Narragansett Bay Commission
Rhode Island

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

Narragansett Bay Commission
Rhode Island

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

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

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Narragansett Bay Commission's Mission Statement

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

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NARRAGANSETT BAY COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended 2017

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NARRAGANSETT BAY COMMISSION
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Comprehensive Annual Financial Report

Introductory Section

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The Narragansett Bay Commission
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Providence, Rhode Island 02905

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http://www.narrabay.com

Vincent J. Mesolella
Chairman

Raymond J. Marshall, P.E.
Executive Director

September 17, 2017

TO THE CHAIRMAN AND THE COMMISSIONERS OF NARRAGANSETT BAY COMMISSION:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Narragansett Bay Commission (NBC) for the fiscal year ended June 30, 2017. The purpose of the report is to provide a broad financial picture of the NBC to the Board of Commissioners (Board), NBC's customers, the public, and other interested parties.

State law requires that related organizations of the State of Rhode Island publish a complete set of audited financial statements within three months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

This CAFR was prepared by NBC staff, 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. The cost of internal controls should not exceed anticipated benefits. The objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Hague, Sahady & Co., P.C., NBC's Independent Auditor, has issued an unqualified ("clean") opinion on the NBC's financial statements for the fiscal year ended June 30, 2017. The Independent Auditor's report is located in the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and 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 NARRAGANSETT BAY COMMISSION

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

PROFILE OF NARRAGANSETT BAY COMMISSION (Continued)

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

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

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

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

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

A line item budget is maintained for each section in each of NBC's five Divisions. Finance staff reviews the budget versus actual status on a monthly basis. Budget transfers must be approved by the appropriate Division Director prior to approval by the Director of Administration and Finance. The Executive Director notifies the NBC's Finance Committee of these adjustments on a monthly basis. In addition, the Finance Committee reviews and approves the monthly financial statements and the budget versus actual expense prior to presentation at the regularly scheduled Board Meetings. The Finance Committee must also approve all changes to budgeted operating capital in excess of $50,000.

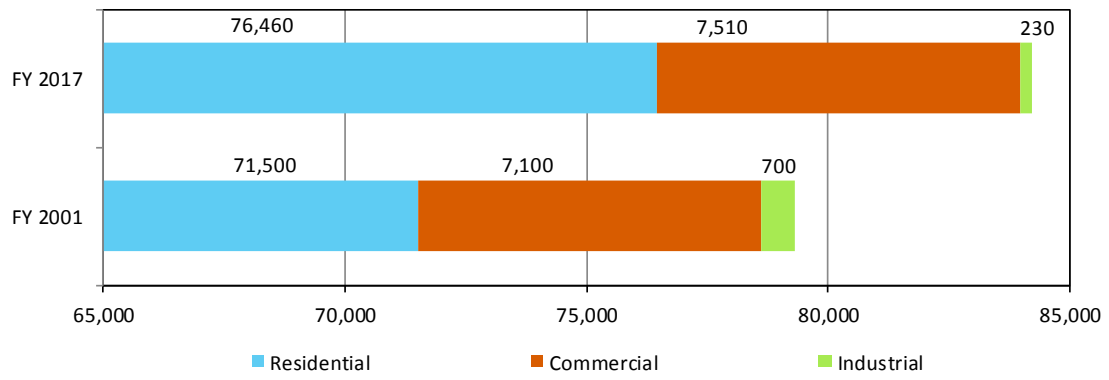
NBC provides reliable, cost-effective wastewater collection and treatment services to over 360,000 residents and approximately 7,740 businesses in the metropolitan Providence, and Blackstone Valley areas. These communities include: Providence, North Providence, Johnston, Pawtucket, Central Falls, Cumberland, Lincoln, the northern portion of East Providence and small sections of Cranston and Smithfield.

NBC's customer base consists of residential and non-residential customer classes, which include commercial and industrial users. Of the eight major communities, Providence, Pawtucket and North Providence represent more than 70% of the accounts. The residential customer class has approximately 76,460 accounts, while the non-residential class has approximately 7,740 accounts.

PROFILE OF NARRAGANSETT BAY COMMISSION (Continued)

Over the last sixteen years, there has been a 6.2% increase in the number of customer accounts. This is the net effect of a 67.1% decrease in the number of industrial accounts from 700 to 230 which has been offset by a 6.9% increase in the number of residential accounts and a 5.8% increase in the number of commercial accounts.

Number of Accounts by Customer Class



LOCAL ECONOMY

According to the Rhode Island Department of Economic Development, the economic base of Rhode Island has shifted from manufacturing to service industries over the last decade. It should also be mentioned 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 the Bureau of Labor Statistics data, the Rhode Island unemployment rate has decreased in each of the last seven years from a peak rate of 11.7% in 2010 to 4.8% in 2017. With the exception of 2011, the median household income in Rhode Island has been higher than the national median household income.

