

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

VINCENT J. MESOLELLA | CHAIRMAN

LAURIE HORRIDGE | EXECUTIVE DIRECTOR

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Narragansett Bay Commission
Rhode Island

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Prepared by:
The Finance Division of the Narragansett Bay Commission



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Narragansett Bay Commission's Mission Statement

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



Vincent J. Mesoella
Chairman

Laurie Horridge
Executive Director

August 31, 2021

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

We are pleased to transmit the Annual Comprehensive Financial Report of the Narragansett Bay Commission (NBC) for the fiscal year that ended June 30, 2021. NBC staff prepared this Annual Comprehensive Financial Report following the guidelines set forth by the Governmental Accounting Standards Board (GASB). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

NBC is subject to independent audit per Section 35-6-37 of the Rhode Island General Laws (RIGL) and is required to submit audited financial statements to the state controller no later than ninety (90) days after the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2021.

Hague, Sahady & Co., P.C., NBC's Independent Auditor, has issued an unmodified ("clean") opinion on the NBC's financial statements for the fiscal year ended June 30, 2021 (see page 9). Management's Discussion and Analysis (MD&A) follows the Independent Auditor's Report and provides an introduction, overview, and analysis of the financial statements in a narrative format. The MD&A complements and should be read in conjunction with this letter of transmittal.

Profile of the Narragansett Bay Commission

NBC is a public corporation incorporated in 1980 pursuant to Rhode Island General Laws Chapter 46-25 to provide wastewater treatment and collection service to the greater Providence metropolitan area. On January 1, 1992, the former Blackstone Valley District Commission was merged into NBC, expanding the service area to include the greater Pawtucket metropolitan area. NBC provides services to approximately 360,000 residents and 7,730 businesses. NBC funds its operation and maintenance expenses as well as debt service through user charges and fees.

Wastewater Treatment and Sustainability

NBC owns, operates, and maintains Rhode Island's two largest wastewater treatment facilities. The Field's Point Wastewater Treatment Facility (WWTF), located in Providence, provides advanced wastewater treatment for dry weather flows of up to 65 million gallons per day (MGD) and primary treatment and disinfection for flows up to 200 MGD. The Bucklin Point WWTF, located in East Providence, provides secondary treatment and nitrogen removal for flows of up to 46 MGD and primary treatment and disinfection for flows up to 116 MGD. In addition, NBC owns, operates, and maintains 110 miles of interceptors, six outlying pump stations, 32 tide-gates, and 65 combined sewer overflows (CSOs). The Tunnel Pump Station, adjacent to the Ernest Street Pump Station at Field's Point, pumps stored combined sewage flow from the CSO tunnel to the Field's Point WWTF for treatment. The NBC also owns and operates a septage receiving facility in Lincoln.

NBC is also committed to sustainability as demonstrated by its investment in renewable energy. NBC owns and operates six 1.5-megawatt (MW) wind turbines that generate electricity which is used on-site and/or is net-metered. In addition, NBC has executed two Power Purchase Agreements for net-metered renewable energy sources. Lastly, NBC has constructed a biogas reuse facility, which is in the testing phase, to convert biogas into heat and electricity to support facility operations on-site. These projects are part of NBC's goal of meeting 100% of energy needs from renewable sources.

Governance

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

NBC is regulated by the Rhode Island Public Utilities Commission (PUC). Accordingly, both the Board and the PUC must authorize adjustments to sewer user rates. The Division of Public Utilities and Carriers must approve NBC entering into a debt obligation with a term greater than one year.

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

NBC's Board approves the annual budget which includes both the operating and capital budgets. The operating budget is prepared on a modified cash basis. A line-item operating budget is maintained for the cost centers in each Division. The appropriate Division Director must approve budget transfers prior to approval by the Chief Financial Officer (CFO). The CFO authorizes adjustments (transfers) between operating budget line items within categories and adjustments between cost centers as well as changes to the operating capital budget. The budget transfers are included as part of the monthly financial report reviewed and approved by the Finance Committee prior to the regularly scheduled Board meetings.

Local Economy

The NBC services approximately 41% of the total population of Rhode Island. Of the eight major communities serviced by NBC, Providence, Pawtucket, Cumberland, and North Providence account for the majority or 79% of NBC's accounts. NBC's user fee revenues are relatively stable with NBC's 10 largest users responsible for 8.1% of the billed user fee revenues in FY 2021. NBC's largest customers include government, education, and healthcare providers.

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

Based on Rhode Island Department of Labor and Training data, the Rhode Island unemployment rate decreased from 8.1% in June 2020 to 5.8% in June 2021. The Rhode Island median household income has exceeded the national median household income the last ten years.

NBC responded to the Governor's "Stay At Home Order" issued in response to COVID-19 through a combination of transitioning to remote work and allowing certain employees to remain home if it did not adversely impact operations. NBC's offices were also closed to the public. On March 16, 2020, the PUC ordered the suspension of service termination related collection activity, and the moratorium was lifted on July 18, 2020. The PUC also issued an order on June 2, 2020, requiring the suspension of the assessment of late fees, interest charges, as well as credit card, debit card and ACH fees effective June 1, 2020. The PUC indicated that the suspension of these fees would be reviewed in September 2020, however, it remains in effect as of the date of the audit. On May 21, 2021, Rhode Island ended the restrictive measures designed to mitigate the spread of COVID-19 and on June 7, 2021, all NBC employees returned to the office. NBC will continue to monitor COVID-19 impacts and make operational adjustments to the extent that they are impactful, reasonable and within NBC's control.

Major Initiatives

NBC's Capital Improvement Program (CIP) identifies 52 projects that are in progress, being initiated or to be completed during FY 2023-2027 at an estimated cost of \$718.0 million, with additional expenditures of \$176.3 million in FY 2022 for total of \$894.3 million. The majority or 80% of the expenditures are for the Combined Sewer Overflow (CSO) Phase III A Facilities which are part of the third and final phase of the mandated CSO Abatement Program. The CSO Phase III A Facilities consist of 13 separate construction contracts. The largest component is the design/build of the Pawtucket Tunnel and Pump Station project at an estimated cost of \$488.3 million. Other significant capital initiatives include the Bucklin Point Resiliency Improvements at \$60.4 million and the Field's Point Resiliency Improvements at \$47.5 million.

Beginning in FY 2020, NBC's primary capital funding source has been the Water Infrastructure Finance and Innovation Act (WIFIA) loan program administered by the United States Environmental Protection Agency (USEPA). To secure additional funding for the CIP, NBC submitted a Letter of Interest for a third WIFIA loan in the amount of \$27.6 million to fund a portion of the Field's Point Resiliency Improvements. NBC also plans to borrow \$45.0 million from the Rhode Island Infrastructure Bank (RIIB) in FY 2022.

Long-term Financial Planning

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Finance Reporting to NBC for its Annual Report for the fiscal year ended June 30, 2020. This was the nineteenth consecutive year that NBC has received this prestigious award. To be awarded a Certificate of Achievement, NBC issued an easily readable and efficiently organized Annual Report that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, NBC received the GFOA's Distinguished Budget Presentation Award for the nineteenth consecutive year for its annual budget document for the FY 2021 Budget. NBC was also awarded Special Performance Measures Recognition and Special Capital Recognition. To qualify for the Distinguished Budget Presentation Award, the budget document must meet program criteria as a policy document, as financial plan, as an operations guide, and as a communication device. This award is valid for a period of one year only.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of NBC's Division of Finance. Credit must also be given to the Chairman and the Board of Commissioners for their unflinching support for maintaining the highest standards of professionalism in the management of NBC's finances.


Respectfully Submitted,

Karen L. Giebink, MBA



Chief Financial Officer

Leah E. Foster, CPA



Accounting Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Narragansett Bay Commission
Rhode Island**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

BOARD OF COMMISSIONERS

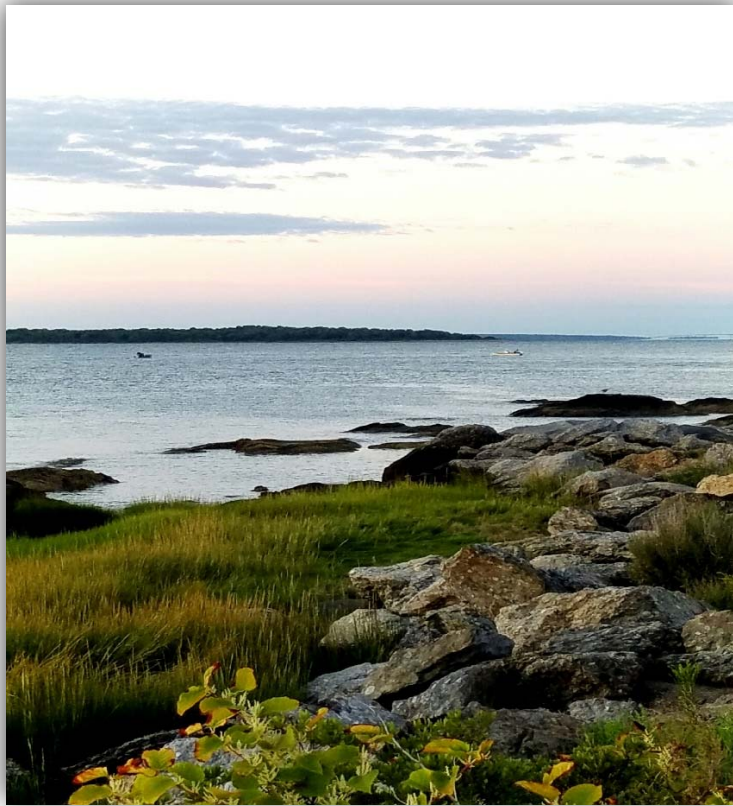
Narragansett Bay Commission (NBC) is governed by a Board of Commissioners (Board). The Board represents the municipalities in the service area, as well as ten gubernatorial appointments. Empowered with responsibilities ranging from ensuring that NBC operates a balanced budget to approving contracts for improving and sustaining the treatment facilities and wastewater collection system, the Board meets monthly to guide the direction of NBC.

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

Ernest Almonte, CPA
Lisa Andoscia
James Bennett
Michele Caprio
Mario Carlino
Richard DeFino, Jr.
Michelle DeRoche
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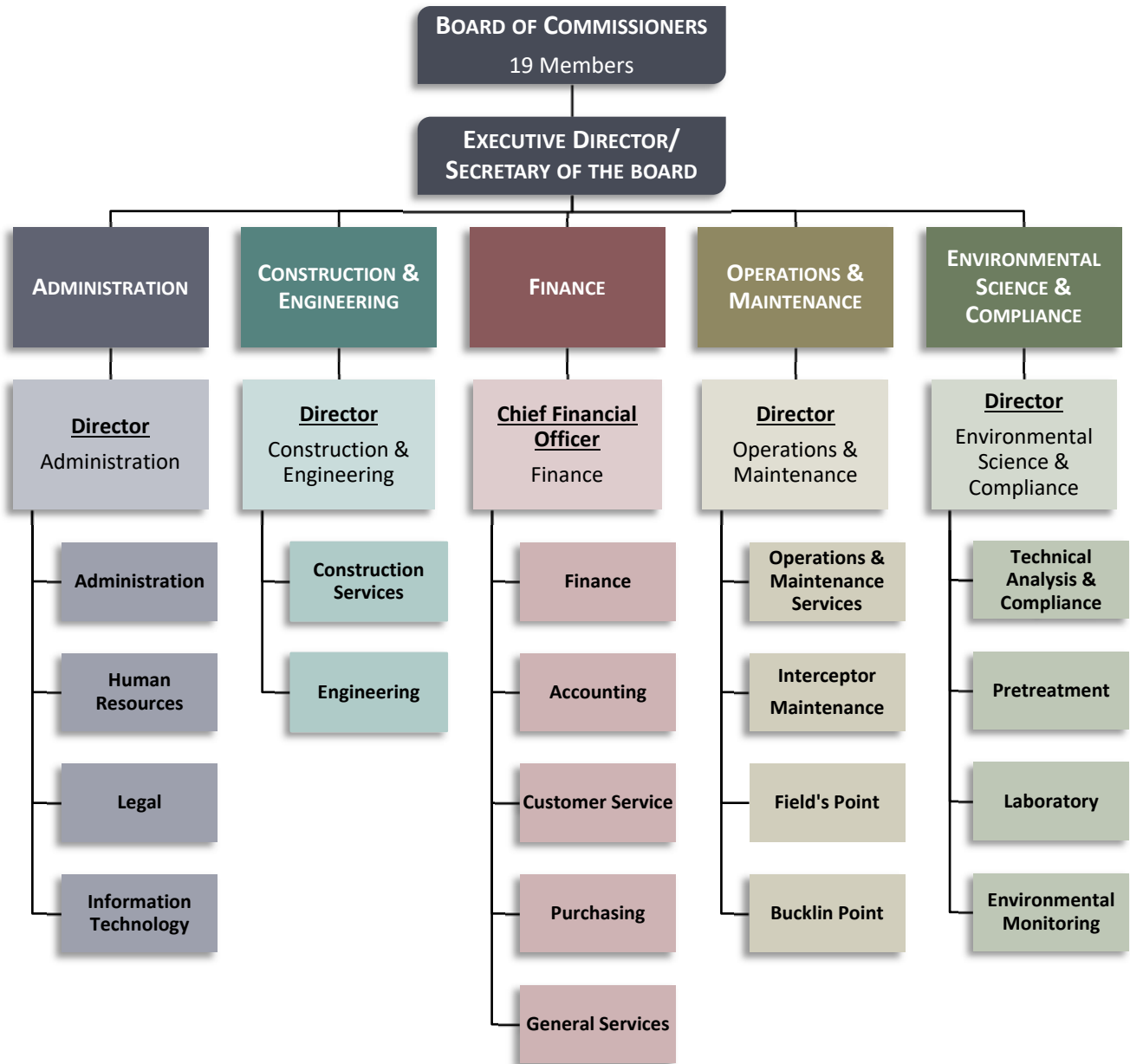
Leonard Lopes, Esq.
John MacQueen
Michael Marcello, Esq.
Joan Milas
Alessandro Montanari
Anthony Napolitano
Jina N. Petrarca, Esq.
Charles Ruggerio, Esq.

Laurie Horridge, Executive Director and Secretary of the Board



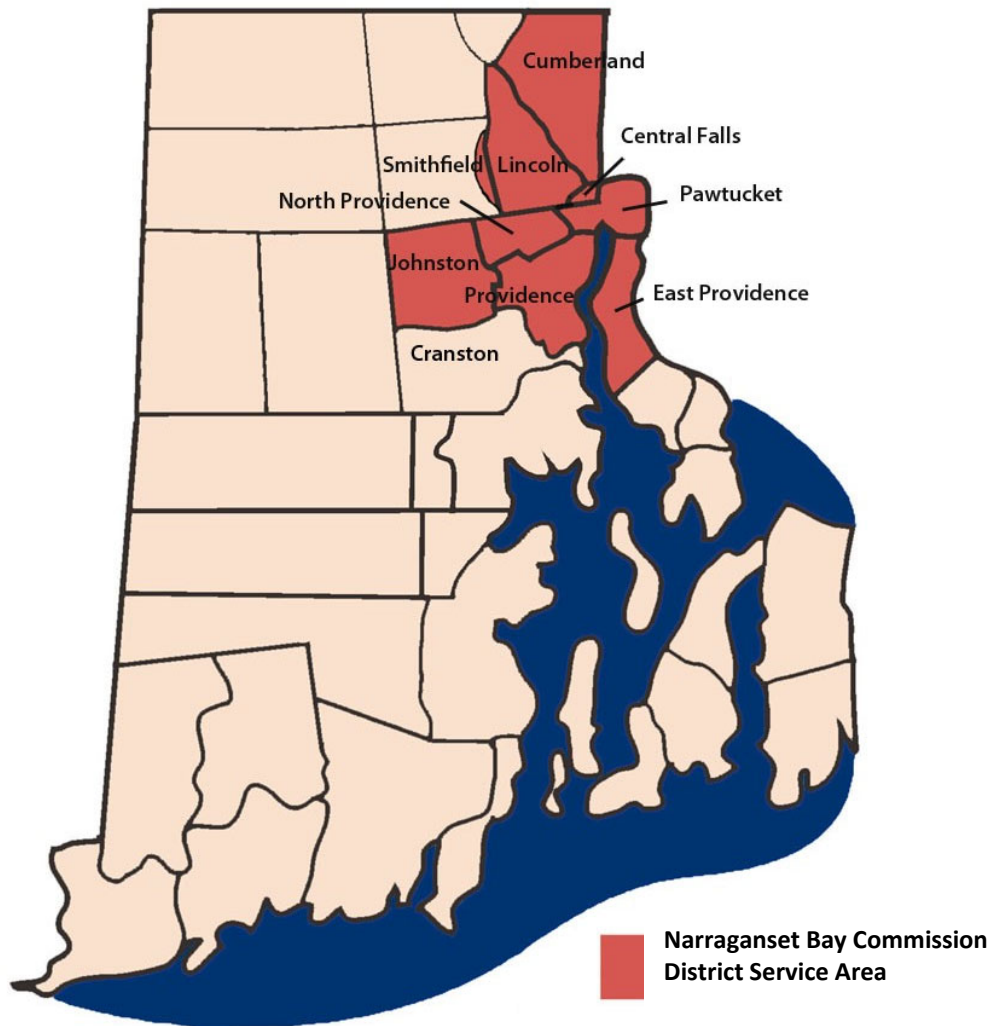
Picture: Narragansett Bay

Narragansett Bay Commission



Narragansett Bay Commission Service Area

NBC provides reliable, cost-effective wastewater collection and treatment services to over 360,000 residents and approximately 7,730 businesses in the metropolitan Providence and Blackstone Valley areas. 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. The map below shows NBC's service area.



