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

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

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 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, 2015, 2014, and 2013 were \$405,562, \$405,491, and \$375,736 respectively, which represents 100% of the ARC.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 8, 2015, the date the financial statements were available to be issued. The following events occurred subsequent to June 30, 2014, the measurement date of the State pension plan.

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward - service credit accruals will increase from 1% to 2% per year.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 17 - SUBSEQUENT EVENTS (CONTINUED)

- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for state employees (determined on a funding basis) decreased from 57.4% to 56.1%.

The NBC closed on Pooled Loan #18 - Series 2015 B from RIIB dated July 30, 2015 in the amount of \$41,753,500 with \$512,070 of principal forgiveness at an interest rate of 2.549%.

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NARRAGANSETT BAY COMMISSION

*Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios-
Non-Union Defined Benefit Plan (Unaudited)
For the Year Ended June 30, 2015*

*Last 10 Fiscal Years**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability		
Service cost	\$ 504,855	\$ 441,297
Interest	803,212	729,646
Differences between expected and actual experience	232,651	(187,670)
Change in assumptions	1,350,562	424,254
Benefit payments, including refunds of participant contributions	<u>(136,591)</u>	<u>(120,730)</u>
Net Change in total pension liability	2,754,689	1,286,797
Total pension liability - beginning	<u>13,349,388</u>	<u>12,062,591</u>
Total pension liability - ending	<u><u>\$ 16,104,077</u></u>	<u><u>\$ 13,349,388</u></u>
Pension fiduciary net position		
Contributions - employer	\$ 986,656	\$ 789,435
Contributions - employee	410,397	398,975
Net Investment income	283,708	1,101,958
Benefit payments	(136,591)	(120,730)
Administrative expense	<u>(6,027)</u>	<u>(2,639)</u>
Net change in plan fiduciary net position	1,538,143	2,166,999
Plan fiduciary net position - beginning	<u>9,701,640</u>	<u>7,534,821</u>
Plan fiduciary net position - ending	<u><u>\$ 11,239,783</u></u>	<u><u>\$ 9,701,820</u></u>
NBC's net pension liability - ending	<u><u>\$ 4,864,294</u></u>	<u><u>\$ 3,647,568</u></u>

(Continued)

* First year of implementation of GASB 68, therefore only two years of the 10 years required data is available.

NARRAGANSETT BAY COMMISSION

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios-
Non-Union Defined Benefit Plan (Unaudited) (Continued)
For the Year Ended June 30, 2015

*Last 10 Fiscal Years**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability	\$ 16,104,077	\$ 13,349,388
Plan fiduciary net position	<u>11,239,783</u>	<u>9,701,640</u>
NBC's net pension liability	<u>\$ 4,864,294</u>	<u>\$ 3,647,748</u>
Plan fiduciary net position as a percentage of total pension liability	69.79%	72.67%
Covered-employee payroll	\$ 9,118,088	\$ 8,813,634
Net pension liability as a percentage of covered-employee payroll	53.35%	41.39%

* First year of implementation of GASB 68, therefore only two years of the 10 years required data is available.

See independent auditor's report

NARRAGANSETT BAY COMMISSION

*Required Supplementary Information
Schedule of Employer Contribution -
Non-Union Defined Benefit Plan (Unaudited)
For the Year Ended June 30, 2015*

*Last 10 Fiscal Years**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution	\$ 657,313	\$ 470,780
Contribution in relation to the actuarially determined contribution	<u>986,656</u>	<u>789,435</u>
Contribution deficiency (excess)	<u>\$ (329,343)</u>	<u>\$ (318,655)</u>
Covered-employee payroll	\$ 9,118,088	\$ 8,813,634
Contribution as a percentage of covered- employee payroll	10.82%	8.96%

Notes to schedule:

Actuarially determined contribution rate are calculated as of the plan year end.

Actuarial Assumptions as of June 30, 2015:

Discount rate	6.00%								
Long-term rate of return on investments	6.00%, net of expenses, including inflation								
Municipal bond	3.73%								
	The Municipal Bond rate is based on S&P Municipal Bond 20 year High Grade Index								
Salary increases	3.50%								
Payroll growth rate	3.50% based on salary increase rate by individual given above								
Inflation	N/A								
Pre and post retirement mortality	RP-2014 blended 60% white collar & 40% blue collar tables for annuitants and non-annuitants (separate tables for male / female) with MP-2014 mortality improvement scale								
Termination	T-2 illustrative annual rates of withdrawals as follows:								
	<table border="1"> <thead> <tr> <th>Age</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>25</td> <td>5.29%</td> </tr> <tr> <td>40</td> <td>3.50%</td> </tr> <tr> <td>55</td> <td>0.00%</td> </tr> </tbody> </table>	Age	Rate	25	5.29%	40	3.50%	55	0.00%
Age	Rate								
25	5.29%								
40	3.50%								
55	0.00%								
Disability rate	None								
Assumed retirement age	Age 65 for active participants and normal retirement age for inactive participants								
Expenses	None								

* First year of implementation of GASB 68, therefore only two years of the 10 years required data is available.

NARRAGANSETT BAY COMMISSION

*Required Supplementary Information
Schedule of Investment Returns -
Non-Union Defined Benefit Plan (Unaudited)
For the Year Ended June 30, 2015*

*Last 10 Fiscal Years**

	<u><i>June 30, 2015</i></u>	<u><i>June 30, 2014</i></u>
Annual money-weighted rate of return net of investment expense	<u>2.81%</u>	<u>13.84%</u>

* First year of implementation of GASB 68, therefore only two years of the 10 years required data is available.

See independent auditor's report

NARRAGANSETT BAY COMMISSION

*Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Employees' Retirement System RI (Unaudited)
For the Year Ended June 30, 2015
Last 10 Fiscal Years**

	<u>June 30, 2014</u>
NBC's proportion of the net pension liability	\$ 15,554,087
NBC's proportionate share of the net pension liability	0.873%
NBC's covered-employee payroll	\$ 5,713,866
NBC's proportionate share of the net pension liability as a percentage of its covered employee payroll	272.22%
Plan fiduciary net position as a percentage of the total pension liability	0.879%

Note:

The amount presented for this fiscal year was based on the prior fiscal year June 30 measurement date.

