

# **Narragansett Bay Commission Rhode Island**



**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2016**



# Narragansett Bay Commission Rhode Island

## *Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016*

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

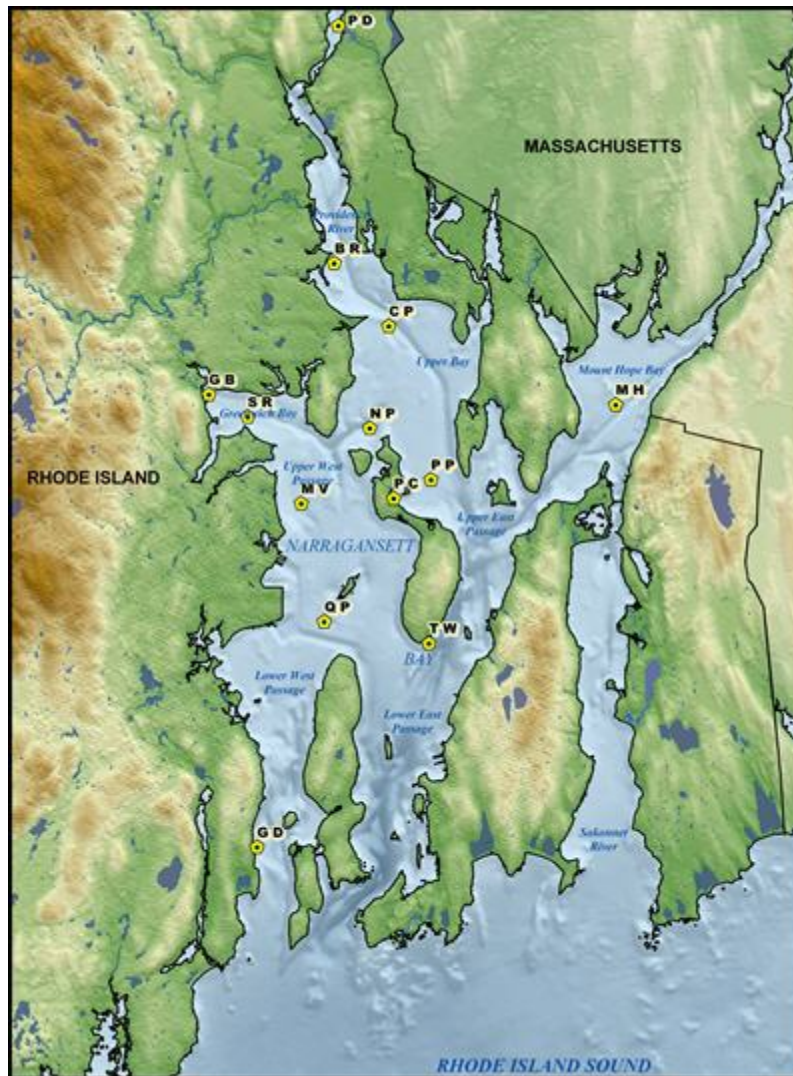


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# Narragansett Bay Commission's Mission Statement

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



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**NARRAGANSETT BAY COMMISSION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*For the Fiscal Year Ended 2016*

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**NARRAGANSETT BAY COMMISSION**  
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# Introductory Section

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**August 30, 2016**

**TO THE CHAIRMAN AND THE COMMISSIONS OF  
NARRAGANSETT BAY COMMISSION:**

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Narragansett Bay Commission (NBC) for the fiscal year ended June 30, 2016. The purpose of the report is to provide a broad financial picture of the NBC to the Board of Commissioners, NBC's customers, the public, and other interested parties.

State law requires that related 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, 2016.

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

Hague, Sahady & Co. have issued an unqualified ("clean") opinion on the NBC's financial statements for the fiscal year ended June 30, 2016. The Independent Auditor's report is located in the front of the financial section of this report.

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

**PROFILE OF NARRAGANSETT BAY COMMISSION**

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

## **PROFILE OF NARRAGANSETT BAY COMMISSION (Continued)**

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

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

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

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

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

A line item budget is maintained for each individual section or program. Finance staff reviews the budget versus actual status on a monthly basis. All budget transfers must be approved by the Division Director and the Director of Administration and Finance. The Executive Director notifies the NBC's Finance Committee of these adjustments on a monthly basis. In addition, the Finance Committee reviews and approves the monthly financial statements and the budget versus actual expenses before they are presented at the regularly scheduled Board Meeting. The Finance Committee must also approve all changes to budgeted operating capital in excess of \$50,000.

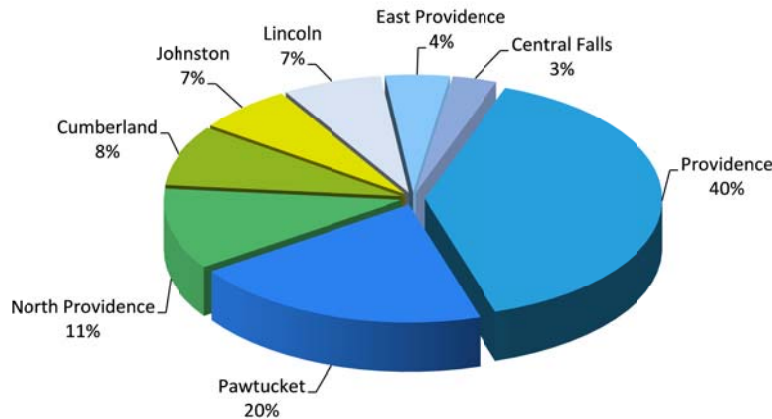
NBC provides reliable, cost-effective wastewater collection and treatment services to over 360,000 residents and approximately 7,750 businesses in the metropolitan Providence, and Blackstone Valley areas. These communities include: Providence, North Providence, Johnston, Pawtucket, Central Falls, Cumberland, Lincoln, the northern portion of East Providence and small sections of Cranston and Smithfield.

NBC's customer base consists of residential and non-residential customer classes, which include commercial and industrial users. Of the eight major communities, Providence, Pawtucket and North Providence represent more than 71% of the accounts. The residential customer class has approximately 76,000 accounts, while the non-residential class has approximately 7,750 accounts.

## PROFILE OF NARRAGANSETT BAY COMMISSION (Continued)

The following chart illustrates the distribution of accounts across the eight communities in NBC's service area.

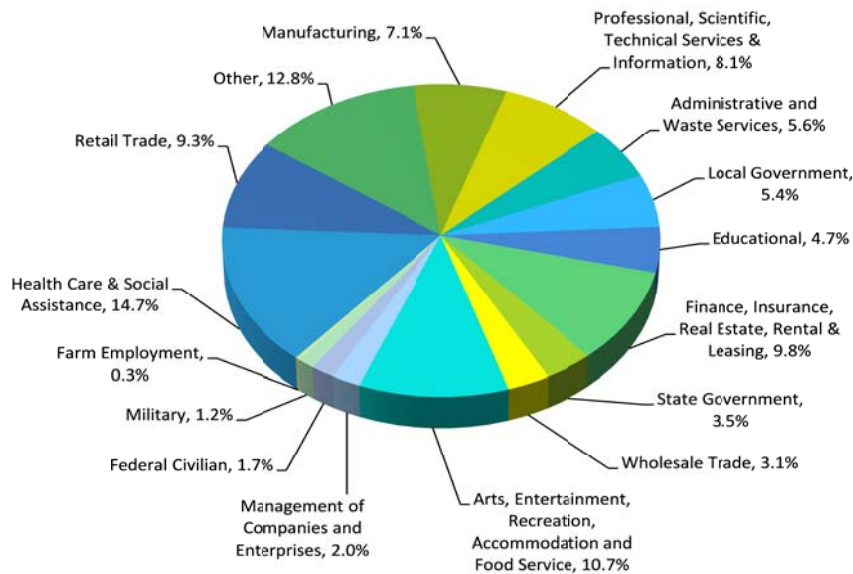
**Percentage of Accounts by Community**



## LOCAL ECONOMY

According to the Rhode Island Department of Economic Development, the economic base of Rhode Island has shifted from manufacturing and goods to service industries over the last decades. It should also be mentioned that one of the primary service industries in Rhode Island is tourism, which is largely focused on recreational activities on and around Narragansett Bay. The chart below shows estimated employment by industry for the calendar year 2014.

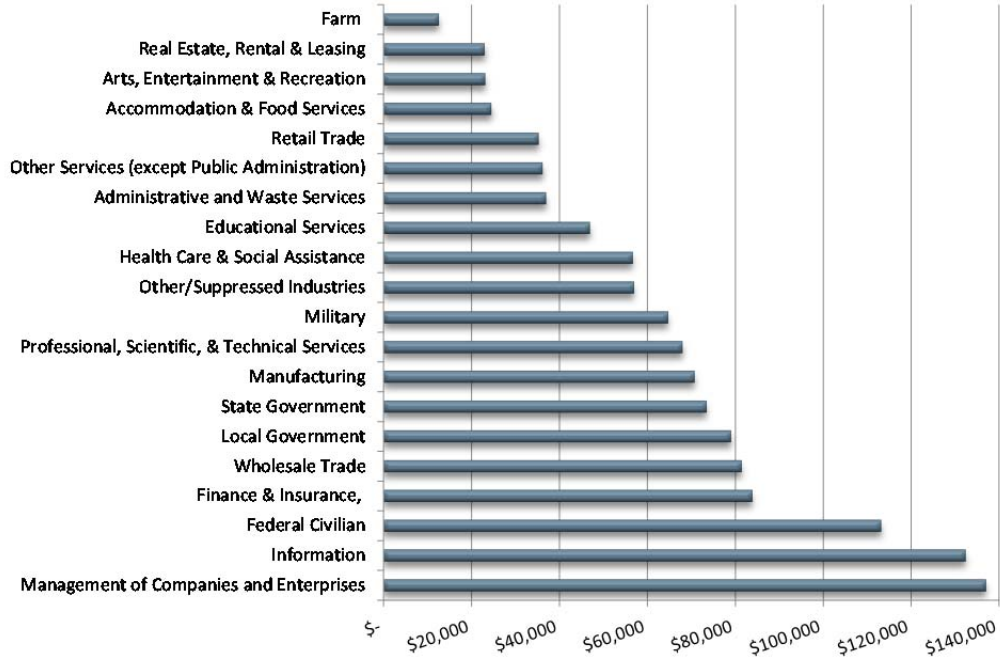
**Estimated Employment by Industry**



\*Source: United States Regional Economic Analysis Project Industries by State 2014

## LOCAL ECONOMY (Continued)

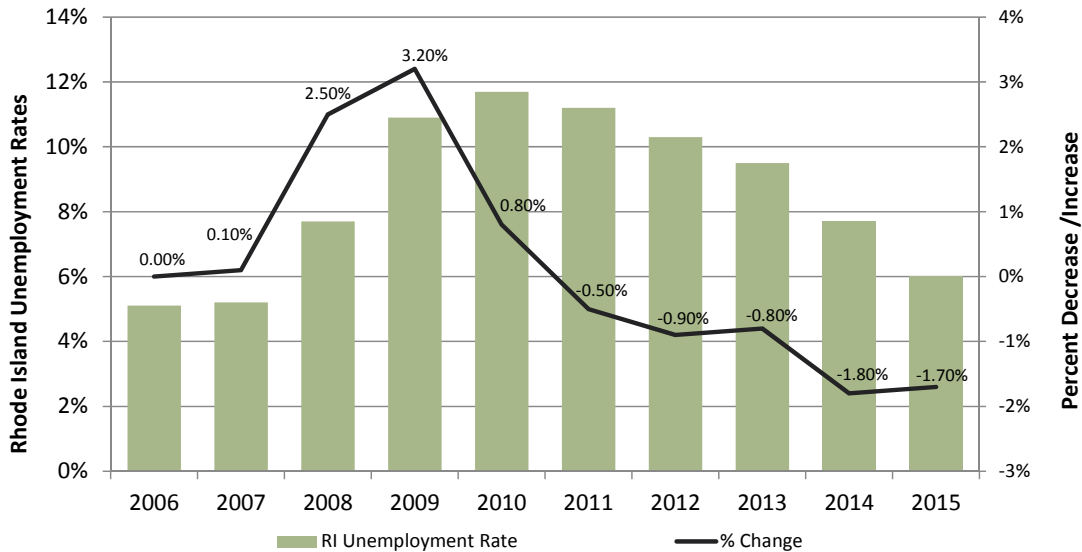
Employment in Rhode Island reflects the national trend towards increasing employment in the services sector. The cart below illustrates Rhode Island’s average annual earnings per employee in each major industry for 2014.



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

The graph below, compiled from data from the Bureau of Labor Statistics, shows historical unemployment figures over the past ten years for Rhode Island. Rhode Island unemployment rates increased significantly from 2008 to a peak rate of 11.8% in 2010 and have since declined to a rate of 6.0% in 2015.

### Rhode Island Average Annual Unemployment Rates

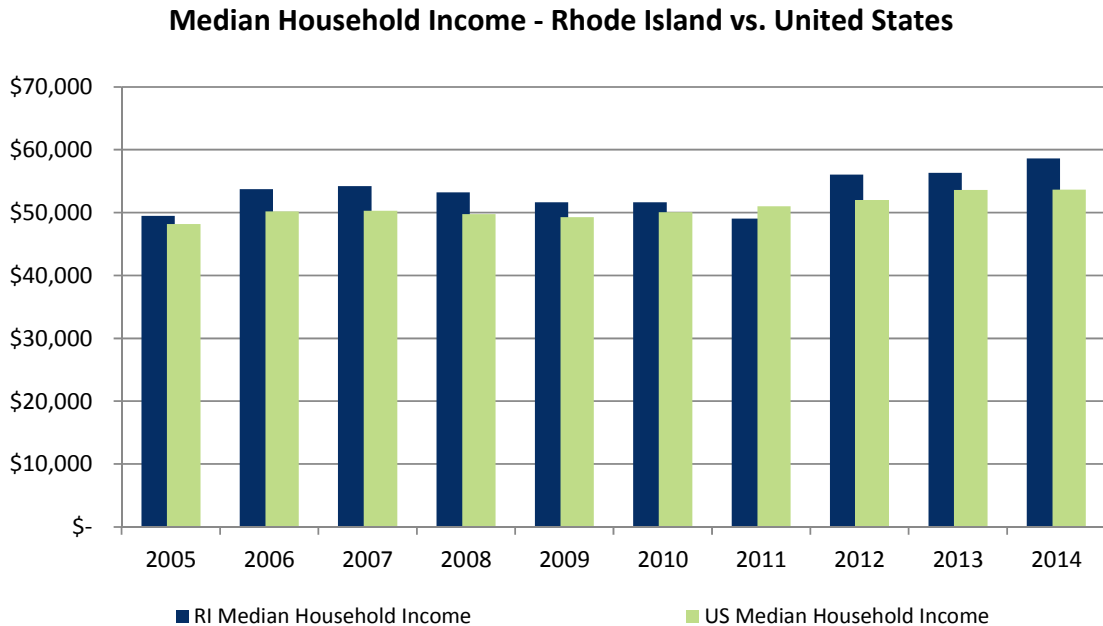


\*Source: Bureau of Labor Statistics. RI state-wide Unemployment Rates Seasonally Adjusted



## LOCAL ECONOMY (Continued)

The graph below shows the median household income in Rhode Island for the years 2005-2014 compared to national statistics. With the exception of 2011, Rhode Island's median household income has been higher than the national median household income.



\*Source: United States Census Bureau – Historical Income Tables

## LONG-TERM FINANCIAL PLANNING

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

## MAJOR INITIATIVES

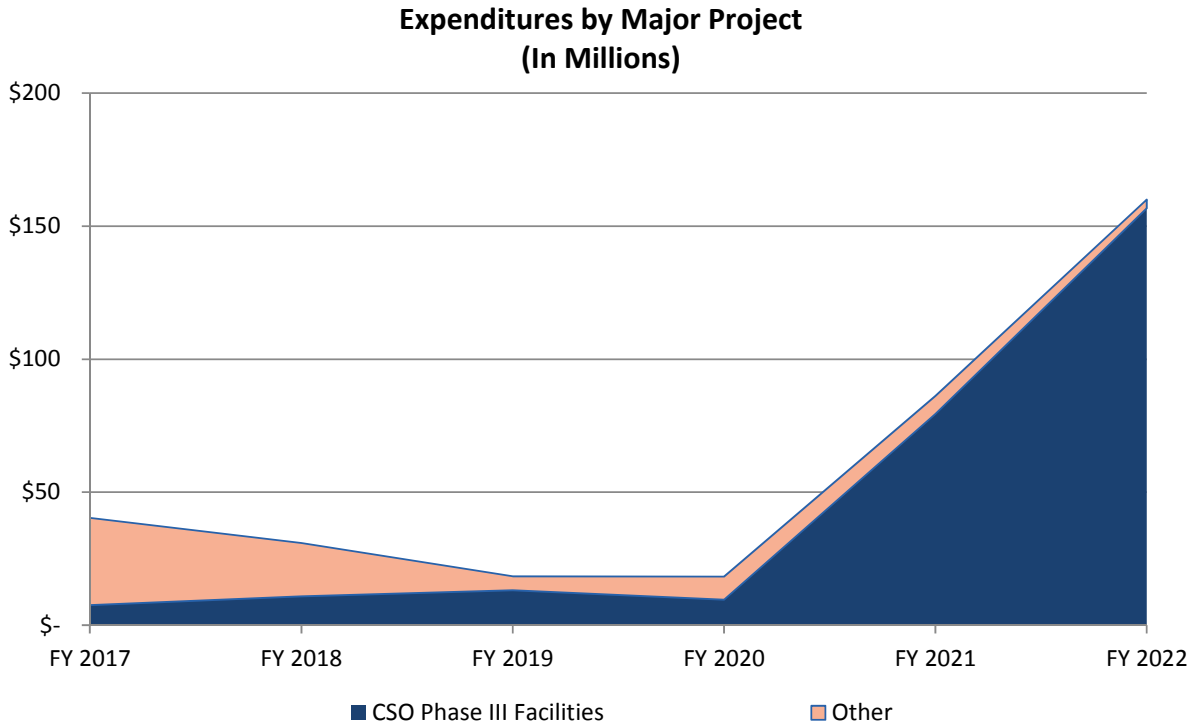
NBC's current CIP identifies 37 projects totaling approximately \$313.8 million, either in progress, to be initiated, or to be completed during the fiscal years of 2018-2022. In addition, the CIP includes \$40.4 million in expenditures in fiscal year 2017, for a total of approximately \$354.1 million over the six-year period. Expenditures on these projects are necessary in order to comply with current and future regulatory requirements, take advantage of technological changes, and ensure the integrity of the NBC's infrastructure.