CERTIFIED PUBLIC ACCOUNTANTS

126 President Avenue

Fall River, MA 02720

TEL. (508) 675-7889

FAX (508) 675-7859

www.hague-sahady.com***Independent Auditor's Report***

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the NBC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of NBC, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12-21, Schedule of Proportionate Share of the Net Pension Liability for the Employees' Retirement System RI, Schedule of Contributions for the Employees' Retirement System RI, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios for the Non-Union Defined Benefit Plan, Schedule of Employer Contributions for the Non-Union Defined Benefit Pension Plan, Schedule of Investment Returns for the Non-Union Defined Benefit Plan, Schedule of the Proportionate Share of the Net OPEB liability, Schedule of Contributions for the OPEB plan and related notes on pages 58-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021, on our consideration of NBC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NBC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NBC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Haque, Sahady & Co. PC".

Fall River, Massachusetts
August 31, 2021

Narragansett Bay Commission
Management's Discussion and Analysis (Unaudited)
June 30, 2021

NBC's Management offers readers of the basic financial statements, this narrative overview and analysis of NBC for the fiscal year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

Financial Highlights

From a financial perspective, FY 2021 was a strong year for NBC. The following are the key financial highlights:

- NBC's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$590,266,301. Of this amount, (\$3,107,815) is unrestricted net position.
- NBC changed the net investment in capital asset calculation which resulted in a new restricted net position for operating capital in the amount of \$6,230,100 and an increase in the unrestricted net position.
- NBC's total net position increased by \$32,664,013 or 5.9% over the prior year.
- NBC finished FY 2021 under budget for expenses by \$5,500,568. The majority of the favorable variance is from personnel services, chemicals, electricity, biosolids and interest expense.
- Debt service coverage calculated as gross revenues, minus operating expenses exclusive of depreciation and amortization, divided by total debt service was 1.49 in FY 2021, exceeding the 1.25 debt service coverage level recommended by credit rating agencies.
- NBC realized a savings of \$359,704 in FY 2021 resulting from prior Rhode Island Infrastructure Bank (RIIB) refundings. NBC will recognize total savings of \$4,369,070 over the life of the loans due to these refundings.
- On June 9, 2021, NBC executed an economic defeasance of a RIIB loan, the 2002 Series, using existing resources.
- On October 26, 2020, NBC executed a rate reset for the first WIFIA loan from the US Environmental Protection Agency (USEPA), reducing the interest rate from 1.89% to 1.42%, resulting in a net present value savings of \$27.6 million (2020 Series B).
- NBC executed a second WIFIA loan in the amount of \$190.6 million (2020 Series C) at a rate of 1.6% for the Bucklin Point Resiliency Improvements project on October 26, 2020.
- NBC accounts receivable (net of allowance) decreased from \$14,720,600 to \$12,816,471 from FY 2020 to FY 2021, respectively. This is a \$1,904,129 or 12.9% decrease.

- The Non-Union Defined Benefit Plan is funded at 129.3%, which results in a net pension asset of \$6.8 million on the Statement of Net Position. The Employees' Retirement System of the State of Rhode Island (ERSRI) Defined Benefit Plan is funded at 52.6% which results in a net pension liability – ERSRI Pension Plan of \$17.7 million on the Statement of Net Position.

Overview of the Financial Statements

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

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

The Statement of Net Position presents information of NBC's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of NBC is improving or deteriorating.

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

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

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

Financial Analysis – Statement of Net Position

Net position over time may serve as a useful indicator of a government's financial position. In the case of NBC, assets plus deferred outflows of resources exceeded the liabilities plus deferred inflows of resources by \$590,266,301 as of June 30, 2021.

Condensed Statement of Net Position

Assets	FY 2021	FY 2020
Current assets	\$ 424,187,569	\$ 296,623,594
Noncurrent assets		
Restricted assets	77,987,362	78,838,877
Net capital assets	1,132,898,591	1,055,957,576
Other assets	6,797,195	1,515,254
Total assets	1,641,870,717	1,432,935,301
Deferred outflows of resources		
Deferred outflows of resources	9,955,355	10,447,773
Total deferred outflows resources	9,955,355	10,447,773
Liabilities		
Current liabilities	58,887,233	41,529,613
Noncurrent liabilities	995,549,763	841,929,229
Total liabilities	1,054,436,996	883,458,842
Deferred inflows of resources		
Deferred inflows of resources	7,122,775	2,321,944
Total deferred inflows resources	7,122,775	2,321,944
Net position		
Net investment in capital assets	517,866,217	499,832,377
Restricted for environmental enforcement	74,068	73,977
Restricted for bond covenants	61,740,095	57,457,778
Restricted operating reserve for revenue stability fund	4,500,459	4,502,371
Restricted for debt service reserve	2,963,177	2,987,306
Restricted for operating capital	6,230,100	-
Unrestricted	(3,107,815)	(7,251,521)
Total net position	\$ 590,266,301	\$ 557,602,288

The Condensed Statement of Net Position above reflects an increase in current assets of \$127.6 million from FY 2020 to FY 2021. Approximately \$127.5 million of the increase is a result of the amount due from the new WIFIA loan and a reduction in the amount due from RIIB of \$6.9 million.

In FY 2021, NBC's restricted assets of \$77,987,362 consisted of the following:

Cash and cash equivalents, for environmental enforcement fund	\$ 74,068
Cash and cash equivalents, operating capital	6,230,100
Cash and cash equivalents, grant and project reimbursement	2,479,463
Cash and cash equivalents, operating reserve for revenue stability fund	4,500,459
Cash and cash equivalents, bond covenants	61,740,095
Cash and cash equivalents, debt service reserve fund	<u>2,963,177</u>
	<u>\$ 77,987,362</u>

The Condensed Statement of Net Position shows an increase in net capital assets of \$76,941,015 from FY 2020 to FY 2021. This increase reflects FY 2021 investments in capital improvements less related accumulated depreciation. Construction in progress decreased \$85.3 million. This decrease consists of the net of \$91.3 million additions and a \$176.6 million reclassification from construction in progress to completed projects. Of the \$91.3 million expended in construction in progress, \$78.0 million was spent on the CSO Phase III A Facilities and Wastewater Treatment Facility Improvements projects.

Other assets on the Condensed Statement of Net Position increased by \$5,281,941 which is a result of an increase in the net pension asset of the non-union defined benefit plan.

From FY 2020 to FY 2021, total deferred outflows of resources decreased by \$492,418 and total deferred inflows of resources increased \$4,800,831. These changes were the result of the GASB 68 entries relating to pensions and GASB 75 entries relating to other post employment benefits (OPEB).

Current liabilities increased \$17,357,620 from FY 2020 to FY 2021. This is the result of an increase in the accounts payable, contracts payable, and the current portion of other accrued expenses and long-term debt. The non-current liabilities increased by \$153,620,534 due to the net effect of the \$190.6 million WIFIA borrowing, principal debt service payments relating to the loans and bonds payable, and the effect of the economic defeasance of RIIB loan 2002 Series.

Total net position increased by \$32,664,013 to \$590,266,301 in FY 2021, which demonstrates NBC's improving financial position. The largest portion of NBC's net position, 87.7%, reflects net investment in capital assets. NBC uses these capital assets to provide wastewater treatment and collection services to its customers. As a result of a change in the investment in capital assets calculation, NBC added a new restricted for operating capital net position category in FY 2021. Refer to the footnotes for more information on this restricted net position classification.

Only the unrestricted net position is available for future spending. Although NBC's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

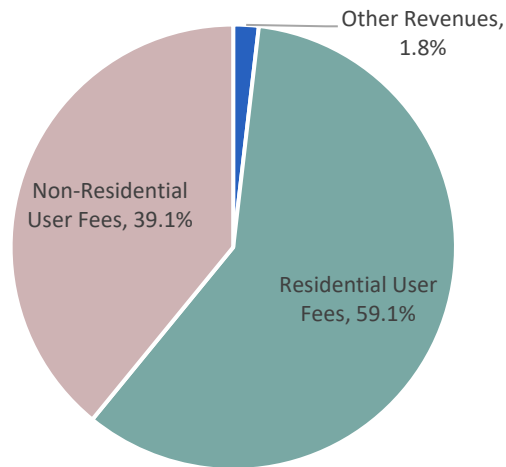
Condensed Statement of Revenues, Expenses and Changes in Net Position

	FY 2021	FY 2020
Operating revenues		
User fees	\$ 102,984,257	\$ 101,434,770
Pretreatment fees	71,700	61,354
Connection fees/capacity charges	357,070	285,296
Septage income	352,135	342,994
Renewable energy credits revenues	604,033	579,679
Other operating revenues	213,092	1,078,789
Non-operating revenues		
Interest income	25,879	947,416
Grant revenue	27,415	-
Miscellaneous revenues	280,906	202,585
Total revenues	104,916,487	104,932,883
Operating expenses		
Personnel services	23,193,856	23,877,590
General and administration	1,279,609	1,211,086
Operations and maintenance	8,183,097	7,608,868
Depreciation	17,093,870	16,612,202
Contractual services	6,804,450	6,556,241
Miscellaneous	960,556	845,764
Non-operating expenses		
Interest Expense	13,964,362	16,018,533
Bond and note fees	661,536	1,852,370
Loss on economic defeasance	111,138	191,657
Total expenses	72,252,474	74,774,311
Net income before capital contribution	32,664,013	30,158,572
Capital contribution	-	1,998,022
Change in net position	32,664,013	32,156,594
Total net position - beginning of year	557,602,288	525,445,694
Total net position - end of year	\$ 590,266,301	\$ 557,602,288

Revenues

User fees are NBC's primary source of revenues, representing approximately 98.2% of total revenues. FY 2021 user fees were \$102,984,257 which is \$1,549,487 higher than the prior year. In FY 2021, other operating revenues decreased by \$750,082 primarily as the result of the suspension of late charge fees charges ordered by the Rhode Island Public Utilities Commission (PUC) due to COVID-19. Non-operating revenues decreased by \$815,801 or 70.9%. The majority of this decrease is due to lower investment earnings on NBC's cash and cash equivalents.

FY 2021 Revenues



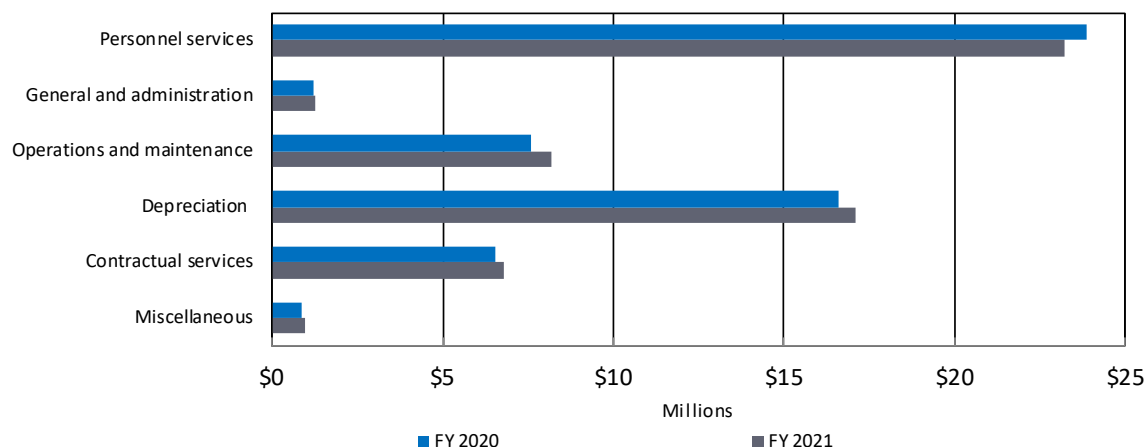
Total expenses in FY 2021 decreased by \$2,521,837 from the prior year primarily due to lower non-operating expenses. Non-operating expenses decreased by \$3,325,524 or 18.4% from FY 2020 to FY 2021 as the result of the net reduction in bond and note fees and savings in interest expenses.

Total operating expenses were \$803,687 or 1.4% higher in FY 2021 than the prior year. The increase in operating expenses was the net result of lower personnel services and higher operations and maintenance expenses, contractual services expenses, and depreciation expenses.

In FY 2021, personnel services decreased by \$683,734 or 2.9% less than FY 2020. This is the net result of an increase in union and non-union wages and a decrease in fringe benefits resulting from the GASB 68 entries relating to pensions and GASB 75 entries relating to OPEB. General and administration expenses increased by \$68,523 or 5.7% over FY 2020. The increase is the net result of an increase in insurance expense and a decrease workers' compensation expense.

Operations and maintenance (O&M) expenses increased by \$574,229 or 7.6% over the prior year due to an increase in biogas expense, repairs, maintenance/service agreements and electricity. The FY 2021 contractual services expenses were \$248,209 or 3.8% higher than the prior year. This is primarily due to the PUC order that required NBC to pay the credit card convenience fees in response to COVID-19. Miscellaneous expenses in FY 2021 were \$114,792 or 13.6% higher than FY 2020 because of grant expense in FY 2021.

Operating Expenses for FY 2021 and FY 2020



Capital contributions decreased \$1,998,022 from FY 2020 to FY 2021. NBC did not have any capital contributions in FY 2021.

Capital Assets and Debt Administration

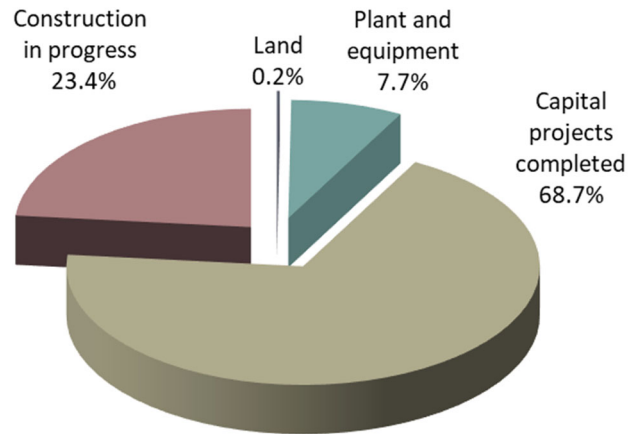
Capital Assets

At the end of FY 2021, NBC had \$1.1 billion invested in net capital assets. Total net capital assets increased more than \$76.9 million, or 7.3% over prior year. In FY 2021, capital projects completed increased \$176.6 million due to a reclassification from construction in progress for completed projects. The majority of this increase relates to NBC's investment in capital projects and is reflected in construction in progress. For additional information relating to capital assets refer to the footnotes on page 34. The following table summarizes NBC's capital assets as of June 30, 2021 and 2020.

Capital Assets

	FY 2021	FY 2020
Capital assets		
Land	\$ 2,754,407	\$ 2,754,407
Plant and equipment	107,805,191	105,659,767
Capital projects completed	964,395,968	787,832,093
Construction in progress	<u>329,039,245</u>	<u>414,330,298</u>
	1,403,994,811	1,310,576,565
Less accumulated depreciation	<u>271,096,220</u>	<u>254,618,989</u>
Net capital assets	<u><u>\$ 1,132,898,591</u></u>	<u><u>\$ 1,055,957,576</u></u>

**Capital Assets
June 30, 2021**



Long-Term Debt

The total outstanding long-term debt increased from \$846.1 million to \$999.9 million as the net result of the \$190.6 million WIFIA loan from the USEPA, principal payments on loans and bonds payable, and economic defeasance of a RIIB loan 2002 Series. Included in the total debt of \$999.9 million is premium on refunded debt in the amount of \$595,064. For additional information relating to long-term debt refer to the footnotes on pages 34 – 42.

	FY 2021	FY 2020
Long-Term Debt		
Current portion of loans payable	\$ 23,915,270	\$ 26,772,698
Current portion of revenue bonds	4,255,000	3,130,000
Long-Term loans payable WIFIA	459,704,608	268,710,610
Long-Term loans payable, net	253,467,058	284,518,343
Long-term revenue bonds, net	258,550,064	262,941,718
Total Long-Term Debt	\$ 999,892,000	\$ 846,073,369

Currently Known Facts, Conditions, or Decisions

NBC’s credit ratings are shown in the following table:

Rating /Outlook

Rating Agency	Long-Term Rating	2020 Series B	2020 Series C
S&P Global¹	AA-/Stable	AA-/Stable	AA-/Stable
Kroll Bond Rating Agency²	N/A	AA/Stable	AA/Stable

¹ Long-Term Rating affirmed, and 2020 Series B and 2020 Series C ratings issued on October 2, 2020

² 2020 Series B and 2020 Series C ratings affirmed on September 13, 2021

Economic Factors and Next Year's Budget

FY 2022 Budget

The FY 2022 Budget, which includes the operating and capital budget, totals \$285.6 million and is \$124.9 million or 77.7% higher than the prior year. This is driven by a \$124.7 million increase in the capital budget primarily for completion of the federally mandated CSO Phase III A Facilities.

Operating Budget

The FY 2022 Operating Budget is \$104.8 million, which is approximately \$0.2 million, or 0.2% greater than the FY 2021 budget. Budgeted operating revenues are 0.4% higher, primarily due to an increase in budgeted user fee revenues of \$0.6 million, as a result of projected increase in flat fee revenue offset by a \$450 thousand decrease in late fees. On June 2, 2020, the PUC issued an ("Order 23836") requiring the suspension of the assessment of late fees effective June 1, 2020. This suspension remains in effect although the PUC indicated in Order 23866 that the continued suspension of the assessment of late fees would be reviewed again in September 2020. NBC is not aware of any action taken to date by the PUC on this matter. NBC is projecting the late fee charges will continue to be suspended until December 31, 2021, resulting in budgeted late fee revenue of \$450 thousand or 50% less than prior year.

NBC's budgeted operating expenses for FY 2021, excluding the transfer to the Project Fund – Restricted Account, are \$90.4 million which is \$0.9 million or 1.0% less than the prior year. This is due to a \$2.4 million decrease in debt service expenses which is partially offset by a \$1.5 million increase in O&M expenses.

Debt service is lower due to the economic defeasance of the 2002 Series bonds as well as debt amortization.

Budgeted O&M expenses are higher due to personnel, operating supplies/expenses, and professional services, which are \$702 thousand, \$450 thousand, and \$340 thousand higher than the prior year, respectively. The personnel increase is due to higher salaries and wages as well as benefits. Operating supplies/expense is due to higher biogas, natural gas, contract and service agreements, and insurance expenses which is partially offset by lower biosolids and electricity expenses. The increase in professional services is due to the PUC order that requires NBC to pay credit card convenience fees that previously were passed through to customers.