LONG-TERM FINANCIAL PLANNING

NBC uses a long-term financial model to assess the impacts of current and future operating and capital requirements. The model is also a useful tool for the development and support of financing strategies that will provide stability, continuity, and minimize ratepayer impact. NBC also uses the model to project debt issuance needs.

NBC incorporates the five-year CIP into the model and annually updates the CIP and prioritizes projects based upon strategic importance. In addition, NBC identifies capital improvements that will impact the operating budget either through increased revenue, increased expense, or savings.

NBC also prepares an operating capital plan as part of the annual operating budget. The five-year plan reflects future operating capital needs identified primarily through NBC's asset management plan.

MAJOR INITIATIVES

NBC continues its investment in capital projects to meet current and future regulatory requirements, ensure the integrity of NBC's infrastructure, as well as to achieve NBC's energy efficiency and sustainability goals. NBC's CIP identifies 40 projects totaling approximately $156.1 million, either in progress, to be initiated, or to be completed during fiscal years 2019 through 2023. Over the last decade, the majority of the NBC's capital expenditures related to the Combined Sewer Overflow (CSO) Abatement Facilities. NBC is now in the third and final phase (Phase III) of this federally mandated program. Phase III was subdivided into phases A, B, C and D at a total pre-design estimate of $795.2 million in 2018 dollars. The capital expenditures related to construction of Phase III A are projected to begin in FY 2022.

An exciting major initiative is NBC's investment in renewable energy. In addition to the environmental benefits, these renewable resources will generate both savings in electricity expense and revenue from the sale of Renewable Energy Credits (RECs). In FY 2017, NBC acquired three additional 1.5 megawatt wind turbines at an off-site location and the electricity is net-metered. NBC has two additional renewable energy initiatives programmed for implementation in FY 2018. These include the installation of a biogas cogeneration system at the Bucklin Point Wastewater Treatment Facility and a Solar Power Purchase Agreement. NBC projects 45% of the FY 2018 electricity needs will be from renewable sources.

IMPACT OF CIP ON DEBT SERVICE

NBC does not plan on any new borrowings from the Rhode Island Infrastructure Bank (RIIB) until fiscal year 2020. In the meantime, NBC plans to finance the CIP with unspent State Revolving Fund (SRF) loan proceeds from the RIIB and NBC's Restricted Account.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Finance Reporting to NBC for its CAFR for the fiscal year ended June 30, 2016. This was the fifteenth consecutive year that NBC has received this prestigious award. In order to be awarded a Certificate of Achievement, NBC issued an easily readable and efficiently organized CAFR which satisfied both generally accepted accounting principles and applicable legal requirements.

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

AWARDS AND ACKNOWLEDGEMENTS (Continued)

In addition, the NBC received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2016. The GFOA also awarded NBC Special Performance Measures Recognition and Special Capital Recognition. In order to qualify for the Distinguished Budget Presentation Award, the budget document must meet program criteria as a policy document, a financial plan, an operations guide, and a communications device. This was the fifteenth consecutive year that the NBC has received this prestigious award.

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

Respectfully Submitted,

Raymond Marshall, PE
Executive Director

Karen L. Giebink
Director of Administration and Finance

Leah E. Foster, CPA
Accounting Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Narragansett Bay Commission

Rhode Island

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

NARRAGANSETT BAY COMMISSION
BOARD OF COMMISSIONERS

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

James S. Bennett
Dr. Richard Burroughs
Dr. Bruce Campbell
Mario Carlino
Michelle R. DeRoche
Michael DiChiro, Esq.
Jonathan K. Farnum
Seth H. Handy, Esq.
Joseph Kimball
Paul Lemont, Esq.
Ronald Leone
John MacQueen
Joan P. Milas
Alessandro Montanari
Alan Nathan
Richard D. Worrell