The most significant project included in NBC's 2018-2022 CIP is the third and final phase of the federally mandated Combined Sewer Overflow (CSO) Abatement Program. The CSO Phase III Facilities account for more than 86% of the total CIP expenses during the five-year window. NBC's 18 month reevaluation of the CSO Phase III Facilities as set forth in the RIDEM approved 1998 Conceptual Design Report Amendment concluded in June 2015. This resulted in the selection of an alternative plan that NBC's Board determined to provide the best combination of affordability and water

## MAJOR INITIATIVES (Continued)

quality improvement. The reevaluation report was submitted to RIDEM in July 2015 and RIDEM provided comments to NBC in March 2016. NBC is incorporating RIDEM's comments into a revised conceptual design report which will be submitted to RIDEM for approval and NBC's Consent Agreement must be renegotiated based upon the approved plan.

Based upon the reevaluation, the CSO Phase III Program was subdivided into four phases to be completed over a period of 22 years. The total pre-design estimate for the four phases is \$833 million in 2018 dollars, with expenditures of approximately \$7.5 million in FY 2017 and \$269.7 in the five year period of FY 2018-2022. Phase III A includes the design and construction of a deep rock tunnel in Pawtucket approximately 13,000 feet in length along the Seekonk and Blackstone Rivers, a pump station to convey flow to the Bucklin Point WWTF in East Providence, drop shafts and consolidation conduits. NBC has initiated design of the CSO Phase III A Facilities design and the major capital expenditures related to construction are projected to begin in FY 2021.



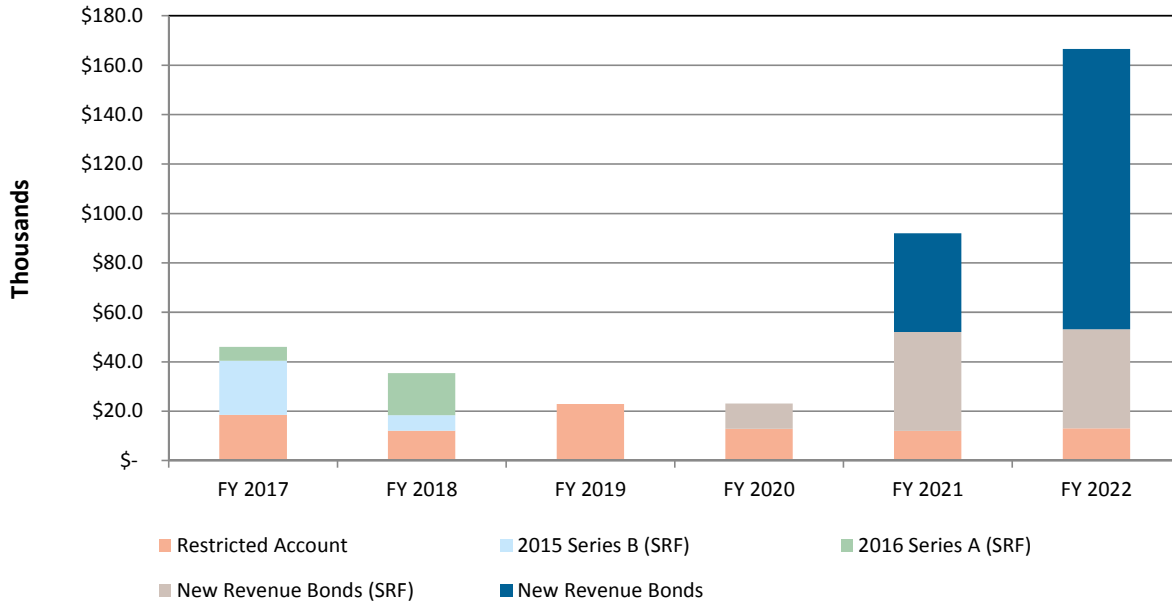
## FUNDING OF THE CIP

NBC's objective is to manage capital financing such that ratepayer impacts are minimized and compliance with regulatory constraints is ensured. NBC's long-term financial model identifies capital funding needs and available funding sources to project debt issuance. In general, NBC will maximize borrowings from the Rhode Island Infrastructure Bank (RIIB), formerly known as the Rhode Island Clean Water Finance Agency, to the extent that funding is available. The RIIB, through the State Revolving Fund (SRF) Program subsidizes the interest rate on loans, resulting in a 1/3 or greater interest rate subsidy. If SRF funds are not available, NBC may issue short or long-term debt in fixed or variable mode. NBC may also fund projects through the Restricted Account which is funded through transfers from the Stabilization Account from prior year debt service coverage.

## FUNDING OF THE CIP (Continued)

The graph below illustrates the projected sources of capital funds for the fiscal years 2017 through 2022.

**Sources of Funds  
(In Thousands)**



## IMPACT OF CIP ON DEBT SERVICE

Primarily as a result of the modified schedule for the CSO Phase III Facilities, no new debt issuance is anticipated until FY 2020. In fiscal years 2017 – 2019, NBC plans to finance the CIP with unspent SRF loan proceeds and the Restricted Account.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to the NBC for its CAFR for the fiscal year ended June 30, 2015. This was the fourteenth consecutive year that the NBC has received this prestigious award. In order to be awarded a Certificate of Achievement, the NBC issued an easily readable and efficiently organized CAFR which satisfied both generally accepted accounting principles and applicable legal requirements.

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

## AWARDS AND ACKNOWLEDGEMENTS (Continued)

In addition, the NBC received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2016. The GFOA also awarded NBC Special Performance Measures Recognition, Special Capital Recognition, outstanding as a financial plan, outstanding as an operations guide, and outstanding as a communications device. In order to qualify for the Distinguished Budget Presentation award, the budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This was the fourteenth consecutive year that the 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 the NBC's Division of Administration and Finance. Credit also must be given to the Chairman and the Board of Commissioners for their unflinching support for maintaining the highest standards of professionalism in the management of the NBC's finances.

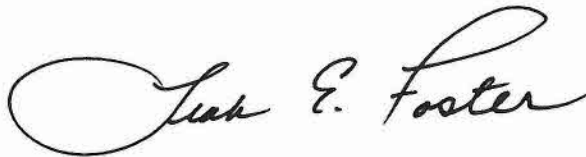
Respectfully Submitted,



Raymond Marshall, PE  
Executive Director



Karen L. Giebink  
Director of Administration and Finance



Leah E. Foster, CPA  
Accounting Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Narragansett Bay Commission**  
**Rhode Island**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

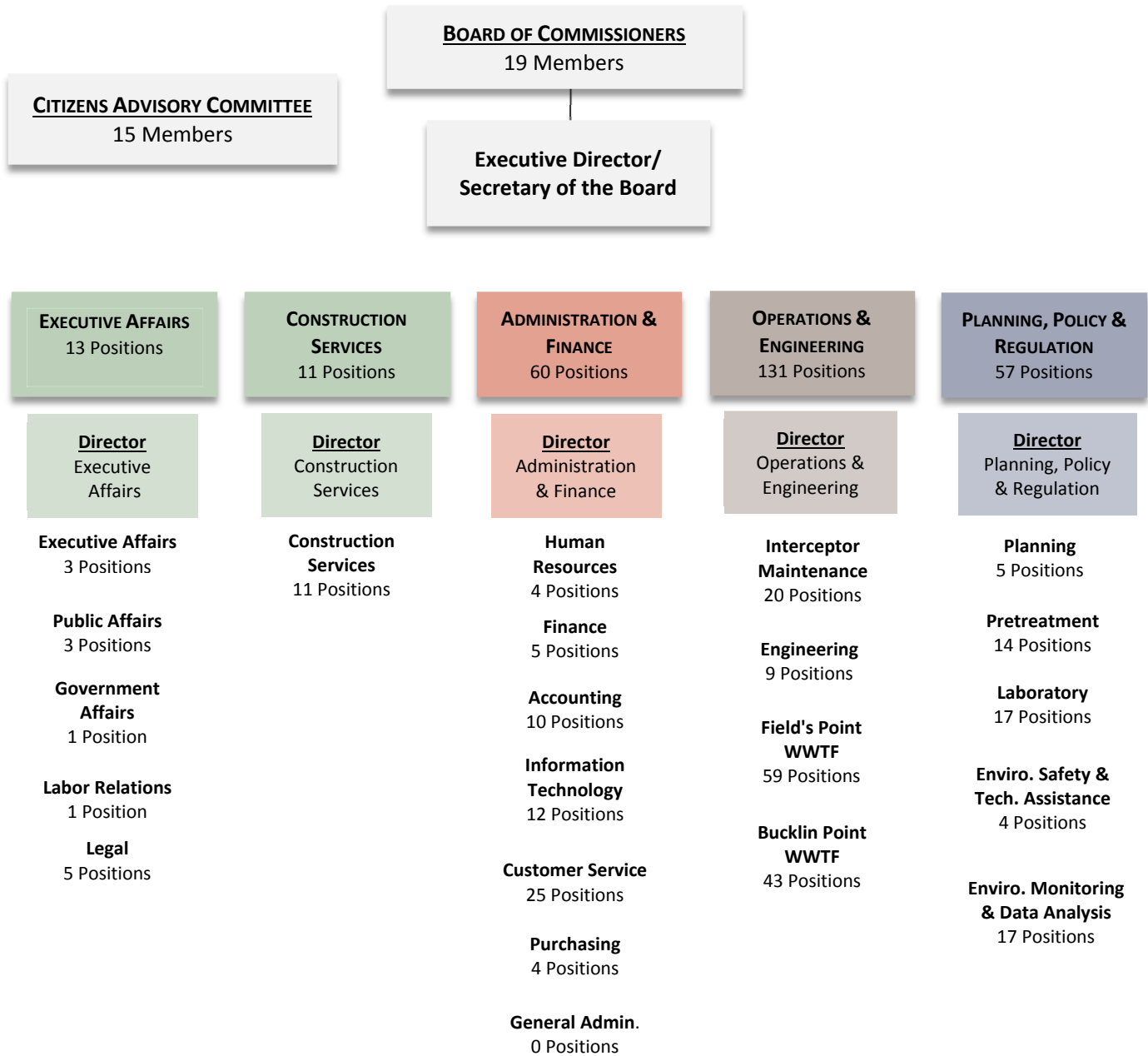
**NARRAGANSETT BAY COMMISSION  
BOARD OF COMMISSIONERS**

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Angelo S. Rotella, Esq., Vice Chairman  
Robert P. Andrade, Treasurer*

*James S. Bennett  
Dr. Richard Burroughs  
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Joseph Kimball  
Paul Lemont, Esq.  
Ronald Leone  
John MacQueen  
Joan P. Milas  
Alessandro Montanari  
Alan Nathan  
Richard D. Worrell*



# Narragansett Bay Commission Organization Chart



# Narragansett Bay Commission Service Area





# Financial Section

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CERTIFIED PUBLIC ACCOUNTANTS  
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FAX (508) 675-7859  
www.hague-sahady.com

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

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

We have audited the accompanying financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of NBC, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in Net Position Liability and Related Ratios, Schedule of Employer Contributions for the Non Union Defined Benefit Pension Plan, Schedule of Investment Returns, Schedule of Proportionate Share of the Net Pension Liability Employees Retirement System RI, and Schedule of Contributions – Employers Retirement System RI be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The schedule of expenses - budget to actual, the combining schedule of net position, the combining schedule of revenue, expenses, and changed in net position, and the schedule of travel expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses - budget to actual, the combining schedule of net position, the combining schedule of revenue, expenses, and changed in net position, and the schedule of travel expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016, on our consideration of NBC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NBC's internal control over financial reporting and compliance.

*Hague, Sabady & Co. PC*

Fall River, Massachusetts  
August 30, 2016

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# **NARRAGANSETT BAY COMMISSION**

## *Management's Discussion and Analysis*

Our discussion and analysis of the Narragansett Bay Commission's financial performance provides an overview of NBC's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the transmittal letter beginning on page 1 and NBC's basic financial statements, which begin on page 24.

### **FINANCIAL STATEMENTS**

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

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

The Statement of Net Position presents the financial position of the NBC on the accrual basis of accounting, with the exception of fine assessments and monitoring fees that are recorded on a cash basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NBC is improving or deteriorating.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the NBC's operations over the past year and can be used to determine whether the NBC has successfully recovered all its costs through its user fees and other charges.

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

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the statements. The Notes to the Financial Statements can be found on pages 29-54 of this report.

### **FINANCIAL HIGHLIGHTS**

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

- NBC's FY 2016 total net position was \$452,784,276 which is an increase of \$29,074,933. Of this amount, \$85,704,841 (unrestricted) may be used to meet NBC's ongoing obligations.

**NARRAGANSETT BAY COMMISSION**  
*Management's Discussion and Analysis (Continued)*

**FINANCIAL HIGHLIGHTS (Continued)**

- The total change in net position was \$29,074,933 in FY 2016 compared to \$27,838,073 in FY 2015, which is an increase of \$1,236,860.
- NBC restated the FY 2015 beginning net position by \$(19,912,754) for the implementation of GASB 68, which requires Net Pension Liability to be recorded in the Statement of Net Position.
- Total revenues increased from \$95,190,225 in FY 2015 to \$99,325,853 in FY 2016, which is a \$4,135,628 increase.
- Total expenses increased from \$67,352,152 in FY 2015 to \$70,762,990 in FY 2016, which is a \$3,410,838 increase.
- Debt Service Coverage calculated as gross revenue, less operating expenses exclusive of depreciation and amortization, divided by total debt service was 142% for fiscal year 2016, exceeding the 125% debt service coverage level recommended by credit rating agencies.
- Effective July 1, 2015, NBC raised its flat fees and consumption fees by 2.37%.

**FINANCIAL ANALYSIS**

**NET POSITION**

Net position over time may serve as a useful indicator of a government's financial position. In the case of NBC, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$452,784,276 as of June 30, 2016. The FY 2016 change in net position was a \$29,074,933 increase in total net position and demonstrates that the financial position of NBC is improving.

**NARRAGANSETT BAY COMMISSION**  
*Management's Discussion and Analysis (Continued)*

**FINANCIAL ANALYSIS (Continued)**

**Condensed Statement of Net Position**

<b>Assets</b>	<b>FY 2016</b>	<b>FY 2015</b>
Current assets	\$ 85,221,516	\$ 39,495,708
Restricted assets	84,499,826	74,973,824
Capital assets (net)	<u>965,857,945</u>	<u>952,446,642</u>
Total assets	<u>1,135,579,287</u>	<u>1,066,916,174</u>
 <b>Deferred Outflows of Resources</b>		
Deferred Outflows of Resources	<u>5,286,140</u>	<u>4,228,798</u>
Total deferred outflows	<u>5,286,140</u>	<u>4,228,798</u>
 <b>Liabilities</b>		
Current liabilities	41,197,438	39,573,560
Noncurrent liabilities	<u>645,853,498</u>	<u>606,847,938</u>
Total liabilities	<u>687,050,936</u>	<u>646,421,498</u>
 <b>Deferred Inflows of Resources</b>		
Deferred Inflows of Resources	<u>1,030,215</u>	<u>1,014,131</u>
Total deferred inflows	<u>1,030,215</u>	<u>1,014,131</u>
 <b>Net Position</b>		
Net investment in capital assets	366,988,525	347,106,277
Restricted for environmental enforcement	90,910	54,405
Unrestricted	<u>85,704,841</u>	<u>76,548,661</u>
<b>Total net position</b>	<u>\$ 452,784,276</u>	<u>\$ 423,709,343</u>

The condensed statement above reflects an increase in current assets of \$45,725,808 from FY 2015 to FY 2016. This reflects an increase in the amount due from the Rhode Island Infrastructure Bank (RIIB) related to unspent proceeds from NBC's Series 2015 B and Series 2016 A borrowings on July 30, 2015 and June 2, 2016 respectfully.

In FY 2016, the NBC shows restricted assets of \$84,499,826. Of this amount \$90,910 is restricted for future environmental enforcement activities in accordance with Rhode Island General Law Section 46-25-38.1. These funds are held in a restricted cash account and are reflected as a restricted net position. In addition, \$44,910,082 is restricted cash held in the Debt Service Fund for debt service and debt service coverage in accordance with the Report and Order of the Rhode Island Public Utilities Commission (PUC) as well as the Trust Indenture. As of June 30, 2016, the NBC's restricted cash account for future acquisition and construction of capital assets had a balance of \$31,495,566. Also, \$3,502,206 is restricted in the Debt Service Reserve Fund and \$4,501,062 is restricted for the Operating Reserve for Revenue Stability Fund.