Capital Budget

The FY 2021 Capital Budget includes the Operating Capital Program (OCP) and the Capital Improvement Program (CIP). The FY 2021 Capital Budget is \$180.8 million, which is \$124.7 million or 222.3% more than prior year. This increase is a result of \$124.4 million increase in the CIP. Funding for the capital program in FY 2021 shows the use of WIFIA proceeds with \$170.1 million programmed to finance capital improvements in the upcoming fiscal year.

Requests for Information

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

NARRAGANSETT BAY COMMISSION

Statement of Net Position

June 30, 2021

Assets

Current assets

Accounts receivable	
Sewer use (net of allowance)	\$ 12,816,471
Sewer use unbilled	7,699,180
Receivables, other	120,772
Due from WIFIA	403,145,040
Prepaid expenses	406,106

Total current assets 424,187,569

Non-current assets

Restricted assets

Cash and cash equivalents, restricted	<u>77,987,362</u>
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Total restricted assets 77,987,362

Capital assets

Land	2,754,407
Plant and equipment	107,805,191
Capital projects completed	964,395,968
Construction in progress	<u>329,039,245</u>

Subtotal	1,403,994,811
Less: accumulated depreciation	<u>271,096,220</u>

Total net capital assets 1,132,898,591

Other assets

Net pension asset - Non-Union Defined Benefit Plan	<u>6,797,195</u>
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Total non-current assets 1,217,683,148

Total assets 1,641,870,717

Deferred outflows of resources

Loss on refunding of debt	5,297,190
Pension related outflows, net	4,161,140
OPEB related outflows, net	<u>497,025</u>

Total deferred outflows of resources \$ 9,955,355

(Continued)

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

NARRAGANSETT BAY COMMISSION

Statement of Net Position (Continued)

June 30, 2021

Liabilities

Current liabilities

Accounts payable	\$ 1,411,831
Contracts payable	23,582,604
Due to project fund	120,000
Accrued interest payable	4,495,168
Accrued expenses	786,743
Current portion of the other accrued expenses	320,617
Current portion of loans payable	23,915,270
Current portion of revenue bonds	4,255,000

Total current liabilities 58,887,233

Non-current liabilities

Long-term other accrued expenses, net	3,324,778
Long-term net pension liability - ERSRI Pension Plan	17,701,248
Long-term net OPEB liability	2,802,007
Long-term loans payable WIFIA	459,704,608
Long-term loans payable, net	253,467,058
Long-term revenue bond, net	258,550,064

Total non-current liabilities 995,549,763

Total liabilities 1,054,436,996

Deferred inflows of resources

Pension related inflows, net	6,042,959
OPEB related inflows, net	1,079,816

Total deferred inflows of resources 7,122,775

Net position

Net investment in capital assets	517,866,217
Restricted - environmental enforcement fund	74,068
Restricted - bond covenants	61,740,095
Restricted - debt service reserve fund	2,963,177
Restricted - operating reserve for revenue stability fund	4,500,459
Restricted - operating capital	6,230,100
Unrestricted	(3,107,815)

Total net position \$ 590,266,301

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

NARRAGANSETT BAY COMMISSION
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating revenues	
User fees, residential	\$ 61,941,753
User fees, commercial and industrial	41,042,504
Connection fees/capacity charges	357,070
Pretreatment fees	71,700
Environmental enforcement revenues	20,053
Septage income	352,135
Renewable energy credits revenues	604,033
Miscellaneous revenues	193,039
Total operating revenues	<u>104,582,287</u>
Operating expenses	
Personnel services	23,193,856
General and administration	1,279,609
Operations and maintenance	8,183,097
Depreciation	17,093,870
Contractual services	6,804,450
Miscellaneous	960,556
Total operating expenses	<u>57,515,438</u>
Operating income	<u>47,066,849</u>
Non-operating revenues (expenses)	
Interest expense	(13,964,362)
Interest income	25,879
Loss on economic defeasance	(111,138)
Bond and note fees	(661,536)
Grant revenue	27,415
Miscellaneous income	280,906
Total non-operating revenues (expenses)	<u>(14,402,836)</u>
Change in net position	32,664,013
Total net position, beginning of year	<u>557,602,288</u>
Total net position, end of year	<u><u>\$ 590,266,301</u></u>

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

NARRAGANSETT BAY COMMISSION

Statement of Cash Flows

For the Year Ended June 30, 2021

Cash flows from operating activities

Cash received from customers	\$ 104,412,794
Cash paid to suppliers for goods and services	(16,539,410)
Cash paid to employees for services	(25,270,581)
Other non-operating revenues	308,321

Net cash provided by operating activities

62,911,124

Cash flows from capital and related financing activities

WIFIA receipts	56,199,393
Acquisitions and construction of capital assets	(68,587,974)
Principal paid on long-term debt	(37,175,367)
Interest paid on long-term debt	(13,563,034)
Bond and note fees paid	(661,536)

Net cash used for capital and related financing activities

(63,788,518)

Cash flows from investing activities

Interest income	25,879
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Net cash provided by investing activities

25,879

Net increase (decrease) in cash and cash equivalents

(851,515)

Cash and cash equivalents, beginning of year

78,838,877

Cash and cash equivalents, end of year

\$ 77,987,362

(Continued)

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

NARRAGANSETT BAY COMMISSION

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2021

Reconciliation of operating income to net cash provided by operating activities

Operating income \$ 47,066,849

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

Depreciation 17,093,870

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

Decrease in accounts receivable sewer user fees 1,904,129

Increase in sewer user fees unbilled revenue (2,063,857)

Increase in other receivables (9,765)

Decrease in prepaid expenses 123,210

Decrease in pension related deferred outflows of resources, net 126,338

Decrease in OPEB related outflows of resources, net 107,461

Increase in net non-union pension liability (asset) (5,281,941)

Increase in pension related deferred inflows of resources, net 4,333,043

Increase in OPEB related inflows of resources, net 467,788

Decrease in net pension liability (1,030,761)

Decrease in net OPEB liability (806,506)

Increase in accounts payable 367,193

Increase in due to project fund 120,000

Increase in accrued expenses 85,752

Non-operating revenue reported as operating revenue received 308,321

Total adjustments

15,844,275

Net cash provided by operating activities

\$ 62,911,124

Non-cash capital and related financing activities

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

Decrease in amount due from RIIB \$ (6,916,739)

Acquisition of capital assets 6,916,739

NBC participates in a WIFIA Loan program as described in Note 7 to the financial statements.

Issued loan payable WIFIA \$ (190,633,824)

Increase in amount due from WIFIA 190,633,824

Capital Interest WIFIA 360,174

Other non-cash activity

Retirement of capital asset \$ 616,639

Loss on defeasance 111,138

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

Narragansett Bay Commission
Notes to Financial Statements
June 30, 2021

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity - 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 facility (Field's Point Facility) in the district. NBC took over operational control on May 1, 1982. The Field's Point service area includes the City of Providence and the Towns of North Providence and Johnston and portions of the Town of Lincoln and the City of Cranston.

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

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

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

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

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

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

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

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

The allowance for doubtful accounts for June 30, 2021 was \$63,085.

Capital assets - Capital assets are valued at cost. Plant and equipment and capital projects completed are depreciated using the straight-line method over the estimated useful lives of the respective assets. Construction in progress and land are not depreciated. NBC's asset capitalization threshold is \$5,000. Depreciation expense is recognized over the following useful lives:

	<u>Years</u>
Plant and equipment	3-50
Capital projects completed	5-100

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

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

The total unamortized bond premiums as of June 30, 2021 were \$595,064.

The total bond and loan fees for the year ending June 30, 2021 were \$661,536.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System Plan Rhode Island (ERSRI) and the additions to/deductions from ERSRI's fiduciary net position have been determined on the same basis as they are reported by ERSRI. For further information on both the ERSRI plan and Non-Union Defined Benefit Plan, please refer to Notes to Financial Statements, notes 9 and 10.

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, 2020, while the NBC's Non-Union Defined Benefit Plan has a measurement date of June 30, 2021.

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

Operating revenues and expenses - Operating revenues and expenses for NBC are those that result from providing wastewater treatment and collection services and related activities. They also include all revenues and expenses not related to capital and related financing, noncapital financing or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Income taxes - NBC is exempt from Federal and State income taxes.

Regulatory - NBC is a regulated utility, and its rates are set by the PUC. For rate-making purposes, depreciation expense is excluded while principal payments and operating capital are included in the total expenses to arrive at a regulatory net income (loss). For this reason, the net income (loss) on a regulatory basis differs from the change in net position in the audited financial statements, which are prepared in conformance with generally accepted accounting principles.

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

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

GASB Statement 84, Fiduciary Activities was originally effective for periods beginning after December 15, 2018, however it was postponed an additional year by *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is now effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This standard does not impact NBC in FY 2021.

GASB Statement 87, Leases was originally effective for periods beginning after December 15, 2019, however it was postponed by an additional eighteen months by *GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is now effective for fiscal years beginning after June 15, 2021. The objective of this Statement is to improve accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. NBC is in the process of evaluating this Statement and expects an impact to the financial accounting and reporting framework in FY 2022.

GASB Statement 89, Accounting for Interest Cost incurred before the End of a Construction Period was originally effective for periods beginning after December 15, 2019, however, it was postponed an additional year by *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is now effective for reporting periods beginning after December 15, 2020. The objectives of this statements are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) as a result, interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that interest cost incurred before the end of a construction period be recognized as an expense for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. NBC is in the process of evaluating this Statement and expects an impact to the financial accounting and reporting framework in FY 2022.

GASB Statement 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 was originally effective for periods beginning after December 15, 2018, however, it was postponed an additional year by *GASB Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is now effective for reporting periods beginning after December 15, 2019. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement also requires that a component unit in which a government has 100 percent equity interest accounts for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government was acquired a 100 percent equity interest in the component units. NBC has evaluated this standard and does not expect an impact to the financial reporting framework.

GASB Statement 91, Conduit Debt Obligations was originally effective for reporting periods beginning after December 15, 2020, however, it was postponed an additional year by *GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is now effective for reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. A conduit debt obligation is defined as a debt instrument having all of the following characteristics: (a) There are at least three parties involved: (1) an issuer, (2) a third-party obligor and (3) a debt holder or a debt trustee; (b) The issuer and the third party obligor are not within the same financial reporting entity; (c) The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer; (d) The third party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuances; and (5) The third party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments.) This Statement also addresses arrangements often characterized as leases that are associated with conduit debt obligations. NBC is in the process of evaluating this Statement and will evaluate prior to the required implementation of FY 2023.

GASB Statement No. 92, Omnibus 2020 was originally effective for reporting periods beginning after June 15, 2020, however, it was postponed an additional year by *GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is now effective for reporting periods beginning after June 15, 2021. This statement enhances the consistency of authoritative literature by addressing practice issues identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including, but not limited to: effective dates of GASB 87 Leases for interim financial reports, reporting of transfers between the primary government and component unit defined benefit or defined benefit other post retirement benefit (OPEB) plan and the applicability of GASB 84 Fiduciary Activities to post employment benefit arrangements. NBC is in the process of evaluating this Statement and will evaluate prior to the required implementation of FY 2022.

GASB Statement No. 93, Replacement of Interbank Offered Rates was originally effective for reporting periods beginning after June 15, 2020, however, it was postponed an additional year by *GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is now effective for reporting periods beginning after June 15, 2021. The objective of this statement is to address those and other accounting and financial implications that result from the replacement of an IBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR, most notably the London Interbank Offered Rate (LIBOR.) LIBOR is expected to cease in existence in its current form at the end of 2021 prompting governments to amend or replace certain financial instruments. NBC is in the process of evaluating this Statement and will evaluate prior to the required implementation of FY 2022.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements is effective for fiscal years beginning after June 15, 2022. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs.) A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying the control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets for a period of time in an exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs.) An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or an exchange-like transaction. NBC is in the process of evaluating this Statement and will evaluate prior to the required implementation of FY 2023.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements is effective for fiscal years beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments.) This Statement (1) defines an SBITA, (2) establishes that an SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA, and (4) requires note disclosures regarding a SBITA. NBC is in the process of evaluating this Statement and will evaluate prior to the required implementation of FY 2023.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 is effective for fiscal years beginning after June 30, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. NBC is in the process of evaluating this Statement and will evaluate prior to the required implementation of FY 2022.

2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - NBC's cash deposits on June 30, 2021 were \$14,413,942, with corresponding bank balances of \$15,240,373. All NBC's cash equivalents are restricted assets and considered to be highly liquid investments with a maturity of three months or less.

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

	<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$ 250,000
Collateralized with securities held by pledging financial institution's or its agent, in NBC's name	<u>14,990,373</u>
Total Bank Balance	<u><u>\$ 15,240,373</u></u>

Investment policy – NBC's investment policy objective states that all financial assets held by NBC shall be invested in a manner that will preserve the value and safety of capital. NBC shall invest funds in order to maximize earnings and minimize risk during the period of availability of the funds. NBC's investment policy permits investments in U.S. Treasury securities, securities of the U.S. Government agencies and instrumentalities that are backed by the full faith and credit or guarantee of the U.S. Government, which have a liquid market with a readily determinable fair value, investment - grade obligations of the State of Rhode Island, or any municipality or political subdivision of the State of Rhode Island, repurchase agreements backed by collateral, certificate of deposits, money market mutual funds whose portfolios consist of U.S. Treasury securities, U.S. agency obligations and repurchase agreements fully collateralized by such securities and governmental investment products backed by collateral consisting of U.S. Treasury and U.S. Agency securities. Money held by the Trustee under the Trust Indenture is invested at the direction of an Authorized Officer from NBC and must be invested in accordance with Permitted Investments as defined under the Trust Indenture.

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

The three categories within the hierarchy are as follows:

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

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

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

As of June 30, 2021, NBC had investments as follows:

<u>Investments measured at the Net Asset Value (NAV)</u>	<u>June 30, 2021</u>	<u>Maturity</u>
Goldman Sachs Financial Square Government Fund	\$ 55,895,679	Average 34 days
Ocean State Investment Pool (OSIP)	<u>7,677,741</u>	N/A
Total investments measured at NAV	<u><u>\$ 63,573,420</u></u>	

The average maturity for the Goldman Sachs Financial Square Government Fund and the nature of the cash portfolio for the Ocean State Investment Pool meets the criteria for these investments to be presented as a cash equivalent for financial statement purposes.

Ocean State Investment Pool

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

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

Goldman Sachs Financial Square Government Fund

Goldman Sachs Financial Square Government Fund is a money market mutual fund with an average maturity of 44 days. These investments are used as temporary cash management investments. The fair value of these money market funds reflects the NAV reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent typed investments, are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds. The monies invested in the Goldman Sachs Financial Square Government Fund held by the Trustee were rated Aaa-mf by Moody's Investor Service, Inc.

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

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

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

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or a deposit. NBC has no deposits subject to foreign currency risk.

3 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Nondepreciable assets				
Land	\$ 2,754,407	\$ -	\$ -	\$ 2,754,407
Construction in progress	414,330,298	91,272,822	(176,563,875)	329,039,245
Total nondepreciable assets	<u>417,084,705</u>	<u>91,272,822</u>	<u>(176,563,875)</u>	<u>331,793,652</u>
Depreciable assets				
Plant and equipment	105,659,768	2,762,062	(616,639)	107,805,191
Capital projects completed	787,832,093	176,563,875	-	964,395,968
Total depreciable assets	<u>893,491,861</u>	<u>179,325,937</u>	<u>(616,639)</u>	<u>1,072,201,159</u>
Less accumulated depreciation for				
Plant and equipment	(85,793,299)	(4,631,826)	616,639	(89,808,486)
Capital projects completed	(168,825,690)	(12,462,044)	-	(181,287,734)
Total accumulated depreciation	<u>(254,618,989)</u>	<u>(17,093,870)</u>	<u>616,639</u>	<u>(271,096,220)</u>
Total capital assets, net	<u>\$ 1,055,957,577</u>	<u>\$ 253,504,889</u>	<u>\$ (176,563,875)</u>	<u>\$ 1,132,898,591</u>

4 – COMPENSATED ABSENCES

NBC's employees are granted vacation and sick leave in varying amounts based on years of service with NBC. At the termination of service, an employee is paid for accumulated unused vacation leave and sick leave. Sick leave payments are based on age and years of service for both union and non-union employees. NBC has determined that the dollar value of accumulated accrued vacation leave and sick leave, valued at the current rate of pay, on June 30, 2021 to be \$3,645,395. The accrued vacation and sick leave are reported on the Statement of Net Position as other accrued expenses.

The changes in compensated absences for the year ended June 30, 2021 were as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 3,637,542</u>	<u>\$ 237,316</u>	<u>\$ (229,463)</u>	<u>\$ 3,645,395</u>	<u>\$ 320,617</u>

5 – LONG TERM DEBT – RHODE ISLAND INFRASTRUCTURE BANK (RIIB) LOANS PAYABLE

Loans from the RIIB are a direct purchase of a NBC revenue bond. NBC revenue bonds are backed by a gross revenue pledge of NBC's revenues and other monies, securities, reserve deposits and funds senior to any other pledge, lien charge or encumbrance. RIIB loans typically are at a subsidized interest rate which is one-third off of NBC's market rate and may include a principal forgiveness component. If the loan is part of a "pooled" RIIB bond, the interest rate subsidy may be suspended if other borrowers in the pool

fail to make their debt service payments. In addition, NBC must spend a specific amount, as is set forth in the loan agreement, on “green” projects to qualify for principal forgiveness.

