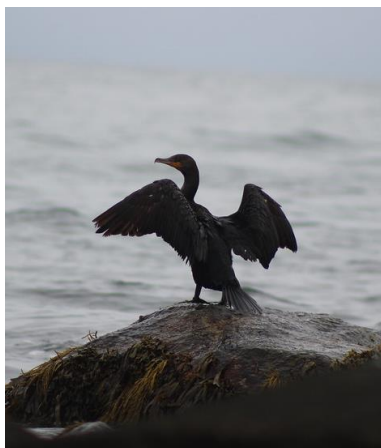
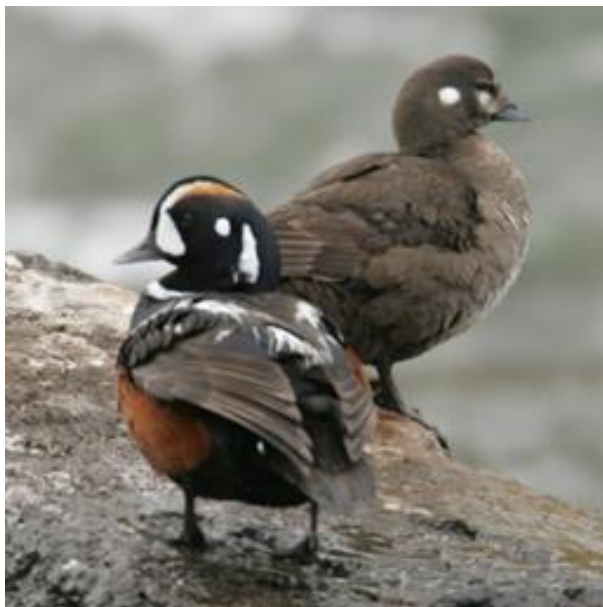




# COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED JUNE 30, 2019**

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# **Narragansett Bay Commission Rhode Island**

## ***Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019***

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



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# Narragansett Bay Commission's Mission Statement

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



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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The Narragansett Bay Commission  
One Service Road  
Providence, RI 02905  
(401) 461-8848  
(401) 461-6540 FAX



Vincent J. Mesoletta  
Chairman

Laurie Horridge  
Executive Director

**September 30, 2019**

**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, 2019.

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, 2019. 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 megawatt (MW) wind turbines located at Field's Point Campus and three 1.5 MW turbines located off-site in Coventry, RI. In 2017, NBC executed a Power Purchase Agreement (PPA) for three renewable energy projects located off-site. NBC compensates the contractor based on 75% of kilowatt hours (kWh) generated multiplied by the prevailing net metering rate and NBC retains the remaining 25% of the net metering credits. The projects also generate Renewable Energy Credits (RECs) that may be sold by NBC.

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 interest and 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 other financial information 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 8.7% of the billed user fee revenue in FY 2019. 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 has continued 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. Rhode Island has over 400 miles of coastline. 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 nine years from a peak rate of 11.3% in 2010 to 3.6% in June 2019. The Rhode Island median household income exceeded the national median household income in eight out of the last ten years.

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 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 49 projects that are in progress, being initiated or to be completed during FY 2021-2025 at an estimated cost of \$507.1 million, with additional expenditures of \$52.4 million in FY 2020 for total of \$559.5 million. Subsequent to the Board's adoption of the CIP, project costs and schedules were adjusted, increasing capital costs during the six-year period of FY 2020-2025 by \$68.8 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. The Program includes four phases, A, B, C, and D to be completed by 2041. NBC has initiated design of the CSO Phase III A Facilities, which consists of thirteen separate construction costs at a total estimated cost of \$548.4 million. The most significant component of the CSO Phase III A Facilities is a 30-foot internal diameter deep rock tunnel approximately 11,700 feet long in Pawtucket along the Seekonk and Blackstone Rivers. Construction of the tunnel is scheduled to begin in FY 2021.

In FY 2019, the NBC implemented a new third party Customer Service application, which went live in January 2019. Discovery, testing, training and data migration activities occurred throughout the year. NBC developed and introduced "Bill the Duck", its new online billing ambassador to encourage customers to use the expanded online functionality for billing and payments. As a result of the implementation, NBC converted from billing all customers at the same time once a month to four separate weekly cycles.

### **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**

During FY 2019, NBC borrowed \$45.0 million from the Rhode Island Infrastructure Bank (RIIB) in two series, with \$1.0 million in principal forgiveness.

NBC is also pleased to share that NBC was invited by the United States Environmental Protection Agency (US EPA) to apply for a Water Infrastructure Finance and Innovation Act (WIFIA) loan for 49% of the CSO Phase III A project costs. The WIFIA program offers long-term, low-cost credit assistance to qualified credit worthy borrowers for eligible water and wastewater infrastructure projects. NBC closed the loan on August 27, 2019, in an original principal amount of \$268.7 million at an interest rate of 1.9%. Due to the significant advantages of the WIFIA program, NBC submitted a second Letter of Interest for the Bucklin Point Resiliency project for a loan amount of \$15.8 million.

## **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.

## **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 expenses 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 the estimated debt service requirement of each fiscal year (and with respect to RIIB bonds at least 135% of the estimated debt service requirements of RIIB bonds based on debt service net of any interest rate subsidy for such fiscal year) less funds available or projected to be available to pay debt service as of the first date of the fiscal year. Operating and capital needs are continually reviewed to determine if a rate adjustment is needed.

### **Expenses**

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, 2018. This was the seventeenth 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, 2018. NBC's FY 2019 budget was also awarded Special Performance Measures Recognition and Special Capital Recognition by GFOA. 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 seventeenth 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.

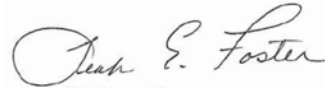
Respectfully Submitted,

Karen L. Giebink, MBA



Chief Financial Officer

Leah E. Foster, CPA



Accounting Manager



# 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*

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

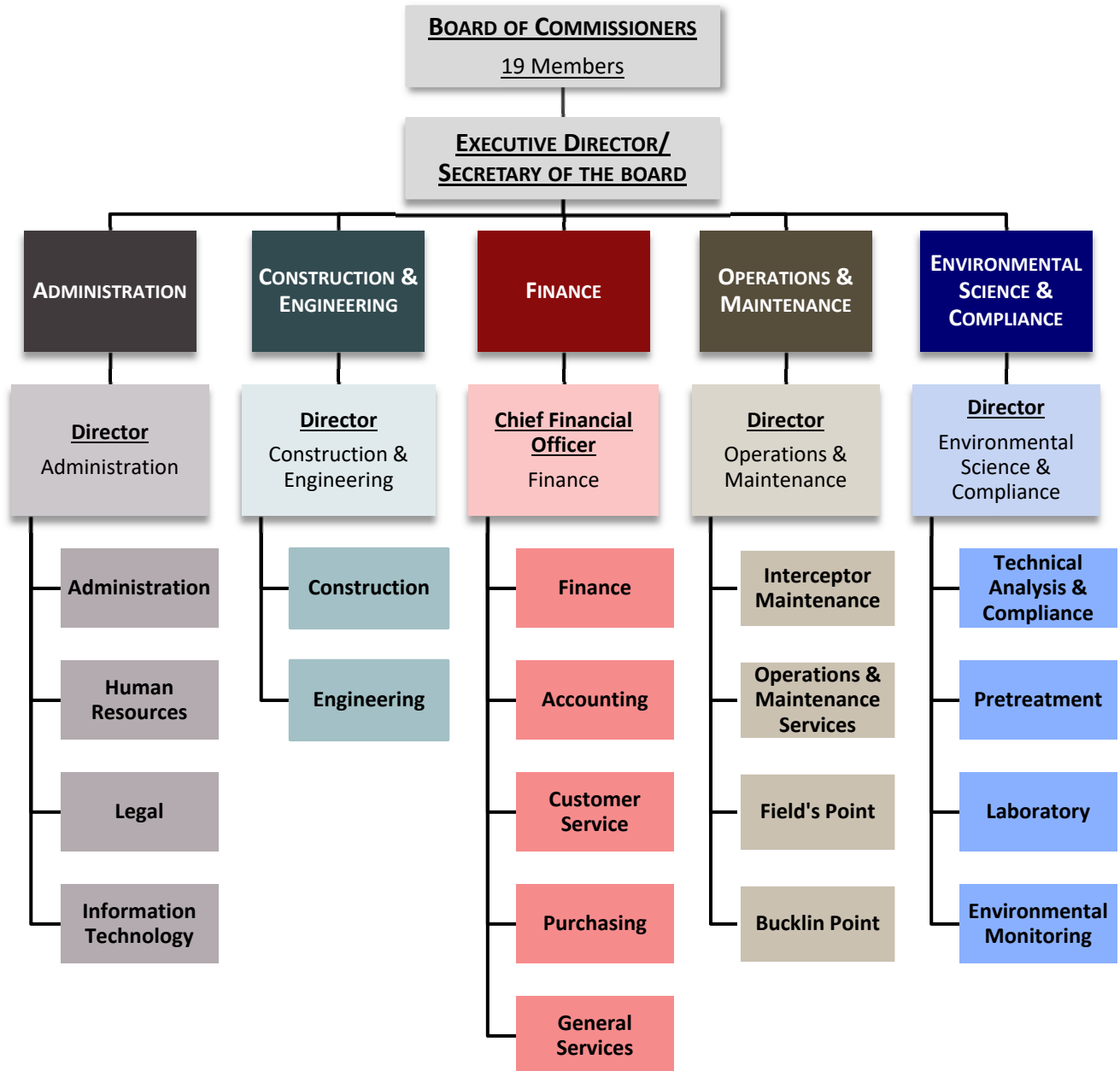
*Richard D. Worrell*



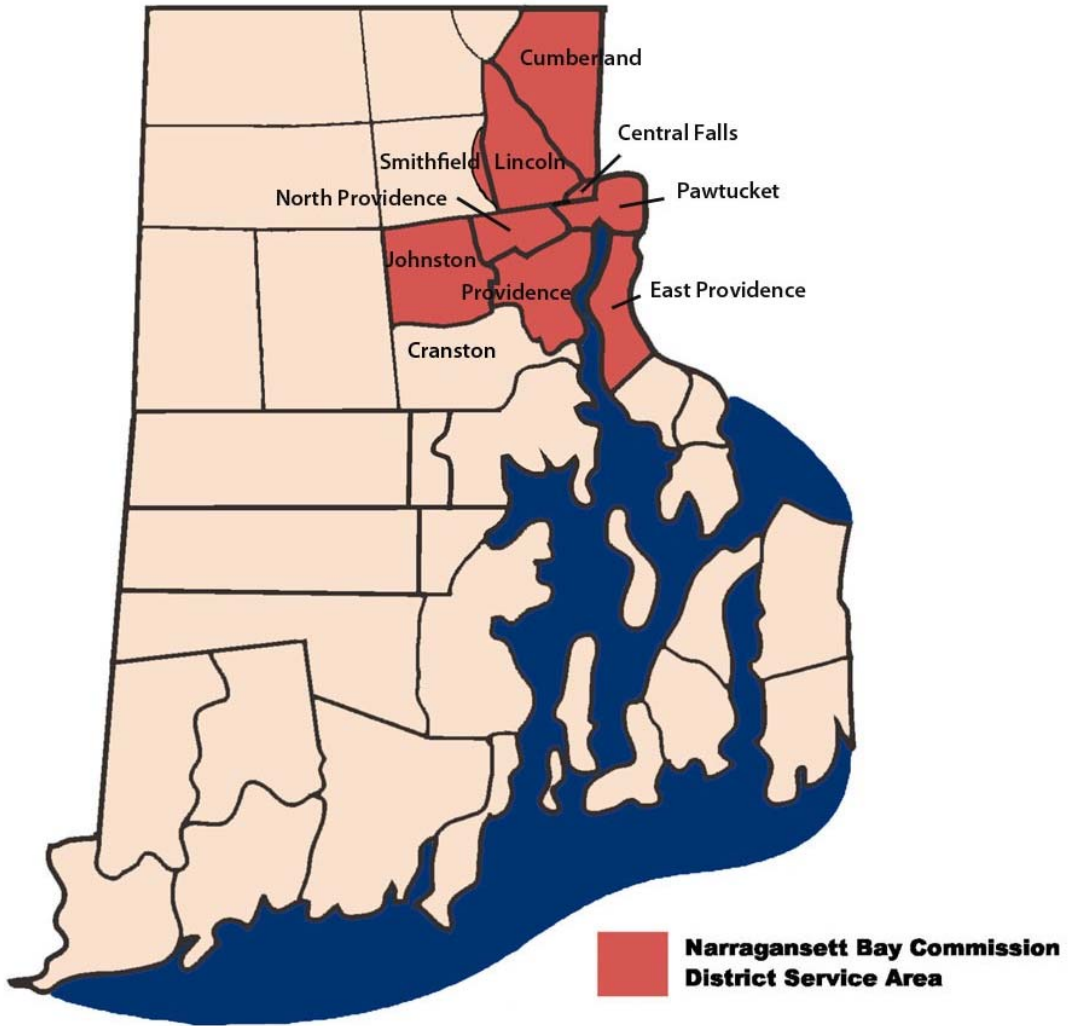


# Narragansett Bay Commission

## Organization Chart



# Narragansett Bay Commission Service Area



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

### ***Independent Auditor's Report***

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2019, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

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, 2019, 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 on pages 14-22, Schedule of Proportionate Share of the Net Pension Liability for the Employees' Retirement System RI, Schedule of Contributions for the Employees' Retirement System RI, Schedule of Changes in Net Pension Liability (Asset) 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 the Proportionate Share of the Net OPEB liability, Schedule of Contributions for the OPEB plan and related notes on pages 55-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NBC's basic financial statements. The schedule of expenses - budget to actual, the combining schedule of net position, the combining schedule of 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 30, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NBC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NBC's internal control over financial reporting and compliance.