Narragansett Bay Commission Organization Chart

BOARD OF COMMISSIONERS
19 Members

CITIZENS ADVISORY COMMITTEE
15 Members

Executive Director/ Secretary of the Board

EXECUTIVE AFFAIRS
13 Positions

Director
Executive Affairs

Executive
8 Positions

Legal
5 Positions

CONSTRUCTION & ENGINEERING
16 Positions

Director
Construction & Engineering

Construction Services
10 Positions

Engineering
6 Positions

ADMINISTRATION & FINANCE
60 Positions

Director
Administration & Finance

Human Resources
4 Positions

Finance
6 Positions

Accounting
10 Positions

Information Technology
12 positions

Customer Service
25 Positions

Purchasing
3 Positions

General Administration
0 Positions

OPERATIONS & MAINTENANCE
124 Positions

Director
Operations & Maintenance

Interceptor Maintenance
18 Positions

Operations & Maintenance Services
7 Positions

Field's Point
54 Positions

Bucklin Point
45 Positions

ENVIRONMENTAL SCIENCE & COMPLIANCE
56 Positions

Director
Environmental Science & Compliance

Water Quality & Compliance
4 Positions

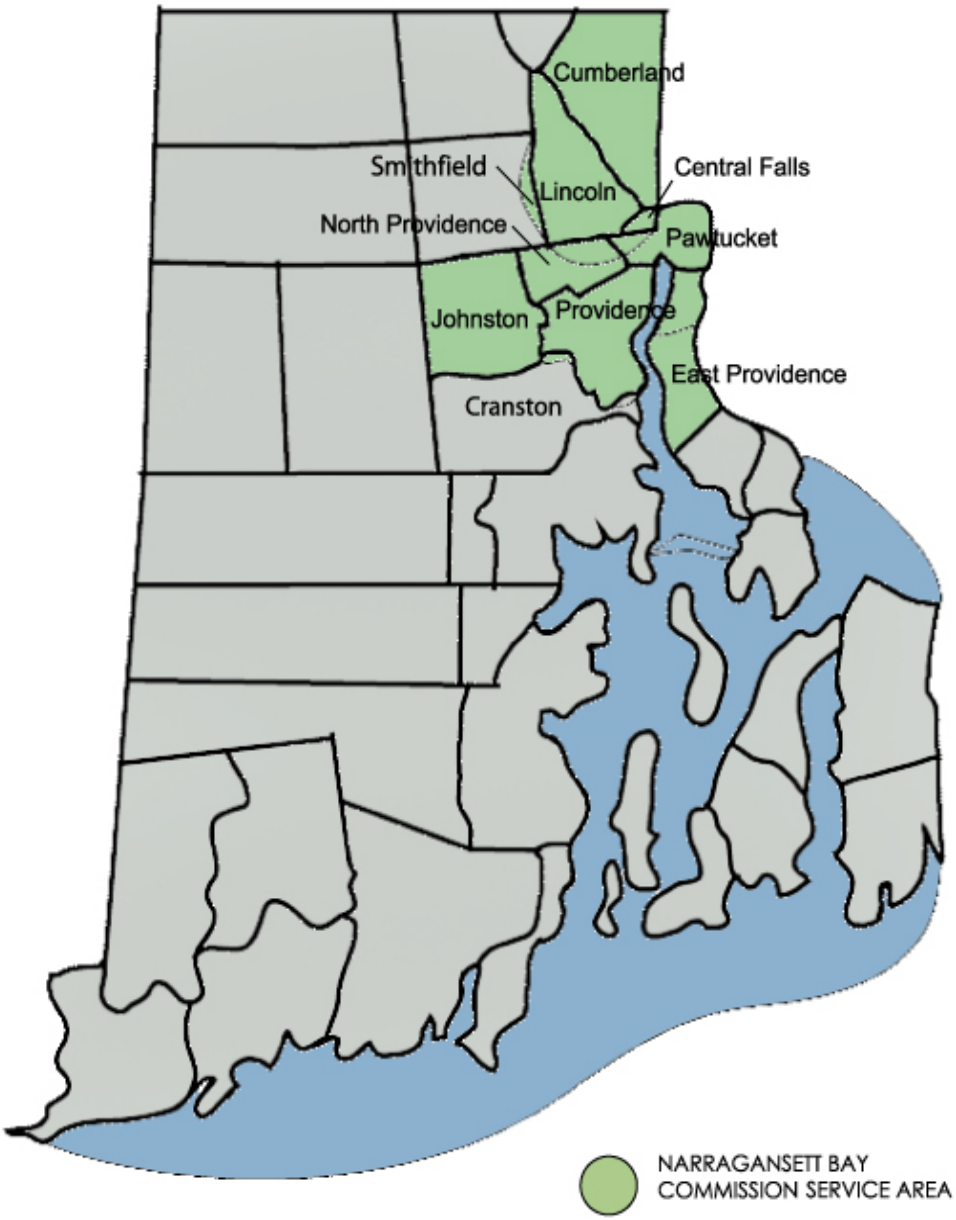
Pretreatment
14 Positions

Laboratory
17 Positions

Environmental Safety & Technical Assistance
4 Positions

Environmental Monitoring & Data Analysis
17 Positions

Narragansett Bay Commission
Service Area



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Comprehensive Annual Financial Report

Financial Section

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HAGUE, SAHADY & CO., P.C.

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FAX (508) 675-7859
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2017, 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 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. 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, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Position Liability and Related Ratios, Schedule of Employer Contributions for the Non-Union Defined Benefit Pension Plan, Schedule of Investment Returns, Schedule of Proportionate Share of the Net Pension Liability Employees Retirement System RI, and Schedule of Contributions – Employer Retirement System RI be on pages 13-20 and 51-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2017, on our consideration of NBC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NBC's internal control over financial reporting and compliance.

Hague, Sahady & Co. PC

Fall River, Massachusetts
September 17, 2017

NARRAGANSETT BAY COMMISSION

Management's Discussion and Analysis

NBC's discussion and analysis of financial performance provides an overview of NBC's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the transmittal letter beginning on page 1 and NBC's basic financial statements, which begin on page 21**.**

FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents the financial position of NBC on the accrual basis of accounting, with the exception of fine assessments and monitoring fees that are recorded on a cash basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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 successfully 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. The Notes to Financial Statements can be found on pages 26-50 of this report.