**NARRAGANSETT BAY COMMISSION**  
*Management's Discussion and Analysis (Continued)*

**FINANCIAL ANALYSIS (Continued)**

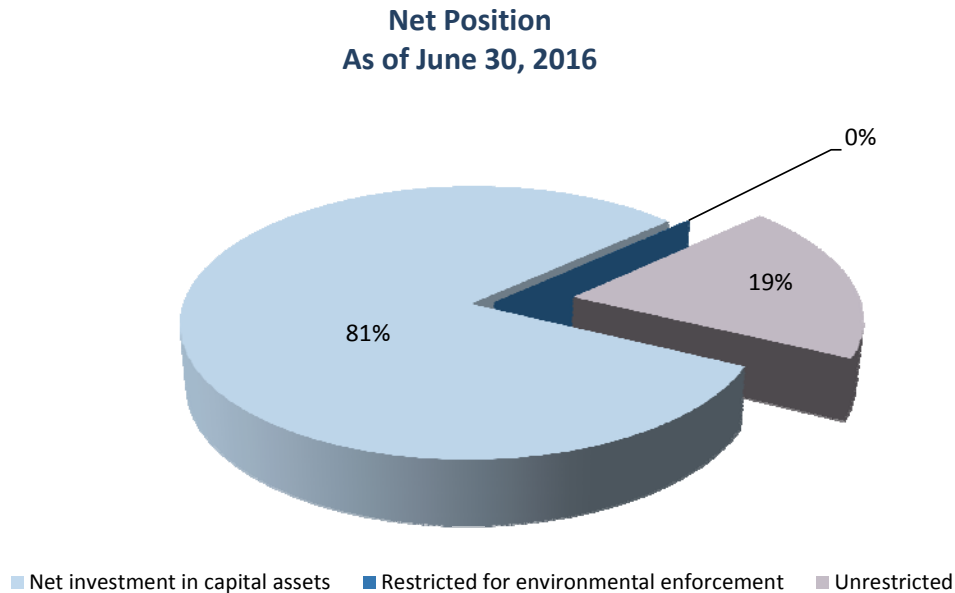
There is also a significant increase in Capital assets (net) of \$13,411,303 from FY 2015 to FY 2016. This increase is the result of substantial progress that NBC made in FY 2016 on the initiatives identified in the Capital Improvement Program (CIP).

In FY 2016, the total deferred outflows of resources increased from \$1,057,342 from FY 2015 to FY 2016. The increase was a result of GASB 68 entries relating to pensions.

In FY 2016, the current liabilities increased by \$1,623,878. This is the result of an increase in the current portion of the contracts payable. The non-current liabilities increased by \$39,005,560 which was due to the borrowing of \$41.7 million (Series 2015 B) and \$23.0 million (Series 2016 A) from RIIB net of the principal payments.

In FY 2016, the total deferred inflows of resources increased \$16,084. The increase was a result of the GASB 68 entries relating to pensions.

The largest portion of the NBC's net position, 81%, reflects its net investment in capital assets. The NBC uses these capital assets to provide wastewater treatment and collection services to its customers. Consequently, only the unrestricted net position is available for future spending. Although the NBC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. NBC ended the FY 2016 with an increase in net position of \$29,074,933. NBC has included a Condensed Statement of Revenues, Expenses and Changes in Net Position on the following page.





**NARRAGANSETT BAY COMMISSION**  
*Management's Discussion and Analysis (Continued)*

**FINANCIAL ANALYSIS (Continued)**

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

	<u>FY 2016</u>	<u>FY 2015</u>
<b>Operating Revenues</b>		
User fees	\$ 96,078,624	\$ 92,007,299
Pretreatment	1,088,763	1,076,481
Septage income	358,719	336,037
Late charge penalties	932,178	999,867
Other operating revenues	546,710	596,158
<b>Non-operating Revenues</b>	<u>320,859</u>	<u>174,383</u>
Total revenues	<u>99,325,853</u>	<u>95,190,225</u>
<b>Operating Expenses</b>		
Personnel services	22,903,792	20,946,735
General and administration	994,663	979,426
Operations and maintenance	7,581,535	6,930,801
Depreciation and amortization	14,091,320	12,983,750
Contractual Services	5,748,754	7,469,034
Miscellaneous	884,760	846,462
<b>Non-operating Expenses</b>	<u>18,558,166</u>	<u>17,195,944</u>
Total expenses	<u>70,762,990</u>	<u>67,352,152</u>
Net income (loss) before capital contributions	28,562,863	27,838,073
<b>Capital Contributions</b>	<u>512,070</u>	<u>-</u>
Change in net position	29,074,933	27,838,073
<b>Total Net Position - beginning of year</b>	423,709,343	415,784,024
<b>Net Position Restatement</b>	<u>-</u>	<u>(19,912,754)</u>
<b>Total Net Position - end of year</b>	<u>\$ 452,784,276</u>	<u>\$ 423,709,343</u>

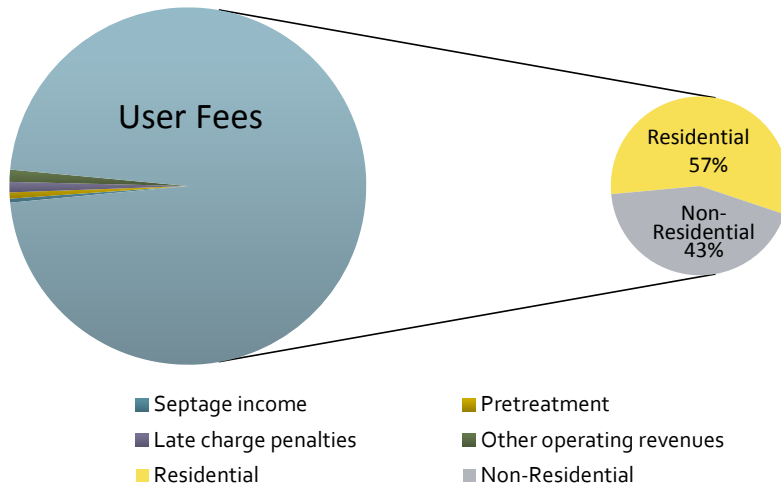
**REVENUES**

User fees are NBC's primary source of revenue, representing approximately 97% of total operating revenues. FY 2016 user fee revenue was \$96,078,624 which is \$4,071,325 more than the prior year. The increase in user fees is primarily the result of a 2.37% rate increase effective July 1, 2015. The PUC approved rate increase applies to both consumption and flat fees. In FY 2016, the non-user fee operating revenue decreased by \$82,173 primarily as the result of the decrease in other operating revenues and late charge penalties.

**NARRAGANSETT BAY COMMISSION**  
*Management's Discussion and Analysis (Continued)*

**FINANCIAL ANALYSIS (Continued)**

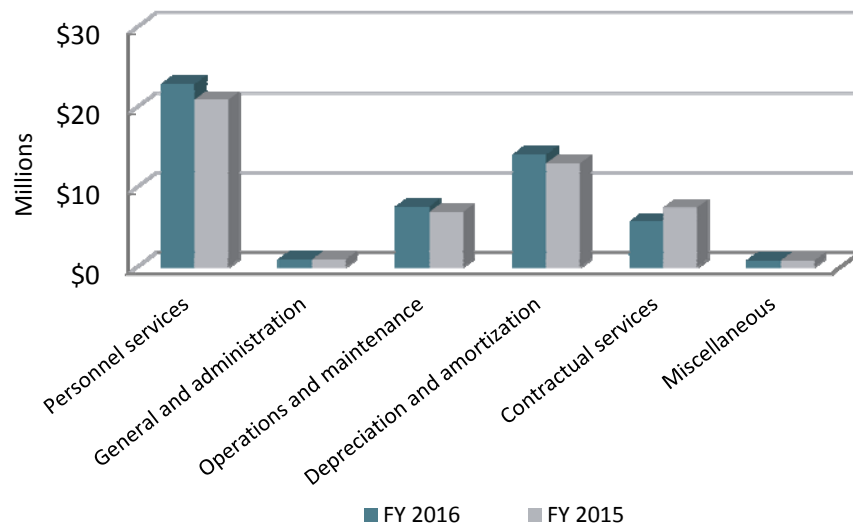
**Operating Revenues for FY 2016**



**EXPENSES**

Total expenses in FY 2016 increased \$3,410,838 over the prior year. Operating expenses were \$2,048,616 higher in FY 2016 than the prior year. The increase in operating expenses was driven by a number of factors. Most notably, Depreciation expense increased by \$1,107,570 as NBC finished a number of major capital projects. These projects were reclassified to completed projects and NBC began to depreciate them. In FY 2016, NBC assumed operations of the Bucklin Point WWTF from a private contractor which resulted in an increase in personnel expense of \$1,957,057 and a decrease in contractual services expense of \$1,720,280.

**Operating Expenses for FY 2016 and FY 2015**



**NARRAGANSETT BAY COMMISSION**  
*Management's Discussion and Analysis (Continued)*

**FINANCIAL ANALYSIS (Continued)**

**NET POSITION RESTATEMENT**

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

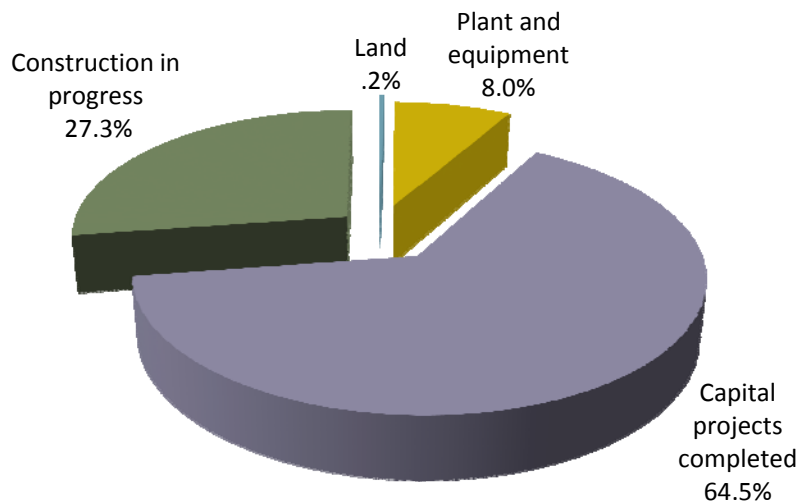
**CAPITAL ASSETS**

At the end of FY 2016, the NBC had \$965.8 million invested in net capital assets. This amount represents an increase of more than \$13.4 million, or 1.4% over last year. The following table summarizes the NBC's capital assets and changes therein, for the years ended June 30, 2016 and June 30, 2015.

**Capital Assets**

	FY 2016	FY 2015
<b>Capital Assets</b>		
Land	\$ 2,754,407	\$ 2,754,407
Plant and equipment	92,302,086	88,933,709
Capital projects completed	745,411,257	708,054,132
Construction in progress	316,367,916	329,874,143
	<u>1,156,835,666</u>	<u>1,129,616,391</u>
Less accumulated depreciation	<u>(190,977,721)</u>	<u>(177,169,749)</u>
<b>Net capital assets</b>	<u>\$ 965,857,945</u>	<u>\$ 952,446,642</u>

**Capital Assets  
June 30, 2016**



**NARRAGANSETT BAY COMMISSION**  
*Management's Discussion and Analysis (Continued)*

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**LONG-TERM DEBT**

NBC executed two borrowings through the RIIB in FY 2016 including the 2015 Series B \$41.75 million loan in July 2015 and the 2016 Series A \$23.0 million loan in June 2016. NBC continues to benefit from historic low short-term interest rates and realized interest savings of more than \$1.5 million on the Variable Rate Demand Bonds (VRDBs). NBC also replaced its Letter of Credit (LOC) at a favorable rate for a five-year term. This will save NBC ratepayers over the term of the contract and will ensure continuity.

During FY 2016, Standard and Poor's affirmed NBC's 'AAA/A-1+' rating on the NBC's series 2008 A wastewater system revenue refunding bonds. The 'AAA' long-term component of the series 2008 A rating is based on the joint support provided by NBC and TD Bank N.A. (AA-/Stable/A-1+) in the form of a letter of credit.

For additional information related to capital assets or long-term debt see the Notes to the Financial Statements. The Notes to the Financial Statements can be found on pages 35-40 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

NBC is governed by a 19-member Board of Commissioners (Board) and is also regulated by the Rhode Island Public Utilities Commission (PUC). Both NBC's Board and the PUC must authorize all adjustments to user charges. The PUC approved a 1.53% user fee increase effective July 1, 2016, for debt service and debt service coverage. This factor was considered during the preparation of the NBC's FY 2017 operating budget.

**CONTACTING NBC'S FINANCIAL MANAGEMENT**

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

**NARRAGANSETT BAY COMMISSION**

*Statement of Net Position*

*June 30, 2016*

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<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 16,967,032
Accounts receivable	
Sewer use (net of allowance)	9,930,860
Sewer use unbilled	4,525,926
Receivables, other	179,806
Due from Rhode Island Infrastructure Bank	52,111,820
Prepaid expenses	1,506,072
<b>Total current assets</b>	<b>85,221,516</b>
<b>Non-current assets</b>	
<b>Restricted assets</b>	
Cash and cash equivalents, environmental enforcement	90,910
Cash and cash equivalents, operating reserve for revenue stability fund	4,501,062
Cash and cash equivalents, restricted for debt service	44,910,082
Cash and cash equivalents, restricted for debt service reserve fund	3,502,206
Cash and cash equivalents, restricted for acquisition and construction of plant assets	31,495,566
<b>Total restricted assets</b>	<b>84,499,826</b>
<b>Capital assets</b>	
Land	2,754,407
Plant and equipment	92,302,086
Capital projects completed	745,411,257
Construction in progress	316,367,916
<b>Subtotal</b>	<b>1,156,835,666</b>
Less: accumulated depreciation	190,977,721
<b>Total net capital assets</b>	<b>965,857,945</b>
<b>Total non-current assets</b>	<b>1,050,357,771</b>
<b>Total assets</b>	<b>1,135,579,287</b>
<b>Deferred outflows of resources</b>	
Loss on refunding of debt	2,094,718
ERSRI - net deferred outflows of resources	719,152
Non-union Pension - change in assumptions	1,387,154
Non-union Pension - difference between expected and actual experience	500,466
Non-union Pension - difference between projected and actual earnings	584,650
<b>Total deferred outflows of resources</b>	<b>\$ 5,286,140</b>

*(Continued)*

*See independent auditor's report*

**NARRAGANSETT BAY COMMISSION**

*Statement of Net Position (Continued)*

June 30, 2016

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**Liabilities**

**Current liabilities**

Accounts payable	\$ 3,040,508
Contracts payable	5,093,858
Accrued interest payable	5,955,189
Accrued expenses	1,152,873
Current portion of the other accrued expenses	62,175
Current portion of loans payable	25,783,150
Current portion of leases payable	109,685

**Total current liabilities**

41,197,438

**Non-current liabilities**

Long-term other accrued expenses, net	2,991,221
Long-term net pension liability - ERSRI	16,936,520
Long-term net pension liability - Non-Union Plan	4,015,612
Long-term loans payable, net	359,305,961
Long-term debt, net	262,604,184

**Total non-current liabilities**

645,853,498

**Total liabilities**

687,050,936

**Deferred inflows of resources**

Unearned revenue billed in advance	268,810
Gain on refunding of debt	179,120
Non-union Pension - changes in assumptions	202,757
Non-union Pension - difference between expected and actual experience	132,452
Non-union Pension - difference between projected and actual earnings	247,076

**Total deferred inflows of resources**

1,030,215

**Net position**

Net investment in capital assets	366,988,525
Restricted for environmental enforcement	90,910
Unrestricted	85,704,841

**Total Net Position**

\$ 452,784,276

*See independent auditor's report*



**NARRAGANSETT BAY COMMISSION**  
*Statement of Revenues, Expenses and Changes in Net Position*  
For the Year Ended June 30, 2016

<b>Operating revenues</b>	
User fees, residential	\$ 54,406,898
User fees, commercial and industrial	41,671,726
Permit and connection fees	124,450
Pretreatment fees	1,088,763
Environmental enforcement	50,000
Septage income	358,719
Late charge penalties	932,178
Miscellaneous revenue	372,260
	<hr/>
<b>Total operating revenues</b>	<b>99,004,994</b>
<b>Operating expenses</b>	
Personnel services	22,903,792
General and administration	994,663
Operations and maintenance	7,581,535
Depreciation	14,091,320
Contractual services	5,748,754
Miscellaneous	884,760
	<hr/>
<b>Total operating expenses</b>	<b>52,204,824</b>
<b>Operating income</b>	<b>46,800,170</b>
<b>Non-operating revenues (expenses)</b>	
Interest expense	(17,734,236)
Interest income	112,094
Grant income	4,910
Bond and note fees	(823,930)
Miscellaneous	203,855
	<hr/>
<b>Total non-operating revenues (expenses)</b>	<b>(18,237,307)</b>
<b>Net income before capital contributions</b>	<b>28,562,863</b>
Capital contributions	512,070
	<hr/>
<b>Changes in net position</b>	<b>29,074,933</b>
<b>Total net position, beginning of year</b>	<b>423,709,343</b>
	<hr/>
<b>Total net position, end of year</b>	<b>\$ 452,784,276</b>
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*See independent auditor's report*

**NARRAGANSETT BAY COMMISSION**

*Statement of Cash Flow  
For the Year Ended June 30, 2016*

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<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 99,715,109
Cash paid to supplies for goods and services	(15,485,714)
Cash paid to employees for services	(22,639,961)
Other non-operating revenues	208,765
	<hr/>
<b>Net cash provided by operating activities</b>	61,798,199
	<hr/>
<b>Cash flows from capital related financing activities</b>	
Proceeds from capital debt	-
Acquisitions and construction of capital assets	(8,882,466)
Principal paid on capital debt	(25,427,983)
Interest paid on capital debt	(17,017,218)
Bonds and note fees	(89,395)
	<hr/>
<b>Net cash used from capital related financing activities</b>	(51,417,062)
	<hr/>
<b>Cash flows from investing activities</b>	
Interest income	112,094
	<hr/>
<b>Net cash provided by investing activities</b>	112,094
	<hr/>
<b>Net increase in cash and cash equivalents</b>	10,493,231
<b>Cash and cash equivalents, beginning of year</b>	90,973,627
	<hr/>
<b>Cash and cash equivalents, end of year</b>	\$ 101,466,858
	<hr/> <hr/>

*(Continued)*

**NARRAGANSETT BAY COMMISSION**

*Statement of Cash Flow (Continued)*

*For the Year Ended June 30, 2016*

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

Operating Income \$ 46,800,170

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

Depreciation 14,091,320

Changes in assets, deferred outflows, liabilities, and deferred inflows

    Decrease in accounts receivable user fees 556,534

    Decrease in unbilled revenue 293,923

    Increase in other receivables (137,384)

    Increase in prepaid expenses (72,844)

    Increase in pension deferred outflows of resources (1,159,305)

    Increase in pension deferred inflows of resources 27,997

    Increase in net pension liability 533,751

    Increase in accounts and contracts payable 394,399

    Increase in accrued expenses 263,831

    Decrease in unearned revenue billed in advance (2,958)

Non-operating revenue reported as operating revenue received 208,765

**Total adjustments**

14,998,029

**Net cash provided by operating activities**

\$ 61,798,199

**Non-cash capital and related financing activities**

The NBC participates in the State Revolving Loan Fund as described in Note 6 to the financial statements. Project costs are paid directly by the Rhode Island Infrastructure Bank (RIIB) on behalf of the NBC. The debt forgiveness, which is reported as contributed capital is reported in the financial statements. The State Revolving Loan Fund activity during the year was as follows:

Increase in amount due from RIIB \$ 45,398,808

Increase in capital assets 18,620,157

Bond and note fees 734,535

Loan proceeds 64,241,430

Contributed capital 512,070

*See independent auditor's report*

## **NARRAGANSETT BAY COMMISSION**

Notes to Financial Statements

June 30, 2016

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

### **NOTE 1 - REPORTING ENTITY**

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

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

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

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

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

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Cash and cash equivalents restricted accounts** - Based upon a Report and Order issued by the Rhode Island Public Utilities Commission (PUC), along with the Trust Indenture and twenty-four Supplemental Indentures (collectively "the Indentures"), NBC established accounts for operating capital assets, debt service, debt service coverage and an Operating Reserve for Revenue Stability Fund. NBC is required to set aside a certain percentage of its monthly receipts from all revenue into the restricted cash accounts. Funds from the accounts may only be used for those expenses outlined above and any other use so ordered by the PUC and in conformance with the Trust Indenture. Cash and cash equivalents are also restricted for acquisition and construction of capital assets as set forth in the Trust Indenture. The restricted cash for environmental enforcement fund (EEF) activities is in accordance with Rhode Island General Law 46-25-38.1.