Fall River, Massachusetts  
September 30, 2019

**Narragansett Bay Commission**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

Management of NBC offers readers of the basic financial statements, this narrative overview and analysis of NBC for the fiscal year ended June 30, 2019. 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 2019 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 \$525,445,694. Of this amount, \$13,103,188 is unrestricted net position.
- NBC's total net position increased by \$27,327,975 or 5.5% over the prior year.
- NBC finished FY 2019 under budget for expenses by \$3,407,803. The majority of the favorable variance is from personnel services, utilities, contract services and interest expense.
- Debt service coverage calculated as gross revenue, minus operating expenses exclusive of depreciation and amortization, divided by total debt service was 1.29 for FY 2019, exceeding the 1.25 debt service coverage level recommended by credit rating agencies.
- NBC realized a savings of \$228,410 in FY 2019 resulting from prior Rhode Island Infrastructure Bank (RIIB) refundings. NBC will recognize total savings of \$4,369,070 over the life of the loans due to these refundings.
- During FY 2019, NBC implemented a new third party Customer Service application which went live in January 2019. Collection activities through the Water Shut-off Program were suspended from May 2018 through January 2019 due to the implementation of the new Customer Service Application. As a result of the suspended collection activity as well as the conversion to the weekly billing cycles from a single monthly billing, NBC accounts receivable (net of allowance) increased from \$9,156,248 to \$16,223,891 from 2018 to 2019, respectively. This is a \$7,067,643 or 77.2% increase.
- The Non-Union Defined Benefit Plan is funded at 105%, which results in a net pension asset of \$1.2 million on the Statement of Net Position. The Employees' Retirement System of the State of Rhode Island (ERSRI) Defined Benefit Plan is funded at 52.5% which results in a net pension liability – ERSRI Pension Plan of \$18.7 million on the Statement of Net Position.
- In FY 2019, NBC filed a debt service compliance filing for rate relief relating to debt service and debt service coverage. The 2.88% across-the-board rate increase was effective January 1, 2019.

## **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 \$525,445,694 as of June 30, 2019.

### Condensed Statement of Net Position

<b>Assets</b>	<b>FY 2019</b>	<b>FY 2018</b>
Current assets	\$ 82,226,867	\$ 55,316,185
Noncurrent assets		
Restricted assets	59,036,165	62,770,357
Net capital assets	1,025,606,497	1,009,026,977
Other assets	1,223,392	184,381
Total assets	1,168,092,921	1,127,297,900
<b>Deferred outflows of resources</b>		
Deferred outflows of resources	7,081,419	8,477,260
Total deferred outflows resources	7,081,419	8,477,260
<b>Liabilities</b>		
Current liabilities	41,561,065	42,968,589
Noncurrent liabilities	605,490,364	591,611,890
Total liabilities	647,051,429	634,580,479
<b>Deferred inflows of resources</b>		
Deferred inflows of resources	2,677,217	3,076,962
Total deferred inflows resources	2,677,217	3,076,962
<b>Net position</b>		
Net investment in capital assets	504,260,346	483,680,613
Restricted for environmental enforcement	69,948	78,713
Restricted for revenue stability fund	4,508,560	4,554,596
Restricted for debt service reserve	3,503,652	3,539,427
Unrestricted	13,103,188	6,264,370
Total net position	\$ 525,445,694	\$ 498,117,719

The condensed Statement of Net Position above reflects an increase in current assets of \$26,910,682 from FY 2018 to FY 2019. Approximately \$22.3 million of the increase is a result of the increase in the amount due from RIIB as a result of the \$45.0 million borrowing. The majority of the rest of the increase resulted from an increase in sewer use accounts receivable due to the following reasons:

- Collection efforts were suspended during the implementation of the new customer service application.
- Conversion from single billing at the beginning of the month to four weekly billing cycles over the course of the month.



In FY 2019, NBC shows restricted assets of \$59,036,165 that consist of the following:

Purpose	Amount
Environmental enforcement activities in accordance with Rhode Island General Laws, Section 46-25-38.1	\$ 69,948
Debt service reserve fund	3,503,652
Operating reserve for revenue stability fund	4,508,560
Debt service fund	34,366,860
Acquisition and construction of capital assets	16,587,145

The condensed Statement of Net Position shows an increase in net capital assets of \$16,579,520 from FY 2018 to FY 2019. This increase reflects the FY 2019 investments in capital improvements less related accumulated depreciation.

From FY 2018 to FY 2019, total deferred outflows of resources decreased \$1,395,841 and total deferred inflows of resources decreased \$399,745. These changes were the result of the GASB 68 entries relating to pensions, GASB 75 entries relating to OPEB and the amortization of the loss and gain on refunding debt.

In FY 2019, current liabilities decreased \$1,407,524. This is the result of decrease in the accounts payable and current portion of other accrued expenses and the elimination of unearned revenue billed in advance in FY 2019. The non-current liabilities increased by \$13,878,474 due to the net effect of the \$45.0 million dollar borrowing, principal debt service payments relating to the loans payable and the amortization of the premium on debt.

Total net position increased by \$27,327,975 to \$525,445,694 in FY 2019, which demonstrates NBC's improving financial position. The largest portion of NBC's net position, 96.0%, 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 \$34,366,860 in restricted cash held in the debt service fund for debt service and debt service coverage and \$16,587,145 held in the restricted cash account for acquisition and construction of capital assets. Both of these restricted cash accounts relate to capital asset activity.

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.

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

	<u>FY 2019</u>	<u>FY 2018</u>
<b>Operating revenues</b>		
User fees	\$ 96,428,606	\$ 95,822,841
Pretreatment fees	1,066,369	1,066,370
Septage income	321,036	333,037
Late charge penalties	1,052,671	796,362
Other operating revenues	477,095	317,905
<b>Non-operating revenues</b>	<u>1,656,047</u>	<u>1,053,734</u>
Total revenues	<u>101,001,824</u>	<u>99,390,249</u>
<b>Operating expenses</b>		
Personnel services	23,844,901	23,156,582
General and administration	1,244,038	1,105,340
Operations and maintenance	8,025,247	7,548,023
Depreciation	16,401,372	16,091,344
Contractual services	6,940,144	6,510,972
Miscellaneous	890,711	1,178,712
<b>Non-operating expenses</b>	<u>17,327,436</u>	<u>23,018,167</u>
Total expenses	<u>74,673,849</u>	<u>78,609,140</u>
Net income before capital contribution	26,327,975	20,781,109
<b>Capital contribution</b>	<u>1,000,000</u>	<u>-</u>
Change in net position	27,327,975	20,781,109
<b>Total net position - beginning of year</b>	<u>498,117,719</u>	<u>477,336,610</u>
<b>Total net position - end of year</b>	<u>\$ 525,445,694</u>	<u>\$ 498,117,719</u>

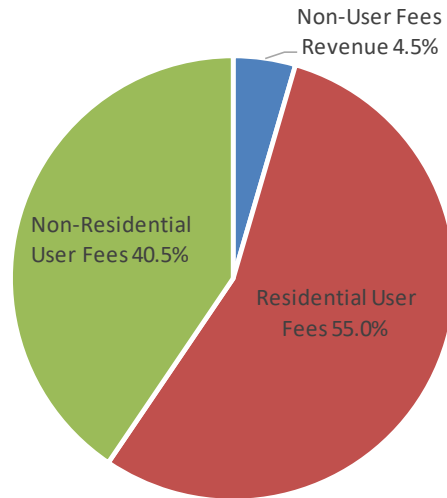
### Revenues

User fees are NBC's primary source of revenues, representing approximately 95.5% of total revenues. FY 2019 user fees were \$96,428,606 which is \$605,765 higher than the prior year. The majority of the increase in user fees is the result of a rate increase effective January 1, 2019.

In FY 2019, non-user fee operating revenues increased by \$403,497 primarily as the result of an increase in late charge penalties due to higher accounts receivable.

Non-operating revenues increased by \$602,313 or 57.2%. The majority of this increase is due to higher investment earnings on NBC's cash and cash equivalents.

## FY 2019 Total Revenues



### Expenses

Total expenses in FY 2019 decreased by \$3,935,291 from the prior year. Total operating expenses were \$1,755,440 or 3.2% higher in FY 2019 than the prior year. The increase in operating expenses was the result of increases in personnel, operations and maintenance, depreciation and contractual services expenses.

In FY 2019, Personnel expenses increased by \$688,319 or 3.0% over FY 2018. This is the net result of the increase in Union and Non-Union wages and decrease in fringe benefits.

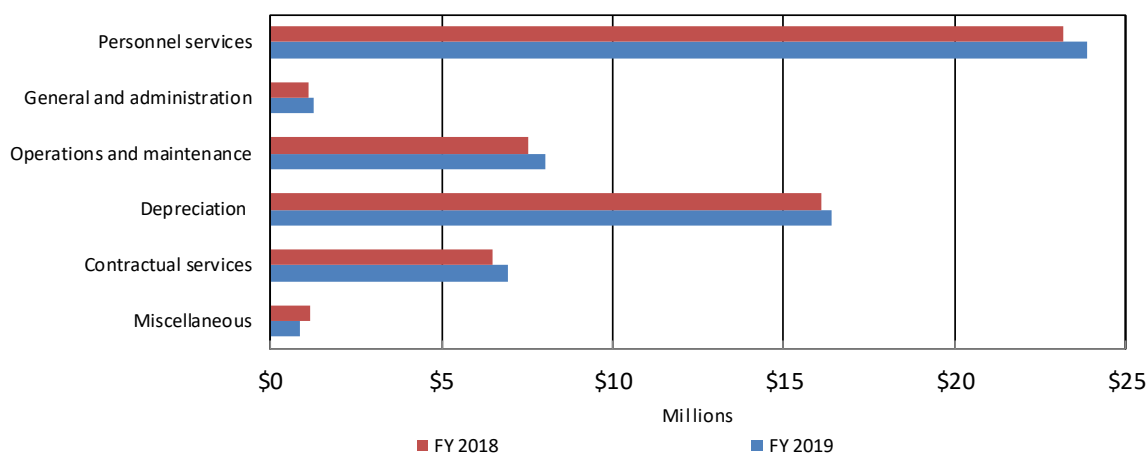
General and administration expenses increased by \$138,698 or 12.6% over FY 2018. The increase is due to an increase in both insurance expense and workers' compensation expense.

Operations and maintenance expenses increased by \$477,224 or 6.3% over the prior year due to the reclassification of monthly rental expenses for NBC's off-site wind turbines from miscellaneous expenses to operations and maintenance expenses, as well as an increase in chemical expenses due to higher chemical usage.

The FY 2019 contractual services expenses were \$429,172 or 6.6% higher than the prior year due to increases in both the biosolids disposal rate due to a contracted price increase and higher dry ton production.

Miscellaneous expenses in FY 2019 were \$288,001 or 24.4% lower than FY 2018. The decrease is a result of the reclassification of the monthly rental expenses for NBC's off-site wind turbines from miscellaneous expenses to the operations and maintenance expenses category.

## Operating Expenses for FY 2018 and FY 2019



Non-operating expenses decreased by \$5,690,731 or 24.7% from FY 2018 to FY 2019 as the result of the \$5.0 million payment to the State of Rhode Island in FY 2018 that was not required in FY 2019. In FY 2019, NBC also started amortizing the premium on debt that amounted to \$1,050,877.

Capital contributions increased \$1.0 million from FY 2018 to FY 2019. The capital contribution represents principal forgiveness on the \$45.0 million borrowing from RIIB.

### Capital Assets and Debt Administration

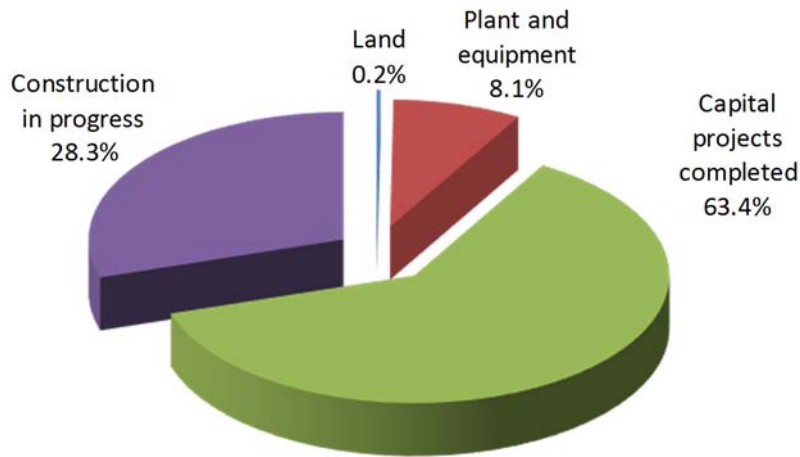
#### Capital Assets

At the end of FY 2019, NBC had \$1.0 billion invested in net capital assets. Total capital assets increased more than \$32.7 million, or 2.7% over prior year. The majority of this increase is related to NBC's investment in capital projects including the CSO Phase III A Facilities at \$10.5 million, the Moshassuck Valley Interceptor at \$7.5 million, and the Providence River Siphon at \$5.1 million. The following table summarizes NBC's capital assets as of June 30, 2019 and 2018.

#### Capital Assets

	FY 2019	FY 2018
<b>Capital assets</b>		
Land	\$ 2,754,407	\$ 2,754,407
Plant and equipment	103,442,086	99,867,563
Capital projects completed	780,648,298	780,648,298
Construction in progress	<u>376,891,496</u>	<u>347,798,138</u>
<b>Total capital assets</b>	1,263,736,287	1,231,068,406
Less accumulated depreciation	<u>238,129,790</u>	<u>222,041,429</u>
<b>Net capital assets</b>	<u>\$ 1,025,606,497</u>	<u>\$ 1,009,026,977</u>

**Capital Assets  
June 30, 2019**



**Long-Term Debt**

NBC borrowed \$45.0 million from the RIIB in two series, with \$1.0 million in principal forgiveness. The total outstanding long-term debt increased from \$594.4 million to \$608.5 million the net result of the RIIB loan of \$45.0 million, principal payments on the loans payable and the amortization of the premium on debt. Included in the total debt of \$608.5 is premium on refunded debt in the amount of \$18,733,307.

	<b>FY 2019</b>	<b>FY 2018</b>
<b>Long-Term Debt</b>		
Current portion of loans payable	\$ 28,848,394	\$ 28,801,972
Long-term loans payable, net	318,126,040	302,974,434
Long-term debt	<u>261,553,307</u>	<u>262,604,184</u>
<b>Total Long-Term Debt</b>	<u>\$ 608,527,741</u>	<u>\$ 594,380,590</u>

NBC continues to benefit from historic low, short-term, interest rates and realized interest savings of approximately \$800 thousand on the 2008 Series A refunding Variable Rate Demand Bonds (VRDBs) that are priced in weekly mode. During FY 2019, NBC realized interest savings of \$228,410 from RIIB refundings.