FINANCIAL HIGHLIGHTS

From a financial perspective, FY 2017 was a strong year for NBC. The following are the key financial highlights:

- NBC's FY 2017 change in net position was $28,518,619. NBC ended FY 2017 with a net position of $481,302,895 of which $22,332,364 is unrestricted.

NARRAGANSETT BAY COMMISSION

Management's Discussion and Analysis (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- NBC finished FY 2017 under budget by $5,952,073. The majority of the favorable variance is from personnel services, interest expense and operating capital expense categories.
- Total revenues increased from $99,325,853 in FY 2016 to $100,268,906 in FY 2017, which is a $943,053 increase. FY 2017 was the second consecutive year user fee revenue exceeded the PUC approved revenue.
- Total expenses increased from $70,762,990 in FY 2016 to $71,750,287 in FY 2017, which is a $987,297 increase.
- Debt Service Coverage calculated as gross revenue, less operating expenses exclusive of depreciation and amortization, divided by total debt service was 1.42% for FY 2017, exceeding the 1.25% debt service coverage level recommended by credit rating agencies.
- During FY 2017, NBC realized a saving of $232,157 from RIIB refundings. NBC will recognize a total savings of $4,369,069 over the life of the loans as a result of the refundings. The reduction in the future debt service interest payments has been reflected in the maturities in future years on page 34 of the notes to financial statements.
- NBC owns and operates three 1.5 MW wind turbines at the Field's Point Wastewater Treatment Facility. During FY 2017, NBC purchased three off-site 1.5 MW turbines from Wind Energy Development (WED). The FY 2017 performance of the WED turbines exceeded projections, generating additional electricity net metering credits of $234,000. The Field's Point turbines also generated 349 thousand kWh more than was budgeted, further reducing electricity expense. Although the wind turbines produced higher than budgeted kWh, the REC revenue came in under budget by $256,326 due to a lower rate per REC.

FINANCIAL ANALYSIS

NET POSITION

Net position over time may serve as a useful indicator of a government's financial position. In the case of NBC, assets plus deferred outflows of resources exceeded the liabilities plus deferred inflows of resources by $481,302,895 as of June 30, 2017.

The condensed statement on the following page reflects a decrease in current assets of $11,087,993 from FY 2016 to FY 2017. This decrease reflects NBC's investment in the CIP during FY 2017, which reduced SRF proceeds due from the RIIB.

NARRAGANSETT BAY COMMISSION

Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS (Continued)

Condensed Statement of Net Position

	FY 2017	FY 2016
Assets		
Current assets	$ 74,133,523	$ 85,221,516
Restricted assets	71,732,472	84,499,826
Capital assets (net)	988,408,760	965,857,945
Total assets	1,134,274,755	1,135,579,287
Deferred Outflows of Resources		
Deferred outflows of resources	5,070,165	5,286,140
Total deferred outflows	5,070,165	5,286,140
Liabilities		
Current liabilities	40,724,762	41,197,438
Noncurrent liabilities	616,726,765	645,853,498
Total liabilities	657,451,527	687,050,936
Deferred Inflows of Resources		
Deferred inflows of resources	590,498	1,030,215
Total deferred inflows	590,498	1,030,215
Net Position		
Net investment in capital assets	450,872,338	443,394,173
Restricted	8,098,193	8,094,178
Unrestricted	22,332,364	1,295,925
Total net position	$ 481,302,895	$ 452,784,276

In FY 2017, NBC shows restricted assets of $71,732,472, which consist of the following:

- $96,095 is restricted cash for future environmental enforcement activities in accordance with Rhode Island General Law Section 46-25-38.1.
- $3,499,229 is restricted cash in the debt service reserve fund.
- $4,502,869 is restricted cash in the operating reserve for revenue stability fund.
- $43,993,877 in restricted cash held the debt service fund for debt service and debt service coverage in accordance with the directives of the Rhode Island Public Utilities Commission (PUC) as well as the Trust Indenture.
- $19,640,402 in restricted cash for future acquisition and construction of capital assets.

NARRAGANSETT BAY COMMISSION

Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS (Continued)

The condensed statement also shows a significant increase in capital assets (net) of $22,550,815 from FY 2016 to FY 2017. This increase reflects the substantial progress that NBC made in FY 2017 on the initiatives identified in the CIP.

In FY 2017, the total deferred outflows of resources decreased by $215,975 from FY 2016 to FY 2017. The decrease is a result of GASB 68 entries relating to pensions.

In FY 2017, the current liabilities net decreased by $472,676. This is the result of an increase in the current portion of loans payable and a decrease in the contracts payable. The non-current liabilities decreased by $29,126,733 which was due to principal debt service payments relating to the loan payable.