*First year of implementation of GASB 68, therefore only one year of 10 years required data is available.

See independent auditor's report

NARRAGANSETT BAY COMMISSION

*Required Supplementary Information
Schedule of Contributions
Employees' Retirement System RI (Unaudited)
For the Year Ended June 30, 2015
Last 10 Fiscal Years**

	<u>June 30, 2014</u>
Statutorily determined contribution	\$ 1,317,046
Contributions in relation to the statutorily determine contribution	<u>1,317,046</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 5,713,866
Contribution as a percentage of covered-employee payroll	23.05%

Note:

Employers participating in the State Employees' Retirement System are required by the RI General Laws Section 36-10-2, to contribute an actuarially determined contribution rate each year.

*First year of implementation of GASB 68, therefore only one year of 10 years required data is available.

See independent auditor's report

NARRAGANSETT BAY COMMISSION

Schedule of Expenses - Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING EXPENSES			
Personnel services			
Union regular	\$ 6,169,039	\$ 5,857,836	\$ 311,203
Union overtime	508,900	473,737	35,163
Non-union regular	9,290,678	9,059,328	231,350
Non-union overtime	83,400	58,760	24,640
Non-union limited	27,133	6,479	20,654
Fringe benefits	7,993,182	8,012,948	(19,766)
Project salaries and fringe benefits capitalized	(1,980,646)	(1,702,712)	(277,934)
Total personnel services	<u>22,091,686</u>	<u>21,766,376</u>	<u>325,310</u>
General and administration			
Insurance	640,000	589,344	50,656
Workers' compensation insurance	410,000	391,756	18,244
Workers' compensation old claims	30,000	(1,674)	31,674
Total general and administration	<u>1,080,000</u>	<u>979,426</u>	<u>100,574</u>
OPERATIONS AND MAINTENANCE			
Travel			
Local travel	4,700	2,435	2,265
Long distance travel	59,300	46,297	13,003
Total travel	<u>64,000</u>	<u>48,732</u>	<u>15,268</u>
Repairs and maintenance			
Building and ground maintenance	160,982	136,733	24,249
Vehicle fuel and maintenance	232,650	212,146	20,504
Repairs, building and structures	440,350	445,276	(4,926)
Repairs, highway and walks	23,400	13,704	9,696
Maintenance/service agreements	1,067,404	1,021,170	46,234
Highway and landscape	13,000	10,316	2,684
Diesel for equipment	18,000	14,325	3,675
Total repairs and maintenance	<u>1,955,786</u>	<u>1,853,670</u>	<u>102,116</u>
Utilities			
Telephone	175,720	168,613	7,107
Central telephone services	4,500	3,288	1,212
Fuel, gas	470,233	373,971	96,262
Electricity	3,560,694	3,162,725	397,969
Water	38,500	33,407	5,093
Total utilities	<u>4,249,647</u>	<u>3,742,004</u>	<u>507,643</u>

(Continued)

NARRAGANSETT BAY COMMISSION

*Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)
For the Year Ended June 30, 2015*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATIONS AND MAINTENANCE (CONTINUES)			
Supplies			
Clothing and clothing materials	\$ 32,700	\$ 23,470	\$ 9,230
Building and machinery supplies and expenses	285,300	256,984	28,316
Educational expenses	67,500	43,370	24,130
Lab supplies	300,665	301,497	(832)
computer supplies	85,750	61,932	23,818
Other operating supplies and expenses	17,950	14,543	3,407
Chemicals	777,040	584,599	192,441
Total Supplies	<u>1,566,905</u>	<u>1,286,395</u>	<u>280,510</u>
TOTAL OPERATIONS AND MAINTENANCE	<u>7,836,338</u>	<u>6,930,801</u>	<u>905,537</u>
Contract services			
Medical services	10,790	10,327	463
Biosolids disposal	5,505,623	4,177,385	1,328,238
Screening and grit disposal	128,456	99,919	28,537
Service agreements	181,774	202,861	(21,087)
Security services	47,600	30,640	16,960
Regulatory expenses	472,850	419,921	52,929
Legal services	211,000	162,491	48,509
Management/audit services	2,191,875	2,174,068	17,807
Special clerical services	33,767	29,437	4,330
Other special services	224,900	161,985	62,915
Total contract services	<u>9,008,635</u>	<u>7,469,034</u>	<u>1,539,601</u>
Miscellaneous			
Office expenses	92,675	86,506	6,169
Postage	448,855	398,412	50,443
Dues and subscriptions	59,865	58,412	1,453
Freight	36,450	30,974	5,476
Printing and binding	146,840	133,690	13,150
Advertising	16,700	3,445	13,255
Rental of outside property	3,200	2,153	1,047
Rental of equipment	33,520	26,922	6,598
Rental of clothing	32,500	28,625	3,875
Safety equipment	44,100	42,064	2,036
Miscellaneous	4,600	4,139	461
Public outreach education	20,000	19,620	380
Total miscellaneous	<u>939,305</u>	<u>834,962</u>	<u>104,343</u>
TOTAL OPERATING EXPENSES	<u>40,955,964</u>	<u>37,980,599</u>	<u>2,975,365</u>

(Continued)

NARRAGANSETT BAY COMMISSION

*Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)
For the Year Ended June 30, 2015*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
NON-OPERATING EXPENSES			
Interest expense - 2005 Series A	\$ 937,530	\$ 187,500	\$ 750,030
Interest expense - 2007 Series A	2,065,563	1,204,911	860,652
Interest expense - 2008 Series A	1,976,275	449,594	1,526,681
Interest expense - 2013 Series A	3,136,650	3,136,650	-
Interest expense - 2013 Series C	1,656,550	1,656,550	-
Interest expense - 2014 Series B	1,312,470	1,303,514	8,956
Interest expense - 2015 Series A	500,000	392,787	107,213
Interest expense - RIIB	8,148,655	8,135,874	12,781
Interest expense - leases	15,000	8,136	6,864
Programmed new debt	290,196	-	290,196
TOTAL NON-OPERATING EXPENSES	<u>20,038,889</u>	<u>16,475,516</u>	<u>3,563,373</u>
Capital outlay			
Building and plant equipment	941,000	843,144	97,856
Medical lab equipment	73,230	73,230	-
Office furniture and equipment	297,000	221,365	75,635
Computer software	370,000	138,699	231,301
Computer hardware	480,100	416,702	63,398
Building and other structures	106,000	109,824	(3,824)
Replacement reserve	1,308,170	955,222	352,948
Automotive equipment	103,000	72,900	30,100
Total capital outlay	<u>3,678,500</u>	<u>2,831,086</u>	<u>847,414</u>
Debt service principal	<u>23,028,273</u>	<u>23,028,273</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 87,701,626</u>	<u>\$ 80,315,474</u>	<u>\$ 7,386,152</u>