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).

## **Currently Known Facts, Conditions, or Decisions**

On August 27, 2019, NBC closed on a loan for an original principal amount of \$268.7 million at an interest rate of 1.89%. This loan was made available through the Water Finance and Innovation Act (WIFIA) program administered by the United States Environmental Protection Agency and will be used to finance the CSO Phase III A Facilities. The loan represents 49% of the estimated project cost and both the low interest rate and flexible amortization will help mitigate ratepayer impact. NBC's first debt service payment is in September 2031, five-years after scheduled substantial completion. NBC plans to finance the balance of the program through the issuance of revenue bonds, RIIB loans and pay-as-you-go capital.

On August 14, 2019, S&P Global Ratings assigned NBC's WIFIA Loan its AA- underlying rating and affirmed its AA- underlying rating on NBC's outstanding wastewater bonds with a stable outlook. Kroll Bond Rating Agency assigned NBC's WIFIA Loan its AA rating with a stable outlook on August 16, 2019.

## **Economic Factors and Next Year's Budget**

### **FY 2020 Budget**

The FY 2020 Budget for operations and capital totals \$162.2 million which is \$2.5 million more than the prior year.

### **Operating Budget**

The FY 2020 Operating Budget is \$107.1 million, which is approximately \$3.7 million, or 3.6% higher than the FY 2019 budget. Operating revenue is 5.1% higher due to the January 1, 2019 rate increase for debt service and debt service coverage and a projected 6.2% revenue increase effective July 1, 2019 for operation and maintenance expense, rate base adjustments, and other fee changes. Budgeted non-operating revenue is 13.3% higher than the prior year due to higher investment earnings. NBC's operating budget expense for FY 2020 is \$93.1 million excluding the transfer to project fund – Restricted Account.

The majority of the increase in the operating budget expense is in the Operating Supplies and Expense category. The largest increase is a \$0.7 million increase in biosolids disposal expense due to a contracted rate change and increased dry ton production. The budget also includes increases for chemicals, electricity and maintenance contracts.

### **Capital Budget**

The FY 2020 Capital Budget includes the Operating Capital Program (OCP) and the Capital Improvement Program (CIP). The FY 2020 Capital Budget is \$55.1 million, which is \$1.2 million or 2.1% less than prior year. This is due to a \$1.5 million decrease in the budgeted OCP from FY 2020 to FY 2019.

## **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](http://www.narrabay.com).

**NARRAGANSETT BAY COMMISSION**

*Statement of Net Position*

*June 30, 2019*

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<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 21,257,284
Accounts receivable	
Sewer use (net of allowance)	16,223,891
Sewer use unbilled	4,865,439
Receivables, other	17,755
Due from Rhode Island Infrastructure Bank	38,726,640
Prepaid expenses	1,135,858
<b>Total current assets</b>	<b>82,226,867</b>
<b>Non-current assets</b>	
<b>Restricted assets</b>	
Cash and cash equivalents, environmental enforcement	69,948
Cash and cash equivalents, operating reserve for revenue stability fund	4,508,560
Cash and cash equivalents, restricted for debt service	34,366,860
Cash and cash equivalents, restricted for debt service reserve fund	3,503,652
Cash and cash equivalents, restricted for acquisition and construction of plant assets	16,587,145
<b>Total restricted assets</b>	<b>59,036,165</b>
<b>Capital assets</b>	
Land	2,754,407
Plant and equipment	103,442,086
Capital projects completed	780,648,298
Construction in progress	376,891,496
<b>Subtotal</b>	<b>1,263,736,287</b>
Less: accumulated depreciation	238,129,790
<b>Total net capital assets</b>	<b>1,025,606,497</b>
<b>Other assets</b>	
Net pension asset - Non-Union Defined Benefit Plan	1,223,392
<b>Total non-current assets</b>	<b>1,085,866,054</b>
<b>Total assets</b>	<b>1,168,092,921</b>
<b>Deferred outflows of resources</b>	
Loss on refunding of debt	1,788,830
Pension related outflows, net	4,714,944
OPEB related outflows, net	577,645
<b>Total deferred outflows of resources</b>	<b>\$ 7,081,419</b>

*(Continued)*

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

**NARRAGANSETT BAY COMMISSION**  
*Statement of Net Position (Continued)*  
June 30, 2019

**Liabilities**

**Current liabilities**

Accounts payable	\$ 2,034,917
Contracts payable	4,135,633
Accrued interest payable	5,856,011
Accrued expenses	467,996
Current portion of the other accrued expenses	218,114
Current portion of loans payable	28,848,394

**Total current liabilities** 41,561,065

**Non-current liabilities**

Long-term other accrued expenses, net	2,970,315
Long-term net pension liability - ERSRI Pension Plan	18,671,241
Long-term net OPEB liability	4,169,461
Long-term loans payable, net	318,126,040
Long-term revenue bond	261,553,307

**Total non-current liabilities** 605,490,364

**Total liabilities** 647,051,429

**Deferred inflows of resources**

Gain on refunding of debt	152,252
Pension related inflows, net	2,226,051
OPEB related inflows, net	298,914

**Total deferred inflows of resources** 2,677,217

**Net position**

Net investment in capital assets	504,260,346
Restricted - environmental enforcement fund	69,948
Restricted - debt service reserve fund	3,503,652
Restricted - operating reserve for revenue stability fund	4,508,560
Unrestricted	13,103,188

**Total net position** \$ 525,445,694

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, 2019

**Operating revenues**

User fees, residential	\$ 55,473,053
User fees, commercial and industrial	40,955,553
Permit and connection fees	126,300
Pretreatment fees	1,066,369
Environmental enforcement revenue	4,739
Septage income	321,036
Late charge penalties	1,052,671
Renewable energy credits revenue	150,596
Miscellaneous revenue	195,460

**Total operating revenues** 99,345,777

**Operating expenses**

Personnel services	23,844,901
General and administration	1,244,038
Operations and maintenance	8,025,247
Depreciation	16,401,372
Contractual services	6,940,144
Miscellaneous	890,711

**Total operating expenses** 57,346,413

**Operating income** 41,999,364

**Non-operating revenues (expenses)**

Interest expense	(16,816,321)
Interest income	1,510,886
Bond and note fees	(511,115)
Miscellaneous income	145,161

**Total non-operating revenues (expenses)** (15,671,389)

**Net income before capital contribution** 26,327,975

Capital contribution	<u>1,000,000</u>
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**Change in net position** 27,327,975

**Total net position, beginning of year** 498,117,719

**Total net position, end of year** \$ 525,445,694

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, 2019*

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<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 92,225,390
Cash paid to suppliers for goods and services	(18,077,897)
Cash paid to employees for services	(24,487,565)
Other non-operating receipts	145,161
<b>Net cash provided by operating activities</b>	<u>49,805,089</u>
<b>Cash flows from capital related financing activities</b>	
Acquisitions and construction of capital assets	(10,790,183)
Principal paid on capital debt	(28,801,972)
Interest paid on capital debt	(17,917,051)
Bonds and note fees	(19,865)
<b>Net cash used from capital related financing activities</b>	<u>(57,529,071)</u>
<b>Cash flows from investing activities</b>	
Interest received	1,510,886
<b>Net cash provided by investing activities</b>	<u>1,510,886</u>
<b>Net decrease in cash and cash equivalents</b>	(6,213,096)
<b>Cash and cash equivalents, beginning of year</b>	<u>86,506,545</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 80,293,449</u>

**For purpose of the Statement of Cash Flow, cash and cash equivalents are comprised of the following at June 30, 2019:**

Cash and cash equivalents	\$ 21,257,284
Restricted for environmental enforcement fund	69,948
Restricted for operating reserve for revenue stability fund	4,508,560
Restricted for debt service	34,366,860
Restricted for debt service reserve fund	3,503,652
Restricted for acquisition and construction of plant assets	16,587,145
	<u>\$ 80,293,449</u>

*(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, 2019

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

Operating income	\$	41,999,364
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**Adjustments to reconcile operating income to net cash provided by operating activities**

Depreciation		16,401,372
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Increase in accounts receivable sewer user fees		(7,067,643)
Decrease in sewer user fees unbilled revenue		59,125
Decrease in other receivables		157,189
Increase in prepaid expenses		(220,216)
Decrease in pension related deferred outflows of resources		1,269,613
Decrease in OPEB related outflows of resources		24,265
Decrease in pension related deferred inflows of resources		(415,037)
Increase in OPEB related inflows of resources		24,248
Decrease in net pension liability		(1,744,754)
Decrease in net OPEB liability		(95,958)
Decrease in accounts and contracts payable		(705,757)
Increase in accrued expenses		243,175
Decrease in unearned revenue billed in advance		(269,058)
Non-operating revenue reported as operating revenue received		145,161

<b>Total adjustments</b>		7,805,725
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<b>Net cash provided by operating activities</b>	\$	49,805,089
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**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	\$	22,318,041
Capital contribution - forgiveness of debt principal		1,000,000
Bond issuance costs paid by RIIB		491,250
Acquisition of capital assets		22,190,709
Issued loan payable RIIB		44,000,000

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

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**Narragansett Bay Commission**  
**Notes to Financial Statements**  
**June 30, 2019**

**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 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 fines and monitoring fees, which are recorded on a cash basis which are immaterial. 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-five 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, 2019 was \$78,558.

**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 unamortized bond premiums as of June 30, 2019 were \$18,733,307.

The total bond and loan fees for the year ending June 30, 2019 were \$511,115.

**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, 2018 while the NBC's Non-Union Defined Benefit Plan has a measurement date of June 30, 2019.

**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, 2019, NBC adopted the following new accounting standards issued by GASB –**

**GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements** – This statement is effective for periods beginning after June 15, 2018. The objective of this statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. This statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. NBC has implemented this standard in FY 2019 and expects an impact to the financial reporting framework to note disclosures related to debt.

**Accounting standards that NBC is currently reviewing for applicability and potential impacts on future financial statements include -**

**GASB Statement No. 84, Fiduciary Activities** – is effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The

Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The Narragansett Bay Commission is in the process of evaluating this statement and expects an impact to the financial reporting framework in FY 2020.

***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. The Narragansett Bay Commission is in the process of evaluating this statement and expects an impact to the financial accounting and reporting framework in FY 2021.

***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. This statement is effective for periods beginning after December 15, 2019. The Narragansett Bay Commission is in the process of evaluating this Statement and expects an impact to the financial accounting and reporting framework in FY 2021.

***GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*** - is effective for periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component units. The Narragansett Bay Commission has evaluated this standard and does not expect an impact to the financial reporting framework.

***GASB Statement No. 91, Conduit Debt Obligations*** - is effective for reporting periods beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. A conduit debt obligation is defined as a debt instrument having all of the following characteristics: (a) There are at least three parties involved: (1) an issuer, (2) a third-party obligor and (3) a debt holder or a debt trustee; (b) The issuer and the third party obligor are not within the same financial reporting entity; (c) The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with



other debt of the issuer; (d) The third party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuances; and (e) The third party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments.) This Statement also addresses arrangements, often characterized as leases, that are associated with conduit debt obligations. The Narragansett Bay Commission is in the process of evaluating this Statement and will complete their evaluation prior to the required implementation date of FY 2022.

**2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Deposits** - NBC’s cash deposits at June 30, 2019 were \$1,617,495, with corresponding bank balances of \$1,796,820. 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.

	<b>Bank Balance</b>
Insured (Federal depository insurance funds)	\$ 250,000
Collateralized with securities held by pledging financial institution's or its agent, in NBC's name	1,546,820
<b>Total Bank Balance</b>	<b>\$ 1,796,820</b>

**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, 2019, NBC had investments as follows:

<i>Investments measured at the Net Asset Value (NAV)</i>	<i>June 30, 2019</i>	<i>Maturity</i>
Goldman Sachs Financial Square Government Fund	\$ 68,381,502	Average 30 days
Ocean State Investment Pool (OSIP)	10,294,452	N/A
<b>Total investments measured at NAV</b>	<b>\$ 78,675,954</b>	

#### **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 30 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, 2019:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
<b>Nondepreciable assets</b>				
Land	\$ 2,754,407	\$ -	\$ -	\$ 2,754,407
Construction in progress	347,798,138	29,093,358	-	376,891,496
<b>Total nondepreciable assets</b>	<u>350,552,545</u>	<u>29,093,358</u>	<u>-</u>	<u>379,645,903</u>
<b>Depreciable assets</b>				
Plant and equipment	99,867,563	3,887,534	(313,011)	103,442,086
Capital projects completed	780,648,298	-	-	780,648,298
<b>Total depreciable assets</b>	<u>880,515,861</u>	<u>3,887,534</u>	<u>(313,011)</u>	<u>884,090,384</u>
<b>Less accumulated depreciation for</b>				
Plant and equipment	(77,833,067)	(4,246,088)	313,011	(81,766,144)
Capital projects completed	(144,208,362)	(12,155,284)	-	(156,363,646)
<b>Total accumulated depreciation</b>	<u>(222,041,429)</u>	<u>(16,401,372)</u>	<u>313,011</u>	<u>(238,129,790)</u>
<b>Total capital assets, net</b>	<u>\$ 1,009,026,977</u>	<u>\$ 16,579,520</u>	<u>\$ -</u>	<u>\$ 1,025,606,497</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, 2019 to be \$3,188,429. 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, 2019 were as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 2,893,470	\$ 934,410	\$ 639,451	\$ 3,188,429	\$ 218,114

## 5 – LOANS PAYABLE

Loans from the RIIB are a direct purchase of a NBC revenue bond. NBC revenue bonds are backed by a gross revenue pledge of NBC's revenues and other monies, securities, reserve deposits and funds senior to any other pledge, lien charge or encumbrance. RIIB loans typically are at a subsidized interest rate which is one-third of NBC's market rate, and may include a principal forgiveness component. If the loan is part of a "pooled" RIIB bond, the interest rate subsidy may be suspended if other borrowers in the pool fail to make their debt service payments. In addition, NBC must spend a specific amount, as is set forth in the loan agreement, on "green" projects to qualify for principal forgiveness.

