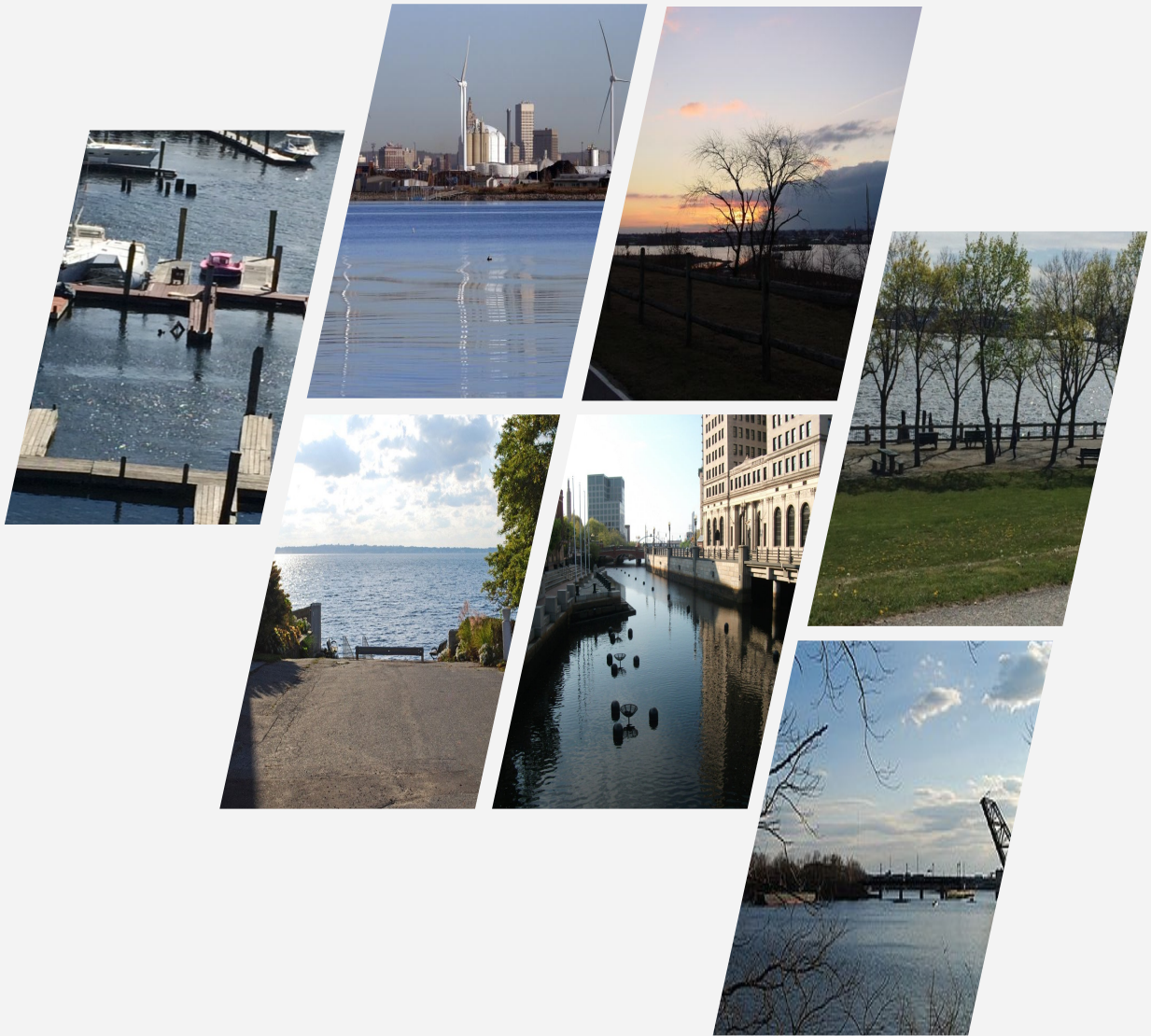




COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2018

This page was intentionally left blank.

Narragansett Bay Commission Rhode Island

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018

Prepared by:
The Finance Division of the Narragansett Bay Commission



This page was intentionally left blank.

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.”



This page was intentionally left blank.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Table of Contents

Introductory Section

Transmittal letter	1-5
GFOA Certificate of Achievement.....	6
List of Appointed Officials - Board of Commissioners	7
Organization Chart	8
Service Area Map.....	9

Financial Section

Independent Auditor's Report.....	10-12
Management's Discussion and Analysis (Unaudited)	13-19
Basic Financial Statements	
Statement of Net Position	20-21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23-24
Notes to Financial Statements	25-49
Required Supplementary Information (Unaudited)	
Schedule of Changes in Net Position Liability and Related Ratios - Non-Union Defined Benefit Plan	50-52
Schedule of Employer Contributions - Non-Union Defined Benefit Plan	53
Schedule of Investment Returns - Non-Union Defined Benefit Plan	54
Schedule of Proportionate Share of the Net Pension Liability - Employees' Retirement System RI	55
Schedule of Contributions - Employees' Retirement System RI	56
Schedule of the Proportionate Share of the Net OPEB Liability - State Employees' and Electing Teachers OPEB System	57
Schedule of Contributions - State Employees' and Electing Teachers OPEB System	58
Other Supplementary Information	
Schedule of Expenses - Budget and Actual (Budgetary Basis)	59-61
Combining Schedule of Net Position	62-65
Combining Schedule of Revenues, Expenses and Changes in Net Position	66-67

Statistical Section (Unaudited)

Statistical Section.....	68
Net Position by Component	69
Changes in Net Position.....	70-71
Revenues by Source	72-73
Expenses by Function	74-75
User Fee Revenues by Customer Type	76
Residential Sewer Rates	77
Non-Residential Sewer Rates	78
Comparative Annual Residential Sewer Rates - Rhode Island Municipalities	79
Principal Commercial Users	80
Ratio of Outstanding Debt	81-82
Debt Service Coverage.....	83-84
Demographic Statistics.....	85
Principal Employers	86
Operating Indicators by Division	87
Budgeted Employees by Activity	88

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Table of Contents

Compliance Section

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 89-90

Schedule of Long Distance Travel 91-92



INTRODUCTORY SECTION

This page was intentionally left blank.



September 10, 2018

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

State law requires that related organizations 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, 2018.

Narragansett Bay Commission (NBC) staff prepared this Comprehensive Annual Financial Report (CAFR) following the 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 established for this purpose. Because the cost of internal controls 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., P.C., NBC's Independent Auditor, has issued an unmodified opinion on the NBC's financial statements for the fiscal year ended June 30, 2018. The Independent Auditor's Report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) follows the Independent Auditor's Report and provides an introduction, overview and analysis of the financial statements in a narrative format. The MD&A complements and should be read in conjunction with this letter of transmittal.

Profile of the Narragansett Bay Commission

NBC is a public corporation incorporated in 1980 pursuant to Rhode Island General Laws chapter 46-25 to provide wastewater treatment and collection service to the greater Providence metropolitan area. On January 1, 1992, the former Blackstone Valley District Commission was merged into NBC, expanding the service area to include the greater Pawtucket metropolitan area. NBC provides reliable, cost-effective wastewater collection and treatment services to over 360,000 residents and approximately 7,730 businesses in the metropolitan Providence and Blackstone Valley areas.

NBC owns, operates, and maintains Rhode Island's two largest wastewater treatment facilities, the Field's Point Wastewater Treatment Facilities (WWTF) and the Bucklin Point WWTF. In addition NBC owns, operates and maintains 110 miles of interceptors, six outlying pump stations, 32 tide-gates, 61 combined sewer overflows (CSOs), and a septage receiving station. NBC's Tunnel Pump Station, located adjacent to the Ernest Street Pump Station at Field's Point, pumps combined sewage flow from the CSO tunnel to the Field's Point WWTF for treatment. NBC has also invested in renewable energy with three 1.5 MW wind turbines located at Field's Point and three 1.5 MW turbines located off-site.

NBC is governed by a nineteen-member Board of Commissioners (Board). Ten public members are appointed by the Governor, two by the Mayor of the City of Providence, one each by the Mayors of the Towns of North Providence, Johnston and Cumberland, one each by the Mayors of the Cities of East Providence, Central Falls and Pawtucket and one by the Town Administrator of Lincoln. Board member appointments are for three years after which appointed members stay in office until they are either re-appointed or replaced by a new member. The Board's Chairperson, Vice-Chairperson, and Treasurer are elected annually by the Board and the Chairperson is NBC's Chief Executive Officer. The Board-appointed Executive Director, who also serves as Secretary to the Board, administers, manages and directs the affairs and business of NBC subject to the policies, control and direction of the Board. The Board, through the Executive Director, may appoint other employees.

NBC's financial statements are not included in the State of Rhode Island's annual financial report since NBC is a related organization rather than a component unit of the State for financial reporting purposes.

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 operation and maintenance expenses as well as debt service through user charges and fees.

NBC prepares an annual budget which includes both the operating and capital budgets. The operating budget is prepared on a modified cash basis. Certain non-cash expenses, such as depreciation, are not included in the operating budget. The operating budget includes the debt service principal payments on all debt, including debt issued to finance capital projects included in the Capital Improvement Program (CIP).

A line item budget is maintained for each section within the five Divisions of the NBC. Finance staff reviews the budget versus actual status on a monthly basis. The appropriate Division Director must approve budget transfers prior to approval by the Chief Financial Officer (CFO). The CFO is authorized to make adjustments (transfers) between operating budget line items within categories and adjustments between cost centers. The budget transfers are included in the monthly financial report submitted to the Board. The Finance Committee reviews and approves the monthly financial statements and the budget versus actual expense prior to presentation at the regularly scheduled Board Meetings.

Local Economy

Of the eight major communities serviced by NBC, Providence, Pawtucket and North Providence account for the majority or 71% of NBC's accounts. NBC's user fee revenue is relatively stable with NBC's 10 largest users responsible for 8.48% of the billed user fee revenue in FY 2018. NBC's largest customers include service, education and healthcare providers.

According to the Rhode Island Department of Economic Development, the economic base of Rhode Island continues to shift from manufacturing to service industries over the last decade. It is important to note that one of the primary service industries in Rhode Island is tourism, which is largely focused on recreational activities in and around Narragansett Bay. Employment in Rhode Island reflects the national trend towards higher employment in the services sector.

Based on Rhode Island Department of Labor and Training data, the Rhode Island unemployment rate has decreased in each of the last seven years from a peak rate of 11.2% in 2010 to 4.5% in 2017. The Rhode Island median household income exceeded the national median household income in eight out of the last

ten years. In 2016, the Rhode Island median household income rose by approximately 10% or \$5,827 in 2016 (Consumer Price Index Research Series Using Current Methods) adjusted dollars, with median household income of \$61,528.

According to the Rhode Island Office of Statewide Planning, in the years 2025 to 2040, the towns of Cumberland and Lincoln are projected to have the most significant population increases in NBC's service area, 6.3% and 5.6% respectively. The population in East Providence is projected to decline by 7.6% over this same period.

Major Initiatives

NBC continues its commitment to minimize environmental impacts through investments in renewable energy. In FY 2018, NBC expanded its renewables portfolio with the execution of a Solar Power Purchase Agreement (PPA) and the installation of a biogas cogeneration system at Bucklin Point. NBC projects the solar power facilities will generate 6.6 million kWh in FY 2019. The biogas reuse system is projected to generate approximately 3.7 million kWh in FY 2019.

NBC also continues its investment in capital projects to meet current and future regulatory requirements, ensure the integrity of NBC's infrastructure and achieve operational efficiencies. NBC's CIP identifies 36 projects, that are in progress, or to be initiated or to be completed during fiscal years 2020 through 2024, at an estimated cost of \$356.9 million, with additional expenditures of \$55.5 million in fiscal year 2019 for total of \$412.4 million.

Over the last decade, the majority of the NBC's capital expenditures were related to the CSO Abatement Program. NBC is now in the third and final phase (Phase III) of this federally-mandated program. Phase III was subdivided into phases A, B, C and D with a total pre-design estimate of \$779.1 million in 2018 dollars. NBC has programmed \$29.7 million for CSO Phase III in fiscal year 2019 and \$315.0 million in the five-year period of FY 2020-2024.

Long-term Financial Planning

NBC updates and maintains a long-term financial model to assess the impacts of current and future operating and capital requirements. The model is used to develop and support financing strategies that will provide stability, continuity, and minimize ratepayer impact. NBC incorporates the five-year CIP into the model and annually updates the CIP and prioritizes projects based upon strategic importance. In addition, NBC identifies capital improvements that will impact the operating budget through increased revenue, increased expense, or savings. NBC also prepares five-year operating capital plan with needs identified primarily through NBC's asset management plan.

Funding of the CIP

In order to continue with the CIP, NBC plans to borrow through the State Revolving Loan Fund (SRF) program administered by the Rhode Island Infrastructure Bank (RIIB) during FY 2019. In the interim, NBC will finance its capital program with unspent SRF loan proceeds, and cash in its project fund that is restricted for the acquisition and construction of capital assets. NBC has submitted a Letter of Interest for funding through the Water Infrastructure Finance and Innovation Act administered by the Environmental Protection Agency (EPA) as part of the funding plan for the CSO Phase III Program.

The actual timing and type of debt issuance will be determined based upon cash flows, market conditions, RIIB loan capacity and other factors.

Impact of the 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. NBC plans to file for rate relief to effectuate its planned borrowing from RIIB in FY 2019.

Financial Policies

NBC's financial policies guide the financial management and planning process of the NBC. These policies encourage NBC to take a long-term, agency-wide approach to financial planning and incorporate various regulatory and legislative requirements.

Budget

NBC shall prepare a balanced budget annually in which total revenue and sources is equal to total expense and uses. NBC will adopt and maintain a five-year capital budget and update it annually.

Revenue

NBC's revenue policies ensure net revenue is equal to at least 125% of annual debt service in accordance with the rate covenants as set forth in the Trust Indenture securing NBC's revenue bonds. Operating and capital needs are continually reviewed to determine if a rate adjustment is needed.

Expense

All purchases shall be made in accordance with NBC's Purchasing Rules and Regulations and applicable State and Federal legislation. All assets will be purchased in accordance with the Capital Asset Policy.

Long-Range Planning

NBC will update and modify the Strategic Plan as needed, to accurately reflect priorities and goals and its long-term financial model, in order to assess the impacts of current and future operating and capital requirements. The model will be used to develop and support financing strategies that will provide stability, continuity and minimize ratepayer impact

Debt Policy

NBC's CFO, in conjunction with NBC's Financial Advisor, will evaluate the options available to the NBC and will make recommendations that minimize risk and maximize benefits. NBC's lowest cost of permanent financing is through subsidized SRF loans from the RIIB. NBC will use SRF funds to the extent they are available and may issue short- or long-term debt in fixed or variable rate modes to finance its capital program. Variable rate debt may be issued in various modes and NBC may use financial products that will result in either a synthetic variable rate or a synthetic fixed rate. Short-term debt may also be issued to meet operating cash flow needs.

In accordance with Rhode Island General Law (RIGL) 39-3-15, the Division of Public Utilities and Carriers must approve NBC's issuance of long-term debt.

Investment Policy

The NBC's Investment Policy applies to all funds of the NBC except those funds covered by any separate NBC Board-approved agreements, or pension or retirement funds held in trust for the NBC Non-Union Retirement Plans and the NBC Deferred Compensation Plan. The objectives of the NBC's Investment Policy are to ensure that the investment of funds complies with applicable laws and Trust Indenture, preserves the value and safety of capital, provides sufficient liquidity to meet NBC's operating cash flow requirements, and maximizes earnings while minimizing risk.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Finance Reporting to NBC for its CAFR for the fiscal year ended June 30, 2017. This was the sixteenth consecutive year that NBC has received this prestigious award. In order to be awarded a Certificate of Achievement, NBC issued an easily readable and efficiently organized CAFR that 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, NBC received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2017. The GFOA also awarded NBC Special Performance Measures Recognition. In order to qualify for the Distinguished Budget Presentation Award, the budget document must meet program criteria as a policy document, a financial plan, an operations guide, and a communications device. This was the sixteenth consecutive year that NBC has received this prestigious award.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of NBC's Division of Finance. Credit must also 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 NBC's finances.