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

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

NBC has sixteen loans outstanding with the RIIB which are classified as loans from direct borrowings at June 30, 2021 as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Payment/ Defeased</u>	<u>June 30, 2021</u>
Narragansett Bay Commission Clean Water Revenue Bonds, 2002 Series, issued on October 24, 2002 in the amount of \$57,000,000, at an interest rate of 1.08%, maturing September 1, 2022.	\$ 10,566,104	\$ -	\$ 10,566,104	\$ -
Narragansett Bay Commission Clean Water Revenue Bonds, 2003 Series, issued on November 13, 2003 in the amount of \$40,000,000, at an interest rate of 1.849%, maturing September 1, 2024.	11,483,000	-	2,200,000	9,283,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2004 Series B, issued on December 30, 2004 in the amount of \$40,000,000, at an interest rate of 1.904%, maturing September 1, 2024.	12,851,000	-	3,393,000	9,458,000

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Payment/ Defeased</u>	<u>June 30, 2021</u>
Narragansett Bay Commission Wastewater System Revenue Bonds, 2005 Series B, issued on December 15, 2005 in the amount of \$30,000,000, at an interest rate of 1.897%, maturing September 1, 2026.	\$ 10,228,000	\$ -	\$ 1,621,000	\$ 8,607,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2006 Series A, issued on December 21, 2006 in the amount of \$30,000,000, at an interest rate of 1.802%, maturing September 1, 2026.	11,718,000	-	1,584,000	10,134,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2007 Series B, issued on December 13, 2007 in the amount of \$25,000,000, at an interest rate of 2.029%, maturing September 1, 2028.	13,523,000	-	1,384,000	12,139,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2009 Series A, issued on October 6, 2009 in the amount \$55,000,000, at an interest rate of 1.377%, and maturing September 1, 2030, with principal forgiveness of \$8,302,114.	33,990,967	-	2,666,027	31,324,940
Narragansett Bay Commission Wastewater System Revenue Bonds, 2010 Series A, issued on February 12, 2010 in the amount of \$2,000,000, at an interest rate of 1.022%, and maturing September 1, 2029, with principal forgiveness of \$301,895.	969,618	-	83,207	886,411
Narragansett Bay Commission Wastewater System Revenue Bonds, 2010 Series B, issued on June 24, 2010 in the amount of \$20,000,000, at an interest rate of 3.163%, maturing September 1, 2030.	12,315,000	-	953,000	11,362,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2011 Series A, issued on March 29, 2011 in the amount of \$30,000,000, at an interest rate of 2.759%, and maturing September 1, 2031, with principal forgiveness of \$1,845,345.	18,766,016	-	1,293,237	17,472,779

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Payment/ Defeased</u>	<u>June 30, 2021</u>
Narragansett Bay Commission Wastewater System Revenue Bonds, 2012 Series A, issued on June 28, 2012 in the amount of \$25,750,000, at an interest rate of 2.588%, and maturing September 1, 2032, with principal forgiveness of \$354,202.	\$ 17,719,709	\$ -	\$ 1,162,349	\$ 16,557,360
Narragansett Bay Commission Wastewater System Revenue Bonds, 2013 Series B, issued on June 6, 2013 in the amount \$25,000,000, at an interest rate of 2.592%, and maturing September 1, 2033, with principal forgiveness of \$80,966.	18,449,052	-	1,125,329	17,323,723
Narragansett Bay Commission Wastewater System Revenue Bonds, 2014 Series A, issued on March 6, 2014 in the amount \$45,000,000, at an interest rate of 2.967%, maturing September 1, 2034.	35,551,000	-	1,962,000	33,589,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2015 Series B, issued on July 30, 2015 in the amount of \$41,753,500, at an interest rate of 3.049%, and maturing September 1, 2043, with principal forgiveness of \$512,070.	38,103,574	-	1,074,260	37,029,314
Narragansett Bay Commission Wastewater System Revenue Bonds, 2016 Series A, issued on June 2, 2016 in the amount of \$23,000,000, at an interest rate of 2.467%, maturing September 1, 2037.	21,057,000	-	988,000	20,069,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2019 Series A, issued on April 4, 2019 in the amount of \$35,000,000, at an interest rate of 2.300%, and maturing September 1, 2039, with principal forgiveness of \$1,000,000.	34,000,000	-	1,421,200	32,578,800
Narragansett Bay Commission Wastewater System Revenue Bonds, 2019 Series B, issued on April 4, 2019 in the amount of \$10,000,000, at an interest rate of 1.910%, maturing September 1, 2039.	10,000,000	-	432,000	9,568,000
Total loans payable from direct borrowings	\$ 311,291,041	\$ -	\$ 33,908,713	\$ 277,382,328
Less current portion	(26,772,698)			(23,915,270)
Net long-term loans payable from direct borrowings	\$ 284,518,343			\$ 253,467,058

RIBB pays all invoices certified by NBC, either directly to the contractors or through reimbursement of NBC for costs incurred on the projects funded by the RIBB loans. As of June 30, 2021, loans payable of \$277,382,328 are reported on the Statement of Net Position. NBC is obligated for the total loan amount once the loan has been executed.

During FY 2021, NBC realized a savings of \$359,704 from RIBB refundings. NBC will recognize a total savings of \$4,369,070 over the life of the loans as a result of these refundings. The reduction in the future debt service interest payments has been reflected in the maturities in future years.

Economic defeasance of RIBB Loans - In FY 2021, NBC refunded Clean Water Revenue Bond Series 2002 in the amount of \$7,136,014 to reduce the aggregate debt service and realize gains from interest savings. Upon the defeasance of the bonds, NBC deposited existing cash resources with an escrow agent to provide for all future debt service on the defeased bonds. As a result, the bonds are defeased, the liability is no longer included in NBC's Statement of Net Position and a loss of \$111,138 was recognized in 2021 in accordance with GASB Statement No. 86, Certain Debt Extinguishment Issues.

Debt principal and interest maturities of loans payable for future years as of June 30, 2021 are as follows:

<i>Year Ending June 30,</i>	<i>Loans from Direct Borrowings</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	\$ 23,915,271	\$ 6,843,000	\$ 30,758,271
2023	23,102,904	6,332,785	29,435,689
2024	23,614,795	5,801,285	29,416,080
2025	23,040,162	5,254,656	28,294,818
2026	19,854,787	4,758,670	24,613,457
2027-2031	86,999,101	16,862,859	103,861,960
2032-2036	46,306,408	7,556,432	53,862,840
2037-2041	22,197,400	2,924,130	25,121,530
2042-2045	8,351,500	568,081	8,919,581
Total	<u>\$ 277,382,328</u>	<u>\$ 56,901,898</u>	<u>\$ 334,284,226</u>

6 – LONG-TERM DEBT - REVENUE BONDS

The long-term debt - revenue bonds provided through public sale on June 30, 2021, consists of the following:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions/ Refunded</u>	<u>June 30, 2021</u>
Narragansett Bay Commission Wastewater System Revenue Refunding Bonds, 2008 Series A, at an interest rate of 2.290% issued on July 17, 2008 in the amount of \$66,360,000.	\$ 56,465,000	\$ -	\$ -	\$ 56,465,000
Narragansett Bay Commission Wastewater System Revenue Bonds, 2013 Series C, issued on December 12, 2013 in the amount of \$34,970,000, at an interest rate of 4.133%, maturing September 1, 2033 (plus unamortized premium at June 30, 2021 of \$285,213). Partially refunded in FY 2020.	9,674,952	-	649,738	9,025,214
Narragansett Bay Commission Wastewater System Refunding Revenue Bonds, 2015 Series A, issued on May 5, 2015 in the amount of \$40,085,000, at an interest rate of 3.798%, maturing February 1, 2037 (plus unamortized premium at June 30, 2021 of \$309,851). Partially refunded FY 2020.	3,571,766	-	46,916	3,524,850
Narragansett Bay Commission Wastewater System, Refunding Revenue Bonds (federally taxable) 2020 Series A, issued on March 19, 2020 in the amount of \$196,360,000 at an interest rate of 2.516%.	<u>196,360,000</u>	-	2,570,000	<u>193,790,000</u>
Total long-term debt payable - revenue bonds	266,071,718	<u>\$ -</u>	<u>\$ 3,266,654</u>	262,805,064
Less current portion	<u>3,130,000</u>			<u>4,255,000</u>
Net long-term debt payable - revenue bonds	<u>\$ 262,941,718</u>			<u>\$ 258,550,064</u>

Principal and interest maturities of long-term debt for future years as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,255,000	\$ 6,291,929	\$ 10,546,929
2023	5,325,000	6,151,644	11,476,644
2024	7,730,000	5,959,017	13,689,017
2025	8,150,000	5,730,363	13,880,363
2026	12,140,000	5,504,339	17,644,339
2027-2031	78,240,000	23,021,926	101,261,926
2032-2036	81,325,000	13,625,355	94,950,355
2037-2041	40,935,000	6,208,529	47,143,529
2042-2044	<u>24,110,000</u>	<u>1,068,497</u>	<u>25,178,497</u>
Total	<u>\$ 262,210,000</u>	<u>\$ 73,561,599</u>	<u>\$ 335,771,599</u>

Total Principal of \$262,210,000 plus premiums of \$595,064 to be amortized as of June 30, 2021, equals total long-term debt of \$262,805,064. Some of the above bonds are subject to federal arbitrage regulations. Based on current calculations, NBC does not anticipate a material arbitrage liability, if any.

On July 17, 2008, NBC issued \$66,360,000 in Wastewater System Revenue Refunding Bonds to refund on a current basis, \$65,765,000 of the outstanding Wastewater System Revenue Bonds, 2004 Series A and to pay the costs of issuance associated therewith. The reacquisition price exceeded the net carrying amount of the old debt by \$627,767. This amount is being amortized over the new debt's life as deferred outflows of resources. These bonds were originally a variable rate financial instrument issued in weekly rate mode but could be changed by NBC to a daily, commercial paper or term rate mode. On January 17, 2020, NBC converted the bonds from a variable rate to a fixed rate of 2.29%. The bonds shall be repaid from pledged revenues, as defined in the Indenture.

On May 5, 2015, NBC issued \$40,085,000 in Wastewater System Refunding Revenue Bonds to refund, on an advanced basis, \$42,500,000 of the outstanding Wastewater System Revenue Bonds, 2007 Series A and to pay the costs of issuance associated therewith. The reacquisition price exceeded the net carrying value of the old debt by \$1,810,381 which is being amortized over the new debt's life as a deferred outflow of resources. The unamortized premium on June 30, 2020 is \$356,766. This debt was partially refunded by 2020 Series A revenue bond.

On March 19, 2020, NBC issued \$196,360,000 in taxable Wastewater System Refunding Revenue Bonds, 2020 Series A to refund, on an advanced basis and the cost of issuances for the following:

- 2013 Series A; full refunding of \$71,480,000
- 2013 Series C; partial refunding of \$25,670,000
- 2014 Series B; full refunding of \$39,820,000
- 2015 Series A; partial refunding of \$36,870,000

The reacquisition price exceeded the net carrying value of the old debt by \$5,146,892 which is being amortized over the new debt's life as a deferred outflow of resources. The net present value savings of the refunding was \$21,666,919.

7 – LONG-TERM DEBT - WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT (WIFIA) LOAN PAYABLE

The NBC has two WIFIA loans outstanding with the US Environmental Protection Agency (USEPA) which are classified as loans from direct borrowings at June 30, 2021 as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Payment/ Defeased</u>	<u>June 30, 2021</u>
Narragansett Bay Commission Wastewater System Revenue Bonds, 2020 Series B, taxable interest bonds originally issued on August 27, 2019 with a rate reset on October 26, 2020 in the amount of \$268,710,610 at a rate of 1.42%.	\$ 268,710,610	\$ 353,550	\$ -	\$ 269,064,160
Narragansett Bay Commission Wastewater System Revenue Bonds, 2020 Series C, taxable interest bonds issued on October 26, 2020 in the amount of \$190,633,824 at a rate of 1.6%.	-	190,640,448	-	190,640,448
Total loans payable from direct borrowings	268,710,610	<u>\$ 190,993,998</u>	<u>\$ -</u>	459,704,608
Less current portion	-			-
Net long-term loans payable from direct borrowings	<u>\$ 268,710,610</u>			<u>\$ 459,704,608</u>

The 2020 Series B WIFIA loan may be used to fund eligible costs of the CSO Phase III A Facilities. The 2020 Series C WIFIA loan may be used to fund eligible costs of the CSO Phase III A Facilities, the Bucklin Point Resiliency Improvements and other related costs. Projects that receive WIFIA credit assistance must comply with all relevant federal laws and regulations. The total federal assistance for any eligible project under the WIFIA program may not exceed 80% of total project costs. The maximum amount of the WIFIA loan is 49% of the reasonably expected eligible project costs. The WIFIA loan is payable solely from revenues pledged by NBC pursuant to its Trust Indenture and is equally and ratably secured on a parity with NBC's other long-term debt obligations issued under the Indenture.

NBC must satisfy certain conditions precedent as set forth in the WIFIA loan documentation prior to any disbursement of the WIFIA loan and submit a certified requisition to the USEPA. NBC may request one disbursement per month and, subject to review and approval of the requisition by the USEPA, the requisitioned amount will be deposited by the USEPA into NBC's account within 15 calendar days of the receipt of the request.

Interest on funds drawn on the WIFIA loan accrues subsequent to each loan disbursement and is added to the principal amount of the WIFIA loan. The WIFIA loan repayment begins in FY 2032 and the WIFIA loan is fully amortized in fiscal year 2047. A receivable of \$403,145,040 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2021. NBC is obligated for the total loan amount once the WIFIA loan has been re-executed. NBC may prepay the WIFIA loan in whole or in part in accordance with the loan agreement; however, it may not be repaid using federal funds.

Debt principal and interest maturities of WIFIA loan payable for future years as of June 30, 2021 are as follows:

<i>Year Ending June 30,</i>	<i>Loans from Direct Borrowings</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	\$ -	\$ -	\$ -
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027-2031	-	-	-
2032-2036	-	28,605,623	28,605,623.00
2037-2041	66,274,887	33,403,663	99,678,550
2042-2046	203,073,842	22,994,732	226,068,574
2047-2051	26,124,840	14,602,973	40,727,813
2052-2056	95,583,799	9,351,733	104,935,532
2057-2060	68,647,240	1,927,842	70,575,082
Total	<u>\$ 459,704,608</u>	<u>\$ 110,886,566</u>	<u>\$ 570,591,174</u>

8 – NET POSITION

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

Net investment in capital assets

Net investment in capital assets reflects the portion of net position associated with non-liquid capital assets, less outstanding capital asset related debt.

Restricted

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

Restricted Environmental Enforcement - Chapter 46-25-38.1 of the RIGL established a restricted environmental enforcement fund. The fund consists of sums recovered by administrative or civil enforcement action and may be used as outlined in Chapter 46-25-38.1. NBC has restricted net position equal to the balance of funds in the environmental enforcement restricted cash and cash equivalents account of \$74,068.

Restricted Debt Service Reserve Fund - NBC funded a restricted debt service reserve fund related to the 2013 Series C Wastewater System Revenue Bonds in the amount of \$2,963,177. NBC has restricted net position equal to the balance of the funds in the debt service reserve fund cash and cash equivalents account.

Restricted Operating Reserve for Revenue Stability Fund - The PUC instructed NBC to establish an operating reserve for revenue stability fund in the Order from Docket 3905. To access this fund, NBC must demonstrate a serious revenue shortfall to the PUC. NBC has restricted net position equal to the balance of the operating reserve for revenue stability cash and cash equivalents account in the amount of \$4,500,459.

Restricted Bond Covenants – Based on a review of the Trust Indenture bond covenants it was determined that the Revenue Fund cash accounts, Operations and Maintenance Fund cash accounts, and the Debt Service Fund cash accounts are restricted. Therefore, NBC has restricted net position for bond covenants in the amount of \$61,740,095.

Restricted Operating Capital – In accordance with the Trust Indenture, the Operating Capital Accounts in the Project Fund are restricted for capital expenditures. NBC has established restricted net position for the Operating Capital cash accounts in the amount \$6,230,100.

Unrestricted

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

9 – UNION PENSION PLANS

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

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

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

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

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

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

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

Contributions – The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For FY 2021, NBC employees, with less than 20 years of service as of July 1, 2012 were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2012 were required to contribute 11% of their annual covered salary. NBC is required to contribute at an actuarially determined rate of 27.54% of annual covered payroll for the fiscal year ended June 30, 2021. NBC contributed \$1,678,833, \$1,553,112, and \$1,561,290 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

Pension liabilities, pension expense, and deferred outflows and deferred inflows of resources - At June 30, 2021, NBC reported a liability of \$17,701,248 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, 2020, 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, 2019 rolled forward to June 30, 2020 measurement date. NBC’s proportion of the net pension liability was based on its share of contributions to the ERSRI for FY 2020 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2020, measurement date, NBC’s proportion was 0.77836916%.

The components of NBC’s share of the net pension liability at June 30, 2021 were as follows:

NBC's share of the pension liability	\$ 37,322,315
NBC's share of plan fiduciary net position	<u>19,621,068</u>
NBC's share of net pension liability	<u>\$ 17,701,248</u>

For the year ended June 30, 2021, NBC recognized pension expense of \$1,573,213. At June 30, 2021, 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	\$ 417,682	\$ 348,241
Contributions paid subsequent to measurement date	1,678,833	-
Difference between expected and actual experience	152,166	12,221
Changes in proportions and differences between employer contributions and proportionate share of contributions	-	1,153,170
Net difference between projected and actual investment earnings	<u>569,456</u>	<u>215,541</u>
Total	<u>\$ 2,818,137</u>	<u>\$ 1,729,173</u>

NBC's contributions of \$1,678,833 are reported as deferred outflows of resources related to pensions resulting from the NBC's contribution in FY 2021 subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the subsequent period.

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

<i>Year ended June 30,</i>	<i>Net Deferred Outflows (Inflows) of Resources</i>
2022	\$ (62,435)
2023	(192,335)
2024	(135,189)
2025	(152,617)
2026	(47,293)
Thereafter	-
Total	<u>\$ (589,869)</u>

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

Actuarial Cost Method	Entry Age Normal – the Individual Entry Age Actuarial Cost
Amortization Method	Level Percent of Payroll - Closed
Inflation	2.50%
Salary increases	3.25% to 6.25%
Investment rate of return	7.00%

Mortality rates were based on the Variants of the PUB (10) Table for Healthy and Disabled Retirees project with Scale Ultimate MP16.

The actuarial assumptions used in the June 30, 2019 valuation rolled forward to June 30, 2020 (measurement date) were consistent with the results of an actuarial experience study performed as of June 30, 2019.

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 39 sources. 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.