The NBC prepares its operating budget on a modified cash basis. Accordingly certain non-cash expenses such as depreciation expense is not provided for in the operating budget. Reconciliation of budgetary basis expenses to GAAP expenses:

Total expenses on budgetary basis	\$ 80,315,474
Depreciation	12,983,750
Environmental enforcement expenses	11,500
Bond and note fees	720,428
Unbudgeted adjustment to pension expense	(819,641)
Capital outlay	(2,831,086)
Debt service principal	<u>(23,028,273)</u>
Total expenses on a GAAP basis	<u>\$ 67,352,152</u>

NARRAGANSETT BAY COMMISSION

Combining Schedule of Net Position
For the Year Ended June 30, 2015

	Revenue Fund	O & M Fund	Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Debt Service Reserve Fund	Total
Assets							
Current assets							
Cash and cash equivalents	\$ 7,724,614	\$ 7,625,401	\$ 649,788	\$ -	\$ -	\$ -	\$ 15,999,803
Accounts receivable	10,487,394	-	-	-	-	-	10,487,394
Sewer use (net of allowance)	4,819,849	-	-	-	-	-	4,819,849
Receivables, other	20,582	21,840	-	-	-	-	42,422
Due from Rhode Island Infrastructure Bank	-	-	6,713,012	-	-	-	6,713,012
Prepaid expenses	-	1,433,228	-	-	-	-	1,433,228
Total current assets	23,052,439	9,080,469	7,362,800	-	-	-	39,495,708
Non-current assets							
Restricted assets							
Cash and cash equivalents, environmental enforcement	54,405	-	-	-	-	-	54,405
Cash and cash equivalents, operating reserve for revenue stability fund	-	-	-	-	4,500,023	-	4,500,023
Cash and cash equivalents, restricted for debt service	-	-	-	39,986,303	-	-	39,986,303
Cash and cash equivalents, restricted for debt service reserve fund	-	-	-	-	-	3,497,335	3,497,335
Cash and cash equivalents, restricted for acquisition and construction of plant assets	-	-	26,935,758	-	-	-	26,935,758
Total restricted assets	54,405	-	26,935,758	39,986,303	4,500,023	3,497,335	74,973,824
Capital assets							
Land	-	-	2,754,407	-	-	-	2,754,407
Plant and equipment	-	-	88,933,709	-	-	-	88,933,709
Capital projects completed	-	-	708,054,132	-	-	-	708,054,132
Construction in progress	-	-	329,874,143	-	-	-	329,874,143
Subtotal	-	-	1,129,616,391	-	-	-	1,129,616,391
Less: accumulated depreciation	-	-	177,169,749	-	-	-	177,169,749
Total net capital assets	-	-	952,446,642	-	-	-	952,446,642
Total non-current assets	54,405	-	979,382,400	39,986,303	4,500,023	3,497,335	1,027,420,466
Total assets	23,106,844	9,080,469	986,745,200	39,986,303	4,500,023	3,497,335	1,066,916,174
Deferred outflows of resources							
Loss on refunding of debt	-	-	2,196,681	-	-	-	2,196,681
ERSR - contribution paid subsequent to measurement date	-	1,329,983	-	-	-	-	1,329,983
Non-union Pension - change in assumptions	-	1,560,180	-	-	-	-	1,560,180
Non-union Pension - difference between expected and actual experience	-	210,013	-	-	-	-	210,013
Non-union Pension - difference between projected and actual earnings	-	261,924	-	-	-	-	261,924
Total deferred outflows of resources	\$ -	\$ 3,362,100	\$ 2,196,681	\$ -	\$ -	\$ -	\$ 5,558,781

(Continued)

NARRAGANSETT BAY COMMISSION
 Combining Schedule of Net Position (Continued)
 For the Year Ended June 30, 2015

	Revenue Fund	O & M Fund	Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Debt Service Reserve Fund	Total
Liabilities							
Current liabilities							
Accounts payable	\$ -	\$ 2,667,517	\$ -	\$ -	\$ -	\$ -	2,667,517
Contracts payable	-	-	5,072,450	-	-	-	5,072,450
Accrued interest payable	-	-	-	5,331,179	-	-	5,331,179
Accrued expenses	-	993,612	-	-	-	-	993,612
Current portion of the other accrued expenses	-	80,865	-	-	-	-	80,865
Current portion of loans payable	-	-	25,284,371	-	-	-	25,284,371
Current portion of leases payable	-	-	143,566	-	-	-	143,566
Total current liabilities	-	3,741,994	30,500,387	5,331,179	-	-	39,573,560
Non-current liabilities							
Long-term other accrued expenses, net	-	2,867,961	-	-	-	-	2,867,961
Long-term net pension liability - ERSRI	-	15,554,087	-	-	-	-	15,554,087
Long-term net pension liability - Non-Union Plan	-	4,864,294	-	-	-	-	4,864,294
Long-term loans payable, net	-	-	320,847,681	-	-	-	320,847,681
Long-term leases payable, net	-	-	109,731	-	-	-	109,731
Long-term debt, net	-	-	262,604,184	-	-	-	262,604,184
Total non-current liabilities	-	23,286,342	583,561,596	-	-	-	606,847,938
Total liabilities	-	27,028,336	614,061,983	5,331,179	-	-	646,421,498
Deferred inflows of resources							
Unearned revenue billed in advance	271,768	-	-	-	-	-	271,768
Gain on refunding of debt	-	-	188,075	-	-	-	188,075
ERSRI - change in assumptions	-	168,936	-	-	-	-	168,936
ERSRI - difference between projected and actual earnings	-	1,193,124	-	-	-	-	1,193,124
Non-union Pension - difference between expected and actual experience	-	150,858	-	-	-	-	150,858
Non-union Pension - difference between projected and actual earnings	-	371,353	-	-	-	-	371,353
Total deferred inflows of resources	271,768	1,884,271	188,075	-	-	-	2,344,114
Net position							
Net investment in capital assets	-	-	347,106,277	-	-	-	347,106,277
Restricted for environmental enforcement	54,405	-	-	-	-	-	54,405
Unrestricted	22,780,671	(16,470,038)	27,585,546	34,655,124	4,500,023	3,497,335	76,548,661
Total Net Position	\$ 22,835,076	\$ (16,470,038)	\$ 374,691,823	\$ 34,655,124	\$ 4,500,023	\$ 3,497,335	\$ 423,709,843