In FY 2017, the total deferred inflows of resources decreased $439,717. The decrease was a result of the GASB 68 entries relating to pensions.

In FY 2017, the total net position increased by $28,518,619 to $481,302,895, which demonstrates that the financial position of NBC is improving. The largest portion of NBC's net position, 94%, reflects net investment in capital assets. NBC uses these capital assets to provide wastewater treatment and collection services to its customers. Starting in FY 2017, NBC included $43,993,877 in restricted cash held in the debt service fund for debt service and debt service coverage and $19,640,402 held in the restricted cash account for future acquisition and construction of capital assets in the net investment in capital asset calculation. Both of these restricted cash accounts clearly relate to capital asset activity.

Prior to FY 2017, the restricted net position included only the environmental enforcement fund. Starting in FY 2017, it was determined that both the debt service reserve fund of $3,499,299 and the operating reserve for revenue stability fund of $4,502,869 are restricted and need to be included in the restricted net position component.

The net position components in both the Condensed Statement of Net Position for FY 2016 and the net position by component schedule in the statistical section (page 68) were restated to reflect these reclassifications for comparison purposes.

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

NARRAGANSETT BAY COMMISSION

Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	FY 2017	FY 2016
Operating Revenues		
User fees	$ 96,610,156	$ 96,078,624
Pretreatment	1,090,541	1,088,763
Septage income	328,590	358,719
Late charge penalties	874,396	932,178
Other operating revenues	752,348	546,710
Non-operating Revenues	612,875	320,859
Total revenues	100,268,906	99,325,853
Operating Expenses		
Personnel services	22,720,366	22,903,792
General and administration	1,021,372	994,663
Operations and maintenance	7,219,511	7,581,535
Depreciation	15,593,700	14,091,320
Contractual services	5,970,551	5,748,754
Miscellaneous	1,215,783	884,760
Non-operating Expenses	18,009,004	18,558,166
Total expenses	71,750,287	70,762,990
Net income (loss) before capital contributions	28,518,619	28,562,863
Capital Contributions	-	512,070
Change in net position	28,518,619	29,074,933
Total Net Position - beginning of year	452,784,276	423,709,343
Total Net Position - end of year	$ 481,302,895	$ 452,784,276

REVENUES

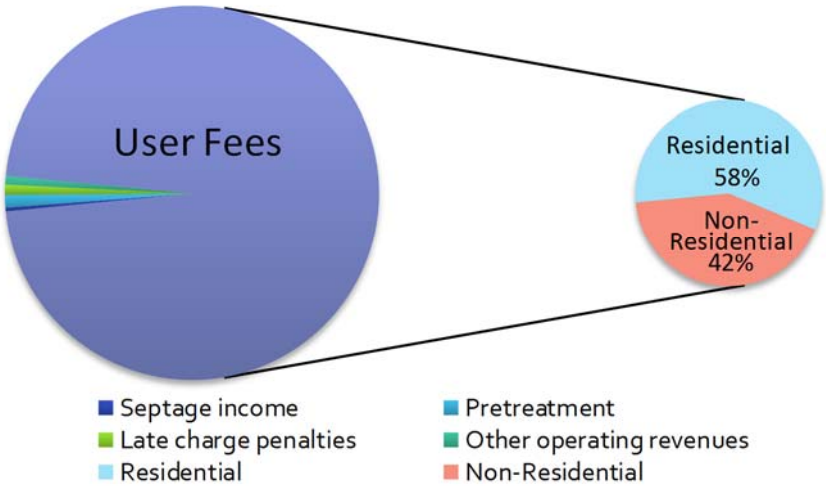
User fees are NBC's primary source of revenue, representing approximately 96% of total operating revenues. FY 2017 user fee revenue was $96,610,156 which is $531,532 more than the prior year. NBC did not have a user fee rate increase in FY 2017 and the increase in user fees is primarily the result of an increase in consumption. In FY 2017, the non-user fee operating revenue increased by $119,505 primarily as the result of the increase in other operating revenues relating to the sale of RECs generated by NBC's wind turbines.

NARRAGANSETT BAY COMMISSION

Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS (Continued)