The June 30, 2020 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity		
US Equity	23.00%	6.31%
International Developed Equity	12.10%	6.71%
Emerging Markets Equity	4.90%	8.69%
Sub-total	40.00%	
Private Growth		
Private Equity	11.25%	9.71%
Non-Core Real Estate	2.25%	5.66%
Opportunistic Private Credit	1.50%	9.71%
Sub-total	15.00%	
INCOME		
High Yield Infrastructure	1.00%	3.88%
REITS	1.00%	5.66%
Equity Options	2.00%	6.04%
EMD (50/50 Blend)	2.00%	2.28%
Liquid Credit	2.80%	3.88%
Private Credit	3.20%	3.88%
Sub-total	12.00%	
STABILITY		
Crisis Protection Class		
Treasury Duration	5.00%	0.10%
Systematic Trend	5.00%	3.84%
Sub-total	10.00%	
Inflation Protection		
Core Real Estate	3.60%	5.66%
Private Infrastructure	2.40%	6.06%
TIPs	2.00%	0.74%
Sub-total	8.00%	
Volatility Protection		
IG Corp Credit	3.25%	1.54%
Securitized Credit	3.25%	1.54%
Absolute Return	6.50%	3.84%
Cash	2.00%	0.10%
Sub-total	15.00%	
Total	100.00%	

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

Discount rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Net Pension Liability

	<u>1% Decrease (6.0% Discount Rate)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0% Discount Rate)</u>
NBC's Net Pension Liability	\$ 21,113,420	\$ 17,701,248	\$ 13,583,450

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

ERSRI Defined Contribution Plan

Plan description – Certain employees participating in the defined contribution plan (those with less than 20 years of service as of 7/1/2012), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Plan contribution – Employees (those with less than 20 years of service as of July 1, 2012) contribute 5% of their annual covered salary and the employer's contribution rates of their annual covered salary for those employees are based on their years of service as of July 1, 2012:

<u>Years of Service as of July 1, 2012</u>	<u>Employer Contribution Rate</u>
15-20 Years	1.50%
10-15 Years	1.25%
0-10 Years	1.00%

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws of the State of Rhode Island, which are subject to amendment by the General Assembly.

NBC contributed and recognized a pension expense of \$1,573,167 for the FY 2021, equal to 100% of the required contributions for the fiscal year.

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

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

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

10 – NON-UNION PENSION PLANS

Non-Union Defined Contribution Plan

NBC's Board approved a resolution at the regular business meeting on May 15, 2002 adopting the Non-Union Defined Contribution Plan, which is a profit-sharing plan for its non-union employees pursuant to 401(a) of the Internal Revenue Code. The profit-sharing plan is a defined contribution, single employer pension plan. As of June 30, 2021, there were 119 active participants.

Contributions are discretionary and established annually and may be amended by the Board. NBC's contribution to the profit-sharing plan for the year ended June 30, 2021 amounted to \$503,271 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2021. Employees are allowed to make voluntary contributions to the profit-sharing plan on an after-tax basis which was 0. Non-union employees are eligible to participate in the profit-sharing plan if they have performed one year of service and are at least 21 years of age. These provisions were adopted and may be amended by the Board.

NBC funds the annual profit-sharing plan contribution biweekly based on each eligible employee's biweekly compensation. The plan is administered by a third-party administrator and Reliance Trust Company is the Plan's trustee. NBC's payroll for employees covered by the profit-sharing plan was \$10,065,415 for the year ended June 30, 2021. The total payroll for the year ended June 30, 2021 amounted to \$18,494,091.

Non-Union Defined Benefit Plan

Plan description

Plan administration - The Board approved a resolution at the regular business meeting on December 20, 2004 adopting a defined benefit plan for its non-union employees effective February 1, 2005, pursuant to 401(a) of the Internal Revenue Code. The plan is a single-employer, defined benefit pension plan.

The plan year begins January 1st and ends December 31st, with the initial plan year ending December 31, 2005. The plan assets are invested under a group annuity contract issued by Empower Retirement, which also provides certain administrative services. NBC has a third-party administrator, The Angell Pension Group, Inc., and Reliance Trust Company is the Plan's trustee. Various asset classes and investment manager styles are used to create a broadly diversified portfolio. The Investment Committee (IC) develops long-term asset allocation ranges and works in conjunction with NBC's investment advisor Strategic Retirement Partners, LLC, a fiduciary to the Plan, to select investments and review asset allocations and performance. Please refer to the Notes to Financial Statements under "Investment Policy" for more information on asset allocations.

Plan membership - All full-time, non-seasonal non-union, employees of NBC become participants of the Plan upon completion of the eligibility requirements. As of June 30, 2021, there were 203 Plan participants: 84 were inactive participants, of which 42 were terminated vested and 42 were retirees, and 119 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 2021 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, 2021 was \$0. The contributions made to the plan for the fiscal year ended June 30, 2021 were \$1,231,514 which consists of employer contributions of \$738,505 and employee contributions of \$493,009.

Net pension liability (asset)

The components of the net pension liability (asset) at June 30, 2021, were as follows:

Total pension liability	\$ 23,217,300
Plan fiduciary net position	<u>(30,014,495)</u>
Net pension liability (asset)	<u>\$ (6,797,195)</u>
Plan fiduciary net position as a of the total pension liability	<u>129.3%</u>

Changes in Net Pension Liability (Asset)

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability (Asset)</i>
Balance as of July 1, 2020	\$ 22,444,805	\$ 23,960,059	\$ (1,515,254)
Changes for the year:			
Service cost	498,635	-	498,635
Interest on total pension liability	1,331,636	-	1,331,636
Differences between expected and actual experience	(192,830)	-	(192,830)
Change in assumptions	(115,355)	-	(115,355)
Contributions - employer	-	738,505	(738,505)
Contributions - employee	-	493,009	(493,009)
Net investment income	-	5,588,333	(5,588,333)
Benefit payments	(749,591)	(749,591)	-
Administrative expense	-	(15,820)	15,820
Net changes	<u>772,495</u>	<u>6,054,436</u>	<u>(5,281,941)</u>
Balance as of June 30, 2021	<u>\$ 23,217,300</u>	<u>\$ 30,014,495</u>	<u>\$ (6,797,195)</u>

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	N/A
Salary increases	3.50%
Investment rate of return	6.00%, net of pension plan investment expense, Including inflation
Pre and post retirement mortality	PubG – 2010 Above Median for Employees and Healthy Retirees with Scale MP-2020 Generational Improvements (male/female)

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on collective summary of capital market expectations from 35 sources.

The June 30, 2021 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Arithmetic Real Rate of Return</i>
Large Cap US Equity	30%	4.90%
Small / Mid Cap US Equity	10%	5.40%
International Equity	15%	5.51%
Intermediate to Long-Term Bonds	35%	1.90%
Short-Term Bonds and Cash	10%	0.90%
Total	100%	

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

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

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

	<i>1% Decrease (5.0%)</i>	<i>Current Discount Rate (6.0%)</i>	<i>1% Increase (7.0%)</i>
Net Pension Liability (Asset)	\$ (3,428,444)	\$ (6,797,195)	\$ (9,332,941)

Pension expense and deferred outflows and deferred inflows of resources related to pensions - For the year ended June 30, 2021, NBC recognized pension expense of \$1,009,150. At June 30, 2021, NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Changes in assumptions	\$ 946,083	\$ 374,767
Difference between expected and actual experience	396,920	358,855
Difference between projected and actual investment earnings	-	3,580,164
Total	\$ 1,343,003	\$ 4,313,786

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

<i>Year ended June 30,</i>	<i>Deferred Outflows and (Inflows) of Resources</i>
2022	\$ (803,582)
2023	(739,927)
2024	(691,096)
2025	(792,664)
2026	45,124
Thereafter	11,362
Total	<u>\$ (2,970,783)</u>

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

11 – PENSION INFORMATION

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

Aggregate Pension Information

	<i>ERSRI Defined Benefit Plan</i>	<i>Non-Union Defined Benefit Plan</i>	<i>Total</i>
Pension Expenses	\$ 1,573,213	\$ (1,009,150)	\$ 564,063
Net Pension Liability (Asset)	17,701,248	(6,797,195)	10,904,053
Deferred Outflows	2,818,137	1,343,003	4,161,140
Deferred Inflows	1,729,173	4,313,786	6,042,959

12 – UNION – STATE EMPLOYEE’S AND ELECTING TEACHERS OPEB SYSTEM

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

Under a cost sharing plan, OPEB obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing OPEB benefits through the plan, regardless of the status of the employers’ payment of its OPEB obligation to the plan. The plan provides health care benefits to plan members.

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

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.oag.ri.gov/reports.html>.

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

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

Contributions – The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. NBC is required to contribute at an actuarially determined rate; the rate was 5.49% of annual covered payroll for the fiscal year ended June 30, 2021. NBC contributed \$338,328, \$391,357, and \$362,589 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - At June 30, 2021, NBC reported a liability of \$2,802,007 for its proportionate share of the net OPEB liability related to its participation in the System. The net OPEB liability was measured as of June 30, 2020, the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 measurement date. NBC's proportion of the net OPEB liability was based on its share of contributions to the System for FY 2020 relative to the total contributions of all participating employers for that fiscal year. On June 30, 2020, NBC's proportion was 0.77638%.

For the year ended June 30, 2021, NBC recognized OPEB expense of \$107,078. At June 30, 2021, NBC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Changes in assumptions	\$ 127,949	\$ 169,471
Contributions subsequent to measurement date	338,329	-
Difference between expected and actual experience	-	569,868
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,747	220,842
Net difference between projected and actual investment earnings	-	119,635
Total	<u>\$ 497,025</u>	<u>\$ 1,079,816</u>

NBC's contributions of \$338,329 are reported as deferred outflows of resources related to OPEB expense resulting from NBC's contributions in FY 2021 subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the subsequent period. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u><i>Year ended June 30,</i></u>	<u><i>Net Deferred Outflows (Inflows) of Resources</i></u>
2021	\$ (176,220)
2022	(163,863)
2023	(154,852)
2024	(143,979)
2025	(130,464)
Thereafter	(151,742)
Total	<u>\$ (921,120)</u>

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

Inflation	2.75%
Salary increases	3.00% to 6.00%
Investment rate of return	5.00%
Health care cost trend rate	8.25% in FY 2020 decreasing annually to 3.5% in FY 2033 and later

The long-term expected rate of return best-estimate on OPEB plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 39 nationally recognized

investment consulting firms. The June 30, 2020 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Domestic Equity	65%	6.31%
Fixed Income	35%	1.57%

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

Discount rate - The discount rate used to measure the total OPEB liability was 5.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability calculated using the discount rate of 5.0% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Net OPEB Liability Discount Rate Sensitivity		
	<u>1% Decrease (4.0%)</u>	<u>Current Discount Rate (5.0%)</u>	<u>1% Increase (6.0%)</u>
Net OPEB Liability	<u>\$ 3,460,207</u>	<u>\$ 2,802,007</u>	<u>\$ 2,256,879</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate - The following table presents the net OPEB liability calculated using the healthcare cost trend rate of 8.25% and gradually decreasing to an ultimate rate of 3.5%, as well as what the employers' net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	Net OPEB Liability Health Care Trend Rate Sensitivity		
	<u>1% Lower</u>	<u>Baseline</u>	<u>1% Higher</u>
Net OPEB Liability	<u>\$ 2,131,613</u>	<u>\$ 2,802,007</u>	<u>\$ 3,643,375</u>

OPEB plan fiduciary net position - The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.oag.ri.gov/reports.html>. The report contains detailed information about the OPEB plan's fiduciary net position.

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

14 – RISK MANAGEMENT

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

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

15 – COMMITMENTS AND CONTINGENCIES

NBC has entered into various engineering and construction contracts for the design and improvement of its facilities as part of its capital improvement program. Commitments under these contracts aggregated approximately \$454,115,713 on June 30, 2021.

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.

16 – SUBSEQUENT EVENTS

For the purposes of determining the effects of subsequent events of these financial statements, management has evaluated subsequent events which have occurred after June 30, 2021 and through August 31, 2021, the date which the financial statements were available to be issued. The following represents the subsequent events.

NBC's Collective Bargaining Agreements (CBAs) with its two unions, the Rhode Island Laborers' District Council Public Service Employees' Local 1033 of the Laborers' international Union of North America (LIUNA), American Federation of Labor – Congress of Industrial Organizations (AFL-CIO), and the Rhode Island Council 94, American Federation of State, County and Municipal Employees

(AFSCME), AFL-CIO, Local 1010 and Local 2884 expired on June 30, 2021. Proposed CBAs were not ratified by the unions and additional negotiation with the unions is anticipated to occur in FY 2022.

The RIIB refunded additional debt that resulted in a one-time payment to NBC in the amount of \$2,609,937 on September 15, 2022, for NBC's portion of the savings. This savings will be recorded as contributed capital in FY 2022.

The NBC submitted a Letter of Interest (LOI) for a third WIFIA loan in an amount of \$27.6 million to finance 49% of the Field's Point Resiliency Improvements Project. The USEPA will evaluate the Commission's LOI and may or may not invite the NBC to apply for the WIFIA loan. The size and scope of the third WIFIA loan may be modified as part of the application process. There are no assurances that the Commission will receive this third WIFIA loan in whole or in part.

The NBC's March 30, 2021, application for a \$45.0 million loan from the RIIB was approved by the RIIB Board at their August 2, 2021 meeting. This loan will be for a term not to exceed 20 years from project completion and will include up to \$1.0 million in principal forgiveness funds for project components deemed eligible for green project reserve funding. The interest rate on the loan will be subsidized at one third off of NBC's market rate. NBC anticipates closing the loan in November 2021.

The NBC responded to the Governor's "Stay At Home Order" issued in response to COVID-19 through a combination of transitioning to remote work and allowing certain employees to remain home if it did not adversely impact operations. NBC's offices were also closed to the public. On March 16, 2020, the PUC ordered the suspension of service termination related collection activity, and the moratorium was lifted on July 18, 2020. The PUC also issued an order on June 2, 2020, requiring the suspension of the assessment of late fees, interest charges, as well as credit card, debit card and ACH fees effective June 1, 2020. The PUC indicated that the suspension of these fees would be reviewed in September 2020, however, it remains in effect as of the date of the audit. On May 21, 2021, Rhode Island ended the restrictive measures designed to mitigate the spread of COVID-19 and on June 7, 2021, all NBC employees returned to the office. NBC will continue to monitor COVID-19 impacts and make operational adjustments to the extent that they are impactful, reasonable and within NBC's control.

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

<i>Year Ended</i>	<i>June 30, 2021</i>	<i>June 30, 2020</i>
<i>Measurement Date</i>	<i>June 30, 2020</i>	<i>June 30, 2019</i>
NBC's proportion of the net pension liability	\$ 17,701,248	\$ 18,732,009
NBC's proportionate share of the net pension liability	0.778%	0.827%
NBC's covered payroll	\$ 5,885,229	\$ 6,063,363
NBC's proportionate share of the net pension liability as a percentage of its covered payroll	300.77%	308.94%
Plan fiduciary net position as a percentage of the total pension liability	52.6%	52.8%

(Continued)

Note:

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

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

See independent auditors report.
See accompanying notes to the required supplementary information.

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

<i>June 30, 2019</i>	<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>
<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
\$ 18,671,241	\$ 19,376,984	\$ 18,292,407	\$ 16,936,520	\$ 15,554,087
0.830%	0.859%	0.862%	0.852%	0.873%
\$ 5,785,794	\$ 5,956,481	\$ 5,798,735	\$ 5,700,723	\$ 5,695,059
322.71%	325.31%	315.46%	297.09%	273.12%
52.5%	51.8%	51.9%	55.0%	58.6%

Note:

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

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

See independent auditors report.
See accompanying notes to the required supplementary information.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Statutorily determined contribution	\$ 1,678,833	\$ 1,553,112
Contributions in relation to the statutorily determined contribution	<u>1,678,833</u>	<u>1,553,112</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,095,980	\$ 5,885,229
Contribution as a percentage of covered payroll	27.54%	26.39%

(Continued)

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.

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

See independent auditors report.
See accompanying notes to the required supplementary information.

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

<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
\$ 1,561,290	\$ 1,438,927	\$ 1,509,489	\$ 1,370,821	\$ 1,329,238
<u>1,561,290</u>	<u>1,438,927</u>	<u>1,509,489</u>	<u>1,370,821</u>	<u>1,329,238</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,063,363	\$ 5,785,794	\$ 5,956,481	\$ 5,798,735	\$ 5,700,732
25.75%	24.87%	25.34%	23.64%	23.32%

Note:

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

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

See independent auditors report.
See accompanying notes to the required supplementary information.

NARRAGANSETT BAY COMMISSION
Required Supplementary Information
Employees' Retirement System RI
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2021

Pension - Required Supplementary Information:

Schedule of NBC's Proportionate Share of the Net Pension Liability - Employees' Retirement System RI
Schedule of NBC's Contributions - Employees' Retirement System RI

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

1. Actuarial methods and assumptions used to calculate the net pension liability of the participating employers

The actuarial methods and assumptions used to calculate the net pension liability of the participating employers are described in Note 9 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2020 measurement date:

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Updated the underlying mortality tables from RP-2014 set of tables to public sector-based PUB (10) table.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

June 30, 2019 measurement date:

There was no change in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of June 30, 2019 measurement date compared to the June 30, 2018 measurement date.

June 30, 2018 measurement date:

There was no change in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 measurement date:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Modified slightly the probabilities

June 30, 2016 measurement date:

There was no change in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

June 30, 2015 measurement date:

There was no change in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

See independent auditors report.

NARRAGANSETT BAY COMMISSION

Required Supplementary Information

Employees' Retirement System RI

Notes to the Required Supplementary Information (Unaudited) (Continued)

For the Year Ended June 30, 2021

1. Actuarial methods and assumptions used to calculate the net pension liability (asset) of the participating employees

Benefit changes are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. The following is a summary of those benefit changes that resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly.

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5-year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr Return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective January 1, 2016, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

2. Actuarially determined contributions

Actuarially determined contributions are calculated as of June 30, are 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.

See independent auditors report.