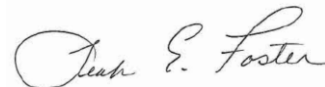
Respectfully Submitted,

Karen L. Giebink, MBA



Chief Financial Officer

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, 2017

Christopher P. Morill

Executive Director/CEO

Narragansett Bay Commission

Board of Commissioners

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

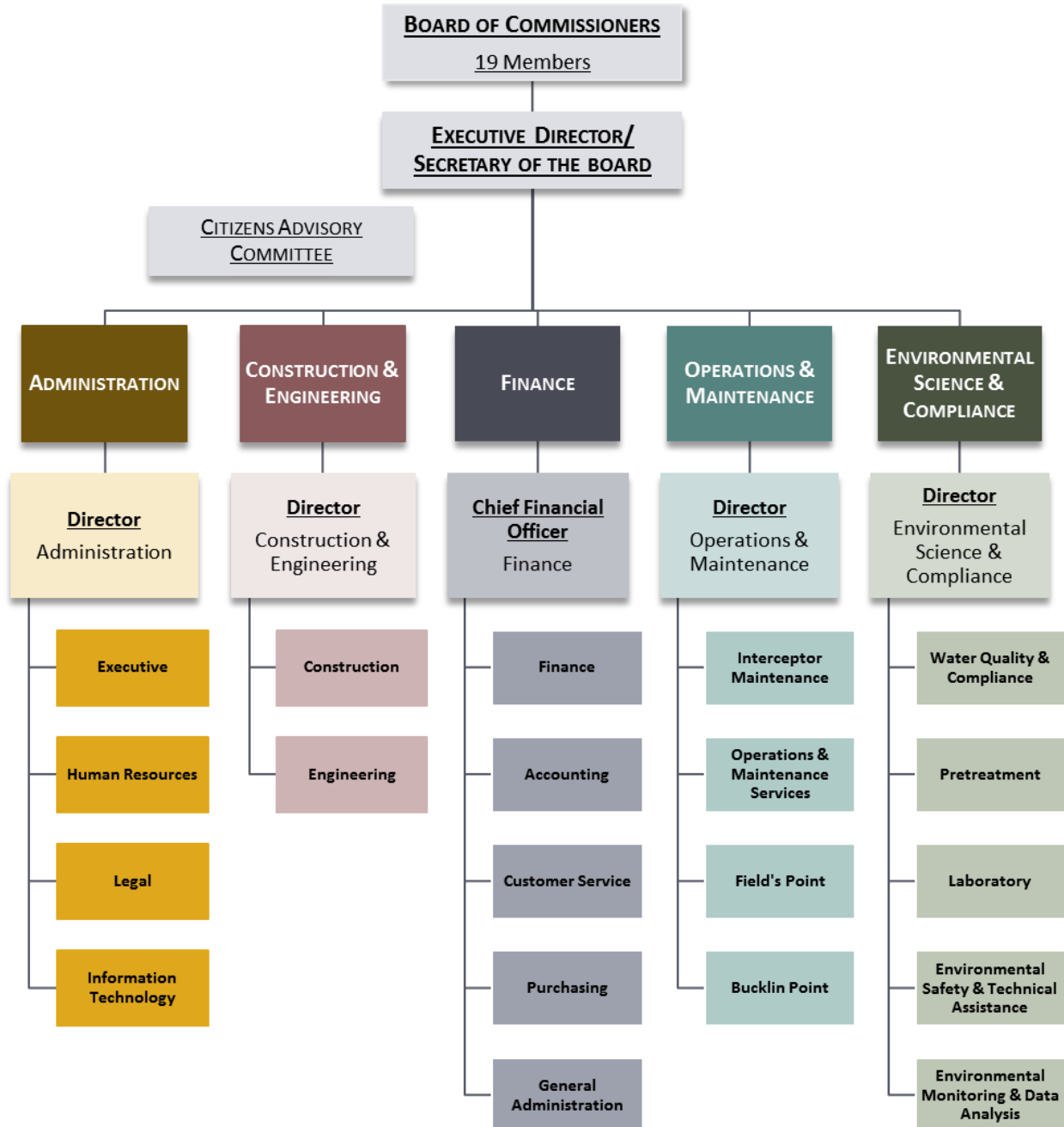
James S. Bennett
Dr. Bruce Campbell
Mario Carlino
Michelle R. DeRoche
Michael DiChiro, Esq.
Jonathan K. Farnum
Joseph Kimball
Paul Lemont, Esq.

Ronald Leone
John MacQueen
Joan P. Milas
Alessandro Montanari
Alan Nathan
Jina Petrarca, Esq.
Charles Ruggerio, Esq.
Richard D. Worrell



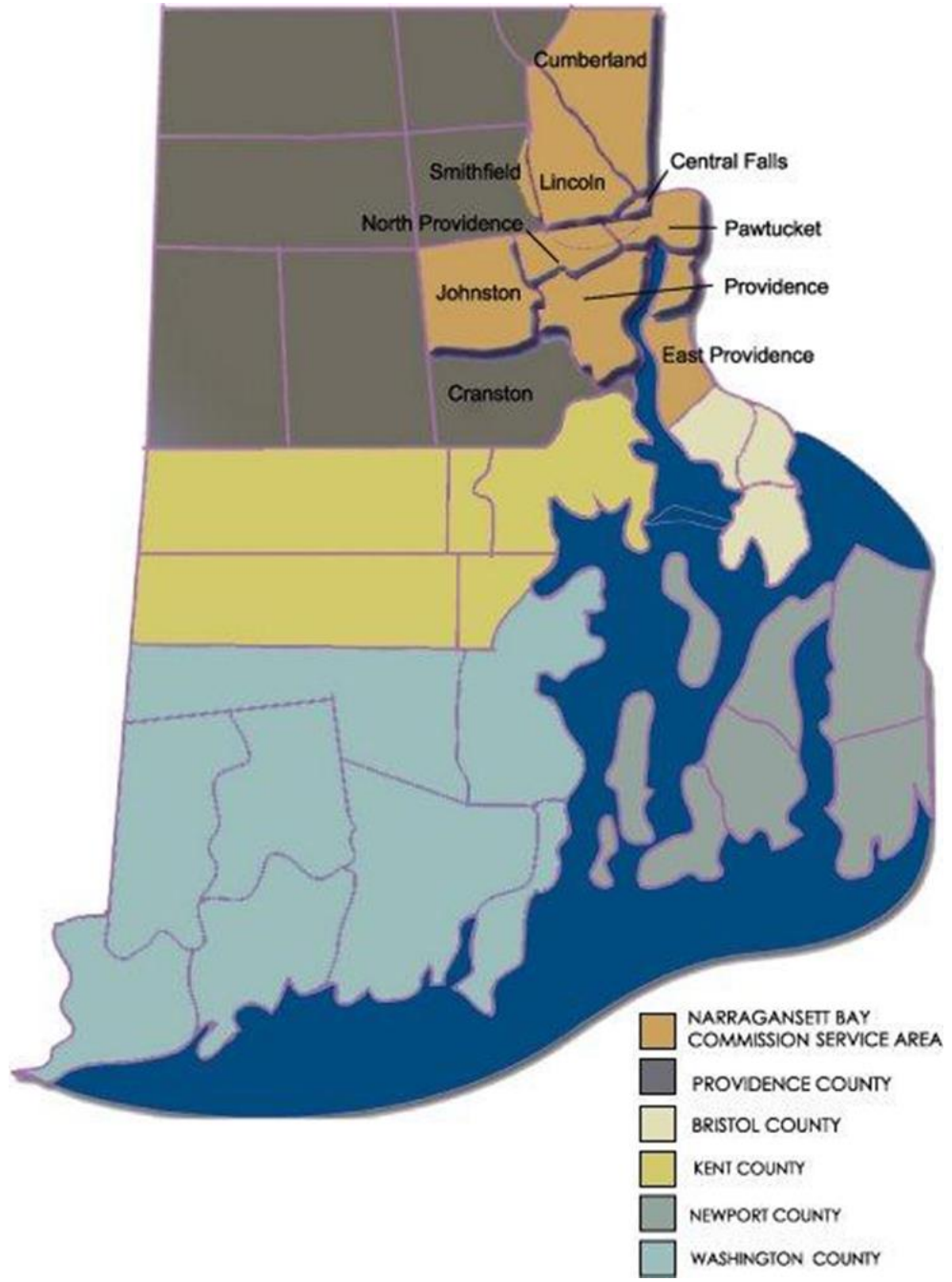
Narragansett Bay Commission

Organization Chart



Narragansett Bay Commission

Service Area



This page was intentionally left blank.



FINANCIAL SECTION

This page was intentionally left blank.

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, 2018, and the related notes to the financial statements, which collectively comprise the 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. 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios for the Non-Union Defined Benefit Plan, Schedule of Employer Contributions for the Non-Union Defined Benefit Pension Plan, Schedule of Investment Returns for the Non-Union Defined Benefit Plan, Schedule of Proportionate Share of the Net Pension Liability for the Employees Retirement System RI, Schedule of Contributions for the Employer Retirement System RI, Schedule of the Proportionate Share of the Net OPEB liability, and Schedule of Employer Contributions for the OPEB plan be on pages 13-19 and 50-58 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 10, 2018, 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 10, 2018

This page was intentionally left blank.

Management's Discussion and Analysis

Management of NBC offers readers of the basic financial statements this narrative overview and analysis of NBC for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

Financial Highlights

From a financial perspective, FY 2018 was a strong year for NBC. The following are the key financial highlights:

- NBC's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$498,117,719. Of this amount, \$6,264,370 is unrestricted net position.
- NBC's total net position increased by \$20,781,109 or 4.35% over the prior year.
- NBC finished FY 2018 under budget by \$4,337,318. The majority of the favorable variance is from personnel services, interest expense and operating capital.
- In FY 2018, NBC was required to make a one-time payment to the State of Rhode Island of \$5,000,000 in accordance with Rhode Island Public Law 17-302, Article 1.
- During FY 2018, NBC implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The new implementation affected the Statement of Net Position and required additional disclosure in Notes to the Financial Statements and Required Supplementary Information (RSI).
- Due to the implementation of GASB 75, NBC restated the beginning net position by (\$3,966,285) and recorded a net OPEB liability in the amount of \$4,265,419 on the Statement of Net Position.
- Debt service coverage calculated as gross revenue, less operating expenses exclusive of depreciation and amortization, divided by total debt service was 1.32 for FY 2018, exceeding the 1.25 debt service coverage level recommended by credit rating agencies.
- NBC realized a savings of \$287,340 resulting from Rhode Island Infrastructure Bank (RIIB) refundings in FY 2018. NBC will recognize total savings of \$4,369,069 over the life of the loans due to these refundings.

Overview of the Financial Statements

Management's discussion and analysis is intended as an introduction to NBC's basic financial statements, which consist of the financial statements and notes to financial statements. In addition to the basic financial statements, this report also provides other required and supplementary information.

The financial statements report information about NBC based upon an accrual accounting method similar to those used by private sector companies. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows and Notes to Financial Statements.

The Statement of Net Position presents information of NBC's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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 NBC's operations over the past year and can be used to determine whether NBC has recovered all its costs through its user fees and other charges.

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

The notes to financial statements provide additional information that is essential for a full understanding of the data provided in the statements.

Financial Analysis – Statement of 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 the liabilities plus deferred inflows of resources by \$498,117,719 as of June 30, 2018.

The condensed Statement of Net Position on the following page reflects a decrease in current assets of \$19,164,301 from FY 2017 to FY 2018. The majority of the decrease reflects NBC's investment in the CIP during FY 2018, which reduced the accounts receivable from State Revolving Funds held by RIIB.

Condensed Statement of Net Position

Assets	FY 2018	FY 2017
Current assets	\$ 54,969,222	\$ 74,133,523
Noncurrent assets		
Restricted assets	62,770,357	71,732,472
Net capital assets	1,009,026,977	988,408,760
Other assets	184,381	-
Total assets	<u>1,126,950,937</u>	<u>1,134,274,755</u>
Deferred outflows of resources		
Deferred outflows of resources	8,477,260	5,421,058
Total deferred outflows	<u>8,477,260</u>	<u>5,421,058</u>
Liabilities		
Current liabilities	42,621,626	40,987,970
Noncurrent liabilities	591,611,890	621,043,943
Total liabilities	<u>634,233,516</u>	<u>662,031,913</u>
Deferred inflows of resources		
Deferred inflows of resources	3,076,962	327,290
Total deferred inflows	<u>3,076,962</u>	<u>327,290</u>
Net position		
Net investment in capital assets*	483,680,613	470,512,741
Restricted	8,172,736	8,098,193
Unrestricted	6,264,370	(1,274,324)
Total net position	<u>\$ 498,117,719</u>	<u>\$ 477,336,610</u>

* The FY 2017 net investment in capital assets was restated to include restricted cash for acquisition and construction of plant assets in the calculation.

In FY 2018, NBC shows restricted assets of \$62,770,357 that consist of the following:

Purpose	Amount
Environmental enforcement activities in accordance with Rhode Island General Laws, Section 46-25-38.1	\$ 78,713
Debt service reserve fund	3,539,427
Operating reserve for revenue stability fund	4,554,596
Debt service fund	35,870,258
Acquisition and construction of capital assets	18,727,363

The condensed Statement of Net Position shows a significant increase in net capital assets of \$20,618,217 from FY 2017 to FY 2018. This increase reflects substantial investments in capital improvements for FY 2018.

From FY 2017 to FY 2018, total deferred outflows of resources increased \$3,056,202 and total deferred inflows of resources increased \$2,749,672. These increases were the result of the GASB 68 entries relating to pensions and GASB 75 entries relating to OPEB.

In FY 2018, current liabilities increased by \$1,633,656. This is the result of an increase in the current portion of both loans payable and other accrued expenses. The non-current liabilities decreased by \$29,432,053 due to the principal debt service payments relating to the loan payable, a reduction in the non-union pension liability and the OPEB liability.

Total net position increased by \$20,781,109 to \$498,117,719 in FY 2018, which demonstrates that the financial position of NBC is improving. The largest portion of NBC's net position, 97%, reflects net investment in capital assets. NBC uses these capital assets to provide wastewater treatment and collection services to its customers. The net investment in capital assets calculation included \$35,870,258 in restricted cash held in the debt service fund for debt service and debt service coverage and \$18,727,363 held in the restricted cash account for acquisition and construction of capital assets. Both of these restricted cash accounts relate to capital asset activity.

Both the debt service reserve fund of \$3,539,427 and the operating reserve for revenue stability fund of \$4,554,596 are restricted and included as restricted net position.

The net position components in the Condensed Statement of Net Position for FY 2017 was restated as a result of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for comparison purposes.

Only the unrestricted net position is available for future spending. Although 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.

Financial Analysis – Statement of Revenues, Expenses, and Changes in Net Position

Revenues

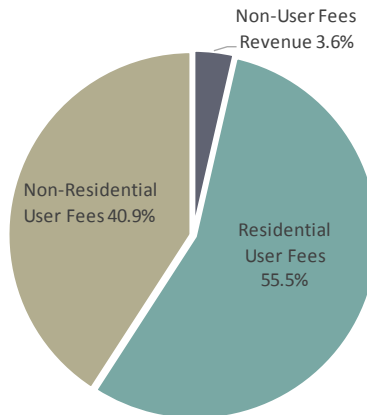
User fees are NBC's primary source of revenue, representing approximately 96.4% of total revenues. FY 2018 user fee revenue was \$95,822,841, which is \$787,315 less than the prior year. The majority of the decrease in user fees is the result of a decline in residential consumption based user fees.