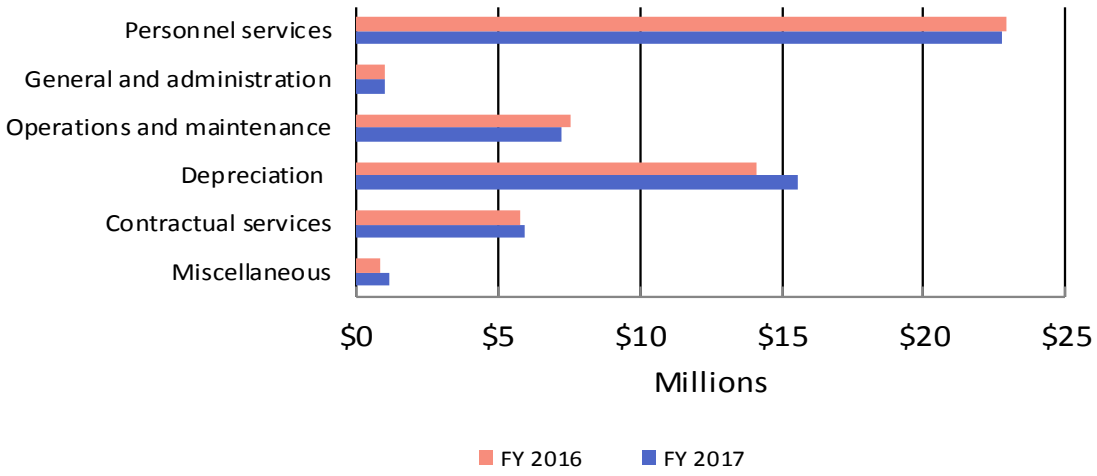
Operating Revenues for FY 2017



EXPENSES

Total expenses in FY 2017 increased $987,297 over the prior year. Operating expenses were $1,536,459 higher in FY 2017 than the prior year. The increase in operating expenses was driven by a number of factors. Most notably, depreciation expense increased by $1,502,380 as NBC completed a number of major capital projects. These projects were reclassified from construction in progress to completed projects and NBC began to depreciate them.

Operating Expenses for FY 2017 and FY 2016



NARRAGANSETT BAY COMMISSION

Management's Discussion and Analysis (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

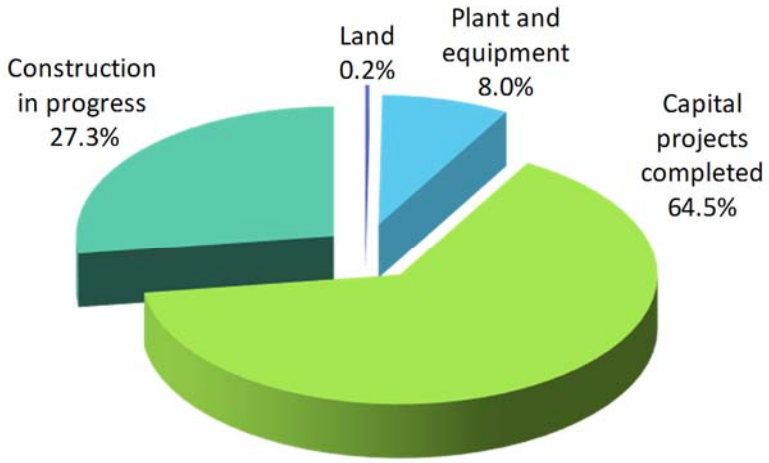
CAPITAL ASSETS

At the end of FY 2017, the NBC had $988.4 million invested in net capital assets. This amount represents an increase of more than $22.6 million, or 2.3% over last year. The following table summarizes the NBC's capital assets as of June 30, 2017 and 2016.

Capital Assets

	FY 2017	FY 2016
Capital Assets		
Land	$ 2,754,407	$ 2,754,407
Plant and equipment	95,956,693	92,302,086
Capital projects completed	770,804,899	745,411,257
Construction in progress	325,199,530	316,367,916
	1,194,715,529	1,156,835,666
Less accumulated depreciation	(206,306,769)	(190,977,721)
Net Capital Assets	$ 988,408,760	$ 965,857,945

Capital Assets
June 30, 2017



NARRAGANSETT BAY COMMISSION

Management's Discussion and Analysis (Continued)

LONG-TERM DEBT

Although NBC participated in a RIIB refunding, NBC did not issue any new debt in FY 2017. NBC continues to benefit from historic low short-term interest rates and realized interest savings of more than $1.3 million on the Variable Rate Demand Bonds (VRDBs). Additionally, NBC replaced its Letter of Credit (LOC) at a favorable rate for a five-year term. This will save NBC ratepayers over the term of the contract and will ensure continuity. During FY 2017, NBC received affirmation of the AA-/Stable Long-Term unenhanced credit rated from Standard and Poor's and the AAA/A-1+ Long-Term rating.

For additional information related to capital assets or long-term debt, see the Notes to Financial Statements. The Notes to the Financial Statements can be found on pages 26-50 of this report.

ECONOMIC FACTORS

Both NBC's Board and the PUC must authorize all adjustments to sewer user rates.

CONTACTING NBC'S FINANCIAL MANAGEMENT

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, and to demonstrate NBC's accountability for the financial resources that it manages. If there are any questions concerning this report or a need for additional financial information please contact the Narragansett Bay Commission Director of Administration and Finance at One Service Road, Providence, RI 02905.