NARRAGANSETT BAY COMMISSION
 Combining Schedule of Revenue, Expenses and Changes in Net Position
 For the Year Ended June 30, 2015

	Revenue Fund	O & M Fund	Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Debt Service Reserve Fund	Total
Operating revenue							
User fees, residential	\$ 53,044,437	-	\$ -	-	-	\$ -	\$ 53,044,437
User fees, commercial and industrial	38,962,862	-	-	-	-	-	38,962,862
Permit and connection fees	100,906	-	-	-	-	-	100,906
Pretreatment fees	1,076,481	-	-	-	-	-	1,076,481
Environmental enforcement	5,972	-	-	-	-	-	5,972
Septage income	336,037	-	-	-	-	-	336,037
Late charge penalties	999,867	-	-	-	-	-	999,867
Miscellaneous	489,280	-	-	-	-	-	489,280
Total operating revenues	95,015,842	-	-	-	-	-	95,015,842
Operating expenses							
Personnel services	-	20,946,735	-	-	-	-	20,946,735
General and administration	-	979,426	-	-	-	-	979,426
Operations and maintenance	-	6,930,801	-	-	-	-	6,930,801
Depreciation	-	12,983,750	-	-	-	-	12,983,750
Contractual services	-	7,469,034	-	-	-	-	7,469,034
Miscellaneous	-	846,462	-	-	-	-	846,462
Total operating expenses	-	\$ 50,156,208	\$ -	\$ -	\$ -	\$ -	\$ 50,156,208

NARRAGANSETT BAY COMMISSION

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

For the Year Ended June 30, 2015

	Revenue Fund	O & M Fund	Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Debt Service Reserve Fund	Total
Non-operating revenues (expenses)							
Interest expense	\$ -	\$ (8,136)	\$ -	\$ (16,467,380)	\$ -	\$ -	\$ (16,475,516)
Interest income	2,049	-	1,797	1,495	280	218	5,839
Grant income	4,910	-	-	-	-	-	4,910
Bond and note issuance fees	-	-	-	(720,428)	-	-	(720,428)
miscellaneous income	163,634	-	-	-	-	-	163,634
Total non-operating revenues (expenses)	170,593	(8,136)	1,797	(17,186,313)	280	218	(17,021,561)
Net income before capital contribution and transfers	95,186,435	(50,164,344)	1,797	(17,186,313)	280	218	27,838,073
Transfers in (out)	(95,538,865)	52,841,604	23,481,446	15,722,468	(3,770)	3,497,117	-
Change in net position	(352,430)	2,677,260	23,483,243	(1,463,845)	(3,490)	3,497,335	27,838,073
Total net position, beginning of year	23,187,506	765,456	351,208,580	36,118,969	4,503,513	-	415,784,024
Net position restatement*	-	(19,912,754)	-	-	-	-	(19,912,754)
Total net position, end of year	\$ 22,835,076	\$ (16,470,038)	\$ 374,691,823	\$ 34,655,124	\$ 4,500,023	\$ 3,497,335	\$ 423,709,343

* Net position restatement see note 11

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STATISTICAL SECTION

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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 Assets	Restricted Environmental Enforcement	Unrestricted	Total Net Position
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
*2015	347,106,277	54,405	76,548,661	423,709,343

* Restated net position - See Note 11

** Restated net position - implementation of GASB 65

NARRAGANSETT BAY COMMISSION

Change in Net Position (Unaudited)

Last Ten Fiscal Years

	2015*	2014**	2013	2012	2011	2010	2009	2008	2007	2006
Operating Revenues										
User fees	\$ 92,007,299	\$ 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
Pretreatment fees	1,076,481	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
Other operating revenue	1,932,062	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
Total Operating Revenues	95,015,842	92,148,015	80,348,732	78,419,190	75,912,575	71,774,049	70,543,681	67,077,731	58,657,407	59,026,164
Non-Operating Revenues										
Interest income	5,839	5,433	22,907	10,868	11,609	47,803	420,017	2,195,657	2,849,252	2,483,388
Grant income	4,910	-	14,980	129,327	66,851	279,978	34,300	27,653	49,037	20,695
Other non-operating revenues	163,634	182,084	190,923	247,740	263,238	280,656	185,832	95,316	111,703	30,465
Total Non-Operating Revenues	174,383	187,517	228,810	387,935	341,698	608,437	640,149	2,318,626	3,009,992	2,534,548
Operating Expenses										
Personnel services	20,946,735	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
Contractual services	7,469,034	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
General and administration	8,756,689	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
Depreciation and amortization	12,983,750	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
Total Operating Expenses	50,156,208	49,778,498	46,545,567	45,546,545	44,026,019	43,370,480	40,978,687	39,115,762	36,735,163	34,429,132
Non-Operating Expenses										
Interest expense	16,475,516	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
Other expenses	720,428	915,288	130,980	60,883	136,664	36,381	15,945	24,720	36,740	1,016,836
Total Non-Operating Expenses	17,195,944	17,575,692	13,718,422	11,846,434	11,023,690	10,856,852	12,029,329	13,146,180	11,950,278	10,853,018
Net income before capital contributions	27,838,073	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
Capital contributions	-	80,965	354,202	1,550,547	4,042,838	4,905,969	-	-	5,626	1,165,958
Change in Net Position	27,838,073	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
Net Position, beginning	395,871,270	390,721,717	376,198,996	353,234,303	327,986,901	304,925,778	286,749,964	269,615,549	256,627,965	238,926,012
Net Position, ending	\$ 423,709,343	\$ 415,784,024	\$ 396,866,731	\$ 376,198,996	\$ 353,234,303	\$ 327,986,901	\$ 304,925,778	\$ 286,749,964	\$ 269,615,549	\$ 256,627,965

* In 2015, beginning net position was restated as a result of GASB 68 which required net pension liability to be included on the financial statements.