In accordance with the Trust Indenture, RIIB loans are subject to certain covenants including a "rate covenant" requiring NBC to establish and maintain rates and charges adequate at all times, with other available funds, to provide revenues and other monies at least sufficient to pay for operating expenses, principal and interest, repairs and replacements, and funding of reserves. The Trust Indenture includes a "debt service coverage ratio" that requires that Net Revenues in each fiscal year equal at least one hundred twenty-five percent (125%) of the debt service requirement during such fiscal year with respect to all bonds outstanding, other than RIIB bonds, as of the first day of such fiscal year and one hundred thirty-five percent (135%) of the Required Debt Service Fund Deposits for RIIB bonds for such fiscal year (net of the RIIB interest rate subsidy). Failure to comply with this requirement shall not be considered an Event of Default as long as NBC has complied or is diligently proceeding to comply with the requirements for the adequacy of rates and charges.

Events of Default include failure to make principal or interest payments when due, defaults related to the performance or observance of any other of the covenants, agreements or conditions that has not been remedied within 30 days of written notice, certain court orders, or NBC's inability to pay its debts. Upon notice of any Event of Default, all principal and accrued interest may be declared due and payable immediately.

NBC has twenty loans outstanding with the Rhode Island Infrastructure Bank (RIIB) which are classified as loans from direct borrowings at June 30, 2019 as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Narragansett Bay Commission Clean Water Revenue Bonds, 1997 Series, issued in the amount of \$8,150,000, with an interest rate of 3.14%, maturing September 1, 2019.	\$ 1,102,906	\$ -	\$ 541,535	\$ 561,371
Narragansett Bay Commission Clean Water Revenue Bonds, 1999 Series, issued in the amount of \$23,955,000, with an interest rate of 3.03%, maturing September 1, 2020.	4,220,000	-	1,665,000	2,555,000

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Narragansett Bay Commission Clean Water Revenue Bonds, 2001 Series, issued in the amount of \$57,000,000, with an interest rate of 2.67%, maturing September 1, 2021.	\$ 10,950,000	\$ -	\$ 2,700,000	\$ 8,250,000
Narragansett Bay Commission Clean Water Revenue Bonds, 2002 Series, issued in the amount of \$57,000,000, with an interest rate of 1.08%, maturing September 1, 2022.	17,162,246	-	3,254,831	13,907,415
Narragansett Bay Commission Clean Water Revenue Bonds, 2003 Series, issued in the amount of \$40,000,000, with an interest rate of 1.35%, maturing September 1, 2024.	15,750,000	-	2,112,000	13,638,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2004 Series B, issued in the amount of \$40,000,000, with an interest rate of 1.40%, maturing September 1, 2024.	19,221,000	-	3,133,000	16,088,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2005 Series B, issued in the amount of \$30,000,000, with an interest rate of 1.40%, maturing September 1, 2026.	13,375,000	-	1,558,000	11,817,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2006 Series A, issued in the amount of \$30,000,000, with an interest rate of 1.27%, maturing September 1, 2026.	14,803,000	-	1,529,000	13,274,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2007 Series B, issued in the amount of \$25,000,000, with an interest rate of 1.48%, maturing September 1, 2028.	16,211,000	-	1,331,000	14,880,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2009 Series A, issued in the amount \$55,000,000, with principal forgiveness of \$8,302,114 and an interest rate of .88%, maturing September 1, 2030.	39,126,886	-	2,536,120	36,590,766
Narragansett Bay Commission Wastewater System Revenue Bonds, 2010 Series A, issued in the amount of \$2,000,000, with principal forgiveness of \$301,895 and an interest rate of .52%, maturing September 1, 2029.	1,129,240	-	78,962	1,050,278
Narragansett Bay Commission Wastewater System Revenue Bonds, 2010 Series B, issued in the amount of \$20,000,000, with an interest rate of 2.14%, maturing September 1, 2030.	14,147,000	-	905,000	13,242,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2011 Series A, issued in the amount of \$30,000,000, with principal forgiveness of \$1,845,345 and an interest rate of 2.26%, maturing September 1, 2031.	21,253,010	-	1,228,481	20,024,529

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Narragansett Bay Commission Wastewater System Revenue Bonds, 2012 Series A, issued in the amount of \$25,750,000, with principal forgiveness of \$354,202 and an interest rate of 2.09%, maturing September 1, 2032.	\$ 19,981,243	\$ -	\$ 1,120,871	\$ 18,860,372
Narragansett Bay Commission Wastewater System Revenue Bonds, 2013 Series B, issued in the amount \$25,000,000, with principal forgiveness of \$80,966 and an interest rate of 2.09%, maturing September 1, 2033.	20,749,640	-	1,192,186	19,557,454
Narragansett Bay Commission Wastewater System Revenue Bonds, 2014 Series A, issued in the amount \$45,000,000, with an interest rate of 2.47%, maturing September 1, 2034.	39,387,000	-	1,905,000	37,482,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2015 Series B, in the amount of \$41,753,500, with principal forgiveness of \$512,070 and an interest rate of 2.55%, maturing September 1, 2043.	40,207,235	-	1,044,986	39,162,249
Narragansett Bay Commission Wastewater System Revenue Bonds, 2016 Series A, issued in the amount of \$23,000,000, with an interest rate of 1.97%, maturing September 1, 2037.	23,000,000	-	966,000	22,034,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2019 Series A, issued in the amount of \$35,000,000, with principal forgiveness of \$1,000,000 and an interest rate of 1.97%, maturing September 1, 2039.	-	34,000,000	-	34,000,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2019 Series B, issued in the amount of \$10,000,000, with an interest rate of 1.8%, maturing September 1, 2039.	-	10,000,000	-	10,000,000
<b>Total loans payable from direct borrowings</b>	331,776,406	<u>\$44,000,000</u>	<u>\$ 28,801,972</u>	346,974,434
Less current portion	<u>(28,801,972)</u>			<u>(28,848,394)</u>
<b>Net long-term loans payable from direct borrowings</b>	<u>\$ 302,974,434</u>			<u>\$ 318,126,040</u>

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, 2019, loans payable of \$346,974,434 are reported on the Statement of Net Position. A receivable from RIIB of \$38,726,640 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2019. NBC is obligated for the total loan amount once the loan has been executed.

During FY 2019, NBC realized a savings of \$228,410 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, 2019 are as follows:

<i>Year Ending</i> <u>June 30,</u>	<u>Loans from Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 28,848,394	\$ 7,800,385	\$ 36,648,779
2021	30,857,698	7,650,342	38,508,040
2022	30,186,499	7,019,234	37,205,733
2023	26,717,690	6,407,762	33,125,452
2024	23,614,795	5,851,140	29,465,935
2025-2029	96,355,115	21,494,282	117,849,397
2030-2034	66,276,466	10,317,940	76,594,406
2035-2039	29,286,191	4,327,938	33,614,129
2040-2044	12,639,086	1,253,868	13,892,954
2045	2,192,500	36,505	2,229,005
<b>Total</b>	<b>\$ 346,974,434</b>	<b>\$ 72,159,396</b>	<b>\$ 419,133,830</b>

## 6 – LONG-TERM DEBT

Long-term debt, which includes tax-exempt revenue bonds provided through public sale at June 30, 2019, consists of the following:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Narragansett Bay Commission Wastewater System Revenue Refunding Bonds (multi-model), 2008 Series A, issued in the amount of \$66,360,000.	\$ 56,465,000	\$ -	\$ -	\$ 56,465,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2013 Series A, issued in the amount of \$71,480,000, with a 4.33% average coupon rate, maturing September 1, 2043 (plus unamortized premium at June 30, 2019 of \$3,972,969).	75,611,888	-	158,919	75,452,969
Narragansett Bay Commission Wastewater System Revenue Bonds, 2013 Series C, issued in the amount of \$34,970,000, with a 4.69% average coupon rate, maturing September 1, 2033 (plus unamortized premium at June 30, 2019 of \$2,132,472).	37,244,637	-	142,165	37,102,472
Narragansett Bay Commission Wastewater System Refunding Revenue Bonds, 2014 Series B, issued in the amount of \$39,820,000, with a 4.86% average coupon rate, maturing September 1, 2035 (plus unamortized premium at June 30, 2019 of \$6,947,336).	47,201,545	-	434,208	46,767,337
Narragansett Bay Commission Wastewater System Refunding Revenue Bonds, 2015 Series A, in the amount of \$40,085,000, with a 4.94% average coupon rate, maturing February 1, 2037 (plus unamortized premium at June 30, 2019 of \$5,680,529).	46,081,114	-	315,585	45,765,529
<b>Total long-term debt payable - revenue bonds</b>	<b>262,604,184</b>	<b>\$ -</b>	<b>\$ 1,050,877</b>	<b>261,553,307</b>
Less current portion	-	-	-	-
<b>Net long-term debt payable - revenue bonds</b>	<b>\$ 262,604,184</b>			<b>\$ 261,553,307</b>

Principal and interest maturities of long-term debt for future years as of June 30, 2019 are as follows:

<b>Year Ending</b> <b>June 30,</b>	<b>Revenue Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 560,000	\$ 10,668,351	\$ 11,228,351
2022	1,875,000	10,611,100	12,486,100
2023	2,915,000	10,490,172	13,405,172
2024	5,285,000	10,301,805	15,586,805
2025-2029	53,570,000	46,106,005	99,676,005
2030-2034	82,360,000	31,094,727	113,454,727
2035-2039	52,520,000	14,662,558	67,182,558
2040-2044	43,735,000	4,513,500	48,248,500
<b>Total</b>	<b>\$ 242,820,000</b>	<b>\$ 138,448,218</b>	<b>\$ 381,268,218</b>

Total Principal of \$242,820,000 plus premiums of \$18,733,307 to be amortized as of June 30, 2019 equals total long-term debt of \$261,553,307. The above bonds are subject to federal arbitrage regulations. Based on current calculations, NBC does not anticipate a material arbitrage liability, if any.

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 FY 2019 ranged from 0.94% to 2.30%. The Bonds shall be repaid from pledged revenues, as defined in 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 expires on July 7, 2021.

On October 28, 2014, NBC issued \$39,820,000 in Wastewater System Refunding Revenue 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 Refunding Revenue 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 \$69,948.

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 \$3,503,562. 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 \$4,508,560.

### ***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**

***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](http://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.

**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 2019, 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 25.75% of annual covered payroll for the fiscal year ended June 30, 2019. NBC contributed \$1,561,290, \$1,438,927, and \$1,509,489 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively, equal to 100% of the required contributions for each year.

**Pension liabilities, pension expense, and deferred outflows and deferred inflows of resources** - At June 30, 2019, NBC reported a liability of \$18,671,241 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, 2018, 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, 2017 rolled forward to June 30, 2018 measurement date. NBC proportion of the net pension liability was based on its share of contributions to the ERSRI for FY 2018 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2018, NBC proportion was 0.83%.

The components of NBC's share of the net pension liability at June 30, 2019 were as follows:

NBC's share of pension liability	\$ 39,331,951
NBC's share of plan fiduciary net position	<u>20,660,710</u>
NBC's share of net pension liability	<u><u>\$ 18,671,241</u></u>

For the year ended June 30, 2019, NBC recognized pension expense of \$1,541,524. At June 30, 2019, 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	\$ 1,199,421	\$ 14,276
Contributions paid subsequent to measurement date	1,561,290	-
Difference between expected and actual experience	124,607	239,716
Changes in proportions and differences between employer contributions and proportionate share of contributions	72,954	613,060
Net difference between projected and actual investment earnings	<u>194,867</u>	<u>-</u>
Total	<u><u>\$ 3,153,139</u></u>	<u><u>\$ 867,052</u></u>

NBC's contributions of \$1,561,290 are reported as deferred outflows of resources related to pensions resulting from the NBC's contribution in FY 2019 subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<i>Year ended June 30:</i>	<i>Net Deferred Outflows (Inflows) of Resources</i>
2020	\$ 396,619
2021	332,630
2022	73,228
2023	(65,752)
2024	(11,928)
Thereafter	<u>-</u>
Total	<u><u>\$ 724,797</u></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 mortality tables for males with blue collar adjustments projected with Scale Ultimate MP16. Female Employees: RP-2014 combined healthy mortality tables for females projected with Scale Ultimate MP16.

The actuarial assumptions used in the June 30, 2017 valuation rolled forward to June 30, 2018 and the calculation of the total pension liability at June 30, 2018 were consistent with the results of an actuarial experience investigation 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 34 sources.

The June 30, 2019 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
<b>GROWTH</b>		
<b>Global Equity</b>		
U.S. Equity	20.80%	6.43%
International Developed Equity	14.40%	6.72%
Emerging Markets Equity	4.80%	8.90%
<b>Private Growth</b>		
Private Equity	11.30%	9.08%
Non-Core RE	2.20%	5.03%
Opportunistic Private Credit	1.50%	9.08%
<b>INCOME</b>		
High Yield Infrastructure	1.00%	3.81%
REITS	1.00%	5.03%
Liquid Credit	2.80%	3.81%
Private Credit	3.20%	3.81%
<b>STABILITY</b>		
<b>Crisis Protection Class</b>		
Treasury Duration	4.00%	0.61%
Systematic Trend	4.00%	4.00%
<b>Inflation Protection</b>		
Core Real Estate	3.60%	5.03%
Private Infrastructure	2.40%	5.61%
TIPs	1.00%	1.75%
Natural Resources	1.00%	3.81%
<b>Volatility Protection</b>		
IG Fixed Income	11.50%	2.14%
Absolute Return	6.50%	4.00%
Cash	3.00%	0.61%
	<u>100.00%</u>	

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.

	<b>Net Pension Liability</b>		
	<b>1% Decrease (6.0% Discount Rate)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0% Discount Rate)</b>
NBC's Net Pension Liability	\$ 23,313,422	\$ 18,671,241	\$ 15,213,567

**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, 2012 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:

<b>Years of Service as of July 1, 2015</b>	<b>Employer Contribution Rate</b>
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 \$52,593 for the FY 2019, 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 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, 2019, there were 119 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, 2019 amounted to \$506,143 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2019. Employees are allowed to make voluntary contributions to the profit-sharing plan on an after-tax basis. Employee contributions to the plan for the year ended June 30, 2019 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 \$10,122,860 for the year ended June 30, 2019. The total payroll for the year ended June 30, 2019 amounted to \$17,721,782.