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

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

The allowance for doubtful accounts for June 30, 2016 was \$430,997.

**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

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Long-term debt** - Long-term debt is reported as a liability in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium.

The total bond premiums as of June 30, 2016 were \$19,784,184.

The total bond and loan fees for the year ending June 30, 2016 were \$823,930.

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System Plan Rhode Island (ERSRI) and the additions to/deductions from ERSRI's fiduciary net position have been determined on the same basis as they are reported by ERSRI. For further information on both the ERSRI plan and Non-Union Defined Benefit Plan, please refer to Note 11 of the financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The ERSRI plan has a measurement date of June 30, 2015 while the NBC's non-union pension plan has a measurement date of June 30, 2016.

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

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

**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 capital outlays are included in the total expenses to arrive at a regulatory net income (loss). For this reason, the net income (loss) on a regulatory basis differs from the change in net position in the audited financial statements, which are prepared in conformance with generally accepted accounting principles.



**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

**Cash deposits** - NBC's cash deposits are in one financial institution. The carrying amount of deposits is separately displayed on the Statement of Net Position as "cash and cash equivalents".

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

	<b>Balance</b>
Cash deposits	\$ 14,540,029
Cash equivalents	86,925,804
Petty cash	625
Cash with Customer Service	400
<b>Total cash and cash equivalents</b>	<b>\$ 101,466,858</b>

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

The carrying amount of NBC's deposits at June 30, 2016 was \$14,540,029 and the bank balance was \$14,966,933.

**Custodial Credit Risk** – Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, NBC will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2016, \$14,716,933 of NBC's bank balance of \$14,966,933 was exposed to custodial credit risk as follows:

	<b>Bank Balance</b>
Insured (Federal depository insurance funds)	\$ 250,000
Collateralized with securities held by pledging financial institution or its agent, in NBC's name	14,716,933
<b>Total bank balance</b>	<b>\$ 14,966,933</b>

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments** - Generally Accepted Accounting Principles (GAAP) requires the following accounts to be considered cash equivalents, however, NBC considers them to be investments. For financial statement purposes, they have been recorded in accordance with GAAP. For disclosure purposes only, NBC's investments as of June 30, 2016 were as follows:

<b>Investments measured at the net asset value (NAV)</b>	<u><b>6/30/2016</b></u>	<u><b>Maturity</b></u>
Goldman Sachs Financial Square Government Fund	\$ 85,091,815	Average 57 days
Ocean State Investment Pool	<u>1,833,989</u>	N/A
<b>Total investments measured at NAV</b>	<u><u>\$ 86,925,804</u></u>	

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

**Credit risk** - NBC's investment policy objective states that all financial assets held by NBC shall be invested in a manner that will preserve the value and safety of capital. NBC shall invest funds in order to maximize earnings and minimize risk during the period of availability of the funds. NBC's investment policy limits investments to U.S. Treasury securities, securities of the U.S. Government agencies and instrumentalities that are backed by the full faith and credit or guarantee of the U.S. Government, which have a liquid market with a readily determinable 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. The Ocean State Investment Pool is not rated. Money held by the Trustee under the Trust Indenture is invested at the direction of an Authorized Officer from NBC and must be invested in accordance with Permitted Investments as defined under the Trust Indenture. The monies invested in the Money Market Funds held by the Trustee were rated Aaa-mf by Moody's Investor Service, Inc.

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

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
<b>Nondepreciable assets</b>				
Land	\$ 2,754,407	\$ -	\$ -	\$ 2,754,407
Construction in progress	329,874,143	23,903,401	(37,409,628)	316,367,916
<b>Total nondepreciable assets</b>	<u>332,628,550</u>	<u>23,903,401</u>	<u>(37,409,628)</u>	<u>319,122,323</u>
<b>Depreciable assets</b>				
Plant and equipment	88,933,709	3,651,725	(283,348)	92,302,086
Capital projects completed	708,054,132	37,409,628	(52,503)	745,411,257
<b>Total depreciable assets</b>	<u>796,987,841</u>	<u>41,061,353</u>	<u>(335,851)</u>	<u>837,713,343</u>
<b>Less accumulated depreciation for</b>				
Plant and equipment	(67,811,788)	(3,288,290)	283,348	(70,816,730)
Capital projects completed	(109,357,961)	(10,803,030)		(120,160,991)
Less accumulated depreciation	<u>(177,169,749)</u>	<u>(14,091,320)</u>	<u>283,348</u>	<u>(190,977,721)</u>
<b>Total capital assets, net</b>	<u>\$ 952,446,642</u>	<u>\$ 50,873,433</u>	<u>\$ (37,462,131)</u>	<u>\$ 965,857,945</u>

**NOTE 5 - COMPENSATED ABSENCES**

NBC's employees are granted vacation and sick leave in varying amounts based on years of service with NBC. At the termination of service, an employee is paid for accumulated unused vacation leave and sick leave. Sick leave payments are based on age and years of service for both union and non-union employees. NBC has determined that the dollar value of accumulated accrued vacation leave and sick leave, valued at the current rate of pay, at June 30, 2016 to be \$3,053,395. 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, 2016 were as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 2,948,825</u>	<u>\$ 267,299</u>	<u>\$ 162,729</u>	<u>\$ 3,053,395</u>	<u>\$ 62,175</u>

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 6 - LOANS PAYABLE**

NBC has eighteen loans outstanding with the Rhode Island Infrastructure Bank (RIIB) at June 30, 2016 as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>
Pooled Loan #1 - Series 1993 - The total loan authorized is \$14,781,000, dated March 10, 1993, with an interest rate of 3.16917%.	\$ 1,020,250	\$ -	\$ 1,020,250	\$ -
Pooled Loan #2 - Series 1994 - The total loan authorized is \$17,279,000, dated June 29, 1994, with an interest rate of 2.9938%.	1,170,421	-	1,170,421	-
Pooled Loan #3 - Series 1997 - The total loan authorized is \$8,150,000, dated March 1, 1997, with an interest rate of 3.14473%.	2,615,379	-	486,133	2,129,246
Pooled Loan #4 - Series 1999 - The total loan authorized is \$23,955,000, dated February 4, 1999, with an interest rate of 3.032%.	9,535,000	-	695,000	8,840,000
Pooled Loan #5 - Series 2001 - The total loan authorized is \$57,000,000 dated November 1, 2001, with an interest rate of 2.671%.	19,590,000	-	3,310,000	16,280,000
Pooled Loan #6 - Series 2002 - The total loan authorized is \$57,000,000, dated October 24, 2002, with an interest rate of 1.0785%.	26,429,947	-	3,008,587	23,421,360
Pooled Loan #7 - Series 2003 - The total loan authorized is \$40,000,000, dated November 13, 2003, with an interest rate of 1.349%.	21,839,000	-	1,990,000	19,849,000
Pooled Loan #8 - 2004 Series B - The total loan authorized is \$40,000,000, dated December 30, 2004, with an interest rate of 1.404%.	27,207,000	-	2,082,000	25,125,000
Pooled Loan #9 - 2005 Series B - The total loan authorized is \$30,000,000, dated December 15, 2005, with an interest rate of 1.397%.	17,873,000	-	1,471,000	16,402,000
Pooled Loan #10 - 2006 Series A - The total loan authorized is \$30,000,000, dated December 21, 2006, with an interest rate of 1.27%.	19,232,000	-	1,451,000	17,781,000
Pooled Loan #11 - 2007 Series B - The total loan authorized is \$25,000,000, dated December 12, 2007, with an interest rate of 1.475%.	20,056,000	-	1,258,000	18,798,000

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 6 - LOANS PAYABLE (CONTINUED)**

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>
Pooled Loan #12 - 2009 Series A - The total loan authorized is \$55,000,000, dated October 6, 2009, with principal forgiveness of \$8,302,114 with an interest rate of .877%.	\$ 44,575,256	\$ -	\$ 1,273,578	\$ 43,301,678
Pooled Loan #12 - Takeover - 2010 Series A - The total loan authorized is \$2,000,000, dated February 12, 2010, with principal forgiveness of \$301,895 and an interest rate of .522%.	1,353,390	-	73,019	1,280,371
Pooled Loan #13 - 2010 Series B - The total loan authorized is \$20,000,000, dated June 24, 2010, with an interest rate of 2.143%.	16,735,000	-	845,000	15,890,000
Pooled Loan #14 - 2011 Series A - The total loan authorized is \$30,000,000, dated March 29, 2011, with principal forgiveness of \$1,845,345 and an interest rate of 2.259%.	24,783,604	-	1,154,341	23,629,263
Pooled Loan #15 - 2012 Series A - The total loan authorized is \$25,750,000, dated June 28, 2012, with principal forgiveness of \$354,202 and an interest rate of 2.088%.	23,253,313	-	1,077,496	22,175,817
Pooled Loan #16 - 2013 Series B - The total loan authorized is \$25,000,000, dated June 6, 2013, with principal forgiveness of \$80,966 and an interest rate of 2.092%.	23,863,492	-	1,061,546	22,801,946
Pooled Loan #17 - Series 2014 A - The total loan authorized is \$45,000,000, dated March 6, 2014, with an interest rate of 2.467%.	45,000,000	-	1,857,000	43,143,000
Pooled Loan #18 - Series 2015 B - The total loan authorized is \$41,753,500 dated July 30, 2015 with principal forgiveness of \$512,070 and an interest rate of 2.549%.	-	41,241,430	-	41,241,430
Pooled Loan #19 - Series 2016 A - The total loan authorized is \$23,000,000, dated June 2, 2016, with an interest rate of 1.967%.	-	23,000,000	-	23,000,000
<b>Total loans payable</b>	<b>\$ 346,132,052</b>	<b>\$64,241,430</b>	<b>\$ 25,284,371</b>	<b>\$ 385,089,111</b>
Less current portion	(25,284,371)			(25,284,371)
<b>Net long-term loans payable</b>	<b>\$ 320,847,681</b>			<b>\$ 359,305,961</b>

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 6 - LOANS PAYABLE (CONTINUED)**

The RIIB pays all invoices, which have been certified by the NBC, directly to the contractors or reimburses NBC for costs incurred on the projects funded by the RIIB loans. As of June 30, 2016, loans payable of \$385,089,111 are reported on the Statement of Net Position. A receivable from RIIB of \$52,111,820 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2016. NBC is obligated for the total loan amount once the underlying bonds are issued on NBC's behalf by RIIB.

Maturities of loans payable as of June 30, 2016 are due in future years as follows:

<i>Year Ending</i> <u>June 30,</u>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 25,783,150	\$ 8,616,597	\$ 34,399,747
2018	27,529,555	8,639,190	36,168,745
2019	28,801,972	8,325,220	37,127,192
2020	28,848,393	7,715,668	36,564,061
2021	29,004,498	7,083,346	36,087,845
2022-2026	113,733,618	26,783,955	140,517,573
2027-2031	76,513,788	14,651,599	91,165,387
2032-2036	34,703,636	5,462,226	40,165,862
2037-2041	11,819,000	2,247,605	14,066,605
2042-2045	8,351,500	568,081	8,919,581
	<u>\$ 385,089,111</u>	<u>\$ 90,093,486</u>	<u>\$ 475,182,597</u>

**NOTE 7 – CAPITAL LEASES**

Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2016.

As of June 30, 2016, future minimum rental commitments under capital leases are as follows:

<i>Year Ending</i> <u>June 30,</u>	<i>Capital Leases</i>
2017	<u>\$ 109,685</u>
Total future minimum rental payments	109,685
Less interest portion of payments	<u>(5,729)</u>
Present value of minimum lease payments	103,956
Less current maturities of capital leases	<u>(103,956)</u>
<b>Net long-term capital leases</b>	<u>\$ -</u>

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 7 - CAPITAL LEASES (CONTINUED)**

The changes in capital leases for the year ended June 30, 2016 were as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>
Capital leases	\$ 253,297	\$ -	\$ 143,612	\$ 109,685

**NOTE 8 – LONG-TERM DEBT**

Long-term debt at June 30, 2016 consists of the following:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>
Revenue Bonds (variable rate) 2008 Series A, dated July 17, 2008, maturing September 1, 2034.	\$ 56,465,000	\$ -	\$ -	\$ 56,465,000
Revenue Bonds 2013 Series A, 4.332913% average coupon rate, dated March 21, 2013, maturing September 1, 2043 (net of premium amortized at June 30, 2015 of \$4,131,888).	75,611,888	-	-	75,611,888
Revenue Bonds 2013 Series C, 4.687151% average coupon rate, dated December 12, 2013, maturing September 1, 2033 (net of premium amortized at June 30, 2015 of \$2,274,637).	37,244,637	-	-	37,244,637
Revenue Bonds 2014 Series B, 4.861248% average coupon rate, dated October 28, 2014, maturing September 1, 2035 (net of premium amortized at June 30, 2015 of \$7,381,545).	47,201,545	-	-	47,201,545
Revenue Bonds 2015 Series A, 4.942067% average coupon rate, dated May 5, 2015, maturing February 1, 2037 (net of premium amortized at June 30, 2015 of \$5,996,114).	46,081,114	-	-	46,081,114
<b>Total long-term debt payable</b>	<u>\$ 262,604,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,604,184</u>
Less current portion	<u>-</u>			<u>-</u>
<b>Net long-term debt payable</b>	<u>\$ 262,604,184</u>			<u>\$ 262,604,184</u>



**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

Maturities of long-term debt for the year ending June 30, 2017 through 2044 are as follows:

<i>Year Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 10,682,351	\$ 10,682,351
2018	-	10,685,975	10,685,975
2019	-	10,685,975	10,685,975
2020	-	10,689,599	10,689,599
2021	560,000	10,668,351	11,228,351
2022-2026	25,445,000	51,188,607	76,633,607
2027-2031	68,535,000	40,878,712	109,413,712
2032-2036	77,590,000	24,015,973	101,605,973
2037-2041	43,405,000	10,030,475	53,435,475
2042-2044	27,285,000	1,666,100	28,951,100
	<u>\$ 242,820,000</u>	<u>\$ 181,192,117</u>	<u>\$ 424,012,117</u>

Principal total of \$242,820,000 plus premium to be amortized as of June 30, 2016 on bonds of \$19,784,184 equals total long-term debt of \$262,604,184.

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

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

These bonds have been issued in weekly rate mode but can be changed by NBC to a daily, commercial paper or term rate mode. The interest rate is determined weekly or daily based on the mode and interest is paid monthly. The interest rate for the bonds outstanding during fiscal year 2016 ranged from .01% to .47%. The Bonds shall be repaid from Revenues, as defined in the Indenture of the Commission pledged under the Indenture and funds drawn under an irrevocable direct pay letter of credit issued by TD Bank, N.A. Under the Letter of Credit, the Bank is obligated to pay to the Trustee, upon presentation of required documentation, the amount necessary to pay the principal and purchase price of and interest on the Bonds of up to 60 days at the maximum rate of 10% on the Bonds. The Letter of Credit provides that it will expire on July 7, 2021.

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

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

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

**NOTE 9 - RISK MANAGEMENT**

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

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

**NOTE 10 - NET POSITION**

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

Chapter 46-25-38.1 of the general laws enacted by the General Assembly established a restricted environmental enforcement fund. The fund consists of sums recovered by administrative or civil enforcement action and may be used as outlined in chapter 46-25-38.1. NBC has restricted net position equal to the balance of funds in the environmental enforcement restricted cash and cash equivalent account.

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

**NOTE 11 - PENSION PLANS**

**EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND (ERSRI) DEFINED BENEFIT PLAN**

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

**Summary of Significant Accounting Policies**

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 (ERS) and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**ERSRI DEFINED BENEFIT PLAN (CONTINUED)**

**General Information about the Pension Plan**

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

The ERSRI issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at [www.ersri.org](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 five-year intervals.

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

**Contributions** - The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2016, NBC employees were required to contribute 3.75% of their annual covered salary. The NBC is required to contribute at an actuarially determined rate; the rate was 23.64% of annual covered payroll for the fiscal year ended June 30, 2016. The NBC contributed \$1,370,821, \$1,329,238, and \$1,317,046 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**ERSRI DEFINED BENEFIT PLAN (CONTINUED)**

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

At June 30, 2016 the NBC reported a liability of \$16,936,520 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, 2015, 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, 2014 rolled forward to June 30, 2015. The NBC proportion of the net pension liability was based on its share of contributions to the ERSRI for fiscal year 2015 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2015 the NBC proportion was 0.85%.