** In 2014, beginning net position was restated as a result of GASB 65 which reclassified bond issuance costs from a liability to an expense.

NARRAGANSETT BAY COMMISSION

Revenue by Source (Unaudited)

Last Ten Fiscal Years

Years Ending June 30,	Operating Revenue										Non-Operating Revenue			
	User Fees	Permit and Connection Fees	Pretreatment Fees	Environmental Enforcement	Septage Income	Late Charges Penalties	BOD/TSS Surcharge	Other Revenue	Operating Revenue	Total Operating Revenue	Grant Income	Interest Income	Miscellaneous Revenue	Total Revenue
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	
2015	92,007,299	100,906	1,076,481	5,972	336,037	999,867	-	489,280	95,015,842	4,910	5,839	163,634	95,190,225	

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

Years Ending June 30,	Operating Expenses							Non-Operating Expenses				Total Expenses
	Personnel Services	Contractual Services	Repairs and Maintenance	Utilities	Supplies	Depreciation and Amortization	Miscellaneous	Operating Expenses	Interest Expenses	Other Expenses		
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	
2015	20,946,735	7,469,034	1,905,473	3,753,041	1,423,101	12,983,750	1,675,074	50,156,208	16,475,516	720,428	67,352,152	

NARRAGANSETT BAY COMMISSION

User Fee Revenue by Customer Type (Unaudited)

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Residential	\$ 53,044,437	\$ 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
Commercial	36,623,617	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
Industrial	2,339,245	1,979,960	1,817,621	1,769,247	1,806,155	1,536,124	1,584,239	1,765,274	1,691,160	2,065,326
	<u>\$ 92,007,299</u>	<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>

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

<i>Fiscal Year</i>	<i>Effective Date</i>	<i>Fixed Rate (per Dwelling Unit)</i>	<i>Consumption Rate (HCF)*</i>
2006	1-Jul-05	\$ 94.38	\$ 1.942
2007	1-Jul-06	98.21	2.021
2008	1-Jul-07	112.35	2.309
2009	1-Jul-08	124.98	2.569
2010	1-Jul-09	159.21	2.569
2011	1-Jul-10	162.79	2.627
2012	1-Jul-11	168.21	2.714
2013	1-Jul-12	171.99	2.775
2013	1-Jan-13	184.63	2.979
2014	1-Jul-13	202.47	3.267
2015	19-Sep-14	210.51	3.397

* HCF - per hundred cubic feet

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

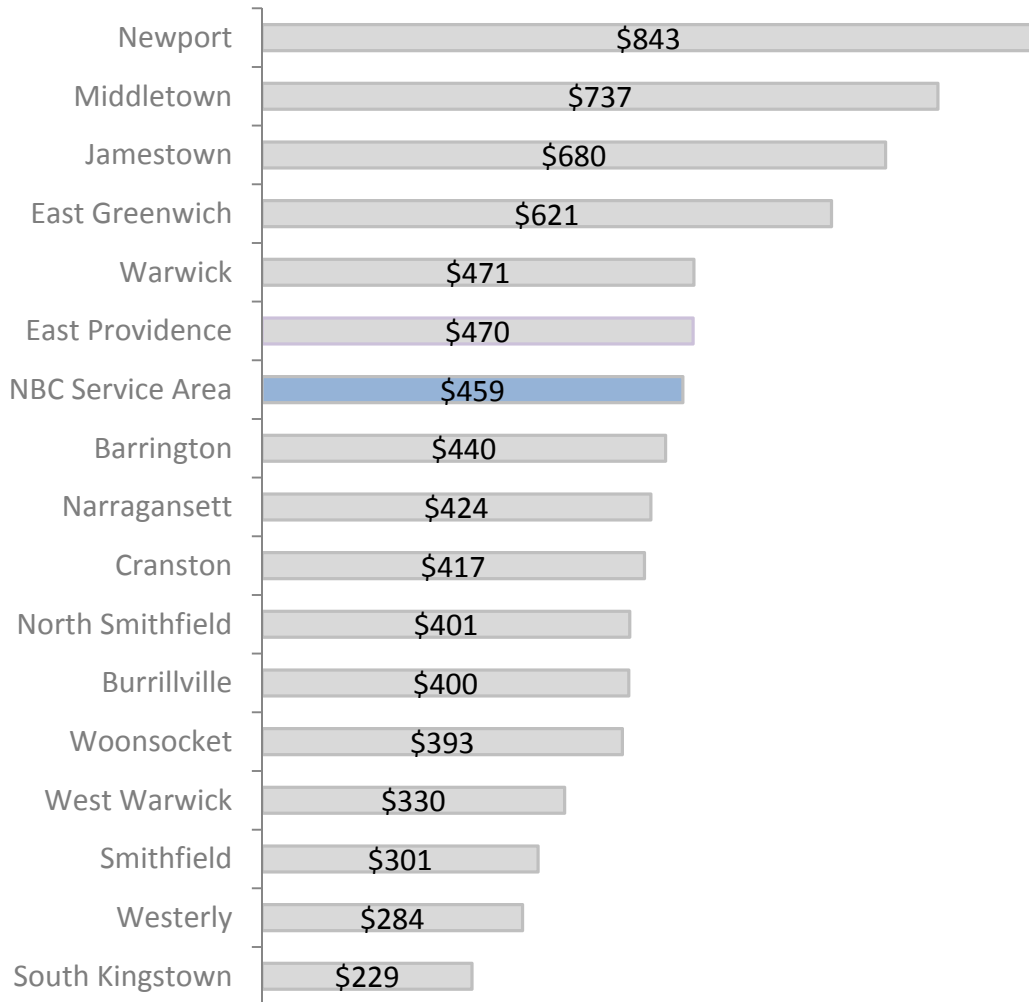
<i>Fiscal Year</i>	<i>Effective Date</i>	<i>Non-Residential Fixed Rate (Based on 5/8" meter)</i>	<i>Industrial Consumption Rate (HCF)*</i>	<i>Commercial Consumption Rate (HCF)*</i>
2006	1-Jul-05	\$ 212	\$ 1.810	\$ 2.813
2007	1-Jul-06	221	1.884	2.927
2008	1-Jul-07	253	2.153	3.349
2009	1-Jul-08	281	2.395	3.725
2010	1-Jul-09	380	2.395	3.725
2011	1-Jul-10	389	2.449	3.809
2012	1-Jul-11	402	2.531	3.936
2013	1-Jul-12	411	2.588	4.025
2013	1-Jan-13	441	2.778	4.321
2014	1-Jul-13	484	3.046	4.738
2015	19-Sep-14	503	3.167	4.926