NARRAGANSETT BAY COMMISSION

Statement of Net Position

June 30, 2017

Assets	
Current assets	
Cash and cash equivalents	$ 16,810,732
Accounts receivable	
Sewer use (net of allowance)	8,962,219
Sewer use unbilled	4,596,135
Receivables, other	265,062
Due from RIIB	42,258,211
Prepaid expenses	1,241,164
Total current assets	74,133,523
Non-current assets	
Restricted assets	
Cash and cash equivalents, environmental enforcement	96,095
Cash and cash equivalents, operating reserve for revenue stability fund	4,502,869
Cash and cash equivalents, restricted for debt service	43,993,877
Cash and cash equivalents, restricted for debt service reserve fund	3,499,229
Cash and cash equivalents, restricted for acquisition and construction of plant assets	19,640,402
Total restricted assets	71,732,472
Capital assets	
Land	2,754,407
Plant and equipment	95,956,693
Capital projects completed	770,804,899
Construction in progress	325,199,530
Subtotal	1,194,715,529
Less: accumulated depreciation	206,306,769
Total net capital assets	988,408,760
Total non-current assets	1,060,141,232
Total assets	1,134,274,755
Deferred outflows of resources	
Loss on refunding of debt	1,992,756
ERSRI Pension - net deferred outflows of resources	2,154,254
Non-union Pension - difference between projected and actual earnings	88,876
Non-union Pension - changes of assumptions	834,279
Total deferred outflows of resources	$ 5,070,165

(Continued)

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

NARRAGANSETT BAY COMMISSION

Statement of Net Position (Continued)

June 30, 2017

Liabilities	
Current liabilities	
Accounts payable	$ 2,706,366
Contracts payable	3,700,957
Accrued interest payable	6,034,897
Accrued expenses	580,610
Current portion of the other accrued expenses	172,377
Current portion of loans payable	27,529,555
Total current liabilities	40,724,762
Non-current liabilities	
Long-term other accrued expenses, net	2,779,796
Long-term net pension liability - ERSRI Pension	18,292,407
Long-term net pension liability - Non-Union Pension	1,273,972
Long-term loans payable, net	331,776,406
Long-term debt	262,604,184
Total non-current liabilities	616,726,765
Total liabilities	657,451,527
Deferred inflows of resources	
Unearned revenue billed in advance	263,208
Gain on refunding of debt	170,164
Non-union Pension - difference between projected and actual earnings	157,126
Total deferred inflows of resources	590,498
Net position	
Net investment in capital assets	450,872,338
Restricted	8,098,193
Unrestricted	22,332,364
Total net position	$ 481,302,895

Notes to the finanacial 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, 2017

Operating revenues	
User fees, residential	$ 55,885,288
User fees, commercial and industrial	40,724,868
Permit and connection fees	145,713
Pretreatment fees	1,090,541
Environmental enforcement	18,500
Septage income	328,590
Late charge penalties	874,396
REC revenue	581,007
Miscellaneous revenue	7,128
Total operating revenues	99,656,031
Operating expenses	
Personnel services	22,720,366
General and administration	1,021,372
Operations and maintenance	7,219,511
Depreciation	15,593,700
Contractual services	5,970,551
Miscellaneous	1,215,783
Total operating expenses	53,741,283
Operating income	45,914,748
Non-operating revenues (expenses)	
Interest expense	(17,899,683)
Interest income	360,367
Bond and note fees	(109,321)
Miscellaneous income	252,508
Total non-operating revenues (expenses)	(17,396,129)
Change in net position	28,518,619
Total net position, beginning of year	452,784,276
Total net position, end of year	$ 481,302,895

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

NARRAGANSETT BAY COMMISSION

Statement of Cash Flow

For the Year Ended June 30, 2017

Cash flows from operating activities	
Cash received from customers	$ 100,463,605
Cash paid to supplies for goods and services	(26,552,886)
Cash paid to employees for services	(15,427,217)
Other non-operating revenues	252,508
Net cash provided by operating activities	58,736,010
Cash flows from capital related financing activities	
Acquisitions and construction of capital assets	(28,290,906)
Principal paid on capital debt	(25,799,829)
Interest paid on capital debt	(17,819,975)
Bonds and note fees	(109,321)
Net cash used from capital related financing activities	(72,020,031)
Cash flows from investing activities	
Interest income	360,367
Net cash provided by investing activities	360,367
Net decrease in cash and cash equivalents	(12,923,654)
Cash and cash equivalents, beginning of year	101,466,858
Cash and cash equivalents, end of year	$ 88,543,204

(Continued)

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

NARRAGANSETT BAY COMMISSION

Statement of Cash Flow (Continued)

For the Year Ended June 30, 2017

Reconciliation of operating income to net cash provided by operating activities		
Operating income	$	45,914,748
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		15,593,700
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Decrease in accounts receivable sewer use		968,641
Increase in unbilled revenue		(70,209)
Increase in other receivables		(85,256)
Decrease in prepaid expenses		264,908
Increase in pension deferred outflows of resources		(1,286,021)
Increase in pension deferred inflows of resources		974,875
Decrease in net pension liability		(1,385,753)
Decrease in accounts and contracts payable		(1,727,043)
Decrease in accrued expenses		(673,486)
Decrease in unearned revenue billed in advance		(5,602)
Non-operating revenue reported as operating revenue received		252,508
Total adjustments		12,821,262
Net cash provided by operating activities	$	58,736,010

Non-cash capital and related financing activities

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

Decrease in amount due from RIIB	$	9,853,609
Acquisition of capital assets		9,853,609
Decrease in loan proceeds		25,783,150

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements
June 30, 2017

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

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounting standards that the NBC is currently reviewing for applicability and potential impact on the financial statements - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and No. 57*, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. GASB 75 will be effective for the NBC beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing the measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This new GASB will require NBC to restate beginning net position.