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

	<i>June 30, 2021</i>	<i>June 30, 2020</i>	<i>June 30, 2019</i>
Total pension liability			
Service cost	\$ 498,635	\$ 511,897	\$ 540,312
Interest	1,331,636	1,240,457	1,159,483
Differences between expected and actual experience	(192,830)	(43,521)	299,596
Change in assumptions	(115,355)	559,283	(57,266)
Benefit payments, including refunds of participant contributions	(749,591)	(682,310)	(533,330)
Net change in total pension liability	772,495	1,585,806	1,408,795
Total pension liability - beginning	22,444,805	20,858,999	19,450,204
Total pension liability - ending	<u>\$ 23,217,300</u>	<u>\$ 22,444,805</u>	<u>\$ 20,858,999</u>
Pension fiduciary net position			
Contributions - employer	\$ 738,505	\$ 683,152	\$ 1,008,665
Contributions - employee	493,009	448,468	446,520
Net investment income	5,588,333	1,441,662	1,537,861
Benefit payments	(749,591)	(682,310)	(533,330)
Administrative expense	(15,820)	(13,304)	(11,910)
Net change in plan fiduciary net position	6,054,436	1,877,668	2,447,806
Plan fiduciary net position - beginning	23,960,059	22,082,391	19,634,585
Plan fiduciary net position - ending	<u>\$ 30,014,495</u>	<u>\$ 23,960,059</u>	<u>\$ 22,082,391</u>
Net pension liability (asset) - ending	<u>\$ (6,797,195)</u>	<u>\$ (1,515,254)</u>	<u>\$ (1,223,392)</u>

(Continued)

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

See independent auditors report.
See accompanying notes to the required supplementary information.

NARRAGANSETT BAY COMMISSION

Required Supplementary Information

Non-Union Defined Benefit Plan

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

For the Years Ended June 30,

*Last 10 Fiscal Years**

<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
\$ 517,250	\$ 483,428	\$ 469,348	\$ 504,855	\$ 441,297
1,090,715	1,048,533	965,809	803,212	729,646
23,003	(265,443)	352,399	232,651	(187,670)
(112,144)	(228,207)	(228,213)	1,350,562	424,254
<u>(321,603)</u>	<u>(268,133)</u>	<u>(180,615)</u>	<u>(136,591)</u>	<u>(120,730)</u>
1,197,221	770,178	1,378,728	2,754,689	1,286,797
<u>18,252,983</u>	<u>17,482,805</u>	<u>16,104,077</u>	<u>13,349,388</u>	<u>12,062,591</u>
<u>\$ 19,450,204</u>	<u>\$ 18,252,983</u>	<u>\$ 17,482,805</u>	<u>\$ 16,104,077</u>	<u>\$ 13,349,388</u>
\$ 1,168,202	\$ 1,899,556	\$ 1,744,985	\$ 986,656	\$ 789,435
453,943	454,135	429,941	410,397	398,975
1,365,701	1,434,681	239,860	283,708	1,101,778
(321,603)	(268,133)	(180,615)	(136,591)	(120,720)
<u>(10,669)</u>	<u>(8,421)</u>	<u>(6,761)</u>	<u>(6,027)</u>	<u>(2,639)</u>
2,655,574	3,511,818	2,227,410	1,538,143	2,166,829
<u>16,979,011</u>	<u>13,467,193</u>	<u>11,239,783</u>	<u>9,701,640</u>	<u>7,534,821</u>
<u>\$ 19,634,585</u>	<u>\$ 16,979,011</u>	<u>\$ 13,467,193</u>	<u>\$ 11,239,783</u>	<u>\$ 9,701,650</u>
<u>\$ (184,381)</u>	<u>\$ 1,273,972</u>	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,738</u>

(Continued)

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

See independent auditors report.

See accompanying notes to the required supplementary information.

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

	June 30, 2021	June 30, 2020	June 30, 2019
Total pension liability	\$ 23,217,300	\$ 22,444,805	\$ 20,858,999
Plan fiduciary net position	30,014,495	23,960,059	22,082,391
Net pension liability (asset)	<u>\$ (6,797,195)</u>	<u>\$ (1,515,254)</u>	<u>\$ (1,223,392)</u>
Plan fiduciary net position as a percentage of total pension liability	129.28%	106.75%	105.87%
Covered payroll**	\$ 9,860,178	\$ 8,969,358	\$ 8,930,389
Net pension liability (asset) as a percentage of covered payroll	(68.94%)	(16.89%)	(13.70%)

(Continued)

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

** Reflects revised definition per GASB 82.

See independent auditors report.
See accompanying notes to the required supplementary information.

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

<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
\$ 19,450,204	\$ 18,252,983	\$ 17,482,805	\$ 16,104,077	\$ 13,349,388
19,634,585	16,979,011	13,467,193	11,239,783	9,701,640
<u>\$ (184,381)</u>	<u>\$ 1,273,972</u>	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,748</u>
100.95%	93.02%	77.03%	69.79%	72.67%
\$ 9,078,824	\$ 9,082,700	\$ 8,598,820	\$ 8,207,940	\$ 7,979,500
(2.03%)	14.03%	46.70%	59.26%	45.71%

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

** Reflects revised definition per GASB 82.

See independent auditors report.
See accompanying notes to the required supplementary information.

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

	June 30, 2021	June 30, 2020	June 30, 2019
Actuarially determined contribution	\$ -	\$ -	\$ 254,623
Contribution in relation to the actuarially determined contribution	<u>738,505</u>	<u>683,152</u>	<u>1,008,665</u>
Contribution deficiency (excess)	<u>\$ (738,505)</u>	<u>\$ (683,152)</u>	<u>\$ (754,042)</u>
Covered payroll**	\$ 9,860,178	\$ 8,969,358	\$ 8,930,389
Contribution as a percentage of covered payroll	7.49%	7.62%	11.29%

(Continued)

All other assumptions are consistent with the Plan's actuarial valuation as of December 31, 2020.

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

** Reflects revised definition per GASB 82.

See independent auditors report.
See accompanying notes to the required supplementary information.

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

<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 212,581	\$ 626,042	\$ 679,731	\$ 657,313	\$ 470,780
<u>1,168,202</u>	<u>1,899,556</u>	<u>1,744,985</u>	<u>986,656</u>	<u>789,435</u>
<u><u>\$ (955,621)</u></u>	<u><u>\$ (1,273,514)</u></u>	<u><u>\$ (1,065,254)</u></u>	<u><u>\$ (329,343)</u></u>	<u><u>\$ (318,655)</u></u>
\$ 9,078,824	\$ 9,082,700	\$ 8,598,820	\$ 8,207,940	\$ 7,979,500
12.87%	20.91%	20.29%	12.02%	9.89%

All other assumptions are consistent with the Plan's actuarial valuation as of December 31, 2020.

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

** Reflects revised definition per GASB 82.

See independent auditors report.
See accompanying notes to the required supplementary information.

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Annual money-weighted rate of return net of investment expense	23.14%	6.48%	7.74%	7.85%
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Annual money-weighted rate of return net of investment expense	10.25%	2.06%	2.81%	13.84%

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

See independent auditors report.
See accompanying notes to the required supplementary information.

NARRAGANSETT BAY COMMISSION
Required Supplementary Information
Non-Union Defined Benefit Plan
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2021

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

Actuarial Assumptions as of June 30, 2021:

Discount rate	6.00%	
Long-term rate of return on investments	6.00%	net of expenses, including inflation
Municipal bond	2.18%	based on the 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	PubG-2010 Above Median for Employees and Healthy Retirees with Scale MP-2020 Generational Improvements (M/F)	
Termination	T-2	illustrative annual rates of withdrawals as follows:
	<u>Age</u>	<u>Rate</u>
	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	

See independent auditors report.

See accompanying notes to the required supplementary information.

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

Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
NBC's proportion of the net OPEB liability	\$ 2,802,007	\$ 3,608,513	\$ 4,169,461	\$ 4,265,419
NBC's proportionate share of the net OPEB liability	0.77639%	0.82674%	0.81861%	0.82115%
NBC's covered payroll	\$ 5,885,051	\$ 6,063,361	\$ 5,785,794	\$ 5,956,481
NBC's proportionate share of the OPEB liability as a percentage of its covered payroll	47.61%	59.51%	72.06%	71.61%
Plan fiduciary net position as a percentage of the total OPEB liability	42.51%	33.57%	26.25%	22.38%

Note:

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

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

See independent auditors report.
See accompanying notes to the required supplementary information.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Statutorily determined contribution	\$ 338,329	\$ 391,357	\$ 362,589	\$ 345,990
Contributions in relation to the statutorily determined contribution	<u>338,329</u>	<u>391,357</u>	<u>362,589</u>	<u>345,990</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,096,018	\$ 5,885,051	\$ 6,063,361	\$ 5,785,794
Contribution as a percentage of covered payroll	5.55%	6.65%	5.98%	5.98%

Note:

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

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

See independent auditors report.
See accompanying notes to the required supplementary information.

NARRAGANSETT BAY COMMISSION
Required Supplementary Information
State Employees' and Electing Teachers OPEB System Plan
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2021

Pension - Required Supplementary Information:

Schedule of NBC's Proportionate Share of the Net OPEB Liability - State Employees' OPEB Plan
Schedule of NBC's Contributions - State Employees' OPEB Plan

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

1. Actuarial methods and assumptions used to calculate the net pension liability of the participating employers

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 12 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2020 measurement date:

The "Cadillac tax", which was tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the "Cadillac tax" within the development of the total OPEB liability has been removed as of the June 30, 2020 measurement date.

June 30, 2019 measurement date:

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2019 measurement date reflected a change in excise tax load on pre-65 liabilities from 11.0% to 9.5%.

June 30, 2018 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability (asset) of the plan as of June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 measurement date:

Certain actuarial assumptions for State Employees were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rate of separation from active membership
- Rate of retirement
- Rate of disability
- Rate of wage inflation
- Mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022.

2. Actuarially determined contributions

The annual required contribution for FY 2020 was 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.

See independent auditors report.

NARRAGANSETT BAY COMMISSION

Supplementary Information

Schedule of Operating Budget Revenues - Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2021

REVENUES	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
User fees	\$ 101,851,912	\$ 102,984,257	\$ 1,132,345
Pretreatment fees	65,000	71,700	6,700
Septage income	330,000	352,135	22,135
Connection fees/capacity charges	346,000	357,070	11,070
Late charges	900,000	-	(900,000)
Customer Service Fees	190,000	187,940	(2,060)
Renewable energy credits revenues	577,000	604,033	27,033
Miscellaneous	-	25,152	25,152
Total operating revenues	104,259,912	104,582,287	322,375
Non-operating revenues			
Investment Income	243,000	25,879	(217,121)
Miscellaneous	146,000	280,906	134,906
Total non-operating revenues	389,000	306,785	(82,215)
TOTAL REVENUES	\$ 104,648,912	\$ 104,889,072	\$ 240,160
Total revenues on budgetary basis		\$ 104,889,072	
Add:			
Grant revenue		<u>27,415</u>	
Total revenues on a GAAP basis		<u>\$ 104,916,487</u>	

See independent auditors report.
See accompanying notes to the supplementary information.

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NARRAGANSETT BAY COMMISSION

Supplementary Information

Schedule of Operating Budget Expenses - Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2021

OPERATING EXPENSES	Budget	Actual	Variance Favorable (Unfavorable)
Personnel services			
Union regular	\$ 6,696,407	\$ 6,171,275	\$ 525,132
Union overtime	646,000	541,584	104,416
Non-union regular	11,862,818	11,404,620	458,198
Non-union overtime	220,550	195,982	24,568
Non-union limited	64,800	24,102	40,698
Fringe benefits	10,244,298	9,240,347	1,003,951
Project salaries and fringe benefits capitalized	(2,497,665)	(2,343,077)	(154,588)
Total personnel services	27,237,208	25,234,834	2,002,374
General and administration			
Insurance	790,918	830,525	(39,607)
Workers' compensation insurance	462,000	449,084	12,916
Total general and administration	1,252,918	1,279,609	(26,691)
OPERATIONS AND MAINTENANCE			
Travel			
Local travel	6,100	77	6,023
Long-distance travel	1,500	1,247	253
Total travel	7,600	1,324	6,276
Repairs and maintenance			
Building and ground maintenance	304,290	259,188	45,102
Vehicle fuel and maintenance	225,150	206,009	19,141
Repairs, buildings and structures	474,053	450,143	23,910
Repairs, process equipment	565,947	517,626	48,321
Repairs, highways and walks	37,000	26,585	10,415
Maintenance/service agreements	1,654,193	1,600,772	53,421
Highway and landscape	18,000	14,667	3,333
Wind turbine expenses - Field's Point	231,000	160,417	70,583
Wind turbine expenses - WED	499,096	286,904	212,192
Biogas expense	100,000	77,013	22,987
Diesel for equipment	29,000	21,903	7,097
Total repairs and maintenance	4,137,729	3,621,226	516,503
Utilities			
Telephone	224,279	193,874	30,405
Central telephone services	4,000	1,904	2,096
Fuel, gas	435,992	434,780	1,212
Electricity	2,376,472	1,870,420	506,052
Water	125,000	116,810	8,190
Total utilities	3,165,743	2,617,788	547,955

(Continued)

See independent auditors report.

See accompanying notes to the supplementary information.

NARRAGANSETT BAY COMMISSION

Supplementary Information

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

For the Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Supplies			
Clothing and clothing materials	\$ 53,425	\$ 40,968	\$ 12,457
Building and machinery supplies and expenses	506,754	454,136	52,618
Educational expenses	65,675	43,431	22,244
Lab supplies	455,000	398,564	56,436
Computer supplies	81,550	74,124	7,426
Other operating supplies and expenses	14,960	12,061	2,899
Chemicals	1,474,056	919,475	554,581
Total supplies	2,651,420	1,942,760	708,660
TOTAL OPERATIONS AND MAINTENANCE	9,962,492	8,183,097	1,779,395
Contract services			
Medical services	13,265	8,131	5,134
Biosolids disposal	5,646,504	4,857,583	788,921
Screening and grit disposal	264,409	205,820	58,589
Service agreements	220,267	184,018	36,249
Security services	30,390	18,502	11,888
Educational expense	68,500	43,599	24,901
Regulatory expenses	500,300	498,496	1,804
Legal services	185,000	135,195	49,805
Management/audit services	222,500	186,880	35,620
Special clerical services	50,100	34,584	15,516
Other special services	670,300	675,241	(4,941)
Total contract services	7,871,535	6,848,049	1,023,486
Miscellaneous			
Office expenses	151,325	123,635	27,690
Postage	417,700	356,744	60,956
Dues and subscriptions	110,845	85,962	24,883
Freight	44,450	30,645	13,805
Printing and binding	174,735	125,066	49,669
Advertising	15,400	1,677	13,723
Rental of outside property	10,900	2,475	8,425
Rental of equipment	28,750	9,233	19,517
Rental of clothing	30,000	25,176	4,824
Safety equipment	83,000	72,165	10,835
Miscellaneous	7,600	6,363	1,238
Public outreach education	13,500	8,386	5,114
Total miscellaneous	1,088,205	847,527	240,678
TOTAL OPERATING EXPENSES	47,412,358	42,393,116	5,019,242

(Continued)

See independent auditors report.

See accompanying notes to the supplementary information.

NARRAGANSETT BAY COMMISSION

Supplementary Information

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

For the Year Ended June 30, 2021

NON-OPERATING EXPENSES	Budget	Actual	Variance Favorable (Unfavorable)
Interest expense			
Interest expense - 2008 Series A	\$ 1,293,049	\$ 1,293,049	\$ -
Interest expense - 2013 Series C	451,000	441,667	9,333
Interest expense - 2015 Series A	128,600	128,600	-
Interest expense - 2020 Series A	4,427,542	4,427,042	500
Revenue anticipation notes	375,000	-	375,000
Interest expense - Loans payable	7,285,891	7,189,398	96,493
Total interest expense	<u>13,961,082</u>	<u>13,479,756</u>	<u>481,326</u>
Debt service principal	<u>29,902,698</u>	<u>29,902,698</u>	<u>-</u>
TOTAL EXPENSES	<u><u>\$ 91,276,138</u></u>	<u><u>\$ 85,775,570</u></u>	<u><u>\$ 5,500,568</u></u>

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

Total expenses on budgetary basis	\$ 85,775,570
Add:	
Depreciation	17,093,870
Environmental Enforcement Fund expenses	20,000
Loss on economic defeasance	111,138
Bond and note fees	661,536
Amortization debt premium	484,605
Grant expenses	93,029
Rounding	3
Less:	
FY 2021 ERSRI pension plan activity	(105,666)
FY 2021 Non-Union pension plan activity	(1,747,655)
FY 2021 OPEB plan activity	(231,257)
Debt service principal	<u>(29,902,698)</u>
Total expenses on a GAAP basis	<u><u>\$ 72,252,474</u></u>

See independent auditors report.
See accompanying notes to the supplementary information.

NARRAGANSETT BAY COMMISSION

Supplementary Information
Combining Schedule of Net Position
June 30, 2021

	Revenue Fund	O & M Fund
Assets		
Current assets		
Accounts receivable		
Sewer use (net of allowance)	\$ 12,816,471	\$ -
Sewer use unbilled	7,699,180	-
Receivables, other	120,772	-
Due from WIFIA	-	-
Prepaid expenses	-	406,106
Total current assets	20,636,423	406,106
Non-current assets		
Restricted assets		
Cash and cash equivalents, restricted	7,602,376	14,489,306
Total restricted assets	7,602,376	14,489,306
Capital assets		
Land	-	-
Plant and equipment	-	-
Capital projects completed	-	-
Construction in progress	-	-
Subtotal	-	-
Less: accumulated depreciation	-	-
Total net capital assets	-	-
Other assets		
Net pension asset - Non-Union Defined Benefit Pension Plan	-	6,797,195
Total non-current assets	7,602,376	21,286,501
Total assets	28,238,799	21,692,607
Deferred outflows of resources		
Loss on refunding of debt	-	-
Pension related outflows, net	-	4,161,140
OPEB related outflows, net	-	497,025
Total deferred outflows of resources	-	4,658,165

(Continued)

See independent auditors report.
See accompanying notes to the supplementary information.