In FY 2018, the non-user fee operating revenue decreased by \$532,201. This decrease is a result of the decline in both the sale of Renewable Energy Credits (RECs) and late charge penalties. The Non-operating revenue increased \$440,859 or 71.9%. The majority of this increase is due to higher investment earnings on NBC's cash and cash equivalents.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	FY 2018	FY 2017
Operating revenues		
User fees	\$ 95,822,841	\$ 96,610,156
Pretreatment	1,066,370	1,090,541
Septage income	333,037	328,590
Late charge penalties	796,362	874,396
Other operating revenues	317,905	752,348
Non-operating revenues	1,053,734	612,875
Total revenues	<u>99,390,249</u>	<u>100,268,906</u>
Operating expenses		
Personnel services	23,156,582	22,720,366
General and administration	1,105,340	1,021,372
Operations and maintenance	7,548,023	7,219,511
Depreciation	16,091,344	15,593,700
Contractual services	6,510,972	5,970,551
Miscellaneous	1,178,712	1,215,783
Non-operating expenses	23,018,167	18,009,004
Total expenses	<u>78,609,140</u>	<u>71,750,287</u>
Net income (loss) before capital contributions	20,781,109	28,518,619
Capital contributions	-	-
Change in net position	20,781,109	28,518,619
Total net position - beginning of year	<u>477,336,610</u>	<u>448,817,991</u>
Total net position - end of year	<u>\$ 498,117,719</u>	<u>\$ 477,336,610</u>

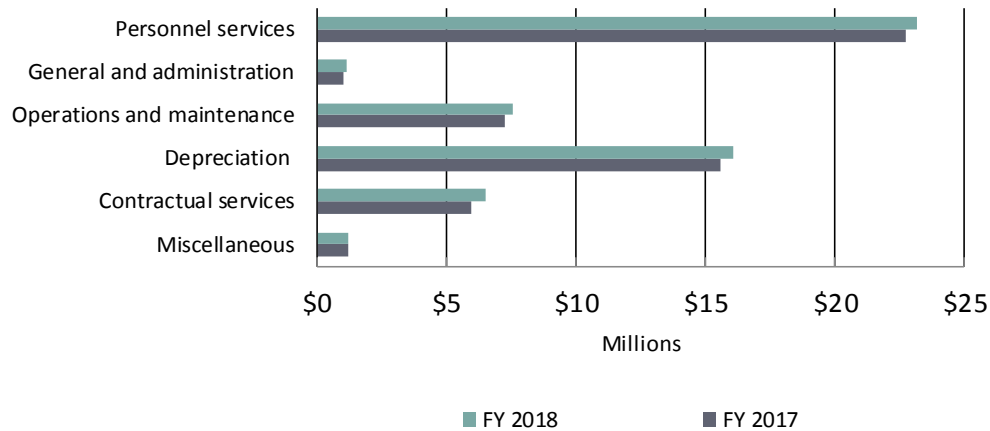
Total Revenues for FY 2018



Expenses

Total expenses in FY 2018 increased \$6,858,853 over the prior year. Operating expenses were \$1,849,690 higher in FY 2018 than the prior year. The increase in operating expenses was the result of an increase in personnel services, depreciation expense, and contractual services. The contractual expense increase of \$540,421 or 9.05% was primarily driven by increases in both the biosolid disposal rate and dry ton production, regulatory expenses, and service and maintenance agreements.

Operating Expenses for FY 2018 and FY 2017



Non-operating expenses increased by \$5,009,163 or 27.8% from FY 2017 to FY 2018 as the result of the \$5,000,000 payment to the State of RI.

Capital Assets and Debt Administration

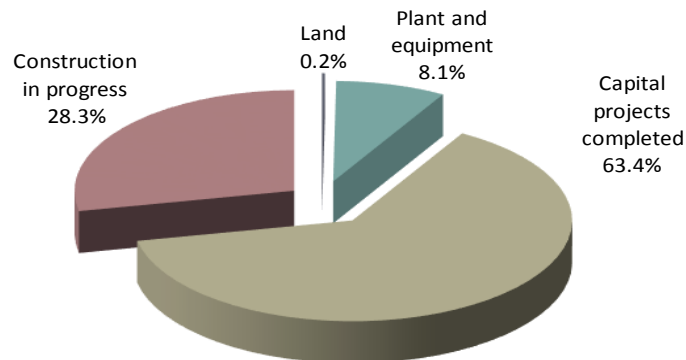
Capital Assets

At the end of FY 2018, NBC had \$1.0 billion invested in net capital assets. This amount represents an increase of more than \$20.6 million, or 2.1% over last year. The following table summarizes NBC's capital assets as of June 30, 2018 and 2017.

Capital Assets

	FY 2018	FY 2017
Capital assets		
Land	\$ 2,754,407	\$ 2,754,407
Plant and equipment	99,867,563	95,956,693
Capital projects completed	780,648,298	770,804,899
Construction in progress	347,798,138	325,199,530
	<u>1,231,068,406</u>	<u>1,194,715,529</u>
Less accumulated depreciation	<u>(222,041,429)</u>	<u>(206,306,769)</u>
Net capital assets	<u>\$ 1,009,026,977</u>	<u>\$ 988,408,760</u>

Capital Assets June 30, 2018



Long-Term Debt

NBC did not issue any new debt in FY 2018. Total outstanding debt decreased from \$662.3 million to \$634.8 million as a result of principal payments on the loans payable. NBC continues to benefit from historic low short-term interest rates and realized interest savings of more than \$1.0 million on the 2008 Series A refunding Variable Rate Demand Bonds (VRDBs) that are priced in weekly mode.

For additional information related to capital assets or long-term debt, see the Notes to Financial Statements of this report (Notes 3, 5, and 6).

Economic Factors and Next Year's Budget

Economic Factors

The FY 2019 budget is approximately \$3.1 million, or 3.1% higher than the FY 2018 budget and includes a \$1.6 million transfer from the revenue fund balance. The FY 2019 budget includes a 2.98% across-the-board increase on sewer user rates for debt service and debt service coverage effective February 1, 2019. Both NBC's Board and the Public Utilities Commission (PUC) must approve all sewer user rate adjustments.

FY 2019 Budget

NBC's FY 2019 budget is now being presented in a new format. The presentation has been modified so that the budget summary shows the operating budget and the capital budget fully integrated into a consolidated budget. In prior years, the operating budget and capital budgets were shown separately.

Requests for Information

This financial report is designed to provide the Board, NBC's ratepayers, bond investors and other interested parties with a general overview of NBC's finances. If there are any questions concerning this report or a need for additional financial information, please contact the Chief Financial Officer at One Service Road, Providence, RI 02905. This report is available online at www.narrabay.com.

NARRAGANSETT BAY COMMISSION

Statement of Net Position

June 30, 2018

Assets

Current assets

Cash and cash equivalents	\$ 23,736,188
Accounts receivable	
Sewer use (net of allowance)	9,156,248
Sewer use unbilled	4,924,564
Receivables, other	174,944
Due from Rhode Island Infrastructure Bank	16,408,599
Prepaid expenses	568,679

Total current assets 54,969,222

Non-current assets

Restricted assets

Cash and cash equivalents, environmental enforcement	78,713
Cash and cash equivalents, operating reserve for revenue stability fund	4,554,596
Cash and cash equivalents, restricted for debt service	35,870,258
Cash and cash equivalents, restricted for debt service reserve fund	3,539,427
Cash and cash equivalents, restricted for acquisition and construction of plant assets	18,727,363

Total restricted assets 62,770,357

Capital assets

Land	2,754,407
Plant and equipment	99,867,563
Capital projects completed	780,648,298
Construction in progress	347,798,138

Subtotal 1,231,068,406

Less: accumulated depreciation 222,041,429

Total net capital assets 1,009,026,977

Other assets

Net pension asset - Non-Union Defined Benefit Plan 184,381

Total non-current assets 1,071,981,715

Total assets 1,126,950,937

Deferred outflows of resources

Loss on refunding of debt	1,890,793
Pension related outflows	5,984,557
OPEB related outflows	601,910

Total deferred outflows of resources \$ 8,477,260

(Continued)

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

NARRAGANSETT BAY COMMISSION
Statement of Net Position (Continued)
June 30, 2018

Liabilities	
Current liabilities	
Accounts payable	\$ 2,827,765
Contracts payable	3,701,579
Accrued interest payable	5,998,871
Accrued expenses	519,780
Unearned revenue billed in advance	269,058
Current portion of the other accrued expenses	502,601
Current portion of loans payable	28,801,972
	42,621,626
Non-current liabilities	
Long-term other accrued expenses, net	2,390,869
Long-term net pension liability - ERSRI Pension Plan	19,376,984
Long-term net OPEB liability	4,265,419
Long-term loans payable, net	302,974,434
Long-term debt	262,604,184
	591,611,890
Total liabilities	634,233,516
Deferred inflows of resources	
Gain on refunding of debt	161,208
Pension related inflows	2,641,088
OPEB related inflows	274,666
	3,076,962
Net position	
Net investment in capital assets	483,680,613
Restricted - environmental enforcement fund	78,713
Restricted - debt service reserve fund	4,554,596
Restricted - operating reserve for revenue stability fund	3,539,427
Unrestricted	6,264,370
	6,264,370
Total net position	\$ 498,117,719

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

NARRAGANSETT BAY COMMISSION
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

Operating revenues	
User fees, residential	\$ 55,206,499
User fees, commercial and industrial	40,616,342
Permit and connection fees	123,319
Pretreatment fees	1,066,370
Environmental enforcement	3,400
Septage income	333,037
Late charge penalties	796,362
REC revenue	152,338
Miscellaneous revenue	38,848
Total operating revenues	98,336,515
Operating expenses	
Personnel services	23,156,582
General and administration	1,105,340
Operations and maintenance	7,548,023
Depreciation	16,091,344
Contractual services	6,510,972
Miscellaneous	1,178,712
Total operating expenses	55,590,973
Operating income	42,745,542
Non-operating revenues (expenses)	
Interest expense	(17,994,682)
Transfer to the State of Rhode Island	(5,000,000)
Interest income	938,783
Bond and note fees	(23,485)
Miscellaneous income	114,951
Total non-operating revenues (expenses)	(21,964,433)
Change in net position	20,781,109
Total net position, beginning of year	481,302,895
Net position restatement	(3,966,285)
Total net position, end of year	\$ 498,117,719

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

NARRAGANSETT BAY COMMISSION

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash flows from operating activities	
Cash received from customers	\$ 97,910,025
Cash paid to suppliers for goods and services	(23,306,681)
Cash paid to employees for services	(16,343,047)
Other non-operating revenues	114,951
	<hr/>
Net cash provided by operating activities	58,375,248
	<hr/>
Cash flows from noncapital financing activities	
Transfer to the State of Rhode Island	(5,000,000)
	<hr/>
Net cash used by noncapital financing activities	(5,000,000)
	<hr/>
Cash flows from capital related financing activities	
Acquisitions and construction of capital assets	(10,859,949)
Principal paid on capital debt	(27,529,555)
Interest paid on capital debt	(17,937,701)
Bonds and note fees	(23,485)
	<hr/>
Net cash used from capital related financing activities	(56,350,690)
	<hr/>
Cash flows from investing activities	
Interest income	938,783
	<hr/>
Net cash provided by investing activities	938,783
	<hr/>
Net decrease in cash and cash equivalents	(2,036,659)
	<hr/>
Cash and cash equivalents, beginning of year	88,543,204
	<hr/>
Cash and cash equivalents, end of year	\$ 86,506,545
	<hr/> <hr/>

(Continued)

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

NARRAGANSETT BAY COMMISSION
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$	42,745,542
------------------	----	------------

Adjustments to reconcile operating income to net cash provided by operating activities

Depreciation		16,091,344
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Increase in accounts receivable sewer user fees		(194,029)
Increase in sewer user fees unbilled revenue		(328,429)
Decrease in other receivables		90,118
Decrease in prepaid expenses		672,485
Increase in pension related deferred outflows of resources		(2,907,148)
Increase in OBEP related outflows of resources		(251,017)
Increase in pension related deferred inflows of resources		2,483,962
Increase in OBEP related inflows of resources		274,666
Decrease in net pension liability		(373,776)
Decrease in net OPEB liability		(51,759)
Increase in accounts and contracts payable		122,021
Decrease in accrued expenses		(119,533)
Increase in unearned revenue billed in advance		5,850
Non-operating revenue reported as operating revenue received		114,951

Total adjustments

15,629,706

Net cash provided by operating activities

\$ 58,375,248

Non-cash capital and related financing activities

The NBC participates in the State Revolving Loan Fund program as described in Note 5 to the financial statements. Project costs are paid directly by the RIIB on behalf of NBC. Certain RIIB loans are structured with principal forgiveness, which is reported as contributed capital and is reported in the financial statements. The State Revolving Loan Fund activity during the year was as follows:

Decrease in amount due from RIIB	\$	25,849,612
Acquisition of capital assets		32,442,007
Decrease in loan payable		27,529,555

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

Notes to Financial Statements

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The financial statements of the 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.

Reporting entity -The 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.

Measurement focus and basis of accounting - 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.

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

Cash equivalents - For purposes of the statement of cash flows, 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-four Supplemental Indentures (collectively "the Indenture"), 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 fund (EEF) activities is in accordance with Rhode Island General Law 46-25-38.1.

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, 2018 was \$130,118.

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 \$5,000. 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 planning, design, 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, 2018 were \$19,784,184.

The total bond and loan fees for the year ending June 30, 2018 were \$23,485.

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 *Notes to Financial Statements*, notes 8 and 9. 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, 2017 while the NBC's non-union defined benefit plan has a measurement date of June 30, 2018.

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.

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 revenues 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 operating capital 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.

During the fiscal year ending June 30, 2018, NBC adopted the following new accounting standards issued by GASB - The implementation of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing the measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. In addition, this statement details the disclosure requirements for the OPEB plans that are administered through trusts that meet the specified criteria. Due to this new standard, NBC restated beginning net position by (\$3,966,285). For additional information see *Notes to the Financial Statements*, note 10.

GASB Statement No. 85, Omnibus - The Statement addresses topics including issues related to blending of component units, goodwill, fair value measurement and application, and post-employment benefits. The implementation of GASB Statement No 85 had no material impact on NBC’s Financial Statements.

Accounting standards that NBC is currently reviewing for applicability and potential impact on the financial statements – GASB Statement No. 87, Leases, will be effective for periods beginning after December 15, 2019. This Statement requires a lessee to recognize a lease liability and an intangible right to use leased assets. The lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Management has not yet determined the effect that the above GASB statements will have on the financial statements.

2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - NBC’s cash deposits at June 30, 2018 were \$992,987, with corresponding bank balances of \$1,419,611. All NBC’s cash equivalents are considered to be highly liquid investments (including restricted assets) with a maturity of three months or less.

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.

	<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$ 250,000
Collateralized with securities held by pledging financial institution or its agent, in NBC's name	<u>1,169,611</u>
Total bank balance	<u><u>\$ 1,419,611</u></u>

Investment policy – 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 permits investments in 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 fair 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. 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.

NBC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three categories within the hierarchy are as follows:

Level 1 Inputs are quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 Inputs other than quoted prices in active markets that are observable for an asset either directly or indirectly.

Level 3 Inputs that are unobservable inputs for the asset supported by little or no market activity and should be used only if relevant Level 1 and Level 2 inputs are not available.