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

For the year ended June 30, 2016 the NBC recognized pension expense of \$2,001,279. At June 30, 2016 the NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ (127,426)
Contributions paid subsequent to measure date	1,370,821	-
Difference between expected and actual experience	-	(195,938)
Changes in proportions and differences between employer contributions and proportionate share of contributions	-	(314,365)
Net difference between projected and actual investment earnings	860,114	(874,054)
Total deferred outflows / (inflows)	<u>\$ 2,230,935</u>	<u>\$ (1,511,783)</u>

The NBC's contributions of \$1,370,821 paid in fiscal year 2016 subsequent to the measurement date were reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2017. The ERSRI deferred outflows and deferred inflows of resources are reported as net deferred outflows of resources in the Statement of Net Position. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Deferred Outflows and Inflows of Resources</u>
2017	\$ (241,556)
2018	(241,556)
2019	(241,556)
2020	72,999
	<u>\$ (651,669)</u>

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**ERSRI DEFINED BENEFIT PLAN (CONTINUED)**

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	38%	
U.S. equity		6.93%
International developed		7.32%
International emerging markets		9.52%
Equity hedge funds	8%	3.98%
Private equity	7%	9.99%
Core fixed	15%	2.18%
Absolute return hedge	7%	3.98%
Infrastructure	3%	5.70%
Real estate	8%	4.85%
Other real return assets	11%	
Master limited partnerships		4.51%
Credit		4.51%
Inflation linked bonds		1.24%
Cash	3%	0.78%
	<u>100%</u>	

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**ERSRI DEFINED BENEFIT PLAN (CONTINUED)**

***Actuarial Assumptions (Continued)***

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

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

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
NBC's Net Pension Liability	\$ 20,997,591	\$ 16,936,520	\$ 13,611,954

***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*** - Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The Employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**ERSRI DEFINED CONTRIBUTION PLAN (CONTINUED)**

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

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

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

**NON-UNION PROFIT-SHARING PLAN**

NBC's Board of Commissioners approved a resolution at the regular business meeting on May 15, 2002 adopting the Narragansett Bay Commission Non-union Defined Contribution Plan, which is a profit-sharing plan for its non-union employees pursuant to 401(a) of the Internal Revenue Code. The profit-sharing plan is a defined contribution, single employer pension plan. As of June 30, 2016, there were 120 active participants.

Contributions are discretionary and established annually and may be amended by the Board of Commissioners. NBC's contribution to the profit-sharing plan for the year ended June 30, 2016 amounted to \$456,912 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2016. Employees are allowed to make voluntary contributions to the profit-sharing plan on an after-tax basis. The employees' contribution to the plan for the year ended June 30, 2016 amounted to \$0. Non-union employees are eligible to participate in the profit-sharing plan if they have performed one year of service and are at least twenty-one years of age. These provisions were adopted and may be amended by the Board of Commissioners.

NBC funds the annual profit-sharing plan contribution biweekly based on each eligible employee's biweekly compensation. The plan is administered by a third-party administrator and Reliance Trust Company is the Plan's trustee. NBC's payroll for employees covered by the profit-sharing plan was \$9,138,240 for the year ended June 30, 2016. The total payroll for the year ended June 30, 2016 amounted to \$16,243,137.

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**NON-UNION DEFINED BENEFIT PLAN**

**Plan Description**

**Plan Administration** - The Board of the Narragansett Bay Commission (Board) approved a resolution at the regular business meeting on December 20, 2004 adopting a defined benefit plan for its non-union employees effective February 1, 2005, pursuant to 401(a) of the Internal Revenue Code. The plan is a single-employer, defined benefit pension plan. The plan year begins January 1 and ends December 31, with the initial plan year ending December 31, 2005. The Plan assets are invested under a group annuity contract issued by MassMutual Financial Group, which also provides certain administrative services. NBC has a third party administrator, The Angell Pension Group, Inc. and Reliance Trust Company is the Plan's trustee. Various asset classes and investment manager styles are used to create a broadly diversified portfolio. The Investment Committee (IC) develops long-term asset allocation ranges, and works in conjunction with NBC's investment advisor GPS Investment Advisors, LLC, a fiduciary to the Plan, to select investments and review asset allocations and performance. Please refer to the Notes of the Financial Statements under "Investment Policy" for more information on asset allocations.

**Plan Membership** - All full-time, non-seasonal non-union employees of NBC become participants of the Plan upon completion of the eligibility requirements. As of June 30, 2016, there were 152 Plan participants: 40 were inactive participants, of which 27 were vested and terminated and 13 were retirees, and 112 participants were active.

**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 2016 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, 2016 was \$679,731.

The contributions made to the plan for the fiscal year ended June 30, 2016 were \$2,174,926 which consists of employer contributions of \$1,744,985 and employee contributions of \$429,941.



**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**NON-UNION DEFINED BENEFIT PLAN (CONTINUED)**

**Summary of Significant Accounting Policies**

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

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

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

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

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

**Investments**

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

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**NON-UNION DEFINED BENEFIT PLAN (CONTINUED)**

**Investments (Continued)**

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

The following was the IC's adopted asset allocation policy as of June 30, 2016:

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

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

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in diversified mutual funds, external investment pools, and other pooled investments are excluded. As of June 30, 2016, the Plan had no investments in any one organization that represented 5% or more of the Plan's net position restricted for pension.

**Money-Weighted Rate of Return** - For the year ended June 30, 2016 the annual money-weighted rate of return on Plan investments, net of investment expense, was 2.06%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**NON-UNION DEFINED BENEFIT PLAN (CONTINUED)**

**Investments (Continued)**

**Custody and Management of Assets** - During 2016 MassMutual Financial Group served as asset custodian for all Plan assets. The Board has elected to hire professional investment managers to invest the assets of the Plan on a fully discretionary basis, subject to the investment policy of the IC. The Plan is evaluated periodically against the appropriate benchmark for asset class and style. Failure to achieve the desired result does not necessitate, nor does achievement of the desired result preclude, a change in investments or termination of investment managers.

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

On June 30, 2016, there were no deposits subject to custodial credit risk.

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

<b>Sector</b>	<b>Market Value</b>	<b>3 Months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>Inception to Date (56 Months)</b>
MassMutual Core SAGIC	\$ 1,016,781	0.71	2.88	2.62	2.55
Select MetroWest Total Return Bond	2,569,769	1.98	4.77	3.38	3.40
Inflation Protected Securities (DFA)	639,426	1.75	-	-	-
Delaware Extended Duration Bond	634,483	5.16	6.50	-	-
Alliance Bernstein Global Bond Advisor	653,294	2.90	7.33	-	-
American Funds Washington Mutual	920,611	3.50	6.64	-	-
MassMutual S&P 500 Index Fund	1,948,764	2.34	3.92	9.09	10.06
MFS Growth I	909,822	1.63	3.79	-	-
MFS Mid Cap Value	243,216	1.98	-	-	-
MassMutual S&P Mid Cap Index	376,527	3.79	1.49	-	-
Select T. Rowe Price/Frontier Mid Cap Growth II	251,698	1.90	(0.76)	-	-
JP Morgan Small Cap Value	241,113	3.14	(1.67)	-	-
T. Rowe Price New Horizons	249,874	5.19	(1.67)	18.21	20.04
MassMutual MSCI EAFE International Index	565,812	(0.71)	(9.81)	-	-
American Funds EuroPacific Growth	1,146,003	(0.31)	(9.01)	2.97	4.89
	<u>\$ 12,367,193</u>	2.00	2.06	5.69	6.24

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**NON-UNION DEFINED BENEFIT PLAN (CONTINUED)**

**Investments (Continued)**

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

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or a deposit. On June 30, 2016, there were no deposits subject to foreign currency risk.

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

Certain commingled funds held by the Plan at the year-end were permitted through their individual investment guidelines to use derivative instruments, including forwards, futures, swaps, and options. Disclosures about derivative holdings of the commingled fund managers can be found in their respective audited financial statements. The plan did not directly own any derivatives as of June 30, 2016.

**Net Pension Liability**

The components of the net pension liability at June 30, 2016, were as follows:

Total pension liability	\$ 17,482,805
Plan fiduciary net position	<u>(13,467,193)</u>
Net pension liability	<u>\$ 4,015,612</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>77.03%</u>

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**NON-UNION DEFINED BENEFIT PLAN (CONTINUED)**

**Net Pension Liability (Continued)**

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<b>Balance as of July 1, 2015</b>	\$ 16,104,077	\$ 11,239,783	\$ 4,864,294
<b>Changes for the year:</b>			
Service cost	469,348	-	469,348
Interest on total pension liability	965,809	-	965,809
Differences between expected and actual experience	352,399	-	352,399
Change in assumptions	(228,213)		(228,213)
Contributions - employer	-	1,744,985	(1,744,985)
Contributions - employee	-	429,941	(429,941)
Net investment income	-	239,860	(239,860)
Benefit payments	(180,615)	(180,615)	-
Administrative expense	-	(6,761)	6,761
<b>Net changes</b>	<u>1,378,728</u>	<u>2,227,410</u>	<u>(848,682)</u>
<b>Balance as of June 30, 2016</b>	<u>\$ 17,482,805</u>	<u>\$ 13,467,193</u>	<u>\$ 4,015,612</u>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on RP-2014 blended 60% white collar and 40% blue collar tables for annuitants and non-annuitants (separate tables for male/female) with scale MP-2015 generational improvements from 2006.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ended June 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the table on the following page based upon the actuaries assumptions:

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**NON-UNION DEFINED BENEFIT PLAN (CONTINUED)**

**Actuarial Assumptions (Continued)**

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap US Equity	7.81%
Small / Mid Cap US Equity	8.18%
International Equity	8.26%
Intermediate to Long-Term Bonds	4.14%
Short-Term Bonds and Cash	3.11%

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

	<u>1% Decrease (5%)</u>	<u>Current Discount Rate (6%)</u>	<u>1% Increase (7%)</u>
Plan's Net Pension Liability	<u>\$ 6,444,417</u>	<u>\$ 4,015,612</u>	<u>\$ 1,983,754</u>

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

For the year ended June 30, 2016, the NBC recognized pension expense of \$516,224. At June 30, 2016, the NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,387,154	\$ (202,757)
Differences between expected and actual experience	500,466	(132,452)
Difference between projected and actual earnings on plan investments	584,650	(247,076)
Total deferred outflows/(inflows)	<u>\$ 2,472,270</u>	<u>\$ (582,285)</u>

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 11 - PENSION PLANS (CONTINUED)**

**NON-UNION DEFINED BENEFIT PLAN (CONTINUED)**

*Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)*

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

<i><u>Year ended</u></i> <i><u>June 30:</u></i>	<i><u>Deferred Inflows and</u></i> <i><u>Outflows of Resources</u></i>
2017	\$ 229,366
2018	230,844
2019	353,643
2020	288,161
2021	191,110
Thereafter	<u>596,861</u>
Total	<u>\$ 1,889,985</u>

**NOTE 12 - SALARY DEFERRAL**

Under a salary reduction plan adopted by NBC, the gross pay of non-union employees of the Field's Point service area was reduced by 12½% from March 10, 1991 through June 29, 1991; the gross pay of union employees of the Bucklin Point service area was reduced 14% from April 21, 1991 through June 29, 1991; and the gross pay of all non-union employees of the Field's Point service area was reduced 10% from June 30, 1991 through March 21, 1992. The equivalent number of pay hours was accrued as deferred vacation days. Field's Point service area employees may discharge this additional deferred leave during any payroll period following the payroll period(s) in which it was earned commencing July 1, 1991.

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

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

Salary deferred under the salary reduction plan is included in compensated absences as of June 30, 2016 and is reported as a long-term liability within other accrued expenses.

**NOTE 13 - USER BILLING**

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

**NARRAGANSETT BAY COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 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 \$17,108,693 on June 30, 2016.

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

**NOTE 15 - POST-EMPLOYMENT UNION HEALTHCARE PLAN**

**Plan Description** - The NBC contributes (for union employees) to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the RI State Employees' and Electing Teachers Other Post Employment Benefit System (OPEB). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including NBC. Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

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

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

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2016 was 5.97% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Narragansett Bay Commission's contributions to the plan for the fiscal years ended June 30, 2016, 2015, and 2014 were \$352,684, \$405,562, and \$405,491 respectively, which represents 100% of the ARC. During FY 2017, NBC received a credit of \$4,708 for being charged 6% which was greater than the ARC of 5.97%.

**NOTE 16 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 30, 2016, the date the financial statements were available to be issued. No subsequent events were identified.



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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>Total pension liability</b>			
Service cost	\$ 469,348	\$ 504,855	\$ 441,297
Interest	965,809	803,212	729,646
Differences between expected and actual experience	352,399	232,651	(187,670)
Change in assumptions	(228,213)	1,350,562	424,254
Benefit payments, including refunds of participant contributions	<u>(180,615)</u>	<u>(136,591)</u>	<u>(120,730)</u>
<b>Net Change in total pension liability</b>	1,378,728	2,754,689	1,286,797
<b>Total pension liability - beginning</b>	<u>16,104,077</u>	<u>13,349,388</u>	<u>12,062,591</u>
<b>Total pension liability - ending</b>	<u>\$ 17,482,805</u>	<u>\$ 16,104,077</u>	<u>\$ 13,349,388</u>
<b>Pension fiduciary net position</b>			
Contributions - employer	\$ 1,744,985	\$ 986,656	\$ 789,435
Contributions - employee	429,941	410,397	398,975
Net Investment income	239,860	283,708	1,101,778
Benefit payments	(180,615)	(136,591)	(120,720)
Administrative expense	<u>(6,761)</u>	<u>(6,027)</u>	<u>(2,639)</u>
<b>Net change in plan fiduciary net position</b>	2,227,410	1,538,143	2,166,829
<b>Plan fiduciary net position - beginning</b>	<u>11,239,783</u>	<u>9,701,640</u>	<u>7,534,821</u>
<b>Plan fiduciary net position - ending</b>	<u>\$ 13,467,193</u>	<u>\$ 11,239,783</u>	<u>\$ 9,701,650</u>
<b>Net pension liability - ending</b>	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,738</u>

*(Continued)*

\* GASB 68 was implemented in FY 2014, therefore only three years of the 10 years required data is available.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability	\$ 17,482,805	\$ 16,104,077	\$ 13,349,388
Plan fiduciary net position	<u>13,467,193</u>	<u>11,239,783</u>	<u>9,701,640</u>
Net pension liability	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,748</u>
Plan fiduciary net position as a percentage of total pension liability	77.03%	69.79%	72.67%
Covered-employee payroll	\$ 9,881,869	\$ 9,118,088	\$ 8,813,634
Net pension liability as a percentage of covered-employee payroll	40.64%	53.35%	41.39%

\* GASB 68 was implemented in FY 2014, therefore only three years of the 10 years required data is available.

***See independent auditor's report***

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution	\$ 679,731	\$ 657,313	\$ 470,780
Contribution in relation to the actuarially determined contribution	<u>1,744,985</u>	<u>986,656</u>	<u>789,435</u>
Contribution deficiency (excess)	<u>\$ (1,065,254)</u>	<u>\$ (329,343)</u>	<u>\$ (318,655)</u>
Covered-employee payroll	\$ 9,881,869	\$ 9,118,088	\$ 8,813,634
Contribution as a percentage of covered- employee payroll	17.66%	10.82%	8.96%

**Notes to schedule:**

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

Actuarial Assumptions as of June 30, 2016:

Discount rate	6.00%								
Long-term rate of return on investments	6.00% net of expenses, including inflation								
Municipal bond	2.71% based on S&P Municipal Bond 20 year high grade index								
Salary increases	3.50%								
Payroll growth rate	3.50% based on salary increase rate by individual given above								
Inflation	N/A								
Pre and post retirement mortality	RP-2014 blended 60% white collar & 40% blue collar tables for annuitants and non-annuitants (separate tables for male / female) with MP-2015 generational improvements from 2006								
Termination	T-2 illustrative annual rates of withdrawals as follows:								
	<table border="1"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">5.29%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td style="text-align: center;">55</td> <td style="text-align: center;">0.00%</td> </tr> </tbody> </table>	Age	Rate	25	5.29%	40	3.50%	55	0.00%
Age	Rate								
25	5.29%								
40	3.50%								
55	0.00%								
Disability rate	None								
Assumed retirement age	Age 65 for active participants and normal retirement age for inactive participants								
Expenses	None								

\* GASB 68 was implemented in FY 2014, therefore only three years of the 10 years required data is available.

**See independent auditor's report**

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

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual money-weighted rate of return net of investment expense	<u>2.06%</u>	<u>2.81%</u>	<u>13.84%</u>

\* GASB 68 was implemented in FY 2014, therefore only three years of the 10 years required data is available.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
NBC's proportion of the net pension liability	\$ 16,936,520	\$ 15,554,087
NBC's proportionate share of the net pension liability	0.852%	0.873%
NBC's covered-employee payroll	\$ 5,798,735	\$ 5,700,732
NBC's proportionate share of the net pension liability as a percentage of its covered employee payroll	292.07%	272.84%
Plan fiduciary net position as a percentage of the total pension liability	55.03%	58.58%

**Note:**

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

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

**See independent auditor's report**

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

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	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Statutorily determined contribution	\$ 1,370,821	\$ 1,329,238
Contributions in relation to the statutorily determine contribution	1,370,821	1,329,238
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 5,798,735	\$ 5,700,732
Contribution as a percentage of covered-employee payroll	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.