NARRAGANSETT BAY COMMISSION
Supplementary Information
Combining Schedule of Net Position (Continued)
June 30, 2021

<i>Project Fund</i>	<i>Debt Service Fund</i>	<i>Operating Reserve for Revenue Stability Fund</i>	<i>Debt Service Reserve Fund</i>	<i>Total</i>
\$ -	\$ -	\$ -	\$ -	\$ 12,816,471
-	-	-	-	7,699,180
-	-	-	-	120,772
403,145,040	-	-	-	403,145,040
-	-	-	-	406,106
<u>403,145,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,187,569</u>
8,709,563	39,722,481	4,500,459	2,963,177	77,987,362
<u>8,709,563</u>	<u>39,722,481</u>	<u>4,500,459</u>	<u>2,963,177</u>	<u>77,987,362</u>
2,754,407	-	-	-	2,754,407
107,805,191	-	-	-	107,805,191
964,395,968	-	-	-	964,395,968
329,039,245	-	-	-	329,039,245
1,403,994,811	-	-	-	1,403,994,811
271,096,220	-	-	-	271,096,220
<u>1,132,898,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,132,898,591</u>
-	-	-	-	6,797,195
<u>1,141,608,154</u>	<u>39,722,481</u>	<u>4,500,459</u>	<u>2,963,177</u>	<u>1,217,683,148</u>
<u>1,544,753,194</u>	<u>39,722,481</u>	<u>4,500,459</u>	<u>2,963,177</u>	<u>1,641,870,717</u>
5,297,190	-	-	-	5,297,190
-	-	-	-	4,161,140
-	-	-	-	497,025
<u>5,297,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,955,355</u>

(Continued)

See independent auditors report.
See accompanying notes to the supplementary information.

NARRAGANSETT BAY COMMISSION
Supplementary Information
Combining Schedule of Net Position (Continued)
June 30, 2021

	Revenue Fund	O & M Fund
Liabilities		
Current liabilities		
Accounts payable	\$ -	\$ 1,411,831
Contracts payable	-	-
Due to project fund	-	120,000
Accrued interest payable	-	-
Accrued expenses	-	786,743
Current portion of the other accrued expenses	-	320,617
Current portion of loans payable	-	-
Current portion of revenue bonds	-	-
Total current liabilities	-	2,639,191
Non-current liabilities		
Long-term other accrued expenses, net	-	3,324,778
Long-term net pension liability - ERSRI Pension	-	17,701,248
Long-term net OPEB liability	-	2,802,007
Long-term loans payable WIFIA	-	-
Long-term loans payable, net	-	-
Long-term debt, net	-	-
Total non-current liabilities	-	23,828,033
Total liabilities	-	26,467,224
Deferred inflows of resources		
Pension related inflows, net	-	6,042,959
OPEB related inflows, net	-	1,079,816
Total deferred inflows of resources	-	7,122,775
Net position		
Net investment in capital assets	-	-
Restricted - environmental enforcement fund	74,068	-
Restricted - bond covenants	7,528,308	14,489,306
Restricted - debt service reserve fund	-	-
Restricted - operating reserve for revenue stability fund	-	-
Restricted - operating capital	-	-
Unrestricted	20,636,423	(21,728,533)
Total net position	\$ 28,238,799	\$ (7,239,227)

(Continued)

See independent auditors report.
See accompanying notes to the supplementary information.

NARRAGANSETT BAY COMMISSION
Supplementary Information
Combining Schedule of Net Position (Continued)
June 30, 2021

Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Debt Service Reserve Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,411,831
23,582,604	-	-	-	23,582,604
-	-	-	-	120,000
-	4,495,168	-	-	4,495,168
-	-	-	-	786,743
-	-	-	-	320,617
23,915,270	-	-	-	23,915,270
4,255,000	-	-	-	4,255,000
51,752,874	4,495,168	-	-	58,887,233
-	-	-	-	3,324,778
-	-	-	-	17,701,248
-	-	-	-	2,802,007
459,704,608	-	-	-	459,704,608
253,467,058	-	-	-	253,467,058
258,550,064	-	-	-	258,550,064
971,721,730	-	-	-	995,549,763
1,023,474,604	4,495,168	-	-	1,054,436,996
-	-	-	-	6,042,959
-	-	-	-	1,079,816
-	-	-	-	7,122,775
517,866,217	-	-	-	517,866,217
-	-	-	-	74,068
-	39,722,481	-	-	61,740,095
-	-	-	2,963,177	2,963,177
-	-	4,500,459	-	4,500,459
6,230,100	-	-	-	6,230,100
2,479,463	(4,495,168)	-	-	(3,107,815)
\$ 526,575,780	\$ 35,227,313	\$ 4,500,459	\$ 2,963,177	\$ 590,266,301

See independent auditors report.
See accompanying notes to the supplementary information.

NARRAGANSETT BAY COMMISSION
Supplementary Information
 Combining Schedule of Revenues, Expenses and Changes in Net Position
 For the Year Ended June 30, 2021

	Revenue Fund	O & M Fund
Operating revenues		
User fees, residential	\$ 61,941,753	\$ -
User fees, commercial and industrial	41,042,504	-
Connection fees/capacity charges	357,070	-
Pretreatment fees	71,700	-
Environmental enforcement revenues	20,053	-
Septage income	352,135	-
Renewable energy credits revenues	604,033	-
Miscellaneous revenues	193,039	-
Total operating revenues	104,582,287	-
Operating expenses		
Personnel services	-	23,193,856
General and administration	-	1,279,609
Operations and maintenance	-	8,183,097
Depreciation	-	-
Contractual services	-	6,804,450
Miscellaneous	-	960,556
Total operating expenses	-	40,421,568
Operating income (loss)	104,582,287	(40,421,568)
Non-operating revenues (expenses)		
Interest expense	-	-
Interest income	1,432	1,583
Loss on defeasance	-	-
Bond and note fees	-	-
Grant revenue	27,415	-
Miscellaneous income	280,906	-
Total non-operating revenues (expenses)	309,753	1,583
Net income before capital contribution and transfers	104,892,040	(40,419,985)
Transfer in (out)	(104,755,166)	47,311,175
Change in net position	136,874	6,891,190
Total net position, beginning of year	28,101,925	(14,130,417)
Total net position, end of year	\$ 28,238,799	\$ (7,239,227)

(Continued)

See independent auditors report.
 See accompanying notes to the supplementary information.

NARRAGANSETT BAY COMMISSION

Supplementary Information

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

For the Year Ended June 30, 2021

Project Fund	Debt Service Fund	Operating Reserve for Revenue Stability Fund	Debt Service Reserve Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 61,941,753
-	-	-	-	41,042,504
-	-	-	-	357,070
-	-	-	-	71,700
-	-	-	-	20,053
-	-	-	-	352,135
-	-	-	-	604,033
-	-	-	-	193,039
-	-	-	-	104,582,287
-	-	-	-	23,193,856
-	-	-	-	1,279,609
-	-	-	-	8,183,097
17,093,870	-	-	-	17,093,870
-	-	-	-	6,804,450
-	-	-	-	960,556
17,093,870	-	-	-	57,515,438
(17,093,870)	-	-	-	47,066,849
-	(13,964,362)	-	-	(13,964,362)
6,094	13,633	1,889	1,248	25,879
(111,138)	-	-	-	(111,138)
-	(661,536)	-	-	(661,536)
-	-	-	-	27,415
-	-	-	-	280,906
(105,044)	(14,612,265)	1,889	1,248	(14,402,836)
(17,198,914)	(14,612,265)	1,889	1,248	32,664,013
43,942,317	13,530,852	(3,801)	(25,377)	-
26,743,403	(1,081,413)	(1,912)	(24,129)	32,664,013
499,832,377	36,308,726	4,502,371	2,987,306	557,602,288
\$ 526,575,780	\$ 35,227,313	\$ 4,500,459	\$ 2,963,177	\$ 590,266,301

See independent auditors report.
See accompanying notes to the supplementary information.

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Narragansett Bay Commission - Statistical Section

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

Financial Trends

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

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

Revenue Capacity

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

- User Fee Revenue by Customer Type
- Residential Sewer Rates
- Non-Residential Sewer Rates
- Comparative 2020 Annual Residential Sewer Rates – RI Municipalities
- Principal Commercial Users

Debt Capacity

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

- Ratios of Outstanding Debt
- Debt Service Coverage

Demographic and Economic Information

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

- Demographic Statistics
- Principal Employers

Operating Information

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

- Operating Indicators by Division
- Budgeted Employees by Activity

Sources: Unless otherwise noted, the information in these schedules were derived from the Annual Comprehensive Financial Report for the relevant year.

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

<i>Years Ending June 30,</i>	<i>Net Investment in Capital Assets</i>	<i>Restricted</i>	
		<i>Environmental Enforcement Fund</i>	<i>Bond Covenants Restricted</i>
2012	\$ 355,425,077	\$ 87,748	\$ -
2013	400,509,402	74,841	-
2014(1)	397,290,915	72,426	-
2015(2)	414,028,338	54,405	-
2016	443,394,173	90,910	-
2017	470,512,740	96,095	-
2018(3)	483,680,613	78,713	-
2019	504,260,346	69,948	-
2020(4)	499,832,377	73,977	57,457,778
2021(5)	517,866,217	74,068	61,740,095

(Continued)

- (1) In 2014, beginning net position was restated as a result of GASB 65 relating to bond issuance costs.
- (2) In 2015, beginning net position was restated as a result of GASB 68 relating to pensions.
- (3) In 2018, beginning net position was restated as a result of GASB 75 relating to OPEB.
- (4) In 2020, beginning net position was reclassified to reflect the restricted portion of the unrestricted net position for bond covenants.
- (5) In 2021, cash accounts for operating capital were reclassified out of net investment in capital assets calculation and posted in a restricted net position account.

Note:

Restated FY 2011 - FY 2017 Net Position by Component to be consistent with the FY 2018 and FY 2019 Net Position by Component.

Reclassified FY 2020 - Bond Covenant Restricted from Unrestricted net position.

Reclassified FY 2021 - Operating Capital Restricted from Net Investment in Capital Assets.

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

Restricted				
Debt Service Reserve Fund	Operating Reserve for Revenue Stability Fund	Operating Capital	Unrestricted	Total Net Position
\$ -	\$ -	\$ -	\$ 20,686,171	\$ 376,198,996
-	-	-	(3,717,492)	396,866,751
-	-	-	18,420,683	415,784,024
3,497,335	4,500,023	-	1,629,242	423,709,343
3,502,206	4,501,062	-	1,295,925	452,784,276
3,499,229	4,502,869	-	2,691,962	481,302,895
3,539,427	4,554,596	-	6,264,370	498,117,719
3,503,652	4,508,560	-	13,103,188	525,445,694
2,987,306	4,502,371	-	(7,251,521)	557,602,288
2,963,177	4,500,459	6,230,100	(3,107,815)	590,266,301

- (1) In 2014, beginning net position was restated as a result of GASB 65 relating to bond issuance costs.
- (2) In 2015, beginning net position was restated as a result of GASB 68 relating to pensions.
- (3) In 2018, beginning net position was restated as a result of GASB 75 relating to OPEB.
- (4) In 2020, beginning net position was reclassified to reflect the restricted portion of the unrestricted net position for bond covenants.
- (5) In 2021, cash accounts for operating capital were reclassified out of net investment in capital assets calculation and posted in a restricted net position account.

Note:

Restated FY 2011 - FY 2017 Net Position by Component to be consistent with the FY 2018 and FY 2019 Net Position by Component.

Reclassified FY 2020 - Bond Covenant Restricted from Unrestricted net position.

Reclassified FY 2021 - Operating Capital Restricted from Net Investment in Capital Assets.

Changes in Net Position (Unaudited)
Last Ten Fiscal Years

	2021	2020	2019	2018(3)
Operating revenues				
User fees	\$ 102,984,257	\$ 101,434,770	\$ 96,428,606	\$ 95,822,841
Pretreatment fees	71,700	61,354	1,066,369	1,066,370
Other operating revenues	1,526,330	2,286,758	1,850,802	1,447,304
Total operating revenues	104,582,287	103,782,882	99,345,777	98,336,515
Non-operating revenues				
Interest income	25,879	947,416	1,510,886	938,783
Grant Income	27,415	-	-	-
Other non-operating revenues	280,906	202,585	145,161	114,951
Total non-operating revenues	334,200	1,150,001	1,656,047	1,053,734
Operating expenses				
Personnel services	23,193,856	23,877,590	23,844,901	23,156,582
Contractual services	8,084,059	6,556,241	6,940,144	6,643,675
General and administration	9,143,653	9,665,718	10,159,996	9,699,372
Depreciation and amortization	17,093,870	16,612,202	16,401,372	16,091,344
Total operating expenses	57,515,438	56,711,751	57,346,413	55,590,973
Non-operating expenses				
Interest expense	13,964,362	16,018,533	16,816,321	17,994,682
Loss on economic defeasance	111,138	191,657	-	-
Transfer to the State of Rhode Island	-	-	-	5,000,000
Other expenses	661,536	1,852,370	511,115	23,485
Total non-operating expenses	14,737,036	18,062,560	17,327,436	23,018,167
Net income before capital contribution	32,664,013	30,158,572	26,327,975	20,781,109
Capital contribution	-	1,998,022	1,000,000	-
Change in net position	32,664,013	32,156,594	27,327,975	20,781,109
Net position, beginning	557,602,288	525,445,694	498,117,719	477,336,610
Net position, ending	\$ 590,266,301	\$ 557,602,288	\$ 525,445,694	\$ 498,117,719

(Continued)

- (1) In 2014, beginning net position was restated as a result of GASB 65 relating to bond issuance costs.
(2) In 2015, beginning net position was restated as a result of GASB 68 relating to pensions.
(3) In 2018, beginning net position was restated as a result of GASB 75 relating to OPEB.

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

	2017	2016	2015(2)	2014(1)	2013	2012
\$	96,610,156	\$ 96,078,624	\$ 92,007,299	\$ 89,182,519	\$ 77,949,901	\$ 75,921,752
	1,090,541	1,088,763	1,076,481	1,095,551	1,077,887	1,087,140
	1,955,334	1,837,607	1,932,062	1,869,945	1,320,944	1,410,298
	<u>99,656,031</u>	<u>99,004,994</u>	<u>95,015,842</u>	<u>92,148,015</u>	<u>80,348,732</u>	<u>78,419,190</u>
	360,367	112,094	5,839	5,433	22,907	10,868
	-	4,910	4,910	-	14,980	129,327
	252,508	203,855	163,634	182,084	190,923	247,740
	<u>612,875</u>	<u>320,859</u>	<u>174,383</u>	<u>187,517</u>	<u>228,810</u>	<u>387,935</u>
	22,720,366	22,903,792	20,946,735	21,090,749	19,858,457	19,412,763
	5,970,551	5,748,754	7,469,034	8,036,730	7,104,834	6,780,533
	9,456,666	9,460,958	8,756,689	8,838,866	8,607,391	8,783,624
	15,593,700	14,091,320	12,983,750	11,812,153	10,974,885	10,569,625
	<u>53,741,283</u>	<u>52,204,824</u>	<u>50,156,208</u>	<u>49,778,498</u>	<u>46,545,567</u>	<u>45,546,545</u>
	17,899,683	17,734,236	16,475,516	16,660,404	13,587,442	11,785,551
	-	-	-	-	-	-
	-	-	-	-	-	-
	109,321	823,930	720,428	915,288	130,980	60,883
	<u>18,009,004</u>	<u>18,558,166</u>	<u>17,195,944</u>	<u>17,575,692</u>	<u>13,718,422</u>	<u>11,846,434</u>
	28,518,619	28,562,863	27,838,073	24,981,342	20,313,533	21,414,146
	-	512,070	-	80,965	354,202	1,550,547
	28,518,619	29,074,933	27,838,073	25,062,307	20,667,735	22,964,693
	452,784,276	423,709,343	395,871,270	390,721,717	376,198,996	353,234,303
\$	<u>481,302,895</u>	<u>452,784,276</u>	<u>423,709,343</u>	<u>415,784,024</u>	<u>396,866,731</u>	<u>376,198,996</u>

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

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

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

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

Operating Revenues						
Years Ending June 30,	User Fees	Connection Fees and Capacity Charges	Pretreatment Fees	Environmental Enforcement Revenues	Septage Income	Late Charges Penalties
2012	\$ 75,921,752	\$ 85,487	\$ 1,087,140	\$ 1,000	\$ 304,157	\$ 918,943
2013	77,949,901	95,609	1,077,887	-	300,319	918,134
2014	89,182,519	112,773	1,095,551	15,229	310,136	1,013,240
2015	92,007,299	100,906	1,076,481	5,972	336,037	999,867
2016	96,078,624	124,450	1,088,763	50,000	358,719	932,178
2017	96,610,156	145,713	1,090,541	18,500	328,590	874,396
2018	95,822,841	123,319	1,066,370	3,400	333,037	796,362
2019	96,428,606	126,300	1,066,369	4,739	321,036	1,052,671
2020	101,434,770	335,431	61,354	8,997	342,994	837,184
2021	102,984,257	357,070	71,700	20,053	352,135	-

(Continued)

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

<i>Operating Revenues</i>			<i>Non Operating Revenues</i>			
<i>Renewable Energy Credits Revenues</i>	<i>Miscellaneous Revenues</i>	<i>Total Operating Revenues</i>	<i>Grant Income</i>	<i>Interest Income</i>	<i>Miscellaneous Income</i>	<i>Total Revenues</i>
\$ -	\$ 100,711	\$ 78,419,190	\$ 129,327	\$ 10,868	\$ 247,740	\$ 78,807,125
-	6,882	80,348,732	14,980	22,907	190,923	80,577,542
410,624	7,943	92,148,015	-	5,433	182,084	92,335,532
482,048	7,232	95,015,842	4,910	5,839	163,634	95,190,225
360,850	11,410	99,004,994	4,910	112,094	203,855	99,325,853
581,007	7,128	99,656,031	-	360,367	252,508	100,268,906
152,338	38,848	98,336,515	-	938,783	114,951	99,390,249
150,596	195,460	99,345,777	-	1,510,886	145,161	101,001,824
579,679	182,473	103,782,882	-	947,416	202,585	104,932,883
604,033	193,039	104,582,287	27,415	25,879	280,906	104,916,487