* HCF - per hundred cubic feet

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Annual Residential Sewer Charges Rhode Island Cities & Towns

The survey shown below, conducted by the Narragansett Bay Commission (NBC) in 2014, 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: 2014 Narragansett Bay Commission Residential Sewer User Survey

In this survey, all annual residential sewer charges are based on 150 gallons per day.

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NARRAGANSETT BAY COMMISSION

Principal Commercial Users (Unaudited)

2015 and 2006

<i>Company</i>	2015			2006		
	<i>Annual billing</i>	<i>Rank</i>	<i>Percentage of total billing</i>	<i>Annual billing</i>	<i>Rank</i>	<i>Percentage of total billing</i>
Rhode Island Hospital	\$ 1,560,841	1	1.68%	\$ 1,026,614	3	1.82%
Providence Housing Authority	1,441,250	2	1.55%	1,068,858	2	1.90%
Brown University	1,410,634	3	1.51%	1,584,842	1	2.81%
Conopco, Inc. dba Unilever*	1,157,417	4	1.24%	-		-
City of Providence	742,915	5	0.80%	530,098	5	0.94%
City of Pawtucket	730,393	6	0.78%	405,782	6	0.72%
Providence School Department	508,770	7	0.55%	541,919	4	0.96%
Providence College	453,604	8	0.49%	280,273	8	0.50%
Johnson & Wales	431,114	9	0.46%	265,147	9	0.47%
State of Rhode Island	359,911	10	0.39%	251,975	10	0.45%
Rhode Island College	-		-	309,601	7	0.55%
	<u>\$ 8,796,849</u>		<u>9.45%</u>	<u>\$ 6,265,109</u>		<u>11.12%</u>

Source: NBC's billing records

* Customer is in dispute with NBC regarding current and past billing. However, no payment does not have a material adverse effect on NBC's finances.

NARRAGANSETT BAY COMMISSION

Ratios of Outstanding Debt - (Unaudited)

Last Ten Years

Fiscal Year Ended June 30,	Loans Payable	Bonds Payable	Lease Payable	Total Outstanding Debt	Capitalized Assets*	Construction in Process	Total Capital Assets	Ratio of Outstanding Debt to Capital Assets	Ratio of Outstanding Debt per Population (1)	Percentage Personal Income to Outstanding Debt (1)
	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
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	369,160,326	261,170,247	445,978	630,776,551	571,319,305	360,531,394	931,850,699	0.68	597.79	0.008%
2015	346,132,052	262,604,184	253,297	608,989,533	622,572,499	329,874,143	952,446,642	0.64	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

Debt Service Coverage (Unaudited)

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
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
2015	95,190,225	37,172,458	58,017,767	23,028,273	17,188,998	40,217,271	1.44

(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>
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	1,055,173	51,532	48,838	559,578	142,008	7.90%
2015	N/A	N/A	N/A	558,600	N/A	5.90%

(1) Source United States 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

Company	2014			2005		
	Number of Employees	Rank	Percentage of Total State Employment	Number of Employees	Rank	Percentage of Total State Employment
Lifespan	11,615	1	2.75%	10,597	1	2.49%
Care New England	8,063	2	1.91%	6,526	2	1.53%
CVS Corp	7,000	3	1.66%	5,314	4	1.25%
Citizens Bank	5,250	4	1.24%	5,500	3	1.29%
Brown University	4,326	5	1.03%	3,251	6	0.76%
Stop & Shop	3,880	6	0.92%	4,455	5	1.05%
Fidelity Investments	3,750	7	0.89%	-	-	-
Diocese of Providence	3,500	8	0.83%	-	-	-
General Dynamics Electric Boat	3,400	9	0.81%	2,200	9	0.52%
Naval Undersea Warfare Center	2,566	10	0.61%	-	-	-
Bank of America (Fleet Financial Group)	-	-	-	3,240	7	0.76%
Shaw's Super Market	-	-	-	2,240	8	0.53%
Jan Companies	-	-	-	2,115	10	0.50%
	<u>53,350</u>		<u>12.65%</u>	<u>45,438</u>		<u>10.68%</u>

Source : Commerce RI 2005
Providence Business News - Book of Lists 2015

NARRAGANSETT BAY COMMISSION

Operating Indicators by Division - (Unaudited)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of employees	257	245	254	246	246	244	237	241	245	247
Field's Point Plant (Largest WWTF in RI)										
Daily average treatment in gallons (mgd)	40.55	42.50	43.06	45.66	43.49	51.75	47.20	49.39	53.07	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	4
Number of active combined sewer overflows (CSOs)	35	37	38	38	38	38	38	38	39	39
Miles of interceptor	80	80	80	80	80	80	80	80	80	80
Number of tide gates	32	32	32	32	32	32	32	32	32	32
Bucklin Point Plant (Second largest WWTF in RI)										
Daily average treatment in gallons (mgd)	19.2	21.7	19.8	20.4	20.0	19.7	24.0	24.83	24.83	24.61
Maximum daily capacity of treatment (mgd)	116	116	116	116	116	116	116	116	116	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	26	27	27
Miles of interceptor	30	30	30	30	30	30	30	30	30	30

mgd = million gallons per day

Source: Management of NBC

NARRAGANSETT BAY COMMISSION

Budgeted Employees by Activity (Unaudited)