As of June 30, 2018, NBC had investments as follows:

<u>Investments measured at the Net Asset Value (NAV)</u>	<u>June 30, 2018</u>	<u>Maturity</u>
Goldman Sachs Financial Square Government Fund	\$ 57,002,079	Average 57 days
Ocean State Investment Pool (OSIP)	14,255,227	N/A
Total investments measured at NAV	\$ 71,257,306	

Ocean State Investment Pool

The OSIP Cash Portfolio is a portfolio of the Ocean State Investment Pool Trust, which is an investment pool established by the General Treasurer of the State of RI under Declaration of Trust, date January 25, 2012 under the Rhode Island Local Government Investment Pool Act, G.L. 35-10.2, of the Rhode Island General Law as amended, for the purpose of investing funds of, and funds under custody of agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State of Rhode Island. The Cash Portfolio, which began operations on March 6, 2012 is not registered with the Securities and Exchange Commission (SEC) as an investment company, OSIP is an unregistered pool organized under a trust authorized by Rhode Island state law. OSIP must conform to the Rhode Island general laws that authorize the pool, and its operation and management. OSIP is allowed to offer a stable \$1.00 NAV provided it is managed according to Rule 2a-7 and GASB 79. FIAM LLC is OSIP’s investment adviser and, as an SEC registered investment adviser, is subject to SEC oversight and must comply with the Advisers Act.

The OSIP is not rated and the weighted average maturity of investments held in the pool is not to exceed 60 days. Investments reported at the NAV are not subject to the fair value hierarchy described above. There are no participant withdrawal limitations. A copy of the annual report for the Ocean State Investment Pool can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue, Warwick, RI 02886.

Goldman Sachs Financial Square Government Fund

Goldman Sachs Financial Square Government Fund is a money market mutual fund with an average maturity of 57 days. These investments are used as temporary cash management investments. The fair value of these money market funds reflects the NAV reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent typed investments, are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds. The monies invested in the Goldman Sachs Financial Square Government Fund held by the Trustee were rated Aaa-mf by Moody's Investor Service, Inc.

Custodial credit risk – Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government and are held by either: a) the counterparty or b) the counterparty's trust department or agency but not in the government's name. NBC does not directly own any securities.

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.

Interest rate risk – NBC's investment policy does not limit investment maturities as a means of limiting its exposure to fair value losses arising from interest rates. Money held by the Trustee under the Indenture must be invested in accordance with permitted investments as defined under the Trust Indenture, 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.

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. NBC has no deposits subject to foreign currency risk.

3 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Nondepreciable assets				
Land	\$ 2,754,407	\$ -	\$ -	\$ 2,754,407
Construction in progress	325,199,530	32,442,007	(9,843,399)	347,798,138
Total nondepreciable assets	<u>327,953,937</u>	<u>32,442,007</u>	<u>(9,843,399)</u>	<u>350,552,545</u>
Depreciable assets				
Plant and equipment	95,956,693	4,267,554	(356,684)	99,867,563
Capital projects completed	770,804,899	9,843,399	-	780,648,298
Total depreciable assets	<u>866,761,592</u>	<u>14,110,953</u>	<u>(356,684)</u>	<u>880,515,861</u>
Less accumulated depreciation for				
Plant and equipment	(74,214,970)	(3,974,781)	356,684	(77,833,067)
Capital projects completed	<u>(132,091,799)</u>	<u>(12,116,563)</u>	<u>-</u>	<u>(144,208,362)</u>
Less accumulated depreciation	<u>(206,306,769)</u>	<u>(16,091,344)</u>	<u>356,684</u>	<u>(222,041,429)</u>
Total capital assets, net	<u>\$ 988,408,760</u>	<u>\$ 30,461,616</u>	<u>\$ (9,843,399)</u>	<u>\$ 1,009,026,977</u>

4 – 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, 2018 to be \$2,893,470. 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, 2018 were as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2018</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 2,952,173	\$ 75,682	\$ (134,385)	\$ 2,893,470	\$ 502,601

5 – LOANS PAYABLE

NBC has eighteen loans outstanding with the Rhode Island Infrastructure Bank (RIIB) at June 30, 2018 as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2018</u>
Pooled Loan #3 - Series 1997 - The total loan authorized is \$8,150,000, dated March 1, 1997, with an interest rate of 3.14473%.	\$ 1,625,306	\$ -	\$ 522,400	\$ 1,102,906
Pooled Loan #4 - Series 1999 - The total loan authorized is \$23,955,000, dated February 4, 1999, with an interest rate of 3.032%.	6,320,000	-	2,100,000	4,220,000
Pooled Loan #5 - Series 2001 - The total loan authorized is \$57,000,000 dated November 1, 2001, with an interest rate of 2.671%.	13,630,000	-	2,680,000	10,950,000
Pooled Loan #6 - Series 2002 - The total loan authorized is \$57,000,000, dated October 24, 2002, with an interest rate of 1.0785%.	20,332,834	-	3,170,588	17,162,246
Pooled Loan #7 - Series 2003 - The total loan authorized is \$40,000,000, dated November 13, 2003, with an interest rate of 1.349%.	17,820,000	-	2,070,000	15,750,000
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%.	22,230,000	-	3,009,000	19,221,000
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%.	14,903,000	-	1,528,000	13,375,000
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%.	16,305,000	-	1,502,000	14,803,000

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2018</u>
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%.	\$ 17,517,000	\$ -	\$ 1,306,000	\$ 16,211,000
Pooled Loan #12 - 2009 Series A - The total loan authorized is \$55,000,000, dated October 6, 2009, with principal forgiveness of \$8,302,114 with an interest rate of .877%.	41,603,572	-	2,476,686	39,126,886
Pooled Loan #12 - Takeover - 2010 Series A - The total loan authorized is \$2,000,000, dated February 12, 2010, with principal forgiveness of \$301,895 and an interest rate of .522%.	1,205,655	-	76,415	1,129,240
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%.	15,028,000	-	881,000	14,147,000
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%.	22,453,337	-	1,200,327	21,253,010
Pooled Loan #15 - 2012 Series A - The total loan authorized is \$25,750,000, dated June 28, 2012, with principal forgiveness of \$354,202 and an interest rate of 2.088%.	21,086,426	-	1,105,183	19,981,243
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%.	21,731,401	-	981,761	20,749,640
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%.	41,273,000	-	1,886,000	39,387,000
Pooled Loan #18 - Series 2015 B - The total loan authorized is \$41,753,500 dated July 30, 2015 with principal forgiveness of \$512,070 and an interest rate of 2.549%.	41,241,430	-	1,034,195	40,207,235
Pooled Loan #19 - Series 2016 A - The total loan authorized is \$23,000,000, dated June 2, 2016, with an interest rate of 1.967%.	23,000,000	-	-	23,000,000
Total loans payable	\$ 359,305,961	\$ -	\$ 27,529,555	\$ 331,776,406
Less current portion	(27,529,555)			(28,801,972)
Net long-term loans payable	\$ 331,776,406			\$ 302,974,434

RIIB pays all invoices certified by NBC, either directly to the contractors or reimburses NBC for costs incurred on the projects funded by the RIIB loans. As of June 30, 2018, loans payable of \$331,776,406 are reported on the Statement of Net Position. A receivable from RIIB of \$16,408,599 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2018. NBC is obligated for the total loan amount once the underlying bonds are issued on NBC's behalf by RIIB.

During FY 2018, NBC realized a savings of \$287,340 from RIIB refundings. NBC will recognize a total savings of \$4,369,070 over the life of the loans as a result of these refundings. The reduction in the future debt service interest payments has been reflected in the maturities in future years.

Debt principal and interest maturities of loans payable for future years as of June 30, 2018 are as follows:

<i>Year Ending</i>				
<i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2019	\$ 28,801,972	\$ 8,096,810	\$ 36,898,782	
2020	28,848,394	7,488,229	36,336,623	
2021	29,004,498	6,793,713	35,798,211	
2022	28,306,899	6,139,149	34,446,048	
2023	24,810,747	5,555,238	30,365,985	
2024-2028	92,281,275	20,288,829	112,570,104	
2029-2033	63,616,220	9,225,466	72,841,686	
2034-2038	22,176,901	3,712,580	25,889,481	
2039-2043	9,616,000	1,543,282	11,159,282	
2044-2045	4,313,500	144,830	4,458,330	
Total	<u>\$ 331,776,406</u>	<u>\$ 68,988,126</u>	<u>\$ 400,764,532</u>	

6 – LONG-TERM DEBT

Long-term debt at June 30, 2018 consists of the following:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2018</u>
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 unamortized at June 30, 2018 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 unamortized at June 30, 2018 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 unamortized at June 30, 2018 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 unamortized at June 30, 2018 of \$5,996,114).	46,081,114	-	-	46,081,114
Total long-term debt payable	\$ 262,604,184	\$ -	\$ -	\$ 262,604,184
Less current portion	-			-
Net long-term debt payable	\$ 262,604,184			\$ 262,604,184

Principal and interest maturities of long-term debt for future years as of June 30, 2018 are as follows:

Year Ending	Principal	Interest	Total
<u>June 30,</u>			
2019	\$ -	\$ 10,685,975	\$ 10,685,975
2020	-	10,689,599	10,689,599
2021	560,000	10,668,351	11,228,350.54
2022	1,875,000	10,611,100	12,486,100
2023	2,915,000	10,490,172	13,405,172
2024-2028	45,195,000	48,167,348	93,362,348
2029-2033	75,995,000	34,591,678	110,586,678
2034-2038	64,835,000	17,463,918	82,298,918
2039-2043	41,985,000	6,266,450	48,251,450
2044-2044	9,460,000	189,200	9,649,200
Total	<u>\$ 242,820,000</u>	<u>\$ 159,823,791</u>	<u>\$ 402,643,791</u>

Total Principal of \$242,820,000 plus premiums of \$19,784,184 to be amortized as of June 30, 2018 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 2018 ranged from 0.71% to 1.82%. The Bonds shall be repaid from revenues, as defined in the Indenture of NBC pledged under the Indenture and funds drawn under an irrevocable direct pay letter of credit issued by TD Bank, N.A. 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 7, 2021.

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.

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.

7 – NET POSITION

NBC's net position is presented in the following three categories:

Net investment in capital assets

Net investment in capital assets reflects the portion of net position associated with non-liquid capital assets, less outstanding capital asset related debt. The net investment in capital assets also includes cash or cash equivalents restricted for the acquisition of capital assets or debt service.

Restricted

This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The following three cash and cash equivalents are included in restricted net position.

Restricted Environmental Enforcement - Chapter 46-25-38.1 of the RI General Laws 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 equivalents account of \$78,713.

Restricted Debt Service Reserve Fund - NBC funded a restricted debt service reserve fund related to the 2013 Series C Wastewater System Revenue Bonds in the amount of \$3,539,427. NBC has restricted net position equal to the balance of the funds in the debt service reserve fund cash and cash equivalents account.

Restricted Operating Reserve for Revenue Stability Fund - The PUC instructed NBC to establish an operating reserve for revenue stability fund in the Order from Docket 3905. To access this fund, NBC must demonstrate a serious revenue shortfall to the PUC. NBC has restricted net position equal to the balance of the operating reserve for revenue stability cash and cash equivalents account in the amount of \$4,554,596.

Unrestricted

This category represents the residual amount of net position not included in the Net investment in capital assets or the restricted categories highlighted above.

8 – UNION PENSION PLANS

Employees' Retirement System of the State of Rhode Island (ERSRI) Defined Benefit Plan

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 ERSRI 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 four-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.

Pension liabilities, pension expense, and deferred outflows and deferred inflows of resources

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 FY 2017, NBC employees, with less than 20 years of service as of July 1, 2015 were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2015 were required to contribute 11% of their annual covered salary. NBC is required to contribute at an actuarially determined rate was 24.87% of annual covered payroll for the fiscal year ended June 30, 2018. NBC contributed \$1,438,927, \$1,509,489, and \$1,370,821 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

At June 30, 2018, NBC reported a liability of \$19,376,984 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, 2017, 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, 2016 rolled forward to June 30, 2017. NBC proportion of the net pension liability was based on its share of contributions to the ERSRI for FY 2017 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017, NBC proportion was 0.8594%.

For the year ended June 30, 2018, NBC recognized pension expense of \$1,705,639. At June 30, 2018, 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>
Changes in assumptions	\$ 1,633,287	\$ 52,672
Contributions paid subsequent to measurement date	1,438,927	-
Difference between expected and actual experience	1,362,723	395,271
Changes in proportions and differences between employer contributions and proportionate share of contributions	111,557	198,957
Net difference between projected and actual investment earnings	-	927,298
Total	<u>\$ 4,546,494</u>	<u>\$ 1,574,198</u>

NBC's contributions of \$1,438,927 paid in FY 2018 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 FY ended June 30, 2019. The ERSRI deferred outflows and deferred inflows of resources are reported as net deferred outflows of resources in the Statement of Net Position.

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

<u>Year ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 230,266
2020	547,317
2021	478,351
2022	210,855
2023	66,580
Thereafter	-
Total	<u>\$ 1,533,369</u>

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

Inflation	2.50%
Salary increases	3.25% to 6.25%
Investment rate of return	7.00%

Mortality – Male Employees: RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with Scale Ultimate MP16. Female Employees: RP-2014 Combined Healthy for Females, projected with Scale Ultimate MP16.

The total pension liability was determined by actuarial valuations performed as of June 30, 2016 and rolled forward to June 30, 2017. The actuarial assumptions used in June 30, 2017 valuations and the calculation of the total pension liability at June 30, 2017 (measurement date) were consistent with the results of an actuarial experience study performed as of June 30, 2016.

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 collective summary of capital market expectations from 35 sources.

The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
U.S. Equity	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount rate - The discount rate used to measure the total pension liability was 7.0%. 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 to changes in the discount rate - The following presents the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability 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.

	1% Decrease (6.0% Discount Rate)	Current Discount Rate (7.0%)	1% Increase (8.0% Discount Rate)
NBC's Net Pension Liability	\$ 24,129,242	\$ 19,376,984	\$ 15,837,270

Pension plan fiduciary net position – As noted earlier, ERSRI issues a publicly available financial report that includes financial statements and required supplementary information for the plans. This report may be obtained at <http://www.ersri.org>. This report contains detailed information about the pension plan’s fiduciary net position.

ERSRI Defined Contribution Plan

Plan description – Certain employees participating in the defined contribution plan (those with less than 20 years of service as of 7/1/2015), 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 contribution – Employees with less than 20 years of service as of July 1, 2015 contribute 5% of their annual covered salary and the employer’s contribution rates of their annual covered salary for those employees are based on their years of service as of July 1, 2015:

<i>Years of Service as of July 1, 2015</i>	<i>Employer Contribution Rate</i>
15-20 Years	1.50%
10-15 Years	1.25%
0-10 Years	1.00%

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 of the State of Rhode Island, which are subject to amendment by the General Assembly.

NBC contributed and recognized a pension expense of \$50,183 for the FY 2018, 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 non-forfeitable. 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 1st of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

The ERSRI 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>.

9 – NON-UNION PENSION PLANS

Non-Union Defined Contribution Plan

NBC's Board 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, 2018, there were 125 active participants.

Contributions are discretionary and established annually and may be amended by the Board. NBC's contribution to the profit-sharing plan for the year ended June 30, 2018 amounted to \$478,604 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2018. 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, 2018 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 21 years of age. These provisions were adopted and may be amended by the Board.

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 \$9,572,080 for the year ended June 30, 2018. The total payroll for the year ended June 30, 2018 amounted to \$16,875,871.

Non-Union Defined Benefit Plan

Plan description

Plan administration - The 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 1st and ends December 31st, 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 Strategic Retirement Partners, LLC, a fiduciary to the Plan, to select investments and review asset allocations and performance. Please refer to the Notes to 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, 2018, there were 166 Plan participants: 117 participants were active and 49 were inactive participants, of which 25 were vested and terminated and 24 were retirees.

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 2018 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, 2018 was \$212,581.