Expenses by Function (Unaudited)
Last Ten Fiscal Years

Operating Expenses					
Years Ending June 30,	Personnel Services	Contractual Services	Repairs and Maintenance	Utilities	Supplies
2012	\$ 19,412,763	\$ 6,780,533	\$ 1,617,879	\$ 4,247,867	\$ 1,143,635
2013	19,858,457	7,104,834	1,595,803	4,008,392	1,294,849
2014	21,090,749	8,036,730	1,725,079	3,850,260	1,462,692
2015	20,946,735	7,469,034	1,905,473	3,753,041	1,423,101
2016	22,903,792	5,748,754	2,125,598	3,782,104	1,673,833
2017	22,720,366	5,970,551	3,244,006	2,897,768	2,099,109
2018	23,156,582	6,510,972	3,733,922	2,950,909	1,968,532
2019	23,844,901	6,940,144	4,210,366	2,855,198	2,203,721
2020	23,877,590	6,556,241	4,353,306	2,376,066	2,090,582
2021	23,193,856	6,804,450	4,137,729	3,165,743	2,159,234

(Continued)

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

<i>Operating Expenses</i>			<i>Non-Operating Expenses</i>			
<i>Depreciation</i>	<i>Miscellaneous</i>	<i>Total Operating Expenses</i>	<i>Interest Expenses</i>	<i>Transfer to the State of RI</i>	<i>Other Expenses</i>	<i>Total Expenses</i>
\$ 10,569,625	\$ 1,774,243	\$ 45,546,545	\$ 11,785,551	\$ -	\$ 60,883	\$ 57,392,979
10,974,885	1,708,347	46,545,567	13,587,442	-	130,980	60,263,989
11,812,153	1,800,835	49,778,498	16,660,404	-	915,288	67,354,190
12,983,750	1,675,074	50,156,208	16,475,516	-	720,428	67,352,152
14,091,320	1,879,423	52,204,824	17,734,236	-	823,930	70,762,990
15,593,700	1,215,783	53,741,283	17,899,683	-	109,321	71,750,287
16,091,344	1,178,712	55,590,973	17,994,682	5,000,000	23,485	78,609,140
16,401,372	890,711	57,346,413	16,816,321	-	511,115	74,673,849
16,612,202	845,764	56,711,751	16,018,533	-	2,044,027	74,774,311
17,093,870	960,556	57,515,438	13,964,362	-	772,674	72,252,474

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

	2021	2020	2019	2018	2017
<i>Residential</i>	\$ 61,941,753	\$ 59,645,556	\$ 55,473,053	\$ 55,206,499	\$ 55,885,288
<i>Commercial</i>	38,354,300	39,068,175	38,017,450	37,757,562	38,010,903
<i>Industrial</i>	2,688,204	2,721,039	2,938,103	2,858,780	2,713,965
Total	\$ 102,984,257	\$ 101,434,770	\$ 96,428,606	\$ 95,822,841	\$ 96,610,156

	2016	2015	2014	2013	2012
<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
Total	\$ 96,078,624	\$ 92,007,299	\$ 89,182,519	\$ 77,949,901	\$ 75,921,752

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

<i>Fiscal Year</i>	<i>Effective Date of Rate Increase</i>	<i>Residential Fixed Rate (per dwelling unit)</i>	<i>Residential Consumption Rate (HCF)</i>
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 19, 2014	210.51	3.397
2016	July 1, 2015	215.50	3.478
2017	July 1, 2016	218.80	3.531
2018	July 1, 2016	218.80	3.531
2019	January 1, 2019	225.32	3.636
2020	July 1, 2019	237.41	3.810
2021	July 1, 2019	237.41	3.810

HCF - per hundred cubic feet

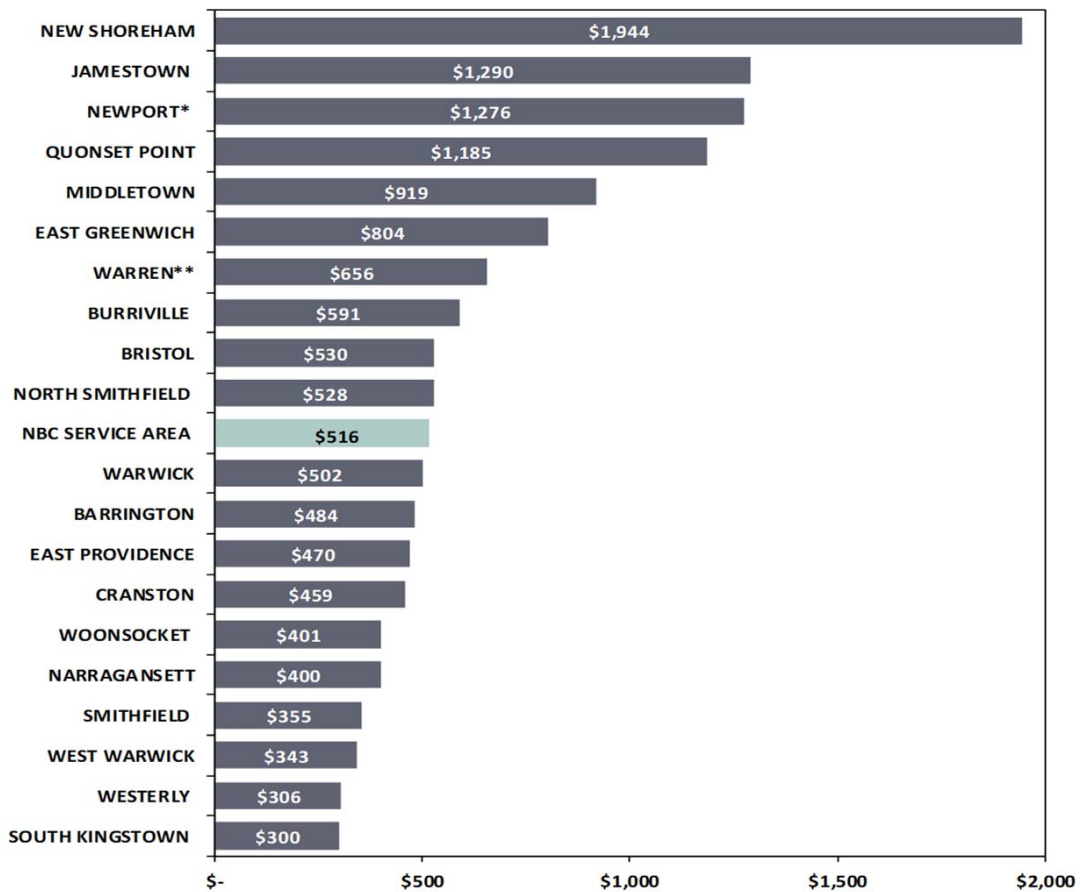
Non-Residential Sewer Rates (Unaudited)
Last Ten Fiscal Years

<i>Fiscal Year</i>	<i>Effective Date of Rate Increase</i>	<i>Non-Residential Fixed Rate (based on 5/8" meter)</i>	<i>Industrial Consumption Rate (HCF)</i>	<i>Commercial Consumption Rate (HCF)</i>
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 19, 2014	503.00	3.167	4.926
2016	July 1, 2015	515.00	3.242	5.043
2017	July 1, 2016	523.00	3.292	5.120
2018	July 1, 2016	523.00	3.292	5.120
2019	January 1, 2019	539.00	3.390	5.273
2020	July 1, 2019	563.00	3.749	5.722
2021	July 1, 2019	563.00	3.749	5.722

HCF - per hundred cubic feet

*Comparative 2020 Annual Residential Sewer Rates (Unaudited)
Rhode Island Municipalities*

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



* Newport includes stormwater fees

** Warren sewer use fees include a component based on ad-valorem taxes. For purposes of this survey, the fee is based on the median home value of \$216,000

Source: 2020 NBC Residential Sewer User Survey

Annual Residential charges are based on 150 gallons per day.

The 2020 RI Average Annual Residential Sewer User Fee is \$679.

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*Principal Commercial Users (Unaudited)
2021 and 2012*

<i>Company</i>	2021			2012		
	<i>Annual billing</i>	<i>Rank</i>	<i>Percentage of total billing</i>	<i>Annual billing</i>	<i>Rank</i>	<i>Percentage of total billing</i>
Rhode Island Hospital	\$ 1,776,185	1	1.76%	\$ 1,158,052	2	1.58%
Providence Housing Authority	1,690,331	2	1.67%	1,116,355	3	1.52%
Brown University	1,124,132	3	1.11%	1,212,526	1	1.66%
City of Providence	666,284	4	0.66%	567,978	4	0.78%
City of Pawtucket	660,885	5	0.65%	543,976	5	0.76%
Rhode Island Resource Recovery	654,764	6	0.65%	-	-	-
State of Rhode Island	431,577	7	0.43%	298,673	10	0.41%
Providence College	424,718	8	0.42%	357,644	7	0.49%
Johnson & Wales University	364,262	9	0.36%	322,658	8	0.44%
Providence School Department	364,096	10	0.36%	485,562	6	0.66%
Fairfield Residential				314,273	9	0.43%
	<u>\$ 8,157,233</u>		<u>8.10%</u>	<u>\$ 6,377,697</u>		<u>8.73%</u>

Source: NBC's billing system

*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>WIFIA Loan Payable</i>	<i>Leases Payable</i>	<i>Total Outstanding Debt</i>
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	647,802,980
2017	359,305,961	262,604,184	-	-	621,910,145
2018	331,776,406	262,604,184	-	-	594,380,590
2019	346,974,434	261,553,307	-	-	608,527,741
2020	311,291,041	266,071,718	268,710,610	-	846,073,369
2021	277,382,328	262,805,064	459,704,608	-	999,892,000

(Continued)

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

<i>Capitalized Assets*</i>	<i>Construction in Progress</i>	<i>Total Net Capital Assets</i>	<i>Outstanding Debt to Capital Assets</i>	<i>Outstanding Debt per Population ⁽¹⁾</i>	<i>Income to Outstanding Debt ⁽¹⁾</i>
\$ 469,067,391	\$ 289,782,521	\$ 758,849,912	0.65	468.94	0.010%
532,119,805	320,249,539	852,369,344	0.67	543.53	0.009%
571,319,305	360,531,394	931,850,699	0.67	595.01	0.008%
622,572,499	329,874,143	952,446,642	0.64	576.69	0.009%
649,490,029	316,367,916	965,857,945	0.67	613.29	0.008%
663,209,230	325,199,530	988,408,760	0.63	588.69	0.009%
661,228,839	347,798,138	1,009,026,977	0.59	562.16	0.010%
648,715,001	376,891,496	1,025,606,497	0.59	574.43	0.010%
641,627,278	414,330,298	1,055,957,576	0.80	800.05	0.008%
803,859,346	329,039,245	1,132,898,591	0.88	N/A	N/A

* Capitalized assets net of accumulated depreciation

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

Debt Service Coverage (Unaudited)
Last Ten Fiscal Years

<i>Fiscal Year</i>	<i>Gross Revenues ⁽¹⁾</i>	<i>Operating Expenses ⁽²⁾</i>	<i>Net Revenues Available for Debt Service</i>
2012	\$ 78,807,125	\$ 34,976,920	\$ 43,830,205
2013	80,577,542	35,570,682	45,006,860
2014	92,335,532	37,966,345	54,369,187
2015	95,190,225	37,172,458	58,017,767
2016	99,325,853	38,113,504	61,212,349
2017	100,268,906	38,147,583	62,121,323
2018	99,390,249	39,499,629	59,890,620
2019	101,001,824	40,945,041	60,056,783
2020	104,932,883	40,099,549	64,833,334
2021	104,916,487	40,421,568	64,494,919

(Continued)

(1) Total revenues including interest income

(2) Total operating expenses exclusive of depreciation and amortization

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

Debt Service Requirement				
Principal ⁽³⁾	Interest	Total	Coverage	
\$ 20,350,893	\$ 10,961,097	\$ 31,311,990	1.40	
21,927,959	11,964,723	33,892,682	1.33	
23,335,695	16,647,953	39,983,648	1.36	
23,028,273	17,188,998	40,217,271	1.44	
25,284,371	17,734,236	43,018,607	1.42	
25,783,150	17,899,683	43,682,833	1.42	
27,529,555	17,994,682	45,524,237	1.32	
28,801,972	17,774,191	46,576,163	1.29	
28,848,394	15,834,531	44,682,925	1.45	
29,902,698	13,479,756	43,382,454	1.49	

(3) Principal payment does not include economic defeasance payment

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

<i>Fiscal Year</i>	<i>Population</i> ⁽¹⁾	<i>Personal Income (Millions)</i> ⁽¹⁾	<i>Per Capita Income</i> ⁽¹⁾	<i>Labor Force</i> ⁽²⁾	<i>School Enrollment</i> ⁽³⁾	<i>Unemployment Rate</i> ⁽⁴⁾
2012	1,050,304	\$ 48,584	\$ 46,257	557,986	142,481	10.5%
2013	1,051,511	49,409	46,989	556,409	142,008	9.3%
2014	1,055,173	51,532	48,838	556,644	141,959	7.8%
2015	1,056,000	52,905	50,080	555,163	142,014	6.0%
2016	1,056,268	53,390	51,424	553,809	142,142	5.3%
2017	1,056,426	54,077	50,427	553,330	142,949	4.4%
2018	1,057,315	57,648	54,523	555,515	143,436	4.0%
2019	1,059,361	60,138	56,542	552,132	143,557	3.6%
2020	1,057,524	67,813	64,124	518,556	139,184	8.1%
2021	N/A	N/A	N/A	539,623	N/A	5.8%

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

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

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

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

N/A - Information is not yet published

*Principal Employers (Unaudited)
2020 and 2011*

<i>Company</i>	<i>2020 ⁽¹⁾</i>			<i>2011 ⁽¹⁾</i>		
	<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total State Employment</i>	<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total State Employment</i>
Lifespan	13,001	1	2.34%	12,378	1	2.18%
CVS Corp	8,600	2	1.55%	6,200	3	1.09%
Care New England	7,549	3	1.36%	7,045	2	1.24%
Citizens Bank	4,976	4	0.90%	5,350	4	0.94%
Brown University	4,310	5	0.78%	4,200	5	0.74%
General Dynamic Electric Boat	4,000	6	0.72%			
Navel Undersea Warfare Center	3,481	7	0.63%	2,745	10	0.48%
Fidelity Investments	3,100	8	0.56%	2,900	9	0.51%
Diocese of Providence	3,000	9	0.54%	3,600	6	0.63%
CharterCare Health Partners	2,794	10	0.50%	3,164	8	0.56%
Bank of America				3,500	7	0.62%
	54,811		9.88%	51,082		8.99%

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

Operating Indicators by Division (Unaudited)
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of employees	269	261	250	250	252	260	257	245	254	248
Field's Point Plant (Largest WWTF in RI)										
Daily average treatment in gallons (mgd)	39.93	41.99	53.19	44.18	41.16	38.33	40.55	42.50	43.06	45.66
Total wet weather capacity of treatment (mgd)	200	200	200	200	200	200	200	200	200	200
Number of pump stations	5	5	5	5	5	5	5	5	5	5
Number of active combined sewer overflows (CSOs)	35	35	35	35	35	35	35	37	38	38
Miles of interceptor	80	80	80	80	80	80	80	80	80	80
Number of tide gates	31	32	32	32	32	32	32	32	32	32
Bucklin Point Plant (Second largest WWTF in RI)										
Daily average treatment in gallons (mgd)	18.07	20.18	23.89	20.45	17.30	16.98	19.20	21.73	19.82	20.36
Maximum daily capacity of treatment (mgd)	116	116	116	116	116	116	116	116	116	116
Number of pump stations	3	3	3	3	3	3	3	3	3	3
Number of active combined sewer overflows (CSOs)	26	26	26	26	26	26	26	26	26	26
Miles of interceptor	30	30	30	30	30	30	30	30	30	30

mgd = million gallons per day

Source: Management of NBC

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

Cost Centers	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Administration	7	6	8	8	8	8	8	8	8	8
Human Resources	6	6	4	4	4	4	4	4	4	4
Information Technology	13	12	12	12	12	12	12	12	12	11
Legal	7	7	6	5	5	5	5	5	5	5
Construction	10	9	10	10	11	11	13	13	13	12
Engineering	10	10	7	6	-	-	-	-	-	-
Finance	10	8	7	6	5	5	5	5	5	5
Accounting	10	10	10	10	10	10	10	10	10	10
Customer Service	28	27	25	25	25	25	24	24	24	24
Purchasing	4	2	3	3	4	4	4	4	4	4
Interceptor Maintenance	23	19	20	18	20	20	20	20	20	21
Operations & Maintenance	7	7	6	7	9	9	9	9	8	9
Field's Point WWTF	54	54	54	54	59	59	59	57	57	58
Bucklin Point WWTF	47	47	47	45	45	43	35	34	33	33
Technical Analysis & Compliance	10	10	4	4	5	5	5	5	5	5
Pretreatment	14	14	14	14	14	14	14	14	14	14
Laboratory	19	18	17	17	17	17	17	16	16	16
Environmental Safety & Technical Assistance	-	-	4	4	4	4	4	4	4	4
Environmental Monitoring	15	15	17	17	17	17	17	17	17	17
Total Employee Positions	294	281	275	269	274	272	265	261	259	260
Less Turnover	9	9	6	2	4	4	3	2	3	2
Net Positions Budgeted	285	272	269	267	270	268	262	259	256	258

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CERTIFIED PUBLIC ACCOUNTANTS

126 President Avenue

Fall River, MA 02720

TEL. (508) 675-7889

FAX (508) 675-7859

www.hague-sahady.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, and have issued our report thereon dated August 31, 2021.

Internal Control over Financial Reporting

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

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


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

Compliance and Other Matters

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

Purpose of this Report

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



Fall River, Massachusetts
August 31, 2021

NARRAGANSETT BAY COMMISSION
Supplementary Information
Schedule of Long-Distance Travel
For the Year Ended June 30, 2021

Traveler	Cost Center	Travel Dates		Destination	Advance	Total Amount
		From	To			
Jamie Samons	22	7/15/21	7/17/21	Fort Worth, TX	\$	1,247

Grand Total \$ 1,247

See Independent Auditor's Report