## 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, 2019, there were 177 Plan participants: 113 participants were active and 64 were inactive participants, of which 30 were vested and terminated and 34 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 2019 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, 2019 was \$254,623. The contributions made to the plan for the fiscal year ended June 30, 2019 were \$1,455,185 which consists of employer contributions of \$1,008,665 and employee contributions of \$446,520.

**Net pension liability (asset)**

The components of the net pension liability (asset) at June 30, 2019, were as follows:

Total pension liability	\$ 20,858,999
Plan fiduciary net position	<u>(22,082,391)</u>
Net pension liability (asset)	<u>\$ (1,223,392)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>105.87%</u>

**Changes in Net Pension Liability (Asset)**

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
<b>Balance as of July 1, 2018</b>	\$ 19,450,204	\$ 19,634,585	\$ (184,381)
<b>Changes for the year:</b>			
Service cost	540,312	-	540,312
Interest on total pension liability	1,159,483	-	1,159,483
Differences between expected and actual experience	299,596	-	299,596
Change in assumptions	(57,266)	-	(57,266)
Contributions - employer	-	1,008,665	(1,008,665)
Contributions - employee	-	446,520	(446,520)
Net investment income	-	1,537,861	(1,537,861)
Benefit payments	(533,330)	(533,330)	-
Administrative expense	-	(11,910)	11,910
<b>Net changes</b>	<u>1,408,795</u>	<u>2,447,806</u>	<u>(1,039,011)</u>
<b>Balance as of June 30, 2019</b>	<u>\$ 20,858,999</u>	<u>\$ 22,082,391</u>	<u>\$ (1,223,392)</u>

**Actuarial assumptions** - The total pension liability was determined by an actuarial valuation as of June 30, 2019, 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-2018 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, 2019 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<b><i>Asset Class</i></b>	<b><i>Target Allocation</i></b>	<b><i>Long-Term Expected Real Rate of Return</i></b>
Large Cap US Equity	30%	4.98%
Small / Mid Cap US Equity	10%	5.74%
International Equity	15%	5.13%
Intermediate to Long-Term Bonds	35%	1.78%
Short-Term Bonds and Cash	10%	0.66%
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:

	<b><i>1% Decrease (5.0%)</i></b>	<b><i>Current Discount Rate (6.0%)</i></b>	<b><i>1% Increase (7.0%)</i></b>
Net Pension Liability (Asset)	\$ 1,484,501	\$ (1,223,392)	\$ (3,497,200)

**Pension expense and deferred outflows and deferred inflows of resources related to pensions** - For the year ended June 30, 2019, NBC recognized pension expense of \$138,021. At June 30, 2019, 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	\$ 868,076	\$ 414,774
Difference between expected and actual experience	596,678	253,142
Difference between projected and actual investment earnings	97,051	691,083
Total deferred outflows / (inflows)	<u>\$ 1,561,805</u>	<u>\$ 1,358,999</u>

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>
2020	\$ 5,346
2021	(91,705)
2022	22,408
2023	86,063
2024	134,894
Thereafter	45,800
Total	<u>\$ 202,806</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 – PENSION INFORMATION

As required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions and amendment of GASB Statement No. 24 the table below presents the aggregate amount of pension expenses, pension liabilities (assets), and deferred inflows and outflows for the two defined benefit pension plans.

### Aggregate Pension Information

	<i>ERSRI Defined Benefit Plan</i>	<i>Non-Union Defined Benefit Plan</i>	<i>Total</i>
Pension Expenses	\$ 1,541,524	\$ 138,021	\$ 1,679,545
Net Pension Liability (Asset)	18,671,241	(1,223,392)	17,447,849
Deferred Outflows	3,153,139	1,561,805	4,714,944
Deferred Inflows	867,052	1,358,999	2,226,051

## 11 – UNION – STATE EMPLOYEE’S 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 <http://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, 2019. NBC contributed \$362,589, \$345,990 and \$355,601 for the fiscal years ended June 30, 2019, 2018 and 2017, 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, 2019, NBC reported a liability of \$4,169,461 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, 2018, 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 rolled forward to June 30, 2018 measurement date. NBC's proportion of the net OPEB liability was based on its share of contributions to the System for FY 2018 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2018, NBC's proportion was 0.8186%.

For the year ended June 30, 2019, NBC recognized OPEB expense of \$315,143. At June 30, 2019, NBC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 215,056	\$ -
Contributions subsequent to measurement date	362,589	-
Difference between expected and actual experience	-	210,405
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	11,420
Net difference between projected and actual investment earnings	-	77,089
Total	<u>\$ 577,645</u>	<u>\$ 298,914</u>

NBC's contributions of \$362,589 are reported as deferred outflows of resources related to OPEB expense resulting from NBC's contributions in FY 2019 subsequent to the measurement date, and will be recognized as a reduction of the net OPEB liability for determined at June 30, 2019 measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$ (22,796)
2021	(22,796)
2022	(22,796)
2023	(9,767)
2024	(267)
Thereafter	(5,436)
Total	<u>\$ (83,858)</u>

**Actuarial methods and assumptions** - The total OPEB liability was determined by actuarial valuations performed as of June 30, 2017 and rolled-forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method - Entry Age Normal - the individual Entry Age Actuarial Cost methodology is used.

Amortization Method - Level Percent of Payroll – Closed

State Employees - Equivalent Single Remaining Amortization Period - 19 years at June 30, 2017

Investment Rate of Return - 5.00%

Projected Salary Increases - state employees - 3.00% to 6.00%

Mortality - state employees:

Male Employees: RP-2014 Combined Healthy for Males with Blue Collar adjustment, projected with MP 2016 ultimate rates.

Female Employees: RP-2014 Combined Healthy for Females, projected with MP 2016 ultimate rates.

Inflation - 2.75%

Rates of separation from service range from 16% in the first year of employment to 0% after 25 years.

State employee rates of retirement are based on pension eligibility.

The health care trend rates used in the valuation ranged from 9.00% in FY 2018 and then 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 34 nationally recognized investment consulting firms. 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>Long-Term Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	65%	6.25%
Fixed Income	35%	1.39%

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.

<b>Net OPEB Liability</b>			
<b>Discount Rate Sensitivity</b>			
	<b>1% Decrease (4.0%)</b>	<b>Current Discount Rate (5.0%)</b>	<b>1% Increase (6.0%)</b>
Net OPEB Liability	<u>\$ 4,896,392</u>	<u>\$ 4,169,461</u>	<u>\$ 3,564,871</u>

**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 as 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.

<b>Net OPEB Liability</b>			
<b>Health Care Trend Rate Sensitivity</b>			
	<b>1% Lower</b>	<b>Baseline</b>	<b>1% Higher</b>
Net OPEB Liability	<u>\$ 3,436,361</u>	<u>\$ 4,169,461</u>	<u>\$ 5,084,081</u>

**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.

## 12 – 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.

### **13 – RISK MANAGEMENT**

NBC is exposed to various risks 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.

### **14 – 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 \$30,567,710 on June 30, 2019.

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.

### **15 – SUBSEQUENT EVENTS**

On August 27, 2019, NBC entered into loan agreement with the US Environmental Protection Agency (EPA) through the Water Infrastructure Finance and Innovation Act (WIFIA) program for an original principal amount of \$268,710,610 with an interest rate of 1.89% maturing September 2046.

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

<i>Year Ended</i>	<i>June 30, 2019</i>
<i>Measurement Date</i>	<i>June 30, 2018</i>
NBC's proportion of the net pension liability	\$ 18,671,241
NBC's proportionate share of the net pension liability	0.830%
NBC's covered payroll	\$ 5,785,794
NBC's proportionate share of the net pension liability as a percentage of its covered payroll	322.71%
Plan fiduciary net position as a percentage of the total pension liability	52.53%

*(Continued)*

**Note:**

The amounts presented for fiscal year were determined as of June 30<sup>th</sup> the measurement date for the prior fiscal year end.

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

See accompanying notes to the required supplementary information.



**NARRAGANSETT BAY COMMISSION**  
*Required Supplementary Information*  
*Employees' Retirement System RI*  
*Schedule of Proportionate Share of the Net Pension Liability (Unaudited) (Continued)*  
*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>
<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
\$ 19,376,984	\$ 18,292,407	\$ 16,936,520	\$ 15,554,087
0.859%	0.862%	0.852%	0.873%
\$ 5,956,481	\$ 5,798,735	\$ 5,700,723	\$ 5,695,059
325.31%	315.46%	297.09%	273.12%
51.83%	51.88%	55.03%	58.58%

**Note:**

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

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

See accompanying notes to the required supplementary information.

**NARRAGANSETT BAY COMMISSION**

*Required Supplementary Information*

*Employees' Retirement System RI*

*Schedule of Contributions (Unaudited)*

*For the Year Ended June 30,*

*Last 10 Fiscal Years\**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Statutorily determined contribution	\$ 1,561,290	\$ 1,438,927	\$ 1,509,489	\$ 1,370,821	\$ 1,329,238
Contributions in relation to the statutorily determined contribution	<u>1,561,290</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 6,063,363	\$ 5,785,794	\$ 5,956,481	\$ 5,798,735	\$ 5,700,732
Contribution as a percentage of covered payroll	25.75%	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.

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

See accompanying notes to the required supplementary information.

**NARRAGANSETT BAY COMMISSION**  
*Required Supplementary Information*  
*Employees' Retirement System RI*  
*Notes to the Required Supplementary Information (Unaudited)*  
*For the Years Ended June 30, 2019*

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**Actuarial assumptions** - The total pension liability was determined using the following actuarial assumptions, applied to all period 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 mortality tables for males with blue collar adjustments projected with Scale Ultimate MP16. Female Employees: RP-2014 combined healthy mortality tables for female projected with Scale Ultimate MP 16.

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

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Total pension liability</b>		
Service cost	\$ 540,312	\$ 517,250
Interest	1,159,483	1,090,715
Differences between expected and actual experience	299,596	23,003
Change in assumptions	(57,266)	(112,144)
Benefit payments, including refunds of participant contributions	(533,330)	(321,603)
<b>Net change in total pension liability</b>	<b>1,408,795</b>	<b>1,197,221</b>
<b>Total pension liability - beginning</b>	<b>19,450,204</b>	<b>18,252,983</b>
<b>Total pension liability - ending</b>	<b>\$ 20,858,999</b>	<b>\$ 19,450,204</b>
<b>Pension fiduciary net position</b>		
Contributions - employer	\$ 1,008,665	\$ 1,168,202
Contributions - employee	446,520	453,943
Net investment income	1,537,861	1,365,701
Benefit payments	(533,330)	(321,603)
Administrative expense	(11,910)	(10,669)
<b>Net change in plan fiduciary net position</b>	<b>2,447,806</b>	<b>2,655,574</b>
<b>Plan fiduciary net position - beginning</b>	<b>19,634,585</b>	<b>16,979,011</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 22,082,391</b>	<b>\$ 19,634,585</b>
<b>Net pension liability (asset) - ending</b>	<b>\$ (1,223,392)</b>	<b>\$ (184,381)</b>

*(Continued)*

**Note:**

\* Sixth year of implementation of GASB 68, therefore only six years of the 10 years of required data is available.

See accompanying notes to the required supplementary information.

**NARRAGANSETT BAY COMMISSION**

*Required Supplementary Information*

*Non-Union Defined Benefit Plan*

*Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (Unaudited) (Continued)*

*For the Years Ended June 30,*

*Last 10 Fiscal Years\**

<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
\$ 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>

**Note:**

\* Sixth year of implementation of GASB 68, therefore only six years of the 10 years of required data is available.

See accompanying notes to the required supplementary information.

**NARRAGANSETT BAY COMMISSION**

*Required Supplementary Information*

*Non-Union Defined Benefit Plan*

*Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (Unaudited) (Continued)*

*For the Years Ended June 30,*

*Last 10 Fiscal Years\**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total pension liability	\$ 20,858,999	\$ 19,450,204
Plan fiduciary net position	22,082,391	19,634,585
Net pension liability (asset)	<u>\$ (1,223,392)</u>	<u>\$ (184,381)</u>
Plan fiduciary net position as a percentage of total pension liability	105.87%	100.95%
Covered payroll**	\$ 8,930,389	\$ 9,078,824
Net pension liability as a percentage of covered payroll	(13.70%)	(2.03%)

*(Continued)*

**Note:**

\* Sixth year of implementation of GASB 68, therefore only six years of the 10 years of required data is available.

\*\* Reflects revised definition per GASB 82.

See accompanying notes to the required supplementary information.

**NARRAGANSETT BAY COMMISSION**

*Required Supplementary Information*

*Non-Union Defined Benefit Plan*

*Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (Unaudited) (Continued)*

*For the Years Ended June 30,*

*Last 10 Fiscal Years\**

<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
\$ 18,252,983	\$ 17,482,805	\$ 16,104,077	\$ 13,349,388
16,979,011	13,467,193	11,239,783	9,701,640
<u>\$ 1,273,972</u>	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,748</u>
93.02%	77.03%	69.79%	72.67%
\$ 9,082,700	\$ 8,598,820	\$ 8,207,940	\$ 7,979,500
14.03%	46.70%	59.26%	45.71%

**Note:**

\* Sixth year of implementation of GASB 68, therefore only six years of the 10 years of required data is available.

\*\* Reflects revised definition per GASB 82.

See accompanying notes to the required supplementary information.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 254,623	\$ 212,581
Contribution in relation to the actuarially determined contribution	<u>1,008,665</u>	<u>1,168,202</u>
Contribution deficiency (excess)	<u>\$ (754,042)</u>	<u>\$ (955,621)</u>
Covered payroll**	\$ 8,930,389	\$ 9,078,824
Contribution as a percentage of covered payroll	11.29%	12.87%

*(Continued)*

**Note:**

All other assumptions are consistent with the Plan's actuarial valuation as of December 31, 2018.

\* Sixth year of implementation of GASB 68, therefore only six years of the 10 years of required data is available.