The contributions made to the plan for the fiscal year ended June 30, 2018 were \$1,622,145 which consists of employer contributions of \$1,168,202 and employee contributions of \$453,943.

Net pension liability (asset)

The components of the net pension liability (asset) at June 30, 2018, were as follows:

Total pension liability	\$ 19,450,204
Plan fiduciary net position	<u>19,634,585</u>
Net pension liability (asset)	<u>\$ (184,381)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>100.95%</u>

Changes in Net Pension Liability (Asset)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance as of July 1, 2017	\$ 18,252,983	\$ 16,979,011	\$ 1,273,972
Changes for the year:			
Service cost	517,250	-	517,250
Interest on total pension liability	1,090,715	-	1,090,715
Differences between expected and actual experience	23,003	-	23,003
Change in assumptions	(112,144)	-	(112,144)
Contributions - employer	-	1,168,202	(1,168,202)
Contributions - employee	-	453,943	(453,943)
Net investment income	-	1,365,701	(1,365,701)
Benefit payments	(321,603)	(321,603)	-
Administrative expense	-	(10,669)	10,669
Net changes	<u>1,197,221</u>	<u>2,655,574</u>	<u>(1,458,353)</u>
Balance as of June 30, 2018	<u>\$ 19,450,204</u>	<u>\$ 19,634,585</u>	<u>\$ (184,381)</u>

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2018, 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
Pre and post retirement mortality	Rates were based on RP-2014 blended 60% White Collar and 40% Blue Collar tables for Employees and Healthy Annuitants with Scale MP-2017 Generational Improvements from 2006 (male/female)

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 collective summary of capital market expectations from 35 sources.

The June 30, 2018 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap US Equity	30%	5.39%
Small / Mid Cap US Equity	10%	5.96%
International Equity	15%	5.41%
Intermediate to Long-Term Bonds	35%	1.83%
Short-Term Bonds	10%	0.79%
Total	100%	

These return assumptions are then weighted by the target asset allocation percentage to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

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.

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the net pension liability (asset) of NBC, calculated using the discount rate of 6.0%, as well as what NBC's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current rate:

	<u>1% Decrease (5.0%)</u>	<u>Current Discount Rate (6.0%)</u>	<u>1% Increase (7.0%)</u>
Net Pension Liability (Asset)	\$ 2,384,514	\$ (184,381)	\$ (2,339,177)

Pension expense and deferred outflows and deferred inflows of resources related to pensions -

For the year ended June 30, 2018, NBC recognized pension expense of \$104,705. At June 30, 2018, NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,041,102	\$ 428,126
Difference between expected and actual experience	396,961	301,393
Difference between projected and actual investment earnings	-	337,371
Total	\$ 1,438,063	\$ 1,066,890

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

<i>Year ended June 30:</i>	<i>Deferred Outflows and (Inflows) of Resources</i>
2019	\$ 110,236
2020	44,754
2021	(52,297)
2022	61,816
2023	125,470
Thereafter	81,194
Total	<u>\$ 371,173</u>

NBC issues a publicly available financial report that includes financial statements and required supplementary information for the Non-Union Defined Benefit Plan administered by NBC. The report may be obtained by contacting the Chief Financial Officer, One Service Road, Providence, RI 02905.

10 – UNION – STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM

Plan description – Union employees of NBC participate in a cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plan included within the Rhode Island State Employees’ and Electing Teachers OPEB System (the “System”). NBC participates in the State Employees plan within the System.

Under a cost sharing plan, OPEB 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 OPEB benefits through the plan, regardless of the status of the employers’ payment of its OPEB obligation to the plan. The plan provides health care benefits to plan members.

The System is administered by the OPEB Board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB system. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

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.oag.ri.gov/reports.html.

Membership and benefit provisions – The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplemental coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

Contributions – The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. NBC is required to contribute at an actuarially determined rate; the rate was 5.98% of annual covered payroll for the fiscal year ended June 30, 2018. NBC contributed \$345,990, \$350,893 and \$352,684 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2018, NBC reported a liability of \$4,265,419 for its proportionate share of the net OPEB liability related to its participation in the System. The net OPEB liability was measured as of June 30, 2017, the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. NBC’s proportion of the net OPEB liability was based on its share of contributions to the System for fiscal year 2017 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017, NBC’s proportion was 0.82115%.

For the year ended June 30, 2018, NBC recognized OPEB expense of \$317,879. At June 30, 2018, NBC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Changes in assumptions	\$ 255,920	\$ -
Contributions subsequent to measurement date	345,990	-
Difference between expected and actual experience	-	222,390
Difference between projected and actual investment earnings	-	52,276
Total	<u>\$ 601,910</u>	<u>\$ 274,666</u>

Contributions of \$345,990 are reported as deferred outflows of resources related to OPEB expense resulting from NBC’s contributions in fiscal year 2018 subsequent to the measurement date, and will be recognized as a reduction of the net pension liability determined at the June 30, 2018 measurement date.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ended June 30:</i>	<i>Outflows (Inflows) of Resources</i>
2019	\$ (7,802)
2020	(7,802)
2021	(7,802)
2022	(7,802)
2023	5,267
Thereafter	7,199
Total	<u>\$ (18,742)</u>

Actuarial assumptions -The total OPEB liability was determined using the following significant actuarial assumptions:

Inflation	2.75%
Salary increases	3.00% to 6.00%
Investment rate of return	5.00%
Health care cost trend rate	9.00% in FY 2018 decreasing annually to 3.50% in FY 2031 and later.

The long-term expected rate of return best-estimate on OPEB 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 OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from eight nationally recognized investment consulting firms. The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<i>Asset Class</i>	<i>Long-Term Target Asset Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Domestic Equity	65%	5.58%
Fixed Income	35%	0.52%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount rate - The discount rate used to measure the total OPEB liability was 5.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability calculated using the discount rate of 5.0% as well as what the net OPEB liability 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.

Net OPEB Liability		
Discount Rate Sensitivity		
1% Decrease (4.0% Discount Rate)	Current Discount Rate (5.0%)	1% Increase (6.0% Discount Rate)
\$ 4,977,179	\$ 4,265,419	\$ 3,672,776

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate - The following table presents the net OPEB liability calculated using the healthcare cost trend rate of 9.0% and gradually decreasing to an ultimate rate of 3.5%, as well what the employers' net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

Net OPEB Liability		
Health Care Trend Rate Sensitivity		
1% Lower	Baseline	1% Higher
\$ 3,589,649	\$ 4,265,419	\$ 5,105,236

OPEB plan fiduciary net position - 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 <http://www.oag.ri.gov/reports.html>. The report contains detailed information about the OPEB plan's fiduciary net position.

11 – 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 on January 1, 1992, for the Bucklin Point service area.

12 – 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, flood, 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.

13 – 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 \$12,328,782 on June 30, 2018.

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.

14 – SUBSEQUENT EVENTS

Based upon Management's evaluation, it was determined that no subsequent events through September 10, 2018 occurred that require disclosure.

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios-
Non-Union Defined Benefit Plan (Unaudited)
For the Years Ended June 30,
*Last 10 Fiscal Years**

	June 30, 2018
Total pension liability	
Service cost	\$ 517,250
Interest	1,090,715
Differences between expected and actual experience	23,003
Change in assumptions	(112,144)
Benefit payments, including refunds of participant contributions	(321,603)
Net change in total pension liability	1,197,221
Total pension liability - beginning	18,252,983
Total pension liability - ending	\$ 19,450,204
Pension fiduciary net position	
Contributions - employer	\$ 1,168,202
Contributions - employee	453,943
Net investment income	1,365,701
Benefit payments	(321,603)
Administrative expense	(10,669)
Net change in plan fiduciary net position	2,655,574
Plan fiduciary net position - beginning	16,979,011
Plan fiduciary net position - ending	\$ 19,634,585
Net pension liability (asset) - ending	\$ (184,381)

(Continued)

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

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios-
Non-Union Defined Benefit Plan (Unaudited) (Continued)
For the Years Ended June 30,
*Last 10 Fiscal Years**

June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
\$ 483,428	\$ 469,348	\$ 504,855	\$ 441,297
1,048,533	965,809	803,212	729,646
(265,443)	352,399	232,651	(187,670)
(228,207)	(228,213)	1,350,562	424,254
(268,133)	(180,615)	(136,591)	(120,730)
770,178	1,378,728	2,754,689	1,286,797
17,482,805	16,104,077	13,349,388	12,062,591
<u>\$ 18,252,983</u>	<u>\$ 17,482,805</u>	<u>\$ 16,104,077</u>	<u>\$ 13,349,388</u>
\$ 1,899,556	\$ 1,744,985	\$ 986,656	\$ 789,435
454,135	429,941	410,397	398,975
1,434,681	239,860	283,708	1,101,778
(268,133)	(180,615)	(136,591)	(120,720)
(8,421)	(6,761)	(6,027)	(2,639)
3,511,818	2,227,410	1,538,143	2,166,829
13,467,193	11,239,783	9,701,640	7,534,821
<u>\$ 16,979,011</u>	<u>\$ 13,467,193</u>	<u>\$ 11,239,783</u>	<u>\$ 9,701,650</u>
<u>\$ 1,273,972</u>	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,738</u>

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

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios-
Non-Union Defined Benefit Plan (Unaudited) (Continued)
For the Years Ended June 30,
*Last 10 Fiscal Years**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability	\$ 19,450,204	\$ 18,252,983	\$ 17,482,805	\$ 16,104,077	\$ 13,349,388
Plan fiduciary net position	<u>19,634,585</u>	<u>16,979,011</u>	<u>13,467,193</u>	<u>11,239,783</u>	<u>9,701,640</u>
Net pension liability (asset)	<u>\$ (184,381)</u>	<u>\$ 1,273,972</u>	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,748</u>
Plan fiduciary net position as a percentage of total pension liability	100.95%	93.02%	77.03%	69.79%	72.67%
Covered-employee payroll**	\$ 9,078,824	\$ 9,082,700	\$ 8,598,820	\$ 8,207,940	\$ 7,979,500
Net pension liability as a percentage of covered-employee payroll	(2.03%)	14.03%	46.70%	59.26%	45.71%

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

** Reflects revised definition per GASB 82.

*Required Supplementary Information
Schedule of Employer Contributions -
Non-Union Defined Benefit Plan (Unaudited)
For the Years Ended June 30,
Last 10 Fiscal Years**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution	\$ 212,581	\$ 626,042	\$ 679,731	\$ 657,313	\$ 470,780
Contribution in relation to the actuarially determined contribution	<u>1,168,202</u>	<u>1,899,556</u>	<u>1,744,985</u>	<u>986,656</u>	<u>789,435</u>
Contribution deficiency (excess)	<u>\$ (955,621)</u>	<u>\$ (1,273,514)</u>	<u>\$ (1,065,254)</u>	<u>\$ (329,343)</u>	<u>\$ (318,655)</u>
Covered-employee payroll**	\$ 9,078,824	\$ 9,082,700	\$ 8,598,820	\$ 8,207,940	\$ 7,979,500
Contribution as a percentage of covered-employee payroll	12.87%	20.91%	20.29%	12.02%	9.89%

Notes to schedule:

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

Actuarial Assumptions as of June 30, 2018:

Discount rate	6.00%								
Long-term rate of return on investments	6.00% net of expenses, including inflation								
Municipal bond	2.98%								
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 for Employees and Healthy Annuitants with Scale MP-2017 Generational Improvements from 2006 (M/F)								
Termination	T-2 illustrative annual rates of withdrawals as follows:								
	<table border="1"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">5.29%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td style="text-align: center;">55</td> <td style="text-align: center;">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								

All other assumptions are consistent with the Plan's actuarial valuation as of December 31, 2017.

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

** Reflects revised definition per GASB 82.

Required Supplementary Information
Schedule of Investment Returns -
Non-Union Defined Benefit Plan (Unaudited)
For the Years Ended June 30,
*Last 10 Fiscal Years**

	<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
Annual money-weighted rate of return net of investment expense	7.85%	10.25%	2.06%	2.81%	13.84%

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

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

<i>Year Ended</i>	<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>
<i>Measurement Date</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
NBC's proportion of the net pension liability	\$ 19,376,984	\$ 18,292,407	\$ 16,936,520	\$ 15,554,087
NBC's proportionate share of the net pension liability	0.859%	0.862%	0.852%	0.873%
NBC's covered-employee payroll	\$ 5,956,481	\$ 5,798,735	\$ 5,700,723	\$ 5,695,059
NBC's proportionate share of the net pension liability as a percentage of its covered employee payroll	325.31%	315.46%	297.09%	273.12%
Plan fiduciary net position as a percentage of the total pension liability	51.83%	51.88%	55.03%	58.58%

Note:

The amounts presented for fiscal year were determined as of June 30th measurement date prior to the fiscal year end.

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

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

	<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>
Statutorily determined contribution	\$ 1,438,927	\$ 1,509,489	\$ 1,370,821	\$ 1,329,238
Contributions in relation to the statutorily determined contribution	<u>1,438,927</u>	<u>1,509,489</u>	<u>1,370,821</u>	<u>1,329,238</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,785,794	\$ 5,956,481	\$ 5,798,735	\$ 5,700,732
Contribution as a percentage of covered-employee payroll	24.87%	25.34%	23.64%	23.32%

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.

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

*Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability
State Employees' and Electing Teachers OPEB System (Unaudited)
For the Year Ended June 30,*

<i>Year Ended</i>	<i>June 30, 2018</i>
<i>Measurement Date</i>	<i>June 30, 2017</i>
NBC's proportion of the net OPEB liability	\$ 4,265,419
NBC's proportionate share of the net OPEB liability	0.82115%
NBC's covered-employee payroll	\$ 5,785,794
NBC's proportionate share of the OBEP liability as a percentage of its covered employee payroll	73.72%
Plan fiduciary net position as a percentage of the total OPEB liability	51.83%

Note:

The amounts presented for fiscal year were determined as of June 30th measurement date prior to the fiscal year end.

* First year of implementation of GASB 75, therefore only one year of 10 years required data is available.

Required Supplementary Information
Schedule of Contributions
State Employees' and Electing Teachers OPEB System (Unaudited)
For the Year Ended June 30,

	June 30, 2018
Statutorily determined contribution	\$ 345,990
Contributions in relation to the statutorily determined contribution	345,990
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 5,785,786
Contribution as a percentage of covered-employee payroll	5.98%

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 75, therefore only one year of 10 years required data is available.

NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

OPERATING EXPENSES	Budget	Actual	Variance Favorable (Unfavorable)
Personnel services			
Union regular	\$ 6,434,604	\$ 5,837,666	\$ 596,938
Union overtime	630,900	585,669	45,231
Non-union regular	10,280,643	9,937,147	343,496
Non-union overtime	177,100	167,974	9,126
Non-union limited	26,100	19,209	6,891
Fringe benefits	9,360,438	8,605,229	755,209
Project salaries and fringe benefits capitalized	(1,694,309)	(1,571,237)	(123,072)
Total personnel services	25,215,476	23,581,657	1,633,819
General and administration			
Insurance	661,149	668,632	(7,483)
Workers' compensation insurance	460,000	436,708	23,292
Workers' compensation old claims	5,000	-	5,000
Total general and administration	1,126,149	1,105,340	20,809
OPERATIONS AND MAINTENANCE			
Travel			
Local travel	5,250	1,737	3,513
Long-distance travel	88,400	66,979	21,421
Total travel	93,650	68,716	24,934
Repairs and maintenance			
Building and ground maintenance	224,500	222,421	2,079
Vehicle fuel and maintenance	200,300	191,410	8,890
Repairs, buildings and structures	851,765	848,495	3,270
Repairs, highways and walks	10,000	4,528	5,472
Maintenance/service agreements	1,293,527	1,258,102	35,425
Highway and landscape	12,700	12,396	304
Diesel for equipment	23,600	22,515	1,085
Total repairs and maintenance	2,616,392	2,559,867	56,525
Utilities			
Telephone	190,020	186,298	3,722
Central telephone services	5,000	4,762	238
Fuel, gas	346,181	371,847	(25,666)
Electricity	2,474,806	2,309,381	165,425
Water	85,500	78,620	6,880
Total utilities	3,101,507	2,950,908	150,599

(Continued)

NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)
For the Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Supplies			
Clothing and clothing materials	\$ 38,500	\$ 28,628	\$ 9,872
Building and machinery supplies and expenses	488,710	468,542	20,168
Educational expenses	68,400	58,745	9,655
Lab supplies	351,870	346,650	5,220
Computer supplies	97,650	95,302	2,348
Other operating supplies and expenses	14,950	13,253	1,697
Chemicals	969,971	957,412	12,559
Total supplies	2,030,051	1,968,532	61,519
TOTAL OPERATIONS AND MAINTENANCE	7,841,600	7,548,023	293,577
Contract services			
Medical services	11,490	9,328	2,162
Biosolids disposal	4,517,020	4,731,063	(214,043)
Screening and grit disposal	211,210	210,874	336
Service agreements	350,487	362,767	(12,280)
Security services	42,300	32,787	9,513
Regulatory expenses	458,050	514,986	(56,936)
Legal services	196,000	200,061	(4,061)
Management/audit services	263,000	188,918	74,082
Special clerical services	81,800	67,777	14,023
Other special services	238,800	192,411	46,389
Total contract services	6,370,157	6,510,972	(140,815)
Miscellaneous			
Office expenses	112,575	98,463	14,112
Postage	406,668	392,555	14,113
Dues and subscriptions	62,900	56,310	6,590
Freight	48,650	46,775	1,875
Printing and binding	150,810	134,638	16,172
Advertising	20,275	8,752	11,523
Rental of outside property	303,634	283,112	20,522
Rental of equipment	19,650	13,594	6,056
Rental of clothing	25,000	22,783	2,217
Safety equipment	55,450	53,415	2,035
Miscellaneous	6,200	4,956	1,244
Public outreach education	43,400	42,358	1,042
Total miscellaneous	1,255,212	1,157,711	97,501
TOTAL OPERATING EXPENSES	41,808,594	39,903,703	1,904,891

(Continued)

NARRAGANSETT BAY COMMISSION
Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)
For the Year Ended June 30, 2018

NON-OPERATING EXPENSES	Budget	Actual	Variance Favorable (Unfavorable)
Interest expense			
Interest expense - 2008 Series A	\$ 1,976,275	\$ 906,275	\$ 1,070,000
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	1,944,400	1,944,400	-
Interest expense - 2015 Series A	1,972,100	1,972,100	-
Interest expense - RIIB	8,571,364	8,285,700	285,664
Total interest expense	19,257,339	17,901,675	1,355,664
Operating capital			
Building and plant equipment	352,000	270,842	81,158
Office furniture and equipment	239,000	48,163	190,837
Computer software	1,405,000	1,271,673	133,327
Computer hardware	130,000	84,727	45,273
Replacement reserve	2,845,678	2,453,540	392,138
Special studies	250,000	20,067	229,933
Automotive equipment	89,000	84,903	4,097
Total operating capital	5,310,678	4,233,915	1,076,763
Debt service principal	27,529,555	27,529,555	-
TOTAL EXPENSES	\$ 93,906,166	\$ 89,568,848	\$ 4,337,318

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

Total expenses on budgetary basis	\$ 89,568,848
Add:	
Transfer to the State of Rhode Island	5,000,000
Depreciation	16,091,344
Amortization	93,007
Environmental Enforcement Fund expenses	21,000
Bond and note fees	23,485
ERSRI FY 2018 pension plan activity	266,534
Less:	
Non-Union FY 2018 pension plan activity	(663,498)
OPEB plan activity	(28,110)
Operating capital	(4,233,915)
Debt service principal	(27,529,555)
Total expenses on a GAAP basis	\$ 78,609,140

NARRAGANSETT BAY COMMISSION
Combining Schedule of Net Position
June 30, 2018

	<i>Revenue Fund</i>	<i>O & M Fund</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 8,277,975	\$ 6,892,551
Accounts receivable		
Sewer use (net of allowance)	9,156,248	-
Sewer use unbilled	4,924,564	-
Receivables, other	174,944	-
Due from RIIB	-	-
Prepaid expenses	-	568,679
Total current assets	22,533,731	7,461,230
Non-current assets		
Restricted assets		
Cash and cash equivalents, environmental enforcement	78,713	-
Cash and cash equivalents, operating reserve for revenue stability fund	-	-
Cash and cash equivalents, restricted for debt service	-	-
Cash and cash equivalents, restricted for debt service reserve fund	-	-
Cash and cash equivalents, restricted for acquisition and construction of plant assets	-	-
Total restricted assets	78,713	-
Capital assets		
Land	-	-
Plant and equipment	-	-
Capital projects completed	-	-
Construction in progress	-	-
Subtotal	-	-
Less: accumulated depreciation	-	-
Total net capital assets	-	-
Other assets		
Net pension asset - Non-Union Defined Benefit Pension Plan	-	184,381
Total non-current assets	78,713	184,381
Total assets	22,612,444	7,645,611
Deferred outflows of resources		
Loss on refunding of debt	-	-
Pension related outflows, net	-	5,984,557
OPEB related outflows, net	-	601,910
Total deferred outflows of resources	-	6,586,467

(Continued)

NARRAGANSETT BAY COMMISSION
 Combining Schedule of Net Position (Continued)
 June 30, 2018

Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Debt Service Reserve Fund	Total
\$ 8,565,662	\$ -	\$ -	\$ -	\$ 23,736,188
-	-	-	-	9,156,248
-	-	-	-	4,924,564
-	-	-	-	174,944
16,408,599	-	-	-	16,408,599
-	-	-	-	568,679
<u>24,974,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,969,222</u>
-	-	-	-	78,713
-	-	4,554,596	-	4,554,596
-	35,870,258	-	-	35,870,258
-	-	-	3,539,427	3,539,427
18,727,363	-	-	-	18,727,363
<u>18,727,363</u>	<u>35,870,258</u>	<u>4,554,596</u>	<u>3,539,427</u>	<u>62,770,357</u>
2,754,407	-	-	-	2,754,407
99,867,563	-	-	-	99,867,563
780,648,298	-	-	-	780,648,298
347,798,138	-	-	-	347,798,138
1,231,068,406	-	-	-	1,231,068,406
222,041,429	-	-	-	222,041,429
1,009,026,977	-	-	-	1,009,026,977
-	-	-	-	184,381
<u>1,027,754,340</u>	<u>35,870,258</u>	<u>4,554,596</u>	<u>3,539,427</u>	<u>1,071,981,715</u>
<u>1,052,728,601</u>	<u>35,870,258</u>	<u>4,554,596</u>	<u>3,539,427</u>	<u>1,126,950,937</u>
1,890,793	-	-	-	1,890,793
-	-	-	-	5,984,557
-	-	-	-	601,910
<u>1,890,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,477,260</u>

(Continued)

NARRAGANSETT BAY COMMISSION
Combining Schedule of Net Position (Continued)
June 30, 2018

	<i>Revenue Fund</i>	<i>O & M Fund</i>
Liabilities		
Current liabilities		
Accounts payable	\$ 32,470	\$ 2,795,295
Contracts payable	-	-
Accrued interest payable	-	-
Accrued expenses	-	519,780
Unearned revenue billed in advance	269,058	-
Current portion of the other accrued expenses	-	502,601
Current portion of loans payable	-	-
Total current liabilities	301,528	3,817,676
Non-current liabilities		
Long-term other accrued expenses, net	-	2,390,869
Long-term net pension liability - ERSRI Pension	-	19,376,984
Long-term net OPEB liability	-	4,265,419
Long-term loans payable, net	-	-
Long-term debt	-	-
Total non-current liabilities	-	26,033,272
Total liabilities	301,528	29,850,948
Deferred inflows of resources		
Gain on refunding of debt	-	-
Pension related inflows, net	-	2,641,088
OPEB related inflows, net	-	274,666
Total deferred inflows of resources	-	2,915,754
Net position		
Net investment in capital assets	-	-
Restricted - environmental enforcement fund	78,713	-
Restricted - debt service reserve fund	-	-
Restricted - operating reserve for revenue stability fund	-	-
Unrestricted	22,232,203	(18,534,624)
Total net position	\$ 22,310,916	\$ (18,534,624)

(Continued)

NARRAGANSETT BAY COMMISSION
Combining Schedule of Net Position (Continued)
 June 30, 2018

<i>Project Fund</i>	<i>Debt Service Fund</i>	<i>Operating Reserve for Revenue Stability Fund</i>	<i>Debt Service Reserve Fund</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ -	\$ 2,827,765
3,701,579	-	-	-	3,701,579
-	5,998,871	-	-	5,998,871
-	-	-	-	519,780
-	-	-	-	269,058
-	-	-	-	502,601
28,801,972	-	-	-	28,801,972
<u>32,503,551</u>	<u>5,998,871</u>	<u>-</u>	<u>-</u>	<u>42,621,626</u>
-	-	-	-	2,390,869
-	-	-	-	19,376,984
-	-	-	-	4,265,419
302,974,434	-	-	-	302,974,434
262,604,184	-	-	-	262,604,184
<u>565,578,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,611,890</u>
<u>598,082,169</u>	<u>5,998,871</u>	<u>-</u>	<u>-</u>	<u>634,233,516</u>
161,208	-	-	-	161,208
-	-	-	-	2,641,088
-	-	-	-	274,666
<u>161,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,076,962</u>
447,810,355	35,870,258	-	-	483,680,613
-	-	-	-	78,713
-	-	4,554,596	-	4,554,596
-	-	-	3,539,427	3,539,427
8,565,662	(5,998,871)	-	-	6,264,370
<u>\$ 456,376,017</u>	<u>\$ 29,871,387</u>	<u>\$ 4,554,596</u>	<u>\$ 3,539,427</u>	<u>\$ 498,117,719</u>

NARRAGANSETT BAY COMMISSION

Combining Schedule of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2018

	Revenue Fund	O & M Fund
Operating revenues		
User fees, residential	\$ 55,206,499	\$ -
User fees, commercial and industrial	40,616,342	-
Permit and connection fees	123,319	-
Pretreatment fees	1,066,370	-
Environmental enforcement	3,400	-
Septage income	333,037	-
Late charge penalties	796,362	-
REC revenue	152,338	-
Miscellaneous	38,848	-
Total operating revenues	98,336,515	-
Operating expenses		
Personnel services	-	23,156,582
General and administration	-	1,105,340
Operations and maintenance	-	7,548,023
Depreciation	-	16,091,344
Contractual services	-	6,510,972
Miscellaneous	-	1,178,712
Total operating expenses	-	55,590,973
Operating income (loss)	98,336,515	(55,590,973)
Non-operating revenues (expenses)		
Interest expense	-	-
Transfer to the State of Rhode Island	-	(5,000,000)
Interest income	136,447	63,177
Bond and note issuance fees	-	-
Miscellaneous income	114,951	-
Total non-operating revenues (expenses)	251,398	(4,936,823)
Net income before transfers	98,587,913	(60,527,796)
Transfers in (out)	(101,228,668)	63,659,797
Change in net position	(2,640,755)	3,132,001
Total net position, beginning of year	24,951,671	(17,700,340)
Net position restatement	-	(3,966,285)
Total net position, end of year	\$ 22,310,916	\$ (18,534,624)

(Continued)

NARRAGANSETT BAY COMMISSION

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

For the Year Ended June 30, 2018

Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Debt Service Reserve Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 55,206,499
-	-	-	-	40,616,342
-	-	-	-	123,319
-	-	-	-	1,066,370
-	-	-	-	3,400
-	-	-	-	333,037
-	-	-	-	796,362
-	-	-	-	152,338
-	-	-	-	38,848
-	-	-	-	98,336,515
-	-	-	-	23,156,582
-	-	-	-	1,105,340
-	-	-	-	7,548,023
-	-	-	-	16,091,344
-	-	-	-	6,510,972
-	-	-	-	1,178,712
-	-	-	-	55,590,973
-	-	-	-	42,745,542
-	(17,994,682)	-	-	(17,994,682)
-	-	-	-	(5,000,000)
315,120	369,443	54,596	-	938,783
-	(23,485)	-	-	(23,485)
-	-	-	-	114,951
315,120	(17,648,724)	54,596	-	(21,964,433)
315,120	(17,648,724)	54,596	-	20,781,109
27,970,411	9,561,131	(2,869)	40,198	-
28,285,531	(8,087,593)	51,727	40,198	20,781,109
428,090,486	37,958,980	4,502,869	3,499,229	481,302,895
-	-	-	-	(3,966,285)
<u>\$ 456,376,017</u>	<u>\$ 29,871,387</u>	<u>\$ 4,554,596</u>	<u>\$ 3,539,427</u>	<u>\$ 498,117,719</u>

This page was intentionally left blank.

STATISTICAL SECTION



This page was intentionally left blank.

Narragansett Bay Commission - Statistical Section

This part of 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 NBC's overall financial health.

Financial Trends

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

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

Revenue Capacity

These schedules contain information to help the reader assess 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 NBC's current levels of outstanding debt and 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 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 NBC's financial report relates to the services 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 CAFR for the relevant year.

This page was intentionally left blank.

*Net Position by Component (Unaudited)
Last Ten Fiscal Years*

Restricted						
Years Ending June 30,	Net Investment in Capital Assets	Environmental Enforcement Fund	Debt Service Reserve Fund	Operating Reserve for Revenue Stability Fund	Unrestricted	Total Net Position
2009	\$ 287,519,524	\$ 157,021	\$ -	\$ -	\$ 17,249,233	\$ 304,925,778
2010	308,023,780	146,170	-	-	19,816,951	327,986,901
2011	332,397,131	118,796	-	-	20,718,376	353,234,303
2012	355,425,077	87,748	-	-	20,686,171	376,198,996
2013	400,509,402	74,841	-	-	(3,717,492)	396,866,751
2014 ⁽¹⁾	397,290,915	72,426	-	-	18,420,683	415,784,024
2015 ⁽²⁾	414,028,338	54,405	3,497,335	4,500,023	1,629,242	423,709,343
2016	443,394,173	90,910	3,502,206	4,501,062	1,295,925	452,784,276
2017	470,512,740	96,095	3,499,229	4,502,869	2,691,962	481,302,895
2018 ⁽³⁾	483,680,613	78,713	3,539,427	4,554,596	6,264,370	498,117,719

(1) In 2014, beginning net position was restated as a result of GASB 65 relating to bond issuance costs.

(2) In 2015, beginning net position was restated as a result of GASB 68 relating to pensions.

(3) In 2018, beginning net position was restated as a result of GASB 75 relating to OPEB.

Note: Restated FY 2009 - FY 2017 Net Position by Component to be consistent with the FY 2018 Net Position by Component.