Last Ten Fiscal Years

<i>Departments</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
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	13.0	12.0	12.0	10.0	10.0	9.0	10.0	10.0
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Legal	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
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	10.0	11.0
Information Technology	12.0	12.0	12.0	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	24.0	22.0	22.0	22.0	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	5.0	4.0	4.0	4.0	4.0	4.0
Pretreatment	14.0	14.0	14.0	14.0	15.0	15.0	15.0	15.0	15.0	15.0
Laboratory	17.0	16.0	16.0	16.0	16.0	17.0	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	20.0	21.0	22.0	22.0	22.0	22.0	22.0	21.0
Engineering	9.0	9.0	8.0	9.0	10.0	10.0	11.0	11.0	10.0	10.0
Field's Point WWTF	59.0	57.0	57.0	58.0	56.0	56.0	56.0	56.0	56.0	56.0
Bucklin Point WWTF	35.0	34.0	33.0	33.0	32.0	32.0	32.0	32.0	32.0	32.0
Total Budgeted Employees	265.0	261.0	259.0	260.0	260.0	258.0	255.0	254.0	254.0	253.0

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COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859
www.hague-sahady.com

**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, 2015, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, and have issued our report thereon dated September 8, 2015.

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
September 8, 2015

Narragansett Bay Commission
Long Distance Travel
For the Year Ended June 30, 2015

TRAVELER	PAYEE	TRAVEL DATES	CHECK	DATE PAID BY NBC	PURPOSE OF TRAVEL	DESTINATION	TOTALS
Executive (21)							
Raymond Marshall	Raymond Marshall	7/12/14-7/17/14	89548	7/22/14	NACWA 2014 Summer Conference	Portland, OR	\$ 686
Jamie R Samons	Jamie R Samons	7/12/14-7/14/14	89957	8/26/14	NACWA 2014 Summer Conference	Portland, OR	347
Vincent Mesoellella Jr	Vincent Mesoellella Jr	9/9/14-9/11/14	90604	10/14/14	Bond & Financing Seminar	Washington, DC	1,837
Jamie R Samons	Jamie R Samons	2/1/15-2/4/15	91625	1/13/15	NACWA 2015 Winter Conference	Charleston, SC	863
Diane M Buerger	Diane M Buerger	6/28/15-7/1/15	91926	2/10/15	SHRM 2015	Las Vegas, NV	1,280
Jamie R Samons	NACWA	2/1/15-2/4/15	92334	3/17/15	NACWA 2015 Winter Conference	Charleston, SC	850
Diane M Buerger	Diane M Buerger	6/27/15-7/2/15	92160	3/10/15	SHRM 2015	Las Vegas, NV	772
Jamie R Samons	Jamie R Samons	4/13/15-4/14/15	92481	4/1/15	NACWA 2015 Water Policy Forum	Washington, DC	579
Jamie R Samons	Jamie R Samons	2/1/15-2/4/15	92481	4/1/15	NACWA 2015 Winter Conference	Charleston, SC	285
Jamie R Samons	Jamie R Samons	4/13/15-4/14/15	92963	5/12/15	NACWA 2015 Water Policy Forum	Washington, DC	132
Raymond Marshall	Raymond Marshall	4/12/15-4/14/15	92989	5/12/15	NACWA Legislative Conference	Washington, DC	1,292
Jamie R Samons	Jamie R Samons	4/28/15-4/30/15	92962	5/12/15	NACWA Consent Decree Workshop	Philadelphia, PA	1,148
Raymond Marshall	NACWA	4/13/15-4/14/15	92890	5/5/2015	NACWA 2015 Water Policy Forum	Washington, DC	250
Raymond Marshall	Raymond Marshall	6/4/15-6/5/15	93383	6/16/2015	NACWA CEO Search Process	Chicago, IL	747
Jamie R Samons	NACWA	4/6/14-4/9/14	93475	6/23/2015	NACWA 2014 Water Policy Forum	Washington, DC	250
Jamie R Samons	NACWA	7/12/14-7/14/14	93475	6/23/2015	NACWA 2014 Summer Conference	Portland, OR	850
Jamie R Samons	NACWA	4/13/15-4/14/15	93475	6/23/2015	NACWA 2015 Water Policy Forum	Washington, DC	250
Jamie R Samons	NACWA	4/28/15-4/30/15	93475	6/23/2015	NACWA Consent Decree Workshop	Philadelphia, PA	425
							12,844
Legal (24)							
Jennifer Galego	NACWA	11/19/14-11/21/14	90199	9/16/14	NACWA Law Seminar	St. Pete Beach, FL	850
Jennifer Galego	Jennifer Galego	11/18/14-11/21/14	90191	9/16/14	NACWA Law Seminar	St. Pete Beach, FL	888
Jennifer Galego	Jennifer Galego	11/18/14-11/22/14	91199	12/2/14	NACWA Law Seminar	St. Pete Beach, FL	271
Jennifer Galego	Jennifer Galego	4/28/15-4/30/15	92328	3/17/15	NACWA 2015 Wet Weather Consent Decree WS	Philadelphia, PA	910
Jennifer Galego	NACWA	4/29/15-4/30/15	92334	3/17/15	NACWA 2015 Wet Weather Consent Decree WS	Philadelphia, PA	425
Jennifer Galego	Jennifer Galego	4/28/15-4/30/15	92963	5/12/15	NACWA 2015 Wet Weather Consent Decree WS	Philadelphia, PA	195
							3,539
Finance (31)							
Karen L Giebink	Karen L Giebink	9/10/14-9/11/14	90193	9/16/14	Municipal Issuers Conference	Washington, DC	759
Karen L Giebink	Karen L Giebink	12/8/14-12/8/14	91200	12/2/14	EPA Session on WIFIA	Washington, DC	287
Karen L Giebink	Karen L Giebink	12/8/14-12/8/14	91344	12/16/14	EPA Session on WIFIA	Washington, DC	274
Karen L Giebink	Karen L Giebink	5/30/15-6/3/15	93469	6/23/15	National GFOA Conference	Philadelphia, PA	1,374
							2,694
IT (33)							
Kathleen Smith	Kathleen Smith	8/4/14-8/6/14	89520	7/22/14	NELAC Environmental Measurement Symposium	Washington, DC	1,044
Kathleen Smith	Kathleen Smith	8/4/14-8/6/14	89958	8/26/14	NELAC Environmental Measurement Symposium	Washington, DC	259
							1,303
IM (43)							
Meg Goulet	Meg Goulet	9/26/14-10/2/14	89866	8/19/14	WEFTEC 2014 Conference	New Orleans, LA	1,825
Meg Goulet	Meg Goulet	9/26/14-10/2/14	90565	10/14/14	WEFTEC 2014 Conference	New Orleans, LA	735
Michael J Caruolo	Michael J Caruolo	7/19/15-7/24/15	92096	2/24/15	ESRI User Conference	San Diego, CA	2,242
							4,802