\*\* Reflects revised definition per GASB 82.

See accompanying notes to the required supplementary information.



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

<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
\$ 626,042	\$ 679,731	\$ 657,313	\$ 470,780
<u>1,899,556</u>	<u>1,744,985</u>	<u>986,656</u>	<u>789,435</u>
<u>\$ (1,273,514)</u>	<u>\$ (1,065,254)</u>	<u>\$ (329,343)</u>	<u>\$ (318,655)</u>
\$ 9,082,700	\$ 8,598,820	\$ 8,207,940	\$ 7,979,500
20.91%	20.29%	12.02%	9.89%

**Note:**

All other assumptions are consistent with the Plan's actuarial valuation as of December 31, 2018.

\* Sixth year of implementation of GASB 68, therefore only six years of the 10 years of required data is available.

\*\* Reflects revised definition per GASB 82.

See accompanying notes to the required supplementary information.

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

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	<i>June 30, 2019</i>	<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	7.74%	7.85%	10.25%	2.06%	2.81%	13.84%

**Note:**

\* Sixth year of implementation of GASB 68, therefore only six years of the 10 years of required data is available.

See accompanying notes to the required supplementary information.

**NARRAGANSETT BAY COMMISSION**  
*Required Supplementary Information*  
*Non-Union Defined Benefit Plan*  
*Notes to the Required Supplementary Information (Unaudited)*  
*For the Years Ended June 30, 2019*

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

Actuarial Assumptions as of June 30, 2019:

Discount rate	6.00%								
Long-term rate of return on investments	6.00% net of expenses, including inflation								
Municipal bond	2.79%								
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 and 40% Blue Collar for Employees and Healthy Annuitants with Scale MP-2018 Generational Improvements from 2006 (M/F)								
Termination	T-2. Illustrative annual rates of withdrawals as follows:								
	<table border="0"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Age</th> <th style="text-align: center; border-bottom: 1px solid black;">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								

**NARRAGANSETT BAY COMMISSION**  
*Required Supplementary Information*  
*State Employees' and Electing Teachers OPEB System Plan*  
*Schedule of the Proportionate Share of the Net OPEB Liability (Unaudited)*  
*For the Year Ended June 30,*  
*Last 10 Fiscal Years\**

<i>Year Ended</i>	<i>June 30, 2019</i>	<i>June 30, 2018</i>
<i>Measurement Date</i>	<i>June 30, 2018</i>	<i>June 30, 2017</i>
NBC's proportionate share of the net OPEB liability	\$ 4,169,461	\$ 4,265,419
NBC's proportionate share of the net OPEB liability	0.81861%	0.82115%
NBC's covered payroll	\$ 5,785,794	\$ 5,956,481
NBC's proportionate share of the OPEB liability as a percentage of its covered payroll	72.06%	71.61%
Plan fiduciary net position as a percentage of the total OPEB liability	26.25%	22.38%

**Note:**

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

\* Second year of implementation of GASB 75, therefore only two years of 10 years required data is available.

See accompanying notes to the required supplementary information.

**NARRAGANSETT BAY COMMISSION**  
*Required Supplementary Information*  
*State Employees' and Electing Teachers OPEB System Plan*  
*Schedule of Contributions (Unaudited)*  
*For the Year Ended June 30,*  
*Last 10 Fiscal Years\**

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	<i>June 30, 2018</i>	<i>June 30, 2017</i>
Statutorily determined contribution	\$ 345,990	\$ 355,601
Contributions in relation to the statutorily determined contribution	345,990	355,601
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 5,785,794	\$ 5,956,481
Contribution as a percentage of covered payroll	5.98%	5.97%

**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.

\* Second year of implementation of GASB 75, therefore only two years of 10 years required data is available.

See accompanying notes to the required supplementary information.

**NARRAGANSETT BAY COMMISSION**  
*Required Supplementary Information*  
*State Employees' and Electing Teachers OPEB System Plan*  
*Notes to the Required Supplementary Information (Unaudited)*  
*For the Years Ended June 30, 2019*

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**Actuarial methods and assumptions** - The total OPEB liability was determined by actuarial valuations performed as of June 30, 2017 and rolled-forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method - Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.

Amortization Method - Level Percent of Payroll - Closed

State Employees - Equivalent Single Remaining Amortization Period - 19 years at June 30, 2017

Investment Rate of Return - 5.00%

Projected Salary Increases - state employees - 3.00% to 6.00%

Mortality - state employees:

Male Employees: RP-2014 Combined Healthy for Males with Blue Collar adjustment, projected with MP 2016 ultimate rates.

Female Employees: RP-2014 Combined Healthy for Females, projected with MP 2016 ultimate rates.

Inflation - 2.75%

Rates of separation from service range from 16% in the first year of employment to 0% after 25 years.

State employee rates of retirement are based on pension eligibility.

The health care trend rates used in the valuation ranged from 9.00% in FY 2018 and then decreasing annually to 3.50% in FY 2031 and later.

**NARRAGANSETT BAY COMMISSION**  
*Supplementary Information*  
*Schedule of Expenses - Budget and Actual (Budgetary Basis)*  
*For the Year Ended June 30, 2019*

<b>OPERATING EXPENSES</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Personnel services</b>			
Union regular	\$ 6,370,427	\$ 6,220,720	\$ 149,707
Union overtime	583,500	553,544	29,956
Non-union regular	10,873,026	10,794,516	78,510
Non-union overtime	184,350	160,817	23,533
Non-union limited	48,220	43,710	4,510
Fringe benefits	9,318,794	8,497,577	821,217
Project salaries and fringe benefits capitalized	(1,882,221)	(1,888,361)	6,140
<b>Total personnel services</b>	<b>25,496,096</b>	<b>24,382,523</b>	<b>1,113,573</b>
<b>General and administration</b>			
Insurance	725,790	714,312	11,478
Workers' compensation insurance	633,000	529,726	103,274
Workers' compensation old claims	5,000	-	5,000
<b>Total general and administration</b>	<b>1,363,790</b>	<b>1,244,038</b>	<b>119,752</b>
<b>OPERATIONS AND MAINTENANCE</b>			
<b>Travel</b>			
Local travel	6,700	2,646	4,054
Long-distance travel	83,200	35,405	47,795
<b>Total travel</b>	<b>89,900</b>	<b>38,051</b>	<b>51,849</b>
<b>Repairs and maintenance</b>			
Building and ground maintenance	211,558	204,383	7,175
Vehicle fuel and maintenance	182,050	181,542	508
Repairs, buildings and structures	731,365	694,826	36,539
Repairs, highways and walks	14,000	8,260	5,740
Maintenance/service agreements	1,197,128	1,254,751	(57,623)
Highway and landscape	13,700	9,727	3,973
Wind turbine expenses - Field's Point	224,000	237,656	(13,656)
Wind turbine expenses - WED	330,000	315,596	14,404
Biogas expense	20,000	-	20,000
Diesel for equipment	37,000	21,536	15,464
<b>Total repairs and maintenance</b>	<b>2,960,801</b>	<b>2,928,277</b>	<b>32,524</b>
<b>Utilities</b>			
Telephone	211,720	211,597	123
Central telephone services	4,000	3,884	116
Fuel, gas	528,051	372,564	155,487
Electricity	2,426,668	2,166,316	260,352
Water	97,500	100,837	(3,337)
<b>Total utilities</b>	<b>3,267,939</b>	<b>2,855,198</b>	<b>412,741</b>

*(Continued)*

See Independent Auditor's Report

**NARRAGANSETT BAY COMMISSION**  
*Supplementary Information*  
*Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)*  
*For the Year Ended June 30, 2019*

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Supplies</b>			
Clothing and clothing materials	\$ 44,325	\$ 35,646	\$ 8,679
Building and machinery supplies and expenses	504,010	470,548	33,462
Educational expenses	80,950	43,558	37,392
Lab supplies	371,750	367,772	3,978
Computer supplies	124,050	119,893	4,157
Other operating supplies and expenses	15,650	8,167	7,483
Chemicals	1,175,536	1,158,137	17,399
<b>Total supplies</b>	<b>2,316,271</b>	<b>2,203,721</b>	<b>112,550</b>
<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<b>8,634,911</b>	<b>8,025,247</b>	<b>609,664</b>
<b>Contract services</b>			
Medical services	11,890	9,814	2,076
Biosolids disposal	4,808,259	5,125,304	(317,045)
Screening and grit disposal	263,600	262,420	1,180
Service agreements	383,231	373,685	9,546
Security services	46,700	18,991	27,709
Regulatory expenses	643,150	552,513	90,637
Legal services	231,000	186,002	44,998
Management/audit services	449,000	201,794	247,206
Special clerical services	34,400	23,721	10,679
Other special services	294,300	185,902	108,398
<b>Total contract services</b>	<b>7,165,530</b>	<b>6,940,146</b>	<b>225,384</b>
<b>Miscellaneous</b>			
Office expenses	134,575	111,892	22,683
Postage	405,000	372,693	32,307
Dues and subscriptions	68,534	58,663	9,871
Freight	46,050	38,019	8,031
Printing and binding	155,810	143,408	12,402
Advertising	14,800	3,144	11,656
Rental of outside property	8,200	2,401	5,799
Rental of equipment	29,750	14,672	15,078
Rental of clothing	29,200	24,849	4,351
Safety equipment	65,500	63,029	2,471
Miscellaneous	7,100	6,244	856
Public outreach education	43,500	40,599	2,901
<b>Total miscellaneous</b>	<b>1,008,019</b>	<b>879,613</b>	<b>128,406</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>43,668,346</b>	<b>41,471,567</b>	<b>2,196,779</b>

(Continued)

See Independent Auditor's Report



**NARRAGANSETT BAY COMMISSION**  
*Supplementary Information*  
*Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)*  
*For the Year Ended June 30, 2019*

<b>NON-OPERATING EXPENSES</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Interest expense</b>			
Interest expense - 2008 Series A	\$ 1,976,275	\$ 1,123,411	\$ 852,864
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 - Loans payable	8,299,239	7,941,080	358,159
<b>Total interest expense</b>	<b>18,985,214</b>	<b>17,774,191</b>	<b>1,211,023</b>
<b>Debt service principal</b>	<b>28,801,973</b>	<b>28,801,972</b>	<b>1</b>
<b>TOTAL EXPENSES</b>	<b>\$ 91,455,533</b>	<b>\$ 88,047,730</b>	<b>\$ 3,407,803</b>

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:

<b>Total expenses on budgetary basis</b>	<b>\$ 88,047,730</b>
Add:	
Depreciation	16,401,372
Environmental Enforcement Fund expenses	11,100
Bond and note fees	511,115
Less:	
Amortization	(957,870)
FY 2019 ERSRI pension plan activity	(19,534)
FY 2019 Non-Union pension plan activity	(470,644)
FY 2019 OPEB plan activity	(47,445)
Debt service principal	(28,801,972)
Rounding	(3)
<b>Total expenses on a GAAP basis</b>	<b>\$ 74,673,849</b>

See Independent Auditor's Report

**NARRAGANSETT BAY COMMISSION**

Supplementary Information  
Combining Schedule of Net Position  
June 30, 2019

	<b>Revenue Fund</b>	<b>O &amp; M Fund</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,657,638	\$ 6,184,361
Accounts receivable		
Sewer use (net of allowance)	16,223,891	-
Sewer use unbilled	4,865,439	-
Receivables, other	17,755	-
Due from Rhode Island Infrastructure Bank	-	-
Prepaid expenses	-	1,135,858
<b>Total current assets</b>	<b>26,764,723</b>	<b>7,320,219</b>
<b>Non-current assets</b>		
<b>Restricted assets</b>		
Cash and cash equivalents, environmental enforcement	69,948	-
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	-	-
<b>Total restricted assets</b>	<b>69,948</b>	<b>-</b>
<b>Capital assets</b>		
Land	-	-
Plant and equipment	-	-
Capital projects completed	-	-
Construction in progress	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>
Less: accumulated depreciation	-	-
<b>Total net capital assets</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>		
Net pension asset - Non-Union Defined Benefit Pension Plan	-	1,223,392
<b>Total non-current assets</b>	<b>69,948</b>	<b>1,223,392</b>
<b>Total assets</b>	<b>26,834,671</b>	<b>8,543,611</b>
<b>Deferred outflows of resources</b>		
Loss on refunding of debt	-	-
Pension related outflows, net	-	4,714,944
OPEB related outflows, net	-	577,645
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>5,292,589</b>

*(Continued)*

See Independent Auditor's Report

**NARRAGANSETT BAY COMMISSION**  
*Supplementary Information*  
 Combining Schedule of Net Position (Continued)  
 June 30, 2019

<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>
\$ 9,415,285	\$ -	\$ -	\$ -	\$ 21,257,284
-	-	-	-	16,223,891
-	-	-	-	4,865,439
-	-	-	-	17,755
38,726,640	-	-	-	38,726,640
-	-	-	-	1,135,858
<u>48,141,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,226,867</u>
-	-	-	-	69,948
-	-	4,508,560	-	4,508,560
-	34,366,860	-	-	34,366,860
-	-	-	3,503,652	3,503,652
16,587,145	-	-	-	16,587,145
<u>16,587,145</u>	<u>34,366,860</u>	<u>4,508,560</u>	<u>3,503,652</u>	<u>59,036,165</u>
2,754,407	-	-	-	2,754,407
103,442,086	-	-	-	103,442,086
780,648,298	-	-	-	780,648,298
376,891,496	-	-	-	376,891,496
<u>1,263,736,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,736,287</u>
<u>238,129,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,129,790</u>
<u>1,025,606,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,025,606,497</u>
-	-	-	-	1,223,392
<u>1,042,193,642</u>	<u>34,366,860</u>	<u>4,508,560</u>	<u>3,503,652</u>	<u>1,085,866,054</u>
<u>1,090,335,567</u>	<u>34,366,860</u>	<u>4,508,560</u>	<u>3,503,652</u>	<u>1,168,092,921</u>
1,788,830	-	-	-	1,788,830
-	-	-	-	4,714,944
-	-	-	-	577,645
<u>1,788,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,081,419</u>

(Continued)

See Independent Auditor's Report

**NARRAGANSETT BAY COMMISSION**  
*Supplementary Information*  
*Combining Schedule of Net Position (Continued)*  
*June 30, 2019*