*Changes in Net Position (Unaudited)
Last Ten Fiscal Years*

	2018⁽³⁾	2017	2016	2015⁽²⁾
Operating revenues				
User fees	\$ 95,822,841	\$ 96,610,156	\$ 96,078,624	\$ 92,007,299
Pretreatment fees	1,066,370	1,090,541	1,088,763	1,076,481
Other operating revenue	1,447,304	1,955,334	1,837,607	1,932,062
Total operating revenues	98,336,515	99,656,031	99,004,994	95,015,842
Non-operating revenues				
Interest income	938,783	360,367	112,094	5,839
Grant Income	-	-	4,910	4,910
Other non-operating revenues	114,951	252,508	203,855	163,634
Total non-operating revenues	1,053,734	612,875	320,859	174,383
Operating expenses				
Personnel services	23,156,582	22,720,366	22,903,792	20,946,735
Contractual services	6,643,675	5,970,551	5,748,754	7,469,034
General and administration	9,699,372	9,456,666	9,460,958	8,756,689
Depreciation and amortization	16,091,344	15,593,700	14,091,320	12,983,750
Total operating expenses	55,590,973	53,741,283	52,204,824	50,156,208
Non-operating expenses				
Interest expense	17,994,682	17,899,683	17,734,236	16,475,516
Transfer to the State of Rhode Island	5,000,000	-	-	-
Other expenses	23,485	109,321	823,930	720,428
Total non-operating expenses	23,018,167	18,009,004	18,558,166	17,195,944
Net income before capital contributions	20,781,109	28,518,619	28,562,863	27,838,073
Capital contributions	-	-	512,070	-
Change in net position	20,781,109	28,518,619	29,074,933	27,838,073
Net position, beginning	477,336,610	452,784,276	423,709,343	395,871,270
Net position, ending	\$ 498,117,719	\$ 481,302,895	\$ 452,784,276	\$ 423,709,343

(Continued)

(1) In 2014, beginning net position was restated as a result of GASB 65 relating to bond issuance costs.

(2) In 2015, beginning net position was restated as a result of GASB 68 relating to pensions.

(3) In 2018, beginning net position was restated as a result of GASB 75 relating to OPEB.

Changes in Net Position (Unaudited) (Continued)
Last Ten Fiscal Years

2014⁽¹⁾	2013	2012	2011	2010	2009
\$ 89,182,519	\$ 77,949,901	\$ 75,921,752	\$ 73,412,706	\$ 69,224,415	\$ 67,958,753
1,095,551	1,077,887	1,087,140	1,109,709	1,114,004	1,126,654
1,869,945	1,320,944	1,410,298	1,390,160	1,435,630	1,458,274
<u>92,148,015</u>	<u>80,348,732</u>	<u>78,419,190</u>	<u>75,912,575</u>	<u>71,774,049</u>	<u>70,543,681</u>
5,433	22,907	10,868	11,609	47,803	420,017
-	14,980	129,327	66,851	279,978	34,300
182,084	190,923	247,740	263,238	280,656	185,832
<u>187,517</u>	<u>228,810</u>	<u>387,935</u>	<u>341,698</u>	<u>608,437</u>	<u>640,149</u>
21,090,749	19,858,457	19,412,763	18,751,300	18,767,282	17,832,832
8,036,730	7,104,834	6,780,533	6,614,019	7,008,213	7,221,939
8,838,866	8,607,391	8,783,624	8,223,641	8,529,977	8,622,100
11,812,153	10,974,885	10,569,625	10,437,059	9,065,008	7,301,816
<u>49,778,498</u>	<u>46,545,567</u>	<u>45,546,545</u>	<u>44,026,019</u>	<u>43,370,480</u>	<u>40,978,687</u>
16,660,404	13,587,442	11,785,551	10,887,026	10,820,471	12,013,384
-	-	-	-	-	-
915,288	130,980	60,883	136,664	36,381	15,945
<u>17,575,692</u>	<u>13,718,422</u>	<u>11,846,434</u>	<u>11,023,690</u>	<u>10,856,852</u>	<u>12,029,329</u>
24,981,342	20,313,533	21,414,146	21,204,564	18,155,154	18,175,814
80,965	354,202	1,550,547	4,042,838	4,905,969	-
25,062,307	20,667,735	22,964,693	25,247,402	23,061,123	18,175,814
<u>390,721,717</u>	<u>376,198,996</u>	<u>353,234,303</u>	<u>327,986,901</u>	<u>304,925,778</u>	<u>286,749,964</u>
<u>\$ 415,784,024</u>	<u>\$ 396,866,731</u>	<u>\$ 376,198,996</u>	<u>\$ 353,234,303</u>	<u>\$ 327,986,901</u>	<u>\$ 304,925,778</u>

Revenues by Source (Unaudited)
Last Ten Fiscal Years

Operating Revenues						
Years Ending June 30,	User Fees	Permit and Connection Fees	Pretreatment Fees	Environmental Enforcement	Septage Income	Late Charges Penalties
2009	\$ 67,958,753	\$ 140,822	\$ 1,126,654	\$ 3,700	\$ 382,955	\$ 849,127
2010	69,224,415	86,009	1,114,004	13,650	380,579	901,619
2011	73,412,706	82,914	1,109,709	8,315	293,718	951,351
2012	75,921,752	85,487	1,087,140	1,000	304,157	918,943
2013	77,949,901	95,609	1,077,887	-	300,319	918,134
2014	89,182,519	112,773	1,095,551	15,229	310,136	1,013,240
2015	92,007,299	100,906	1,076,481	5,972	336,037	999,867
2016	96,078,624	124,450	1,088,763	50,000	358,719	932,178
2017	96,610,156	145,713	1,090,541	18,500	328,590	874,396
2018	95,822,841	123,319	1,066,370	3,400	333,037	796,362

(Continued)

Revenues by Source (Unaudited) (Continued)
Last Ten Fiscal Years

			<i>Non-Operating Revenues</i>			
<i>REC Revenue</i>	<i>Miscellaneous Revenues</i>	<i>Total Operating Revenues</i>	<i>Grant Income</i>	<i>Interest Income</i>	<i>Miscellaneous Income</i>	<i>Total Revenues</i>
\$ -	\$ 81,670	\$ 70,543,681	\$ 34,300	\$ 420,017	\$ 185,832	\$ 71,183,830
-	53,773	71,774,049	279,978	47,803	280,656	72,382,486
-	53,862	75,912,575	66,851	11,609	263,238	76,254,273
-	100,711	78,419,190	129,327	10,868	247,740	78,807,125
-	6,882	80,348,732	14,980	22,907	190,923	80,577,542
410,624	7,943	92,148,015	-	5,433	182,084	92,335,532
482,048	7,232	95,015,842	4,910	5,839	163,634	95,190,225
360,850	11,410	99,004,994	4,910	112,094	203,855	99,325,853
581,007	7,128	99,656,031	-	360,367	252,508	100,268,906
152,338	38,848	98,336,515	-	938,783	114,951	99,390,249

Expenses by Function (Unaudited)
Last Ten Fiscal Years

Operating Expenses					
Years Ending June 30,	Personnel Services	Contractual Services	Repairs and Maintenance	Utilities	Supplies
2009	\$ 17,832,832	\$ 7,221,939	\$ 1,304,720	\$ 4,156,172	\$ 1,479,232
2010	18,767,282	7,008,213	1,265,659	4,187,385	1,474,302
2011	18,751,300	6,614,019	1,315,887	3,940,125	1,255,828
2012	19,412,763	6,780,533	1,617,879	4,247,867	1,143,635
2013	19,858,457	7,104,834	1,595,803	4,008,392	1,294,849
2014	21,090,749	8,036,730	1,725,079	3,850,260	1,462,692
2015	20,946,735	7,469,034	1,905,473	3,753,041	1,423,101
2016	22,903,792	5,748,754	2,125,598	3,782,104	1,673,833
2017	22,720,366	5,970,551	3,244,006	2,897,768	2,099,109
2018	23,156,582	6,510,972	3,733,922	2,950,909	1,968,532

(Continued)

Expenses by Function (Unaudited) (Continued)
Last Ten Fiscal Years

			Non-Operating Expenses			
Depreciation	Miscellaneous	Total Operating Expenses	Interest Expenses	Transfer to the State of RI	Other Expenses	Total Expenses
\$ 7,301,816	\$ 1,681,976	\$ 40,978,687	\$ 12,013,384	\$ -	\$ 15,945	\$ 53,008,016
9,065,008	1,602,631	43,370,480	10,820,471	-	36,381	54,227,332
10,437,059	1,711,801	44,026,019	10,887,026	-	136,664	55,049,709
10,569,625	1,774,243	45,546,545	11,785,551	-	60,883	57,392,979
10,974,885	1,708,347	46,545,567	13,587,442	-	130,980	60,263,989
11,812,153	1,800,835	49,778,498	16,660,404	-	915,288	67,354,190
12,983,750	1,675,074	50,156,208	16,475,516	-	720,428	67,352,152
14,091,320	1,879,423	52,204,824	17,734,236	-	823,930	70,762,990
15,593,700	1,215,783	53,741,283	17,899,683	-	109,321	71,750,287
16,091,344	1,178,712	55,590,973	17,994,682	5,000,000	23,485	78,609,140

User Fee Revenues by Customer Type (Unaudited)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
<i>Residential</i>	\$ 55,206,499	\$ 55,885,288	\$ 54,406,898	\$ 53,044,437	\$ 51,129,479
<i>Commercial</i>	37,757,562	38,010,903	37,534,887	36,623,617	36,073,080
<i>Industrial</i>	2,858,780	2,713,965	4,136,839	2,339,245	1,979,960
Total	<u>\$ 95,822,841</u>	<u>\$ 96,610,156</u>	<u>\$ 96,078,624</u>	<u>\$ 92,007,299</u>	<u>\$ 89,182,519</u>

	2013	2012	2011	2010	2009
<i>Residential</i>	\$ 45,021,105	\$ 43,266,302	\$ 41,892,869	\$ 39,392,798	\$ 38,727,419
<i>Commercial</i>	31,111,175	30,886,203	29,713,682	28,295,493	27,647,095
<i>Industrial</i>	1,817,621	1,769,247	1,806,155	1,536,124	1,584,239
Total	<u>\$ 77,949,901</u>	<u>\$ 75,921,752</u>	<u>\$ 73,412,706</u>	<u>\$ 69,224,415</u>	<u>\$ 67,958,753</u>

*Residential Sewer Rates (Unaudited)
Last Ten Fiscal Years*

<i>Fiscal Year</i>	<i>Effective Date</i>	<i>Residential Fixed Rate (per dwelling unit)</i>		<i>Residential Consumption Rate (HCF)</i>	
2009	July 1, 2008	\$	124.98	\$	2.569
2010	July 1, 2009		159.21		2.569
2011	July 1, 2010		162.79		2.627
2012	July 1, 2011		168.21		2.714
2013	July 1, 2012		171.99		2.775
2013	January 1, 2013		184.63		2.979
2014	July 1, 2013		202.47		3.267
2015	September 15, 2014		210.51		3.397
2016	July 1, 2015		215.50		3.478
2017	July 1, 2016		218.80		3.531
2018	July 1, 2017		218.80		3.531

HCF - per hundred cubic feet

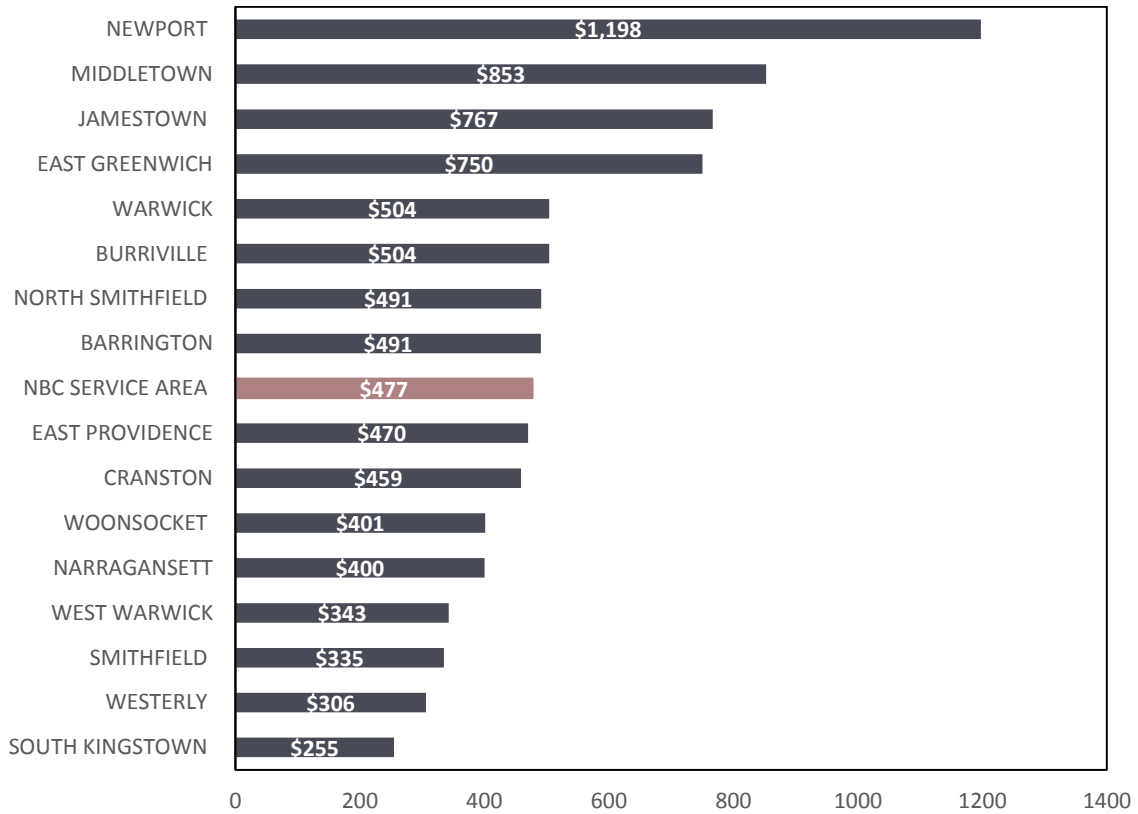
*Non-Residential Sewer Rates (Unaudited)
Last Ten Fiscal Years*

<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>
2009	July 1, 2008	\$ 281.00	\$ 2.395	\$ 3.725
2010	July 1, 2009	380.00	2.395	3.725
2011	July 1, 2010	389.00	2.449	3.809
2012	July 1, 2011	402.00	2.531	3.936
2013	July 1, 2012	411.00	2.588	4.025
2013	January 1, 2013	441.00	2.778	4.321
2014	July 1, 2013	484.00	3.046	4.738
2015	September 15, 2014	503.00	3.167	4.926
2016	July 1, 2015	515.00	3.242	5.043
2017	July 1, 2016	523.00	3.292	5.120
2018	July 1, 2017	523.00	3.292	5.120

HCF - per hundred cubic feet

*Comparative Annual Residential Sewer Rates
Rhode Island Municipalities*

The following survey, conducted by the Narragansett Bay Commission (NBC), compares the annual residential sewer charges for participating Rhode Island Cities and Towns.



Source: 2017 Narragansett Bay Commission Residential Sewer User Survey

Annual Residential charges are based on 73.2 HCF.
The 2017 RI Annual Residential Sewer User Fee is \$530.

This page was intentionally left blank.