Narragansett Bay Commission
Long Distance Travel
For the Year Ended June 30, 2015

TRAVELER	PAYEE	TRAVEL DATES	CHECK	DATE PAID BY NBC	PURPOSE OF TRAVEL	DESTINATION	TOTALS
ENG (44)							
Iziarh Roberts Jr.	Iziarh Roberts Jr.	7/19/15-7/24/15	92174	3/3/15	ESRI User Conference	San Diego, CA	2,073
Eugene Sorkin	Eugene Sorkin	6/28/15-7/1/15	93635	7/8/15	Factory testing for Blowers at HSI Facility	Houston, TX	1,445
Eugene Sorkin	Eugene Sorkin	6/28/15-7/1/15	93704	7/14/15	Factory testing for Blowers at HSI Facility	Houston, TX	300
Planning (51)							
Pamela Reitsma	Water Environment Fed	9/26/14-10/2/14	89719	8/5/14	WEFTEC 2014 Conference	New Orleans, LA	875
Pamela Reitsma	Pamela Reitsma	9/27/14-10/1/14	89778	8/12/14	WEFTEC 2014 Conference	New Orleans, LA	350
Pamela Reitsma	Pamela Reitsma	9/27/14-10/1/14	90580	10/14/14	WEFTEC 2014 Conference	New Orleans, LA	1,102
Pamela Reitsma	NEWEA	9/29/14-9/29/14	90645	10/21/14	NEWEA Luncheon Meeting	New Orleans, LA	55
PT (52)							
Kerry Britt	NACWA	5/12/15-5/15/15	92821	4/28/15	NACWA 2015 Nat'l PT & Pollution Prevention Workshop	Greenville, SC	600
Kerry Britt	Kerry Britt	5/12/15-5/15/15	92634	4/14/15	NACWA 2015 Nat'l PT & Pollution Prevention Workshop	Greenville, SC	250
Kerry Britt	Kerry Britt	5/12/15-5/15/15	93146	5/26/15	NACWA 2015 Nat'l PT & Pollution Prevention Workshop	Greenville, SC	765
Lab (53)							
Nora Lough	Nora Lough	9/23/14-9/23/14	90650	10/21/14	Instrument Research	Melville, NY	242
Angelina Glater	Angelina Glater	3/8/15-3/12/15	91983	2/17/15	2015 Pitcon Conference & Expo	New Orleans, LA	1,595
Nora Lough	Nora Lough	6/7/15-6/10/15	92824	4/28/15	NEWEA Spring Meeting	Bretton Woods, NH	200
Walter Palm	Walter Palm	6/7/15-6/10/15	92851	4/28/15	NEWEA Spring Meeting	Bretton Woods, NH	822
Angelina Glater	Angelina Glater	3/8/15-3/12/15	92449	4/1/15	2015 Pitcon Conference & Expo	New Orleans, LA	1,240
Nora Lough	Nora Lough	6/7/15-6/10/15	93481	6/23/15	NEWEA Conference Spring Meeting & Exhibit	Bretton Woods, NH	539
Walter Palm	Walter Palm	6/7/15-6/10/15	93509	6/23/15	NEWEA Conference Spring Meeting & Exhibit	Bretton Woods, NH	179
Nora Lough	NEWEA	6/7/15-6/10/15	93796	7/21/15	NEWEA Conference Spring Meeting & Exhibit	Bretton Woods, NH	380
Walter Palm	NEWEA	6/7/15-6/10/15	93796	7/21/15	NEWEA Conference Spring Meeting & Exhibit	Bretton Woods, NH	380
ESTA (54)							
David J Aucoin	David J Aucoin	10/28/14-10/30/14	89944	8/26/14	National WARN Chairs Meeting	Atlanta, GA	45
James C McCaughey	Water Environment Fed	9/26/14-10/2/14	89719	8/5/14	WEFTEC 2014 Conference	New Orleans, LA	875
James C McCaughey	James C McCaughey	9/27/14-10/2/14	90560	10/14/14	WEFTEC 2014 Conference	New Orleans, LA	1,471
Barry Wenskowicz	NEWEA	10/22/14-10/23/14	90960	11/12/14	North East Residuals & Biosolids Conference	Portland, ME	220
Barry Wenskowicz	Barry Wenskowicz	10/22/14-10/23/14	90822	11/3/14	North East Residuals & Biosolids Conference	Portland, ME	262
James C McCaughey	James C McCaughey	9/27/14-10/2/14	90847	11/3/14	WEFTEC 2014 Conference	New Orleans, LA	180
David J Aucoin	David J Aucoin	10/28/14-10/30/14	90913	11/12/14	National WARN Meeting	Atlanta, GA	223
David J Aucoin	David J Aucoin	12/9/14-12/9/14	91413	12/23/14	EPA Workshop	Portland, CT	121
James C McCaughey	NACWA	5/12/15-5/15/15	93151	5/26/15	NACWA 2015 Nat'l PT & Pollution Prevention Workshop	Greenville, SC	600
James C McCaughey	James C McCaughey	4/28/15-4/29/15	92961	5/12/15	DOE Conference	Washington, DC	641
James C McCaughey	James C McCaughey	5/12/15-5/15/15	93203	6/2/15	NACWA Conference	Charleston, SC	1,012
James C McCaughey	James C McCaughey	6/7/15-6/11/15	93467	6/22/15	WEF Water & Energy Conference	Washington, DC	1,179
Barry Wenskowicz	Barry Wenskowicz	5/26/15-5/28/15	93334	6/16/15	Energy Summit	Washington, DC	893
Total Long Distance Travel							7,722
Total Long Distance Travel							\$ 46,297