	<b>Revenue Fund</b>	<b>O &amp; M Fund</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 792,551	\$ 1,242,366
Contracts payable	-	-
Accrued interest payable	-	-
Accrued expenses	-	467,996
Current portion of the other accrued expenses	-	218,114
Current portion of loans payable	-	-
<b>Total current liabilities</b>	<u>792,551</u>	<u>1,928,476</u>
<b>Non-current liabilities</b>		
Long-term other accrued expenses, net	-	2,970,315
Long-term net pension liability - ERSRI Pension	-	18,671,241
Long-term net OPEB liability	-	4,169,461
Long-term loans payable, net	-	-
Long-term revenue bonds	-	-
<b>Total non-current liabilities</b>	<u>-</u>	<u>25,811,017</u>
<b>Total liabilities</b>	<u>792,551</u>	<u>27,739,493</u>
<b>Deferred inflows of resources</b>		
Gain on refunding of debt	-	-
Pension related inflows, net	-	2,226,051
OPEB related inflows, net	-	298,914
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>2,524,965</u>
<b>Net position</b>		
Net investment in capital assets	-	-
Restricted - environmental enforcement fund	69,948	-
Restricted - operating reserve for revenue stability fund	-	-
Restricted - debt service reserve fund	-	-
Unrestricted	25,972,172	(16,428,258)
<b>Total net position</b>	<u>\$ 26,042,120</u>	<u>\$ (16,428,258)</u>

*(Continued)*

See Independent Auditor's Report

**NARRAGANSETT BAY COMMISSION**  
*Supplementary Information*  
 Combining Schedule of Net Position (Continued)  
 June 30, 2019

<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>
\$ -	\$ -	\$ -	\$ -	\$ 2,034,917
4,135,633	-	-	-	4,135,633
-	5,856,011	-	-	5,856,011
-	-	-	-	467,996
-	-	-	-	218,114
28,848,394	-	-	-	28,848,394
<u>32,984,027</u>	<u>5,856,011</u>	<u>-</u>	<u>-</u>	<u>41,561,065</u>
-	-	-	-	2,970,315
-	-	-	-	18,671,241
-	-	-	-	4,169,461
318,126,040	-	-	-	318,126,040
<u>261,553,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,553,307</u>
579,679,347	-	-	-	605,490,364
<u>612,663,374</u>	<u>5,856,011</u>	<u>-</u>	<u>-</u>	<u>647,051,429</u>
152,252	-	-	-	152,252
-	-	-	-	2,226,051
-	-	-	-	298,914
<u>152,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,677,217</u>
469,893,486	34,366,860	-	-	504,260,346
-	-	-	-	69,948
-	-	4,508,560	-	4,508,560
-	-	-	3,503,652	3,503,652
9,415,285	(5,856,011)	-	-	13,103,188
<u>\$ 479,308,771</u>	<u>\$ 28,510,849</u>	<u>\$ 4,508,560</u>	<u>\$ 3,503,652</u>	<u>\$ 525,445,694</u>

See Independent Auditor's Report

**NARRAGANSETT BAY COMMISSION**  
*Supplementary Information*  
 Combining Schedule of Revenues, Expenses and Changes in Net Position  
 For the Year Ended June 30, 2019

	<b>Revenue Fund</b>	<b>O &amp; M Fund</b>
<b>Operating revenues</b>		
User fees, residential	\$ 55,473,053	\$ -
User fees, commercial and industrial	40,955,553	-
Permit and connection fees	126,300	-
Pretreatment fees	1,066,369	-
Environmental enforcement	4,739	-
Septage income	321,036	-
Late charge penalties	1,052,671	-
Renewable energy credits revenue	150,596	-
Miscellaneous revenue	195,460	-
<b>Total operating revenues</b>	<b>99,345,777</b>	<b>-</b>
<b>Operating expenses</b>		
Personnel services	-	23,844,901
General and administration	-	1,244,038
Operations and maintenance	-	8,025,247
Depreciation	-	-
Contractual services	-	6,940,144
Miscellaneous	-	890,711
<b>Total operating expenses</b>	<b>-</b>	<b>40,945,041</b>
<b>Operating income (loss)</b>	<b>99,345,777</b>	<b>(40,945,041)</b>
<b>Non-operating revenues (expenses)</b>		
Interest expense	-	-
Interest income	153,177	137,270
Bond and note fees	-	-
Miscellaneous income	145,161	-
<b>Total non-operating revenues (expenses)</b>	<b>298,338</b>	<b>137,270</b>
<b>Net income before capital contribution and transfers</b>	<b>99,644,115</b>	<b>(40,807,771)</b>
Capital contribution		
Transfers in (out)	(95,912,911)	59,315,509
<b>Change in net position</b>	<b>3,731,204</b>	<b>18,507,738</b>
<b>Total net position, beginning of year</b>	<b>22,310,916</b>	<b>(34,935,996)</b>
<b>Total net position, end of year</b>	<b>\$ 26,042,120</b>	<b>\$ (16,428,258)</b>

(Continued)

See Independent Auditor's Report

**NARRAGANSETT BAY COMMISSION**

*Supplementary Information*

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

*For the Year Ended June 30, 2019*

<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>
\$ -	\$ -	\$ -	\$ -	\$ 55,473,053
-	-	-	-	40,955,553
-	-	-	-	126,300
-	-	-	-	1,066,369
-	-	-	-	4,739
-	-	-	-	321,036
-	-	-	-	1,052,671
-	-	-	-	150,596
-	-	-	-	195,460
-	-	-	-	99,345,777
-	-	-	-	23,844,901
-	-	-	-	1,244,038
-	-	-	-	8,025,247
16,401,372	-	-	-	16,401,372
-	-	-	-	6,940,144
-	-	-	-	890,711
16,401,372	-	-	-	57,346,413
(16,401,372)	-	-	-	41,999,364
-	(16,816,321)	-	-	(16,816,321)
600,522	446,797	97,397	75,723	1,510,886
-	(511,115)	-	-	(511,115)
-	-	-	-	145,161
600,522	(16,880,639)	97,397	75,723	(15,671,389)
(15,800,850)	(16,880,639)	97,397	75,723	26,327,975
1,000,000	-	-	-	1,000,000
21,332,232	15,520,101	(143,433)	(111,498)	-
6,531,382	(1,360,538)	(46,036)	(35,775)	27,327,975
472,777,389	29,871,387	4,554,596	3,539,427	498,117,719
\$ 479,308,771	\$ 28,510,849	\$ 4,508,560	\$ 3,503,652	\$ 525,445,694

See Independent Auditor's Report

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## **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 2018 Annual Residential 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 were derived from the CAFR for the relevant year.

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

<b>Restricted</b>						
<b>Years Ending June 30,</b>	<b>Net Investment in Capital Assets</b>	<b>Environmental Enforcement Fund</b>	<b>Debt Service Reserve Fund</b>	<b>Operating Reserve for Revenue Stability Fund</b>	<b>Unrestricted</b>	<b>Total Net Position</b>
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 <sup>(1)</sup>	397,290,915	72,426	-	-	18,420,683	415,784,024
2015 <sup>(2)</sup>	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 <sup>(3)</sup>	483,680,613	78,713	3,539,427	4,554,596	6,264,370	498,117,719
2019	504,260,346	69,948	3,503,652	4,508,560	13,103,188	525,445,694

(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 2010 - FY 2017 Net Position by Component to be consistent with the FY 2018 and FY 2019 Net Position by Component.

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

	<b>2019</b>	<b>2018<sup>(3)</sup></b>	<b>2017</b>	<b>2016</b>
<b>Operating revenues</b>				
User fees	\$ 96,428,606	\$ 95,822,841	\$ 96,610,156	\$ 96,078,624
Pretreatment fees	1,066,369	1,066,370	1,090,541	1,088,763
Other operating revenue	1,850,802	1,447,304	1,955,334	1,837,607
<b>Total operating revenues</b>	<b>99,345,777</b>	<b>98,336,515</b>	<b>99,656,031</b>	<b>99,004,994</b>
<b>Non-operating revenues</b>				
Interest income	1,510,886	938,783	360,367	112,094
Grant Income	-	-	-	4,910
Other non-operating revenues	145,161	114,951	252,508	203,855
<b>Total non-operating revenues</b>	<b>1,656,047</b>	<b>1,053,734</b>	<b>612,875</b>	<b>320,859</b>
<b>Operating expenses</b>				
Personnel services	23,844,901	23,156,582	22,720,366	22,903,792
Contractual services	6,940,144	6,643,675	5,970,551	5,748,754
General and administration	10,159,996	9,699,372	9,456,666	9,460,958
Depreciation and amortization	16,401,372	16,091,344	15,593,700	14,091,320
<b>Total operating expenses</b>	<b>57,346,413</b>	<b>55,590,973</b>	<b>53,741,283</b>	<b>52,204,824</b>
<b>Non-operating expenses</b>				
Interest expense	16,816,321	17,994,682	17,899,683	17,734,236
Transfer to the State of Rhode Island	-	5,000,000	-	-
Other expenses	511,115	23,485	109,321	823,930
<b>Total non-operating expenses</b>	<b>17,327,436</b>	<b>23,018,167</b>	<b>18,009,004</b>	<b>18,558,166</b>
<b>Net income before capital contribution</b>	<b>26,327,975</b>	<b>20,781,109</b>	<b>28,518,619</b>	<b>28,562,863</b>
Capital contribution	1,000,000	-	-	512,070
<b>Change in net position</b>	<b>27,327,975</b>	<b>20,781,109</b>	<b>28,518,619</b>	<b>29,074,933</b>
<b>Net position, beginning</b>	<b>498,117,719</b>	<b>477,336,610</b>	<b>452,784,276</b>	<b>423,709,343</b>
<b>Net position, ending</b>	<b>\$ 525,445,694</b>	<b>\$ 498,117,719</b>	<b>\$ 481,302,895</b>	<b>\$ 452,784,276</b>

*(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*

<b>2015 <sup>(2)</sup></b>	<b>2014 <sup>(1)</sup></b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ 92,007,299	\$ 89,182,519	\$ 77,949,901	\$ 75,921,752	\$ 73,412,706	\$ 69,224,415
1,076,481	1,095,551	1,077,887	1,087,140	1,109,709	1,114,004
1,932,062	1,869,945	1,320,944	1,410,298	1,390,160	1,435,630
<u>95,015,842</u>	<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>
5,839	5,433	22,907	10,868	11,609	47,803
4,910	-	14,980	129,327	66,851	279,978
163,634	182,084	190,923	247,740	263,238	280,656
<u>174,383</u>	<u>187,517</u>	<u>228,810</u>	<u>387,935</u>	<u>341,698</u>	<u>608,437</u>
20,946,735	21,090,749	19,858,457	19,412,763	18,751,300	18,767,282
7,469,034	8,036,730	7,104,834	6,780,533	6,614,019	7,008,213
8,756,689	8,838,866	8,607,391	8,783,624	8,223,641	8,529,977
12,983,750	11,812,153	10,974,885	10,569,625	10,437,059	9,065,008
<u>50,156,208</u>	<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>
16,475,516	16,660,404	13,587,442	11,785,551	10,887,026	10,820,471
-	-	-	-	-	-
720,428	915,288	130,980	60,883	136,664	36,381
<u>17,195,944</u>	<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>
27,838,073	24,981,342	20,313,533	21,414,146	21,204,564	18,155,154
-	80,965	354,202	1,550,547	4,042,838	4,905,969
27,838,073	25,062,307	20,667,735	22,964,693	25,247,402	23,061,123
395,871,270	390,721,717	376,198,996	353,234,303	327,986,901	304,925,778
<u>\$ 423,709,343</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>

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

<b>Operating Revenues</b>						
<b>Years Ending June 30,</b>	<b>User Fees</b>	<b>Permit and Connection Fees</b>	<b>Pretreatment Fees</b>	<b>Environmental Enforcement Revenue</b>	<b>Septage Income</b>	<b>Late Charges Penalties</b>
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
2019	96,428,606	126,300	1,066,369	4,739	321,036	1,052,671

*(Continued)*

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

			<i>Non-Operating Revenues</i>			
<i>Renewable Energy Credits 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>
\$ -	\$ 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
150,596	195,460	99,345,777	-	1,510,886	145,161	101,001,824

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

<b>Operating Expenses</b>					
<b>Years Ending June 30,</b>	<b>Personnel Services</b>	<b>Contractual Services</b>	<b>Repairs and Maintenance</b>	<b>Utilities</b>	<b>Supplies</b>
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
2019	23,844,901	6,940,144	4,210,366	2,855,198	2,203,721

*(Continued)*



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

			<i>Non-Operating Expenses</i>			
<i>Depreciation</i>	<i>Miscellaneous</i>	<i>Total Operating Expenses</i>	<i>Interest Expenses</i>	<i>Transfer to the State of RI</i>	<i>Other Expenses</i>	<i>Total Expenses</i>
\$ 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
16,401,372	890,711	57,346,413	16,816,321	-	511,115	74,673,849

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Residential</b>	\$ 55,473,053	\$ 55,206,499	\$ 55,885,288	\$ 54,406,898	\$ 53,044,437
<b>Commercial</b>	38,017,450	37,757,562	38,010,903	37,534,887	36,623,617
<b>Industrial</b>	2,938,103	2,858,780	2,713,965	4,136,839	2,339,245
<b>Total</b>	<u>\$ 96,428,606</u>	<u>\$ 95,822,841</u>	<u>\$ 96,610,156</u>	<u>\$ 96,078,624</u>	<u>\$ 92,007,299</u>

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Residential</b>	\$ 51,129,479	\$ 45,021,105	\$ 43,266,302	\$ 41,892,869	\$ 39,392,798
<b>Commercial</b>	36,073,080	31,111,175	30,886,203	29,713,682	28,295,493
<b>Industrial</b>	1,979,960	1,817,621	1,769,247	1,806,155	1,536,124
<b>Total</b>	<u>\$ 89,182,519</u>	<u>\$ 77,949,901</u>	<u>\$ 75,921,752</u>	<u>\$ 73,412,706</u>	<u>\$ 69,224,415</u>

*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>
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
2019	January 1, 2019	225.32	3.636