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

***See independent auditor's report***

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**NARRAGANSETT BAY COMMISSION**  
*Schedule of Expenses - Budget and Actual (Budgetary Basis)*  
For the Year Ended June 30, 2016

<b>OPERATING EXPENSES</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Personnel services</b>			
Union regular	\$ 6,267,172	\$ 5,989,945	\$ 277,227
Union overtime	477,600	453,167	24,433
Non-union regular	9,996,187	9,779,165	217,022
Non-union overtime	106,700	102,704	3,996
Non-union limited	27,600	4,149	23,451
Fringe benefits	8,428,068	7,890,141	537,927
Project salaries and fringe benefits capitalized	(1,713,479)	(1,817,922)	104,443
<b>Total personnel services</b>	<b>23,589,848</b>	<b>22,401,349</b>	<b>1,188,499</b>
<b>General and administration</b>			
Insurance	620,000	601,092	18,908
Workers' compensation insurance	418,200	393,571	24,629
Workers' compensation old claims	10,000	-	10,000
<b>Total general and administration</b>	<b>1,048,200</b>	<b>994,663</b>	<b>53,537</b>
<b>OPERATIONS AND MAINTENANCE</b>			
<b>Travel</b>			
Local travel	7,150	4,192	2,958
Long distance travel	78,820	55,766	23,054
<b>Total travel</b>	<b>85,970</b>	<b>59,958</b>	<b>26,012</b>
<b>Repairs and maintenance</b>			
Building and ground maintenance	173,700	151,466	22,234
Vehicle fuel and maintenance	236,350	181,819	54,531
Repairs, building and structures	767,265	713,350	53,915
Repairs, highway and walks	22,000	6,867	15,133
Maintenance/service agreements	1,081,374	979,910	101,464
Highway and landscape	18,000	11,120	6,880
Diesel for equipment	23,500	21,108	2,392
<b>Total repairs and maintenance</b>	<b>2,322,189</b>	<b>2,065,640</b>	<b>256,549</b>
<b>Utilities</b>			
Telephone	190,920	174,054	16,866
Central telephone services	5,000	3,459	1,541
Fuel, gas	413,645	264,965	148,680
Electricity	3,543,109	3,285,703	257,406
Water	56,600	53,923	2,677
<b>Total utilities</b>	<b>4,209,274</b>	<b>3,782,104</b>	<b>427,170</b>

*(Continued)*



**NARRAGANSETT BAY COMMISSION**

*Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)*

*For the Year Ended June 30, 2016*

<b>OPERATIONS AND MAINTENANCE (CONTINUED)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Supplies</b>			
Clothing and clothing materials	\$ 42,300	\$ 34,465	\$ 7,835
Building and machinery supplies and expenses	424,565	421,497	3,068
Educational expenses	91,170	60,661	30,509
Lab supplies	356,720	358,344	(1,624)
Computer supplies	116,430	77,712	38,718
Other operating supplies and expenses	22,450	7,494	14,956
Chemicals	758,727	713,910	44,817
<b>Total supplies</b>	<b>1,812,362</b>	<b>1,674,083</b>	<b>138,279</b>
<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<b>8,429,795</b>	<b>7,581,785</b>	<b>848,010</b>
<b>Contract services</b>			
Medical services	13,590	10,633	2,957
Biosolids disposal	4,814,371	4,300,632	513,739
Screening and grit disposal	151,000	136,901	14,099
Service agreements	374,864	281,480	93,384
Security services	42,100	32,071	10,029
Regulatory expenses	453,550	405,139	48,411
Legal services	216,000	177,337	38,663
Management/audit services	245,450	181,256	64,194
Special clerical services	58,700	50,340	8,360
Other special services	199,900	172,965	26,935
<b>Total contract services</b>	<b>6,569,525</b>	<b>5,748,754</b>	<b>820,771</b>
<b>Miscellaneous</b>			
Office expenses	108,420	96,822	11,598
Postage	437,827	409,300	28,527
Dues and subscriptions	64,730	50,415	14,315
Freight	45,550	40,507	5,043
Printing and binding	157,440	135,614	21,826
Advertising	20,350	8,241	12,109
Rental of outside property	3,000	350	2,650
Rental of equipment	34,500	17,268	17,232
Rental of clothing	34,000	33,239	761
Safety equipment	53,850	44,692	9,158
Miscellaneous	4,200	4,467	(267)
Public outreach education	30,400	30,370	30
<b>Total miscellaneous</b>	<b>994,267</b>	<b>871,285</b>	<b>122,982</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>40,631,635</b>	<b>37,597,836</b>	<b>3,033,799</b>

*(Continued)*

**NARRAGANSETT BAY COMMISSION**

*Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)  
For the Year Ended June 30, 2016*

<b>NON-OPERATING EXPENSES</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Interest expense - 2008 Series A	\$ 1,979,899	\$ 502,827	\$ 1,477,072
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	1,926,488	17,912
Interest expense - 2015 Series A	1,964,796	1,964,796	-
Interest expense - RIIB	8,438,451	8,431,906	6,545
Interest expense - leases	15,000	4,074	10,926
Programmed new debt	706,246	-	706,246
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>19,841,992</b>	<b>17,623,291</b>	<b>2,218,701</b>
<b>Capital outlay</b>			
Building and plant equipment	932,300	742,953	189,347
Medical lab equipment	9,900	9,900	-
Office furniture and equipment	419,400	53,006	366,394
Computer software	445,600	307,790	137,810
Computer hardware	692,000	603,567	88,433
Building and other structures	100,000	91,613	8,387
Replacement reserve	1,811,000	1,647,012	163,988
Automotive equipment	230,860	197,053	33,807
<b>Total capital outlay</b>	<b>4,641,060</b>	<b>3,652,894</b>	<b>988,166</b>
<b>Debt service principal</b>	<b>25,284,371</b>	<b>25,284,371</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>\$ 90,399,058</b>	<b>\$ 84,158,392</b>	<b>\$ 6,240,666</b>

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

<b>Total expenses on budgetary basis</b>	<b>\$ 84,158,392</b>
Add:	
ERSRI FY 2016 plan activity	631,204
Depreciation	14,091,320
Amortization	110,919
EEF expenses	13,250
Bond and note fees	823,930
Bad debt expense	33,290
Less:	
Unbudgeted adjustment to non-union pension expense	(128,761)
Capital outlay	(3,652,894)
Debt service principal	(25,284,371)
<b>Total expenses on a GAAP basis</b>	<b>\$ 70,796,279</b>

**NARRAGANSETT BAY COMMISSION**  
Combining Schedule of Net Position  
For the Year Ended June 30, 2016

	<u>Revenue Fund</u>	<u>O &amp; M Fund</u>	<u>Project Fund</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 12,295,201	\$ 3,988,931	\$ 682,900
Accounts receivable			
Sewer use (net of allowance)	9,930,860	-	-
Sewer use unbilled	4,525,926	-	-
Receivables, other	18,687	161,119	-
Due from Rhode Island Infrastructure Bank	-	-	52,111,820
Prepaid expenses	-	1,506,072	-
<b>Total current assets</b>	<u>26,770,674</u>	<u>5,656,122</u>	<u>52,794,720</u>
<b>Non-current assets</b>			
<b>Restricted assets</b>			
Cash and cash equivalents, environmental enforcement	90,910	-	-
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	-	-	31,495,566
<b>Total restricted assets</b>	<u>90,910</u>	<u>-</u>	<u>31,495,566</u>
<b>Capital assets</b>			
Land	-	-	2,754,407
Plant and equipment	-	-	92,302,086
Capital projects completed	-	-	745,411,257
Construction in progress	-	-	316,367,916
Subtotal	<u>-</u>	<u>-</u>	<u>1,156,835,666</u>
Less: accumulated depreciation	<u>-</u>	<u>-</u>	<u>190,977,721</u>
<b>Total net capital assets</b>	<u>-</u>	<u>-</u>	<u>965,857,945</u>
<b>Total non-current assets</b>	<u>90,910</u>	<u>-</u>	<u>997,353,511</u>
<b>Total assets</b>	<u>26,861,584</u>	<u>5,656,122</u>	<u>1,050,148,231</u>
<b>Deferred outflows of resources</b>			
Loss on refunding of debt	-	-	2,094,718
ERSRI - net deferred outflows of resources	-	719,152	-
Non-union Pension - change in assumptions	-	1,387,154	-
Non-union Pension - difference between expected and actual experience	-	500,466	-
Non-union Pension - difference between projected and actual earnings	-	584,650	-
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>3,191,422</u>	<u>2,094,718</u>

(Continued)

**NARRAGANSETT BAY COMMISSION**  
*Combining Schedule of Net Position (Continued)*  
For the Year Ended June 30, 2016

	<i>Debt Service Fund</i>	<i>Operating Reserve for Revenue Stability Fund</i>	<i>Debt Service Reserve Fund</i>	<i>Total</i>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 16,967,032
Accounts receivable				
Sewer use (net of allowance)	-	-	-	9,930,860
Sewer use unbilled	-	-	-	4,525,926
Receivables, other	-	-	-	179,806
Due from Rhode Island Infrastructure Bank	-	-	-	52,111,820
Prepaid expenses	-	-	-	1,506,072
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,221,516</b>
<b>Non-current assets</b>				
<b>Restricted assets</b>				
Cash and cash equivalents, environmental enforcement	-	-	-	90,910
Cash and cash equivalents, operating reserve for revenue stability fund	-	4,501,062	-	4,501,062
Cash and cash equivalents, restricted for debt service	44,910,082	-	-	44,910,082
Cash and cash equivalents, restricted for debt service reserve fund	-	-	3,502,206	3,502,206
Cash and cash equivalents, restricted for acquisition and construction of plant assets	-	-	-	31,495,566
<b>Total restricted assets</b>	<b>44,910,082</b>	<b>4,501,062</b>	<b>3,502,206</b>	<b>84,499,826</b>
<b>Capital assets</b>				
Land	-	-	-	2,754,407
Plant and equipment	-	-	-	92,302,086
Capital projects completed	-	-	-	745,411,257
Construction in progress	-	-	-	316,367,916
Subtotal	-	-	-	1,156,835,666
Less: accumulated depreciation	-	-	-	190,977,721
<b>Total net capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>965,857,945</b>
<b>Total non-current assets</b>	<b>44,910,082</b>	<b>4,501,062</b>	<b>3,502,206</b>	<b>1,050,357,771</b>
<b>Total assets</b>	<b>44,910,082</b>	<b>4,501,062</b>	<b>3,502,206</b>	<b>1,135,579,287</b>
<b>Deferred outflows of resources</b>				
Loss on refunding of debt	-	-	-	2,094,718
ERSRI - net deferred outflows of resources	-	-	-	719,152
Non-union Pension - change in assumptions	-	-	-	1,387,154
Non-union Pension - difference between expected and actual experience	-	-	-	500,466
Non-union Pension - difference between projected and actual earnings	-	-	-	584,650
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,286,140</b>

(Continued)

**NARRAGANSETT BAY COMMISSION**  
*Combining Schedule of Net Position (Continued)*  
For the Year Ended June 30, 2016

	<u>Revenue Fund</u>	<u>O &amp; M Fund</u>	<u>Project Fund</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 28,441	\$ 3,012,067	\$ -
Contracts payable	-	-	5,093,858
Accrued interest payable	-	-	-
Accrued expenses	-	1,152,873	-
Current portion of the other accrued expenses	-	62,175	-
Current portion of loans payable	-	-	25,783,150
Current portion of leases payable	-	-	109,685
<b>Total current liabilities</b>	<u>28,441</u>	<u>4,227,115</u>	<u>30,986,693</u>
<b>Non-current liabilities</b>			
Long-term other accrued expenses, net	-	2,991,221	-
Long-term net pension liability - ERSRI	-	16,936,520	-
Long-term net pension liability - Non-Union Plan	-	4,015,612	-
Long-term loans payable, net	-	-	359,305,961
Long-term debt, net	-	-	262,604,184
<b>Total non-current liabilities</b>	<u>-</u>	<u>23,943,353</u>	<u>621,910,145</u>
<b>Total liabilities</b>	<u>28,441</u>	<u>28,170,468</u>	<u>652,896,838</u>
<b>Deferred inflows of resources</b>			
Unearned revenue billed in advance	268,810	-	-
Gain on refunding of debt	-	-	179,120
Non-union Pension - changes of assumptions	-	202,757	-
Non-union Pension - difference between expected and actual experience	-	132,452	-
Non-union Pension - difference between projected and actual earnings	-	247,076	-
<b>Total deferred inflows of resources</b>	<u>268,810</u>	<u>582,285</u>	<u>179,120</u>
<b>Net position</b>			
Net investment in capital assets	-	-	366,988,525
Restricted for environmental enforcement	90,910	-	-
Unrestricted	26,473,423	(19,905,209)	32,178,466
<b>Total Net Position</b>	<u>\$ 26,564,333</u>	<u>\$ (19,905,209)</u>	<u>\$ 399,166,991</u>

(Continued)

**NARRAGANSETT BAY COMMISSION**  
Combining Schedule of Net Position (Continued)  
For the Year Ended June 30, 2016

	<i>Debt Service Fund</i>	<i>Operating Reserve for Revenue Stability Fund</i>	<i>Debt Service Reserve Fund</i>	<i>Total</i>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 3,040,508
Contracts payable	-	-	-	5,093,858
Accrued interest payable	5,955,189	-	-	5,955,189
Accrued expenses	-	-	-	1,152,873
Current portion of the other accrued expenses	-	-	-	62,175
Current portion of loans payable	-	-	-	25,783,150
Current portion of leases payable	-	-	-	109,685
<b>Total current liabilities</b>	<b>5,955,189</b>	<b>-</b>	<b>-</b>	<b>41,197,438</b>
<b>Non-current liabilities</b>				
Long-term other accrued expenses, net	-	-	-	2,991,221
Long-term net pension liability - ERSRI	-	-	-	16,936,520
Long-term net pension liability - Non-Union Plan	-	-	-	4,015,612
Long-term loans payable, net	-	-	-	359,305,961
Long-term debt, net	-	-	-	262,604,184
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>645,853,498</b>
<b>Total liabilities</b>	<b>5,955,189</b>	<b>-</b>	<b>-</b>	<b>687,050,936</b>
<b>Deferred inflows of resources</b>				
Unearned revenue billed in advance	-	-	-	268,810
Gain on refunding of debt	-	-	-	179,120
Non-union Pension - changes of assumptions	-	-	-	202,757
Non-union Pension - difference between expected and actual experience	-	-	-	132,452
Non-union Pension - difference between projected and actual earnings	-	-	-	247,076
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,030,215</b>
<b>Net position</b>				
Net investment in capital assets	-	-	-	366,988,525
Restricted for environmental enforcement	-	-	-	90,910
Unrestricted	38,954,893	4,501,062	3,502,206	85,704,841
<b>Total Net Position</b>	<b>\$ 38,954,893</b>	<b>\$ 4,501,062</b>	<b>\$ 3,502,206</b>	<b>\$ 452,784,276</b>

**NARRAGANSETT BAY COMMISSION**

Combining Schedule of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2016

	<u>Revenue Fund</u>	<u>O &amp; M Fund</u>	<u>Project Fund</u>
<b>Operating revenues</b>			
User fees, residential	\$ 54,406,898	\$ -	\$ -
User fees, commercial and industrial	41,671,726	-	-
Permit and connection fees	124,450	-	-
Pretreatment fees	1,088,763	-	-
Environmental enforcement	50,000	-	-
Septage income	358,719	-	-
Late charge penalties	932,178	-	-
Miscellaneous	372,260	-	-
<b>Total operating revenues</b>	<u>99,004,994</u>	<u>-</u>	<u>-</u>
<b>Operating expenses</b>			
Personnel services	-	22,903,792	-
General and administration	-	994,663	-
Operations and maintenance	-	7,581,535	-
Depreciation	-	14,091,320	-
Contractual services	-	5,748,754	-
Miscellaneous	-	884,760	-
<b>Total operating expenses</b>	<u>-</u>	<u>52,204,824</u>	<u>-</u>
<b>Operating income (loss)</b>	<u>99,004,994</u>	<u>(52,204,824)</u>	<u>-</u>
<b>Non-operating revenues (expenses)</b>			
Interest expense	-	-	-
Interest income	5,855	-	51,389
Grant income	4,910	-	-
Bond and note issuance fees	-	-	-
miscellaneous income	203,855	-	-
<b>Total non-operating revenues (expenses)</b>	<u>214,620</u>	<u>-</u>	<u>51,389</u>
<b>Net income before capital contribution and transfers</b>	<u>99,219,614</u>	<u>(52,204,824)</u>	<u>51,389</u>
Capital contributions	-	-	512,070
Transfers in (out)	(95,490,357)	48,769,653	23,911,709
<b>Change in net position</b>	<u>3,729,257</u>	<u>(3,435,171)</u>	<u>24,475,168</u>
<b>Total net position, beginning of year</b>	<u>22,835,076</u>	<u>(16,470,038)</u>	<u>374,691,823</u>
<b>Total net position, end of year</b>	<u>\$ 26,564,333</u>	<u>\$ (19,905,209)</u>	<u>\$ 399,166,991</u>

*(Continued)*

**NARRAGANSETT BAY COMMISSION**

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

*For the Year Ended June 30, 2016*

<i>Debt Service Fund</i>	<i>Operating Reserve for Revenue Stability Fund</i>	<i>Debt Service Reserve Fund</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ 54,406,898
-	-	-	41,671,726
-	-	-	124,450
-	-	-	1,088,763
-	-	-	50,000
-	-	-	358,719
-	-	-	932,178
-	-	-	372,260
-	-	-	99,004,994
-	-	-	22,903,792
-	-	-	994,663
-	-	-	7,581,535
-	-	-	14,091,320
-	-	-	5,748,754
-	-	-	884,760
-	-	-	52,204,824
-	-	-	46,800,170
(17,734,236)	-	-	(17,734,236)
48,151	6,699	-	112,094
-	-	-	4,910
(823,930)	-	-	(823,930)
-	-	-	203,855
(18,510,015)	6,699	-	(18,237,307)
(18,510,015)	6,699	-	28,562,863
-	-	-	512,070
22,809,784	(5,660)	4,871	-
4,299,769	1,039	4,871	29,074,933
34,655,124	4,500,023	3,497,335	423,709,343
\$ 38,954,893	\$ 4,501,062	\$ 3,502,206	\$ 452,784,276



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# Statistical Section

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## STATISTICAL SECTION

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

### Financial Trends

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

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

### Revenue Capacity

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

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

### Debt Capacity

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

- Ratios of Outstanding Debt
- Debt Service Coverage

### Demographic and Economic Information

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

- Demographic Statistics
- Principal Employers

### Operating Information

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

- Operating Indicators by Division
- Budgeted Employees by Activity

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

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## **NARRAGANSETT BAY COMMISSION**