*Principal Commercial Users (Unaudited)
2018 and 2009*

<i>Company</i>	2018			2009		
	<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	\$ 1,663,452	1	1.74%	\$ 1,093,390	3	1.62%
Providence Housing Authority	1,628,527	2	1.70%	1,158,229	2	1.71%
Brown University	1,241,906	3	1.30%	1,219,793	1	1.80%
City of Pawtucket	663,778	4	0.69%	472,830	5	0.70%
City of Providence	657,568	5	0.69%	543,619	4	0.80%
Johnson & Wales University	551,497	6	0.58%	282,369	8	0.42%
Rhode Island Resource Recovery	484,038	7	0.51%			
Providence School Department	426,562	8	0.45%	402,904	6	0.60%
Providence College	416,746	9	0.43%	353,578	7	0.52%
State of Rhode Island	369,523	10	0.39%	252,115	9	0.37%
Rhode Island College				242,348	10	0.36%
	<u>\$ 8,103,597</u>		<u>8.48%</u>	<u>\$ 6,021,175</u>		<u>8.90%</u>

Source: NBC's billing records

*Ratio of Outstanding Debt (Unaudited)
Last Ten Fiscal Years*

<i>Fiscal Year Ended June 30,</i>	<i>Loans Payable</i>	<i>Bonds Payable</i>	<i>Lease Payable</i>	<i>Total Outstanding Debt</i>
2009	\$ 271,381,022	\$ 156,089,206	\$ 441,456	\$ 427,911,684
2010	255,695,266	154,547,457	365,855	410,608,578
2011	269,436,595	152,950,708	282,318	422,669,621
2012	340,979,944	151,303,958	249,436	492,533,338
2013	345,706,020	225,204,097	617,136	571,527,253
2014	369,160,326	258,230,000	445,978	627,836,304
2015	346,132,052	262,604,184	253,297	608,989,533
2016	385,089,111	262,604,184	109,685	647,693,295
2017	359,305,961	262,604,184	-	621,910,145
2018	331,776,406	262,604,184	-	594,380,590

(Continued)

*Ratio of Outstanding Debt (Unaudited) (Continued)
Last Ten Fiscal Years*

Capitalized Assets*	Construction in Progress	Total Capital Assets	Outstanding Debt to Capital Assets	Outstanding Debt per Population ⁽¹⁾	Income to Outstanding Debt ⁽¹⁾
\$ 225,324,137	\$ 431,243,898	\$ 656,568,035	0.65	406.29	0.010%
479,512,217	193,843,866	673,356,083	0.61	390.10	0.011%
476,713,013	228,402,550	705,115,563	0.60	402.04	0.011%
469,067,391	289,782,521	758,849,912	0.65	468.95	0.010%
532,119,805	320,249,539	852,369,344	0.67	543.53	0.009%
571,319,305	360,531,394	931,850,699	0.67	597.79	0.008%
622,572,499	329,874,143	952,446,642	0.64	576.69	0.009%
649,490,029	316,367,916	965,857,945	0.67	613.19	0.008%
663,209,230	325,199,530	988,408,760	0.63	588.69	0.009%
661,228,839	347,798,138	1,009,026,977	0.59	N/A	N/A

* Capitalized assets net of accumulated depreciation

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

Debt Service Coverage (Unaudited)
Last Ten Fiscal Years

<i>Fiscal Year</i>	<i>Gross Revenues ⁽¹⁾</i>	<i>Operating Expenses ⁽²⁾</i>	<i>Net Revenues Available for Debt Service</i>
2009	\$ 71,183,830	\$ 33,676,871	\$ 37,506,959
2010	72,382,486	34,305,472	38,077,014
2011	76,254,273	33,588,960	42,665,313
2012	78,807,125	34,976,920	43,830,205
2013	80,577,542	35,570,682	45,006,860
2014	92,335,532	37,966,345	54,369,187
2015	95,190,225	37,172,458	58,017,767
2016	99,325,853	38,113,504	61,212,349
2017	100,268,906	38,147,583	62,121,323
2018	99,390,249	39,499,629	59,890,620

(Continued)

(1) Total revenues including interest income

(2) Total operating expenses exclusive of depreciation and amortization

Debt Service Coverage (Unaudited) (Continued)
Last Ten Fiscal Years

Debt Service Requirement						
	Principal	Interest	Total	Coverage		
\$	17,457,042	\$	11,982,197	\$	29,439,239	1.27
	18,148,897		10,620,806		28,769,703	1.32
	18,702,732		10,349,378		29,052,110	1.47
	20,350,893		10,961,097		31,311,990	1.40
	21,927,959		11,964,723		33,892,682	1.33
	23,335,695		16,647,953		39,983,648	1.36
	23,028,273		17,188,998		40,217,271	1.44
	25,284,371		17,734,236		43,018,607	1.42
	25,783,150		17,899,683		43,682,833	1.42
	27,529,555		17,994,682		45,524,237	1.32

Demographic Statistics (Unaudited)
State of Rhode Island
Last Ten Fiscal Years

<i>Fiscal Year</i>	<i>Population</i> ⁽¹⁾	<i>Personal Income (Millions)</i> ⁽¹⁾	<i>Per Capita Income</i> ⁽¹⁾	<i>Labor Force</i> ⁽²⁾	<i>School Enrollment</i> ⁽³⁾	<i>Unemployment Rate</i> ⁽⁴⁾
2009	1,053,646	\$ 43,526	\$ 41,310	567,500	145,231	11.0%
2010	1,052,669	45,279	43,013	566,276	145,118	11.2%
2011	1,050,350	46,815	44,571	560,238	142,854	11.0%
2012	1,050,304	48,584	46,257	557,958	142,481	10.4%
2013	1,051,511	49,409	46,989	556,531	142,008	9.3%
2014	1,055,173	51,532	48,838	553,347	141,959	7.7%
2015	1,056,000	52,905	50,080	551,936	142,014	6.0%
2016	1,056,268	53,390	51,424	552,848	142,142	5.2%
2017	1,056,426	54,077	50,427	551,000	142,949	4.5%
2018	N/A	N/A	N/A	557,300	N/A	N/A

(1) **Source:** United State Bureau of Economic Analysis

(2) **Source:** Bureau of Labor Statistics

(3) **Source:** Rhode Island Department of Education

(4) **Source:** Rhode Island Department of Labor and Training - Seasonally Adjusted

*Principal Employers (Unaudited)
2017 and 2008*

<i>Company</i>	<i>2017 ⁽¹⁾</i>			<i>2008 ⁽²⁾</i>		
	<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total State Employment</i>	<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total State Employment</i>
Lifespan	12,377	1	2.24%	11,772	1	2.53%
CVS Corp	7,600	2	1.37%	5,954	4	1.28%
Care New England	6,580	3	1.19%	6,193	3	1.33%
Citizens Bank	5,123	4	0.93%	5,500	5	1.18%
Fidelity Investments	4,029	5	0.73%	2,300	10	0.49%
Brown University	4,000	6	0.72%	4,877	6	1.05%
General Dynamics Electric Boat	3,723	7	0.67%			-
Naval Undersea Warfare Center	3,135	8	0.57%			-
Diocese of Providence	3,100	9	0.56%	6,200	2	1.33%
Bank of America (Fleet Financial Group)	3,002	10	0.54%	4,000	8	0.86%
Stop & Shop	-		-	4,385	7	0.94%
University of RI	-		-	2,545	9	0.55%
	<u>52,669</u>		<u>9.53%</u>	<u>53,726</u>		<u>11.55%</u>

(1) **Source:** Providence Business News, Book of Lists 2018

(2) **Source:** RI Department of Labor and Training

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of employees	250	252	260	257	245	254	246	246	244	237
<i>Field's Point Plant (Largest WWTF in RI)</i>										
Daily average treatment in gallons (mgd)	44.18	41.16	38.33	40.55	42.50	43.06	45.66	43.49	51.75	47.20
Total wet weather capacity of treatment (mgd)	200	200	200	200	200	200	200	200	200	200
Number of pump stations	4	4	4	4	4	4	4	4	4	4
Number of active combined sewer overflows (CSOs)	35	35	35	35	37	38	38	38	38	38
Miles of interceptor	80	80	80	80	80	80	80	80	80	80
Number of tide gates	32	32	32	32	32	32	32	32	32	32
<i>Bucklin Point Plant (Second largest WWTF in RI)</i>										
Daily average treatment in gallons (mgd)	20.45	17.30	16.98	19.20	21.73	19.82	20.36	19.98	19.71	23.98
Maximum daily capacity of treatment (mgd)	116	116	116	116	116	116	116	116	116	116
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	26	26
Miles of interceptor	30	30	30	30	30	30	30	30	30	30

mgd = million gallons per day

Source: Management of NBC

*Budgeted Employees by Activity (Unaudited)
Last Ten Fiscal Years*

<i>Departments</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
Executive Affairs	8	8	8	8	8	8	8	8	8	8
Construction Services	10	11	11	13	13	13	12	12	10	10
Human Resources	4	4	4	4	4	4	4	4	4	4
Legal	5	5	5	5	5	5	5	5	5	5
Engineering	6	9	9	9	9	8	9	10	10	11
Finance	6	5	5	5	5	5	5	5	5	5
Accounting	10	10	10	10	10	10	10	10	10	10
Information Technology	12	12	12	12	12	12	11	11	11	11
Customer Service	25	25	25	24	24	24	24	24	24	22
Purchasing	3	4	4	4	4	4	4	4	4	4
Interceptor Maintenance	18	20	20	20	20	20	21	22	22	22
Operations and Maintenance Services	7	-	-	-	-	-	-	-	-	-
Field's Point WWTF	54	59	59	59	57	57	58	56	56	56
Bucklin Point WWTF	45	45	43	35	34	33	33	32	32	32
Water Quality and Compliance	4	5	5	5	5	5	5	5	4	4
Pretreatment	14	14	14	14	14	14	14	15	15	15
Laboratory	17	17	17	17	16	16	16	16	17	15
Environmental Safety and Technical Assistance	4	4	4	4	4	4	4	4	4	4
Environmental Monitoring and Data Analysis	17	17	17	17	17	17	17	17	17	17
<i>Total Budgeted Employees</i>	269	274	272	265	261	259	260	260	258	255

This page was intentionally left blank.

COMPLIANCE SECTION



This page was intentionally left blank.

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, 2018, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, and have issued our report thereon dated September 10, 2018.

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.

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 10, 2018

*Schedule of Long Distance Travel
FY 2018*

TRAVELER	TRAVEL DATES	PURPOSE OF TRAVEL	DESTINATION	TOTALS
Executive (21)				
Raymond Marshall	7/22/17-7/27/17	NACWA Utility Leadership Conference	St Louis, MO	\$ 270
Laurie Horridge	9/17/17-9/20/17	NE States GFOA Annual Fall Conference	Kennebunkport, ME	1,299
Raymond Marshall	10/23/17-10/26/17	NACWA Strategic Leadership & BOD Meeting	Salt Lake City, UT	2,028
Raymond Marshall	2/5/18-2/8/18	2018 NACWA Winter Conference	Napa, CA	2,839
Jamie Samons	2/6/18-2/9/18	2018 NACWA Winter Conference	Napa, CA	2,207
Raymond Marshall	4/16/18-4/18/18	2018 NACWA National Water Policy Fly-In	Washington, DC	1,448
Jamie Samons	6/5/18-6/7/18	NACWA Strategic Communications: H2O	Chicago, IL	1,845
Diane Buerger	6/15/18-6/20/18	SHRM Annual Conference	Chicago, IL	2,627
Laurie Horridge	7/23/18-7/26/18	NACWA Summer Conference	Boston, MA	925
Jamie Samons	7/23/18-7/26/18	NACWA Summer Conference	Boston, MA	925
Jamie Samons		NACWA Winter Conference Registration	Tampa, FL	875
Total Executive (21)				16,412
Legal (24)				
Jennifer Galego	7/22/17-7/26/17	NACWA's Utility Leadership Conference	St. Louis, MO	315
Chloe Davis	11/13/17-11/17/17	National Water Law Seminar & Enforcement	Savannah, GA	2,859
Jennifer Galego	11/13/17-11/17/17	National Water Law Seminar & Enforcement	Savannah, GA	2,852
Jennifer Galego	4/16/18-4/18/18	2018 NACWA National Water Policy Fly-In	Washington, DC	1,464
Jennifer Galego	7/23/18-7/26/18	NACWA Summer Conference	Boston, MA	925
Total Legal (24)				8,416
Engineering (25)				
Kathryn Kelly	8/13/17-8/17/17	10th Annual Breakthroughs in Tunneling	Rosemont, IL	2,400
Kathryn Kelly	11/27/17-11/29/17	Risk Mgmt. in Underground Const. Course	Arlington, VA	1,308
Michael Caruolo	1/29/18-2/1/18	Underground Construction Technology Conf.	New Orleans, LA	1,156
Iziah Roberts Jr.	7/8/18-7/14/18	ESRI User Conference 2018 (GIS)	San Diego, CA	919
Total Engineering (25)				5,783
Finance (31)				
Karen Giebink	9/17/17-9/19/17	NE States GFOA Annual Fall Conference	Kennebunkport, ME	772
Cassie Balzano	6/5/18-6/7/18	NACWA Strategic Communications: H2O	Chicago, IL	1,817
Total Finance (31)				2,589
Information Technology (33)				
Brendon McLean	9/18/17-9/20/17	HP Conference	Houston, TX	146
Christine Cooper	9/18/17-9/20/17	HP Conference	Houston, TX	198
Jason Galego	9/18/17-9/20/17	HP Conference	Houston, TX	182
Brendon McLean	9/30/17-10/5/17	Oracle Open World & JavaOne Conference	San Francisco, CA	4,153
Kathleen Smith	9/30/17-10/5/17	Oracle Open World & JavaOne Conference	San Francisco, CA	3,735
Richard Bailey	9/30/17-10/5/17	Oracle Open World & JavaOne Conference	San Francisco, CA	3,689
James Golden	11/14/17-11/17/17	2017 Harris Customer Training Conference	Atlantic City, NJ	1,624
Brendon McLean	11/15/17-11/17/17	2017 Harris Customer Training Conference	Atlantic City, NJ	1,721
Brendon McLean	6/17/18-6/21/18	HPE Discover Conference	Las Vegas, NV	3,953
Total Information Technology (33)				19,402

Schedule of Long Distance Travel (Continued)
FY 2018

TRAVELER	TRAVEL DATES	PURPOSE OF TRAVEL	DESTINATION	TOTALS
Customer Service (34)				
Clara Casimiro	11/14/17-11/17/17	2017 Harris Customer Training Conference	Atlantic City, NJ	\$ 1,558
Total Customer Service (34)				1,558
Interceptor Maintenance (43)				
Russell McGinnis	4/7/18-4/11/18	2018 Collection Systems Conference	Virginia Beach, VA	2,528
Margaret Goulet	6/17/18-6/21/18	Nutrient Removal & Recovery Conference	Raleigh, NC	2,330
Total Interceptor Maintenance (43)				4,858
Operations & Maintenance Services (44)				
Arthur Sheridan	5/19/18-5/21/18	Intro to Cybersecurity: Workshop & Exercise	Portland, ME	425
Total Operations & Maintenance Services (44)				425
Water Quality & Compliance (51)				
Sarah Flickinger	4/26/18-4/28/18	NEERS Spring 2018 Conference	Portsmouth, NH	570
Total Water Quality & Compliance (51)				570
Laboratory (53)				
Edward Davies	7/27/2017	Hands-On WW Nutrient Removal	Springfield, MA	203
Kim Sandbach	7/27/2017	Hands-On WW Nutrient Removal	Springfield, MA	80
Angelina Glater	2/25/18-3/1/18	2018 Pittcon Conference & Expo.	Orlando, FL	349
Leslie Ahlborg	2/27/18-2/28/18	NEIWPC W&WW Microbiology & Bacteria Tests	Westbrook, ME	460
Walter Palm	6/4/18-6/6/18	NEWEA Spring Meeting	Newport, RI	908
Total Laboratory (53)				1,999
Environmental Safety & Technical Assistance (54)				
James McCaughey	9/30/17-10/5/17	WEFTEC Conference	Chicago, IL	1,715
Barry Wenskowicz	10/25/17-10/27/17	NEBRA NE Residuals and Biosolids Conference	Burlington, VT	746
David Aucoin	11/1/17-11/3/17	National WARN Chairs Meeting	Houston, TX	15
Barry Wenskowicz	4/11/18-4/12/18	NEWEA Energy Efficiency & Asset Management	Merrimack, NH	392
Total Environmental Safety & Technical Assistance (54)				2,868
Environmental Monitoring & Data Analysis (55)				
Karen Cortes	4/26/18-4/28/18	NEERS Spring 2018 Conference	Portsmouth, NH	187
Christine Comeau	4/26/18-4/28/18	NEERS Spring 2018 Conference	Portsmouth, NH	334
Eliza Moore	4/26/18-4/28/18	NEERS Spring 2018 Conference	Portsmouth, NH	704
Total Environmental Monitoring & Data Analysis (55)				1,224
GRAND TOTAL				\$ 66,542