HCF - per hundred cubic feet

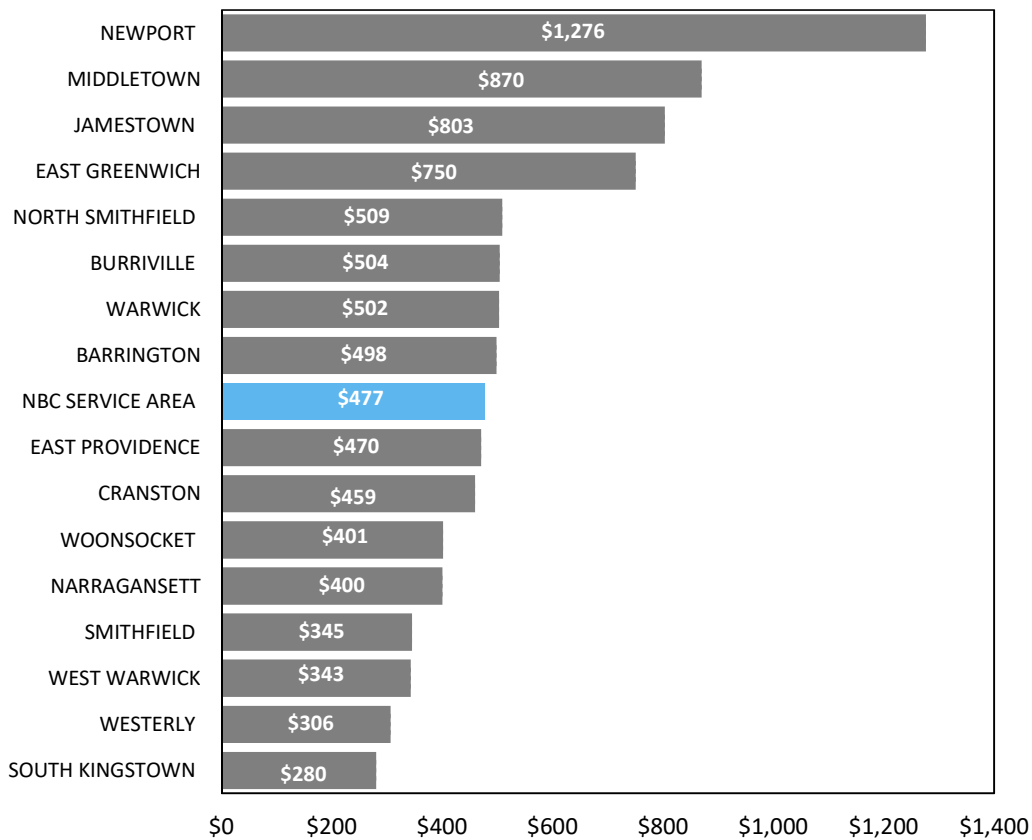
*Non-Residential Sewer Rates (Unaudited)*  
*Last Ten Fiscal Years*

<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>
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
2019	January 1, 2019	539.00	3.390	5.273

HCF - per hundred cubic feet

*Comparative 2018 Annual Residential Sewer Rates (Unaudited)  
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: 2018 NBC Residential Sewer User Survey**

Annual Residential charges are based on 73.2 HCF.

The 2018 RI Average Annual Residential Sewer User Fee is \$541.

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*Principal Commercial Users (Unaudited)*  
2019 and 2010

<i>Company</i>	<b>2019</b>			<b>2010</b>		
	<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>
Providence Housing Authority	\$ 1,661,711	1	1.72%	\$ 1,269,187	3	1.55%
Rhode Island Hospital	1,486,086	2	1.54%	1,344,693	1	1.65%
Brown University	1,318,590	3	1.37%	1,311,639	2	1.61%
City of Providence	831,833	4	0.86%	706,540	4	0.86%
Rhode Island Resource Recovery	735,616	5	0.76%	-	-	-
City of Pawtucket	670,152	6	0.69%	620,007	5	0.76%
Providence School Department	440,822	7	0.46%	520,011	6	0.64%
Providence College	426,112	8	0.44%	357,819	7	0.44%
Johnson & Wales University	406,737	9	0.42%	327,983	9	0.40%
Rhode Island College	380,475	10	0.39%	-	-	-
State of Rhode Island	-	-	-	308,128	10	0.38%
Fairfield Residential	-	-	-	357,794	8	0.44%
	<u>\$ 8,358,133</u>		<u>8.69%</u>	<u>\$ 7,123,801</u>		<u>8.73%</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>Leases Payable</i>	<i>Total Outstanding Debt</i>
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
2019	346,974,434	261,553,307	-	608,527,741

*(Continued)*



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

<b>Capitalized Assets*</b>	<b>Construction in Progress</b>	<b>Total Capital Assets</b>	<b>Outstanding Debt to Capital Assets</b>	<b>Outstanding Debt per Population <sup>(1)</sup></b>	<b>Income to Outstanding Debt <sup>(1)</sup></b>
\$ 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	562.16	0.010%
648,715,001	376,891,496	1,025,606,497	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 <sup>(1)</sup></i>	<i>Operating Expenses <sup>(2)</sup></i>	<i>Net Revenues Available for Debt Service</i>
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
2019	101,001,824	40,945,041	60,056,783

*(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*

<b>Debt Service Requirement</b>				
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
\$	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
	28,801,972	17,774,191	46,576,163	1.29

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

<i>Fiscal Year</i>	<i>Population</i> <sup>(1)</sup>	<i>Personal Income</i> <i>(Millions)</i> <sup>(1)</sup>	<i>Per Capita</i> <i>Income</i> <sup>(1)</sup>	<i>Labor</i> <i>Force</i> <sup>(2)</sup>	<i>School</i> <i>Enrollment</i> <sup>(3)</sup>	<i>Unemployment</i> <i>Rate</i> <sup>(4)</sup>
2010	1,052,669	\$ 45,279	\$ 43,013	568,033	145,118	11.3%
2011	1,050,350	46,815	44,571	559,558	142,854	10.9%
2012	1,050,304	48,584	46,257	557,986	142,481	10.5%
2013	1,051,511	49,409	46,989	556,409	142,008	9.3%
2014	1,055,173	51,532	48,838	556,644	141,959	7.8%
2015	1,056,000	52,905	50,080	555,163	142,014	6.0%
2016	1,056,268	53,390	51,424	553,809	142,142	5.3%
2017	1,056,426	54,077	50,427	553,330	142,949	4.4%
2018	1,057,315	57,648	54,523	555,515	143,436	4.0%
2019	N/A	N/A	N/A	552,132	N/A	3.6%

(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

N/A - Information is not yet published.

*Principal Employers (Unaudited)  
2018 and 2009*

<i>Company</i>	<i>2018 <sup>(1)</sup></i>			<i>2009 <sup>(2)</sup></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	12,733	1	2.56%	11,869	1	2.59%
CVS Corp	8,300	2	1.67%	5,800	5	1.27%
Care New England	6,334	3	1.28%	5,953	4	1.30%
Citizens Bank	5,121	4	1.03%	4,991	6	1.09%
General Dynamic Electric Boat	4,595	5	0.93%	-	-	-
Brown University	4,009	6	0.81%	4,800	7	1.05%
Naval Undersea Warfare Center	3,456	7	0.70%	-	-	-
Fidelity Investments	3,300	8	0.66%	2,934	10	0.64%
CharterCARE Health Partners	3,132	9	0.63%	-	-	-
Diocese of Providence	3,000	10	0.60%	6,200	3	1.35%
US Government	-	-	-	11,581	2	2.53%
Bank of America	-	-	-	3,500	9	0.76%
Stop & Shop	-	-	-	3,632	8	0.79%
	<u>53,980</u>		<u>10.87%</u>	<u>61,260</u>		<u>13.37%</u>

(1) **Source:** Providence Business News, Book of Lists 2019

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Number of treatment plants</b>	2	2	2	2	2	2	2	2	2	2
<b>Number of employees</b>	250	250	252	260	257	245	254	246	246	244
<b>Field's Point Plant (Largest WWTF in RI)</b>										
Daily average treatment in gallons (mgd)	53.19	44.18	41.16	38.33	40.55	42.50	43.06	45.66	43.49	51.75
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	35	37	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
<b>Bucklin Point Plant (Second largest WWTF in RI)</b>										
Daily average treatment in gallons (mgd)	23.89	20.45	17.30	16.98	19.20	21.73	19.82	20.36	19.98	19.71
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*

<b>Cost Centers</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Administration	8	8	8	8	8	8	8	8	8	8
Human Resources	4	4	4	4	4	4	4	4	4	4
Information Technology	12	12	12	12	12	12	12	11	11	11
Legal	6	5	5	5	5	5	5	5	5	5
Construction	10	10	11	11	13	13	13	12	12	10
Engineering	7	6	-	-	-	-	-	-	-	-
Finance	7	6	5	5	5	5	5	5	5	5
Accounting	10	10	10	10	10	10	10	10	10	10
Customer Service	25	25	25	25	24	24	24	24	24	24
Purchasing	3	3	4	4	4	4	4	4	4	4
Interceptor Maintenance	20	18	20	20	20	20	20	21	22	22
Operations & Maintenance	6	7	9	9	9	9	8	9	10	10
Field's Point WWTF	54	54	59	59	59	57	57	58	56	56
Bucklin Point WWTF	47	45	45	43	35	34	33	33	32	32
Technical Analysis & Compliance	4	4	5	5	5	5	5	5	5	4
Pretreatment	14	14	14	14	14	14	14	14	15	15
Laboratory	17	17	17	17	17	16	16	16	16	17
Environmental Safety & Technical Assistance	4	4	4	4	4	4	4	4	4	4
Environmental Monitoring	17	17	17	17	17	17	17	17	17	17
<b>Total Employee Positions</b>	<b>275</b>	<b>269</b>	<b>274</b>	<b>272</b>	<b>265</b>	<b>261</b>	<b>259.0</b>	<b>260</b>	<b>260</b>	<b>258</b>
<b>Less Turnover</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>2.5</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Net Positions Budgeted</b>	<b>269</b>	<b>267</b>	<b>270</b>	<b>268</b>	<b>262</b>	<b>259</b>	<b>256.5</b>	<b>258</b>	<b>258</b>	<b>256</b>

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CERTIFIED PUBLIC ACCOUNTANTS

126 President Avenue

Fall River, MA 02720

TEL. (508) 675-7889

FAX (508) 675-7859

www.hague-sahady.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, and have issued our report thereon dated September 30, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NBC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NBC's internal control. Accordingly, we do not express an opinion on the effectiveness of NBC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether NBC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Hagge, Sabady & Co. PC".

Fall River, Massachusetts  
September 30, 2019

**NARRAGANSETT BAY COMMISSION**

*Supplementary Information  
Schedule of Long-Distance Travel  
FY 2019*

Traveler	Travel Dates		Purpose	Destination	Total Amount
	From	To			
Iziarh Roberts Jr	7/8/18	7/14/18	ESRI User Conference 2018 (GIS)	San Diego, CA	\$ 3,293
Raymond Marshall	7/23/18	7/26/18	NACWA Summer Meeting	Boston, MA	1,103
Jennifer Galego	7/23/18	7/26/18	NACWA 2018 Utility Leadership Conference	Boston, MA	729
Laurie Horridge	7/24/18	7/26/18	NACWA 2018 Utility Leadership Conference	Boston, MA	847
Jamie Samons	7/24/18	7/26/18	NACWA Summer Meeting	Boston, MA	315
Margaret Goulet	7/25/18	7/25/18	NACWA 2018 Utility Leadership Conference	Boston, MA	366
Nora Lough	8/12/18	8/24/18	2018 MERHAB Course	East Boothbay, ME	2,000
Barry Wenskowicz	8/21/18	8/23/18	Energy Exchange/Better Buildings Summit	Cleveland, OH	250
James McCaughey	9/19/18	9/19/18	EPA Black Sky Summit	Washington, DC	317
Raymond Marshall	10/21/18	10/23/18	NACWA Fall Strategic Leadership & BOD Meeting	Chicago, IL	1,293
Kathryn Kelly	10/28/18	10/30/18	NEWEA Conference - CSO & Wet Weather Issues	Portland, ME	893
Joseph LaPlante	10/28/18	10/30/18	NEWEA Conference - CSO & Wet Weather Issues	Portland, ME	894
Cynthia Morissette	11/1/18	11/2/18	2018 Wellborn Leadership & NEEEA Conference	Fairlee, VT	652
Jennifer Galego	11/13/18	11/16/18	NACWA Seminar Clean Water Law & Enforcement	San Diego, CA	2,603
Walter Palm	1/27/19	1/29/19	2019 NEWEA Annual Conference	Boston, MA	1,715
Kathryn Kelly	2/4/19	2/5/19	91st NYWEA Annual Winter Meeting	New York City, NY	1,044
Jamie Samons	2/5/19	2/8/19	NACWA 2019 Winter Conference	Albuquerque, NM	1,961
Michael Spring	3/10/19	3/11/19	NEWEA Conference - Gov'n't & Public Relations	Salem, MA	155
Margaret Goulet	3/6/19	3/20/19	NASTT's 2019 No-Dig Show	Chicago, IL	1,186
Laurie Horridge	4/3/19	4/4/19	2019 National Water Policy Fly-In Event	Washington, DC	1,053
Jennifer Galego	4/3/19	4/4/19	2019 National Water Policy Fly-In Event	Washington, DC	1,082
Eliza Moore	5/13/19	5/13/19	NROC Workshop	Portsmouth, NH	143
Gail Degnan	5/19/19	5/22/19	GFOA 113th Annual Conference	Los Angeles, CA	1,982
Sherri Arnold	5/19/19	5/22/19	GFOA 113th Annual Conference	Los Angeles, CA	1,900
Walter Palm	6/1/19	6/5/19	NEWEA Spring Meeting	New Castle, NH	1,882
Nora Lough	6/2/19	6/5/19	NEWEA Spring Meeting	New Castle, NH	1,235
Jamie Samons	6/2/19	6/4/19	NECWA Strategic Communication Conference	Cleveland, OH	1,067
Diane Buerger	6/21/19	6/26/19	SHRM Annual Conference	Las Vegas, NV	3,445
<b>Grand Total</b>					<b>\$ 35,405</b>

See Independent Auditor's Report