*Net Position by Component (Unaudited)*

*Last Ten Fiscal Years*

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<b><i>Years Ending June 30,</i></b>	<b><i>Net Investment in Capital Assets</i></b>	<b><i>Restricted Environmental Enforcement</i></b>	<b><i>Unrestricted</i></b>	<b><i>Total Net Position</i></b>
2007	\$ 214,974,154	\$ 127,370	\$ 54,514,025	\$ 269,615,549
2008	228,385,908	189,545	58,174,511	286,749,964
2009	240,723,854	157,021	64,044,903	304,925,778
2010	264,347,077	146,170	63,493,654	327,986,901
2011	281,322,303	118,796	71,793,204	353,234,303
2012	298,407,024	87,748	77,704,224	376,198,996
2013	320,372,754	74,841	76,419,156	396,866,751
2014 **	330,483,472	72,426	85,228,126	415,784,024
2015 *	347,106,277	54,405	76,548,661	423,709,343
2016	366,988,525	90,910	85,704,841	452,784,276

\* Restated net position - GASB 68

\*\* Restated net position - GASB 65

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

	<b>2016</b>	<b>2015*</b>	<b>2014**</b>	<b>2013</b>
<b>Operating Revenues</b>				
User fees	\$ 96,078,624	\$ 92,007,299	\$ 89,182,519	\$ 77,949,901
Pretreatment fees	1,088,763	1,076,481	1,095,551	1,077,887
Other operating revenue	1,837,607	1,932,062	1,869,945	1,320,944
<b>Total Operating Revenues</b>	<b>99,004,994</b>	<b>95,015,842</b>	<b>92,148,015</b>	<b>80,348,732</b>
<b>Non-Operating Revenues</b>				
Interest income	112,094	5,839	5,433	22,907
Grant Income	4,910	4,910	-	14,980
Other non-operating revenues	203,855	163,634	182,084	190,923
<b>Total Non-Operating Revenues</b>	<b>320,859</b>	<b>174,383</b>	<b>187,517</b>	<b>228,810</b>
<b>Operating Expenses</b>				
Personnel services	22,903,792	20,946,735	21,090,749	19,858,457
Contractual services	5,748,754	7,469,034	8,036,730	7,104,834
General and administration	9,460,958	8,756,689	8,838,866	8,607,391
Depreciation and amortization	14,091,320	12,983,750	11,812,153	10,974,885
<b>Total Operating Expenses</b>	<b>52,204,824</b>	<b>50,156,208</b>	<b>49,778,498</b>	<b>46,545,567</b>
<b>Non-Operating Expenses</b>				
Interest expense	17,734,236	16,475,516	16,660,404	13,587,442
Other expenses	823,930	720,428	915,288	130,980
<b>Total Non-Operating Expenses</b>	<b>18,558,166</b>	<b>17,195,944</b>	<b>17,575,692</b>	<b>13,718,422</b>
Net income before capital contributions	28,562,863	27,838,073	24,981,342	20,313,533
Capital contributions	512,070	-	80,965	354,202
Change in Net Position	29,074,933	27,838,073	25,062,307	20,667,735
Net Position, beginning	423,709,343	395,871,270	390,721,717	376,198,996
<b>Net Position, ending</b>	<b>\$ 452,784,276</b>	<b>\$ 423,709,343</b>	<b>\$ 415,784,024</b>	<b>\$ 396,866,731</b>

*(Continued)*

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

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

**NARRAGANSETT BAY COMMISSION**  
*Changes in Net Position (Unaudited) (Continued)*  
*Last Ten Fiscal Years*

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$	75,921,752	\$ 73,412,706	\$ 69,224,415	\$ 67,958,753	\$ 64,462,984	\$ 56,094,973
	1,087,140	1,109,709	1,114,004	1,126,654	1,115,529	1,163,397
	1,410,298	1,390,160	1,435,630	1,458,274	1,499,218	1,399,037
	<u>78,419,190</u>	<u>75,912,575</u>	<u>71,774,049</u>	<u>70,543,681</u>	<u>67,077,731</u>	<u>58,657,407</u>
	10,868	11,609	47,803	420,017	2,195,657	2,849,252
	129,327	66,851	279,978	34,300	27,653	49,037
	<u>247,740</u>	<u>263,238</u>	<u>280,656</u>	<u>185,832</u>	<u>95,316</u>	<u>111,703</u>
	<u>387,935</u>	<u>341,698</u>	<u>608,437</u>	<u>640,149</u>	<u>2,318,626</u>	<u>3,009,992</u>
	19,412,763	18,751,300	18,767,282	17,832,832	17,052,860	16,043,809
	6,780,533	6,614,019	7,008,213	7,221,939	7,214,382	6,474,726
	8,783,624	8,223,641	8,529,977	8,622,100	7,384,874	7,413,415
	10,569,625	10,437,059	9,065,008	7,301,816	7,463,646	6,803,213
	<u>45,546,545</u>	<u>44,026,019</u>	<u>43,370,480</u>	<u>40,978,687</u>	<u>39,115,762</u>	<u>36,735,163</u>
	11,785,551	10,887,026	10,820,471	12,013,384	13,121,460	11,913,538
	60,883	136,664	36,381	15,945	24,720	36,740
	<u>11,846,434</u>	<u>11,023,690</u>	<u>10,856,852</u>	<u>12,029,329</u>	<u>13,146,180</u>	<u>11,950,278</u>
	21,414,146	21,204,564	18,155,154	18,175,814	17,134,415	12,981,958
	1,550,547	4,042,838	4,905,969	-	-	5,626
	<u>22,964,693</u>	<u>25,247,402</u>	<u>23,061,123</u>	<u>18,175,814</u>	<u>17,134,415</u>	<u>12,987,584</u>
	<u>353,234,303</u>	<u>327,986,901</u>	<u>304,925,778</u>	<u>286,749,964</u>	<u>269,615,549</u>	<u>256,627,965</u>
\$	<u>376,198,996</u>	<u>\$ 353,234,303</u>	<u>\$ 327,986,901</u>	<u>\$ 304,925,778</u>	<u>\$ 286,749,964</u>	<u>\$ 269,615,549</u>



**NARRAGANSETT BAY COMMISSION**

*Revenues by Source (Unaudited)*

*Last Ten Fiscal Years*

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<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</b>	<b>Septage Income</b>	<b>Late Charges Penalties</b>
2007	\$ 56,094,973	\$ 205,589	\$ 1,163,397	\$ 52,525	\$ 357,206	\$ 631,183
2008	64,462,984	181,290	1,115,529	75,500	372,711	741,834
2009	67,958,753	140,822	1,126,654	3,700	382,955	849,127
2010	69,224,415	86,009	1,114,004	13,650	380,579	901,619
2011	73,412,706	82,914	1,109,709	8,315	293,718	951,351
2012	75,921,752	85,487	1,087,140	1,000	304,157	918,943
2013	77,949,901	95,609	1,077,887	-	300,319	918,134
2014	89,182,519	112,773	1,095,551	15,229	310,136	1,013,240
2015	92,007,299	100,906	1,076,481	5,972	336,037	999,867
2016	96,078,624	124,450	1,088,763	50,000	358,719	932,178

*(Continued)*

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

			<b>Non-Operating Revenues</b>			
<b>BOD/TSS Surcharge</b>	<b>Other Revenues</b>	<b>Total Operating Revenues</b>	<b>Grant Income</b>	<b>Interest Income</b>	<b>Miscellaneous Revenues</b>	<b>Total Revenues</b>
\$ 139,815	\$ 12,719	\$ 58,657,407	\$ 49,037	\$ 2,849,252	\$ 111,703	\$ 61,667,399
116,096	11,787	67,077,731	27,653	2,195,657	95,316	69,396,357
66,439	15,231	70,543,681	34,300	420,017	185,832	71,183,830
29,419	24,354	71,774,049	279,978	47,803	280,656	72,382,486
44,704	9,158	75,912,575	66,851	11,609	263,238	76,254,273
93,462	7,249	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
-	418,567	92,148,015	-	5,433	182,084	92,335,532
-	489,280	95,015,842	4,910	5,839	163,634	95,190,225
-	372,260	99,004,994	4,910	112,094	203,855	99,325,853

**NARRAGANSETT BAY COMMISSION**

*Expenses by Function (Unaudited)*

*Last Ten Fiscal Years*

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	<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>
2007	\$ 16,043,809	\$ 6,474,726	\$ 1,349,609	\$ 3,345,585	\$ 1,067,524
2008	17,052,860	7,214,382	1,258,783	3,435,790	1,183,308
2009	17,832,832	7,221,939	1,304,720	4,156,172	1,479,232
2010	18,767,282	7,008,213	1,265,659	4,187,385	1,474,302
2011	18,751,300	6,614,019	1,315,887	3,940,125	1,255,828
2012	19,412,763	6,780,533	1,617,879	4,247,867	1,143,635
2013	19,858,457	7,104,834	1,595,803	4,008,392	1,294,849
2014	21,090,749	8,036,730	1,725,079	3,850,260	1,462,692
2015	20,946,735	7,469,034	1,905,473	3,753,041	1,423,101
2016	22,903,792	5,748,754	1,881,946	3,837,677	2,856,575

*(Continued)*

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

		<b>Non-Operating Expenses</b>			
<b>Depreciation Amortization</b>	<b>Miscellaneous</b>	<b>Total Operating Expenses</b>	<b>Interest Expenses</b>	<b>Other Expenses</b>	<b>Total Expenses</b>
\$ 6,803,213	\$ 1,650,697	\$ 36,735,163	\$ 11,913,538	\$ 46,740	\$ 48,695,441
7,463,646	1,506,993	39,115,762	13,121,460	24,720	52,261,942
7,301,816	1,681,976	40,978,687	12,013,384	15,945	53,008,016
9,065,008	1,602,631	43,370,480	10,820,471	36,381	54,227,332
10,437,059	1,711,801	44,026,019	10,887,026	136,664	55,049,709
10,569,625	1,774,243	45,546,545	11,785,551	60,883	57,392,979
10,974,885	1,708,347	46,545,567	13,587,442	130,980	60,263,989
11,812,153	1,800,835	49,778,498	16,660,404	915,288	67,354,190
12,983,750	1,675,074	50,156,208	16,475,516	720,428	67,352,152
14,091,320	884,760	52,204,824	17,734,236	823,930	70,762,990

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<i>Residential</i>	\$ 54,406,898	\$ 53,044,437	\$ 51,129,479	\$ 45,021,105	\$ 43,266,302
<i>Commercial</i>	37,534,887	36,623,617	36,073,080	31,111,175	30,886,203
<i>Industrial</i>	4,136,839	2,339,245	1,979,960	1,817,621	1,769,247
<b>Total</b>	<b>\$ 96,078,624</b>	<b>\$ 92,007,299</b>	<b>\$ 89,182,519</b>	<b>\$ 77,949,901</b>	<b>\$ 75,921,752</b>

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<i>Residential</i>	\$ 41,892,869	\$ 39,392,798	\$ 38,727,419	\$ 36,113,007	\$ 30,990,979
<i>Commercial</i>	29,713,682	28,295,493	27,647,095	26,584,703	23,412,834
<i>Industrial</i>	1,806,155	1,536,124	1,584,239	1,765,274	1,691,160
<b>Total</b>	<b>\$ 73,412,706</b>	<b>\$ 69,224,415</b>	<b>\$ 67,958,753</b>	<b>\$ 64,462,984</b>	<b>\$ 56,094,973</b>

**NARRAGANSETT BAY COMMISSION**  
*Residential Sewer Rates (Unaudited)*  
*Last Ten Fiscal Years*

<b><i>Fiscal Year</i></b>	<b><i>Effective Date</i></b>	<b><i>Residential Fixed Rate (per dwelling unit)</i></b>	<b><i>Residential Consumption Rate (HCF)</i></b>
2007	July 1, 2006	\$ 98.21	\$ 2.021
2008	July 1, 2007	112.35	2.309
2009	July 1, 2008	124.98	2.569
2010	July 1, 2009	159.21	2.569
2011	July 1, 2010	162.79	2.627
2012	July 1, 2011	168.21	2.714
2013	July 1, 2012	171.99	2.775
2013	January 1, 2013	184.63	2.979
2014	July 1, 2013	202.47	3.267
2015	September 15, 2014	210.51	3.397
2016	July 1, 2015	215.50	3.478

HCF - per hundred cubic feet

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

<b><i>Fiscal Year</i></b>	<b><i>Effective Date</i></b>	<b><i>Non-Residential Fixed Rate (based on 5/8" meter)</i></b>	<b><i>Industrial Consumption Rate (HCF)</i></b>	<b><i>Commercial Consumption Rate (HCF)</i></b>
2007	July 1, 2006	\$ 221.00	\$ 1.884	\$ 2.927
2008	July 1, 2007	253.00	2.153	3.349
2009	July 1, 2008	281.00	2.395	3.725
2010	July 1, 2009	380.00	2.395	3.725
2011	July 1, 2010	389.00	2.449	3.809
2012	July 1, 2011	402.00	2.531	3.936
2013	July 1, 2012	411.00	2.588	4.025
2013	January 1, 2013	441.00	2.778	4.321
2014	July 1, 2013	484.00	3.046	4.738
2015	September 15, 2014	503.00	3.167	4.926
2016	July 1, 2015	515.00	3.242	5.043

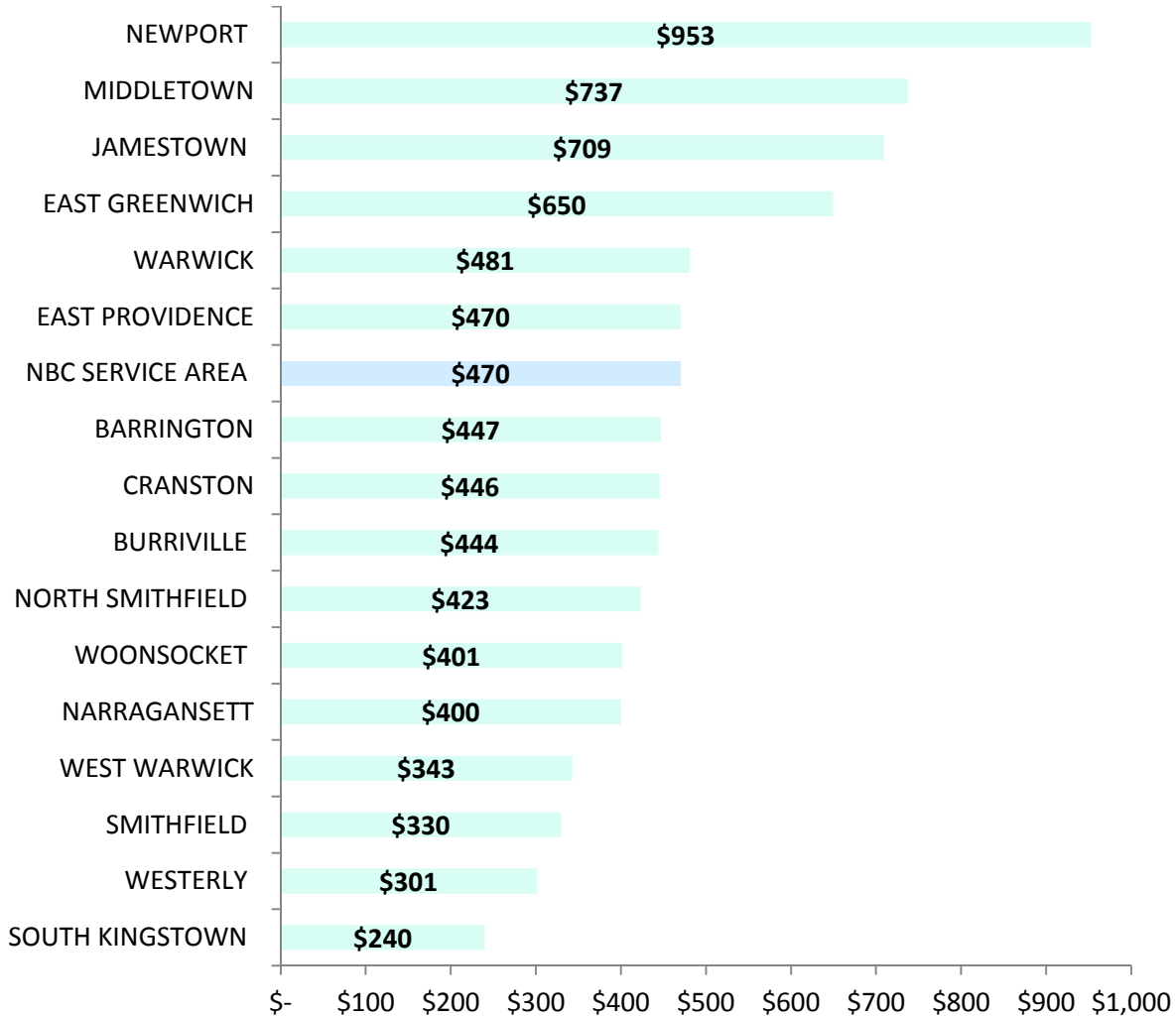
HCF - per hundred cubic feet

## **NARRAGANSETT BAY COMMISSION**

### *Annual Residential Sewer Charges*

#### *Rhode Island Cities & Towns*

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



**Source: 2015 Narragansett Bay Commission Residential Sewer User Survey**

Annual residential charges are based on 73.2 HCF.

The 2015 RI Annual Residential Sewer User Fee is \$485



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**NARRAGANSETT BAY COMMISSION**  
*Principal Commercial Users (Unaudited)*  
 2016 and 2007

<i>Company</i>	<b>2016</b>			<b>2007</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	\$ 1,574,239	1	1.64%	\$ 1,036,172	2	1.85%
Rhode Island Hospital	1,560,551	2	1.62%	1,020,800	3	1.82%
Brown University	1,453,850	3	1.51%	1,064,478	1	1.90%
City of Providence	701,445	4	0.73%	606,715	4	1.08%
City of Pawtucket	689,166	5	0.72%	424,487	5	0.76%
Providence School Department	498,312	6	0.52%	360,474	6	0.64%
Providence College	482,766	7	0.50%	320,978	7	0.57%
Rhode Island Resource Recovery	461,110	8	0.48%	-	-	-
Johnson & Wales	457,149	9	0.48%	237,616	9	0.42%
State of Rhode Island	406,261	10	0.42%	240,659	8	0.43%
Rhode Island College	-	-	-	218,021	10	0.39%
	<u>\$ 8,284,849</u>		<u>6.98%</u>	<u>\$ 5,530,400</u>		<u>9.86%</u>

**Source:** NBC's billing records

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

<i>Fiscal Year Ended June 30,</i>	<i>Loans Payable</i>	<i>Bonds Payable</i>	<i>Lease Payable</i>	<i>Total Outstanding Debt</i>
2007	\$ 269,690,992	\$ 159,068,722	\$ 587,356	\$ 429,347,070
2008	269,026,900	157,613,722	585,756	427,226,378
2009	271,381,022	156,089,206	441,456	427,911,684
2010	255,695,266	154,547,457	365,855	410,608,578
2011	269,436,595	152,950,708	282,318	422,669,621
2012	340,979,944	151,303,958	249,436	492,533,338
2013	345,706,020	225,204,097	617,136	571,527,253
2014	369,160,326	258,230,000	445,978	627,836,304
2015	346,132,052	262,604,184	253,297	608,989,533
2016	385,089,111	262,604,184	109,685	647,693,295

*(Continued)*

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

	<b>Capitalized Assets*</b>	<b>Construction in Process</b>	<b>Total Capital Assets</b>	<b>Outstanding Debt to Capital Assets</b>	<b>Outstanding Debt per Population (1)</b>	<b>Income to Outstanding Debt (1)</b>
\$	225,428,491	\$ 378,547,610	\$ 603,976,101	0.71	407.68	0.010%
	226,015,839	412,852,916	638,868,755	0.67	406.58	0.010%
	225,324,137	431,243,898	656,568,035	0.65	406.29	0.010%
	479,512,217	193,843,866	673,356,083	0.61	390.10	0.011%
	476,713,013	228,402,550	705,115,563	0.60	402.04	0.011%
	469,067,391	289,782,521	758,849,912	0.65	468.95	0.010%
	532,119,805	320,249,539	852,369,344	0.67	543.53	0.009%
	571,309,305	360,531,394	931,840,699	0.67	597.79	0.008%
	622,572,499	329,874,143	952,446,642	0.64	576.69	0.009%
	646,735,622	316,367,916	963,103,538	0.67	N/A	N/A

\* Capitalized assets net of accumulated depreciation

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

**NARRAGANSETT BAY COMMISSION**  
*Debt Service Coverage (Unaudited)*  
*Last Ten Fiscal Years*

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<b><i>Fiscal Year</i></b>	<b><i>Gross Revenues (1)</i></b>	<b><i>Operating Expenses (2)</i></b>	<b><i>Net Revenues Available for Debt Service</i></b>
2007	\$ 61,667,399	\$ 29,931,950	\$ 31,735,449
2008	69,396,357	31,652,116	37,744,241
2009	71,183,830	33,676,871	37,506,959
2010	72,382,486	34,305,472	38,077,014
2011	76,254,273	33,588,960	42,665,313
2012	78,807,125	34,976,920	43,830,205
2013	80,577,542	35,570,682	45,006,860
2014	92,335,532	37,966,345	54,369,187
2015	95,190,225	37,172,458	58,017,767
2016	99,325,853	38,113,504	61,212,349

*(Continued)*

(1) Total revenues including interest income

(2) Total operating expenses exclusive of depreciation and amortization

**NARRAGANSETT BAY COMMISSION**  
*Debt Service Coverage (Unaudited) (Continued)*  
*Last Ten Fiscal Years*

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<b>Debt Service Requirement</b>						
	<b><i>Principal</i></b>	<b><i>Interest</i></b>	<b><i>Total</i></b>	<b><i>Coverage</i></b>		
\$	12,502,822	\$	10,742,156	\$	23,244,978	1.37
	16,800,972		12,879,158		29,680,130	1.27
	17,457,042		11,982,197		29,439,239	1.27
	18,148,897		10,620,806		28,769,703	1.32
	18,702,732		10,349,378		29,052,110	1.47
	20,350,893		10,961,097		31,311,990	1.40
	21,927,959		11,964,723		33,892,682	1.33
	23,335,695		16,647,953		39,983,648	1.36
	23,028,273		17,188,998		40,217,271	1.44
	25,284,371		17,734,236		43,018,607	1.42

**NARRAGANSETT BAY COMMISSION**

*Demographic Statistics - (Unaudited)*

*State of Rhode Island*

*Last Ten Fiscal Years*

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<b><i>Fiscal Year</i></b>	<b><i>Population (1)</i></b>	<b><i>Personal Income (Millions) (1)</i></b>	<b><i>Per Capita Income (1)</i></b>	<b><i>Labor Force (2)</i></b>	<b><i>School Enrollment (3)</i></b>	<b><i>Unemployment Rate (2)</i></b>
2007	1,057,315	\$ 43,159	\$ 40,819	573,267	151,619	5.10%
2008	1,055,003	44,181	41,878	570,397	145,342	7.60%
2009	1,053,646	43,526	41,310	567,500	145,231	10.90%
2010	1,052,669	45,279	43,013	566,276	145,118	11.70%
2011	1,050,350	46,815	44,571	560,238	142,854	11.30%
2012	1,050,304	48,584	46,257	557,958	142,481	10.40%
2013	1,051,511	49,409	46,989	556,531	142,008	9.50%
2014	1,055,173	51,532	48,838	553,347	141,959	7.90%
2015	1,056,000	52,905	50,080	551,936	142,014	6.30%
2016	N/A	N/A	N/A	552,848	N/A	5.30%

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

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

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

**NARRAGANSETT BAY COMMISSION**  
*Principal Employers (Unaudited)*  
 2015 and 2006

<i>Company</i>	<b>2015</b>			<b>2006</b>		
	<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total State Employment</i>	<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total State Employment</i>
Lifespan	11,964	1	2.44%	10,935	1	2.21%
Care New England	8,661	2	1.77%	6,611	2	1.33%
CVS Corp	7,000	3	1.43%	5,683	4	1.15%
Citizens Bank	5,324	4	1.09%	5,500	5	1.11%
Brown University	4,191	5	0.86%	3,943	7	0.80%
Stop & Shop	4,142	6	0.85%	4,455	6	0.90%
Fidelity Investments	3,880	7	0.79%			
General Dynamics Electric Boat	3,563	8	0.73%	6,200	3	1.25%
Diocese of Providence	3,500	9	0.71%			
Naval Undersea Warfare Center	2,732	10	0.56%			
Bank of America (Fleet Financial Group)				3,000	8	0.61%
University of RI				2,300	9	0.46%
Shaws Super Market				2,244	10	0.45%
	<u>54,957</u>		<u>11.22%</u>	<u>50,871</u>		<u>10.27%</u>

**Source :** Commerce RI 2006  
 Providence Business News - Book of Lists 2016



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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Number of treatment plants</b>	2	2	2	2	2	2	2	2	2	2
<b>Number of employees</b>	260	257	245	254	246	246	244	237	241	245
<b><i>Field's Point Plant (Largest WWTF in RI)</i></b>										
Daily average treatment in gallons (mgd)	38.33	40.55	42.50	43.06	45.66	43.49	51.75	47.20	49.39	53.07
Total wet weather treatment capacity treatment (mgd)	200	200	200	200	200	200	200	200	200	200
Number of pump stations	4	4	4	4	4	4	4	4	4	4
Number of active combined sewer overflows (CSOs)	35	35	37	38	38	38	38	38	38	39
Miles of interceptor	80	80	80	80	80	80	80	80	80	80
Number of tide gates	32	32	32	32	32	32	32	32	32	32
<b><i>Bucklin Point Plant (Second largest WWTF in RI)</i></b>										
Daily average treatment in gallons (mgd)	16.98	19.20	21.73	19.82	20.36	19.98	19.71	23.98	24.83	24.83
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	27
Miles of interceptor	30	30	30	30	30	30	30	30	30	30

**mgd = million gallons per day**

**Source:** Management of NBC

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

<i>Departments</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Executive Affairs	8	8	8	8	8	8	8	8	8	8
Construction Services	11	13	13	13	12	12	10	10	9	10
Human Resources	4	4	4	4	4	4	4	4	4	4
Legal	5	5	5	5	5	5	5	5	5	5
Finance	5	5	5	5	5	5	5	5	5	5
Accounting	10	10	10	10	10	10	10	10	10	10
Information Technology	12	12	12	12	11	11	11	11	11	11
Customer Service	25	24	24	24	24	24	24	22	22	22
Purchasing	4	4	4	4	4	4	4	4	4	4
Planning	5	5	5	5	5	5	4	4	4	4
Pretreatment	14	14	14	14	14	15	15	15	15	15
Laboratory	17	17	16	16	16	16	17	15	15	15
Environmental Safety and Technical Assistance	4	4	4	4	4	4	4	4	4	4
Environmental Monitoring and Data Analysis	17	17	17	17	17	17	17	17	17	17
Interceptor Maintenance	20	20	20	20	21	22	22	22	22	22
Engineering	9	9	9	8	9	10	10	11	11	10
Field's Point WWTF	59	59	57	57	58	56	56	56	56	56
Bucklin Point WWTF	43	35	34	33	33	32	32	32	32	32
<b>Total Budgeted Employees</b>	<b>272</b>	<b>265</b>	<b>261</b>	<b>259</b>	<b>260</b>	<b>260</b>	<b>258</b>	<b>255</b>	<b>254</b>	<b>254</b>

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# Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, and have issued our report thereon dated August 30, 2016.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Hague, Sahady & Co. PC*

Fall River, Massachusetts  
August 30, 2016



## NARRAGANSETT BAY COMMISSION

### Long Distance Travel

FY 2016

TRAVELER	TRAVEL DATES	PURPOSE OF TRAVEL	DESTINATION	TOTALS
<b>Executive (21)</b>				
Diane Buerger	6/27/15-7/2/15	National SHRM Conference	Las Vegas, NV	\$ 1,124
Diane Buerger	6/18/16-6/22/16	National SHRM Conference	Las Vegas, NV	1,320
Jamie Samons	2/21/16-2/24/16	NACWA Winter Conference	San Diego, CA	1,115
Raymond Marshall	2/19/16-2/26/16	NACWA Winter Conference	San Diego, CA	2,024
Laurie Bissonette	4/27/16-4/29/16	2016 Atlanta Construction Law Seminar	Atlanta, GA	845
Raymond Marshall	4/10/16-4/13/16	NACWA Water Policy Reform	Washington, DC	1,398
Raymond Marshall	2/19/16-2/26/16	NACWA Winter Conference	San Diego, CA	86
Raymond Marshall	2/19/16-2/26/16	NACWA Winter Conference	San Diego, CA	875
Jamie Samons	2/21/16-2/24/16	NACWA Winter Conference	San Diego, CA	205
Jamie Samons	4/11/16-4/12/16	NACWA Water Policy Reform	Washington, DC	567
Jamie Samons	2/21/16-2/24/16	NACWA Winter Conference	San Diego, CA	875
Raymond Marshall	4/10/16-4/13/16	NACWA Water Policy Reform	Washington, DC	300
Raymond Marshall	4/10/16-4/13/16	NACWA Water Policy Reform	Washington, DC	222
Laurie Bissonette	4/27/16-4/29/16	2016 Atlanta Construction Law Seminar	Atlanta, GA	303
Jamie Samons	4/11/16-4/12/16	NACWA Water Policy Reform	Washington, DC	469
Diane Buerger	6/18/16-6/22/16	National SHRM Conference	Washington, DC	1,932
Raymond Marshall	7/9/16-7/21/16	NACWA Summer Conference	Denver, CO	825
Jamie Samons	7/10/16-7/13/16	NACWA Summer Conference	Denver, CO	1,170
<b>Total Executive Cost Center (21)</b>				<b>15,656</b>
<b>Legal (24)</b>				
Jennifer Harrington	11/3/15-11/6/15	NACWA Nat'l Clean Water Law Seminar	Henderson, NV	465
<b>Total Legal Cost Center (24)</b>				<b>465</b>
<b>Finance (31)</b>				
Karen Giebink	10/19/15-10/21/15	2015 American Water Summit	Denver, CO	1,063
Karen Giebink	10/19/15-10/21/15	2015 American Water Summit	Denver, CO	480
Karen Giebink	2/21/16-2/24/16	NACWA Winter Conference	San Diego, CA	875
Karen Giebink	2/21/16-2/24/16	NACWA Winter Conference	San Diego, CA	493
<b>Total Finance Cost Center (31)</b>				<b>2,911</b>
<b>IT (33)</b>				
Israel Morales	9/29/15-10/1/15	Oracle University Training		3,259
Kathy Smith	9/29/15-10/1/15	Oracle University Training		3,259
Keith Zuidema	9/28/15-10/2/15	VMware vSphere Fast Track V5.5 Course	New York, NY	6,045
Keith Zuidema	9/28/15-10/2/15	VMware vSphere Fast Track V5.5 Course	New York, NY	2,177
Israel Morales	10/4/15-10/9/15	Oracle University Training	Reston, VA	1,054
Israel Morales	9/26/15-10/1/15	Oracle University Training	Atlanta, GA	640
Israel Morales	9/29/15-10/1/15	Oracle University Training	Atlanta, GA	186
Israel Morales	10/4/15-10/9/15	Oracle University Training	Reston, VA	505
Keith Zuidema	9/27/15-10/2/15	VMware vSphere Fast Track V5.5 Course	New York, NY	296
<b>Total IT Cost Center (33)</b>				<b>17,420</b>
<b>IM (43)</b>				
Michael Caruolo	7/19/15-7/24/15	ESRI User Conference (GIS)	San Diego, CA	351
<b>Total IM Cost Center (43)</b>				<b>351</b>

(Continued)



## NARRAGANSETT BAY COMMISSION

### Long Distance Travel (Continued)

FY 2016

TRAVELER	TRAVEL DATES	PURPOSE OF TRAVEL	DESTINATION	TOTALS
<b>Engineering (44)</b>				
Katherine Kelly	9/16/15-9/18/15	2015 Green Cities, Clean Water GSI	Philadelphia, PA	833
Iziarh Roberts	7/19/15-7/24/15	ESRI User Conference 2015 (GIS)	San Diego, CA	665
Katherine Kelly	9/16/15-9/18/15	2015 Green Cities, Clean Water GSI	Philadelphia, PA	252
Iziarh Roberts	6/27/16-7/2/16	ESRI User Conference 2016 (GIS)	San Diego, CA	2,448
<b>Total Engineering Cost Center (44)</b>				<b>4,199</b>
<b>FP (46)</b>				
Michael Spring	9/26/15-9/30/15	WEFTEC Conf. Top Project Award	Chicago, IL	1,638
<b>Total FP Cost Center (46)</b>				<b>1,638</b>
<b>PP&amp;R (51)</b>				
Stephen Lallo	2/16/16-2/19/16	IECA 2016 Conference	San Antonio, TX	842
Stephen Lallo	2/16/16-2/19/16	IECA 2016 Conference Pass	San Antonio, TX	799
Stephen Lallo	2/16/16-2/19/16	IECA 2016 Conference	San Antonio, TX	292
Stephen Lallo	6/12/16-6/15/16	Smarter Cities Innovation Conference	Austin, TX	683
Stephen Lallo	6/13/16-6/15/16	Smarter Cities Innovation Conference	Austin, TX	495
Stephen Lallo	6/12/16-6/15/16	Smarter Cities Innovation Conference	Austin, TX	560
<b>Total PP&amp;R Cost Center (51)</b>				<b>3,672</b>
<b>PT (52)</b>				
Kerry Britt	5/7/16-5/20/16	NACWA PT & Pollution Prevention Conf.	Long Beach, CA	600
Kerry Britt	5/7/16-5/20/16	NACWA PT & Pollution Prevention Conf.	Long Beach, CA	600
Kerry Britt	5/17/16-5/20/16	NACWA PT & Pollution Prevention Conf.	Long Beach, CA	877
<b>Total PT Cost Center (52)</b>				<b>2,077</b>
<b>LAB (53)</b>				
Walter Palm	3/6/16-3/12/16	Pittcon Conference	Atlanta, GA	214
Edward Davies	12/2/15-12/3/15	Proper Sampling for Process & Reporting	Pittsfield, MA	401
Edward Davies	12/2/15-12/3/15	Proper Sampling for Process & Reporting	Pittsfield, MA	120
Nora Lough	3/6/16-3/7/16	NEWEA Planning Session	Manchester, NH	175
Nora Lough	3/6/16-3/7/16	NEWEA Planning Session	Manchester, NH	113
Walter Palm	3/6/16-3/12/16	Pittcon Conference	Atlanta, GA	1,411
Walter Palm	3/6/16-3/12/16	Pittcon Conference	Atlanta, GA	18
Nora Lough	6/5/16-6/8/16	NEWEA Spring Conference	Groton, CT	250
Nora Lough	6/5/16-6/8/16	NEWEA Spring Conference	Groton, CT	394
<b>Total LAB Cost Center (53)</b>				<b>3,096</b>
<b>ESTA (54)</b>				
Jim McCaughey	5/17/16-5/20/16	2016 Nat'l PT & Pollution Prevention Long	Long Beach, CA	600
Barry Wenskowicz	5/9/16-5/11/16	2016 Better Building Summit	Washington, DC	275
Jim McCaughey	5/14/16-5/20/16	2016 Nat'l PT & Pollution Prevention Long	Long Beach, CA	1,346
Jim McCaughey	8/21/16-8/26/16	2016 ACEEE Summer Study on Energy	Pacific Grove, CA	972
Barry Wenskowicz	5/6/16-5/12/16	2016 Better Building Summit	Washington, DC	643
<b>Total ESTA Cost Center (54)</b>				<b>3,836</b>
<b>EMDA (55)</b>				
Eliza Moore	3/17/16-3/18/16	45th Annual Benthic Meetings Conference	Portland, ME	119
Christine Comeau	3/17/16-3/18/16	Benthic Ecology Meetings	Portland, ME	238
Eliza Moore	3/17/16-3/18/16	45th Annual Benthic Meetings Conference	Portland, ME	89
<b>Total EMDA Cost Center (55)</b>				<b>446</b>
<b>GRAND TOTAL</b>				<b>\$ 55,766</b>