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

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

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

The allowance for doubtful accounts for June 30, 2017 was $190,807.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	Years
Plant and equipment	3-50
Capital projects completed	5-100

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

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

The total bond premiums as of June 30, 2017 were $19,784,184.

The total bond and loan fees for the year ending June 30, 2017 were $109,321.

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

The ERSRI plan has a measurement date of June 30, 2016 while the NBC’s non-union pension plan has a measurement date of June 30, 2017.

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

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

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - NBC's cash deposits at June 30, 2017 were $1,238,333, with corresponding bank balances of $2,227,363. All NBC's cash equivalents are considered to be highly liquid investments (including restricted assets) with a maturity of three months or less.

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

	Bank Balance
Insured (Federal depository insurance funds)	$ 250,000
Collateralized with securities held by pledging financial institution or its agent, in NBC's name	1,977,363
Total bank balance	$ 2,227,363

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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The 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 that are unadjusted quoted price in active markets for identical assets.
Level 2 Inputs that are directly observable for an asset, as well as inputs that are not directly observable for the asset.
Level 3 Inputs that are significant unobservable inputs for an asset and should be used only if relevant Level 1 and Level 2 inputs are not available.

As of June 30, 2017, NBC had investments as follows:

Investments measured at the net asset value (NAV)	***June 30, 2017***
Goldman Sachs Financial Square Government Fund	$ 73,208,000
Ocean State Investment Pool (OSIP)	14,095,846
Total investments measured at NAV	$ 87,303,846

Ocean State Investment Pool
OSIP has met the criteria outlined in GASB Statement No.79 - *Certain External Investment Pools and Pool Participants* to permit election to report its investment at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool by policy is not to exceed 60 days. OSIP transacts with its participants at a stable NAV per share. Investments reported at the NAV are not subject to the leveling categorization as described on above. Agencies, authorities, commission, boards, municipalities, political subdivisions, and other public units of the State may invest in the OSIP. 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, 2nd floor, Warwick, RI 02886.

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	June 30, 2016	*Additions*	*Retirements*	*June 30, 2017*
Nondepreciable assets				
Land	$ 2,754,407	$ -	$ -	$ 2,754,407
Construction in progress	316,367,916	34,225,256	(25,393,642)	325,199,530
Total nondepreciable assets	319,122,323	34,225,256	(25,393,642)	327,953,937
Depreciable assets				
Plant and equipment	92,302,086	3,919,260	(264,653)	95,956,693
Capital projects completed	745,411,257	25,393,642	-	770,804,899
Total depreciable assets	837,713,343	29,312,902	(264,653)	866,761,592
Less accumulated depreciation for				
Plant and equipment	(70,816,730)	(3,662,893)	264,653	(74,214,970)
Capital projects completed	(120,160,991)	(11,930,808)	-	(132,091,799)
Less accumulated depreciation	(190,977,721)	(15,593,701)	264,653	(206,306,769)
Total capital assets, net	$ 965,857,945	$ 47,944,457	$ (25,393,642)	$ 988,408,760

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 5 - COMPENSATED ABSENCES

NBC's employees are granted vacation and sick leave in varying amounts based on years of service with NBC. At the termination of service, an employee is paid for accumulated unused vacation leave and sick leave. Sick leave payments are based on age and years of service for both union and non-union employees. NBC has determined that the dollar value of accumulated accrued vacation leave and sick leave, valued at the current rate of pay, at June 30, 2017 to be $2,952,173. The accrued vacation and sick leave is reported on the Statement of Net Position as other accrued expenses.

The changes in compensated absences for the year ended June 30, 2017 were as follows:

	June 30, 2016	*Additions*	*Payments*	*June 30, 2017*	*Amount Due Within One Year*
Compensated absences	$ 3,053,396	$ 131,977	$ 233,200	$ 2,952,173	$ 172,377

NOTE 6 - LOANS PAYABLE

NBC has eighteen loans outstanding with the Rhode Island Infrastructure Bank (RIIB) at June 30, 2017 as follows:

	June 30, 2016	*Additions*	*Payments*	*June 30, 2017*
Pooled Loan #3 - Series 1997 - The total loan authorized is $8,150,000, dated March 1, 1997, with an interest rate of 3.14473%.	$ 2,129,246	$ -	$ 503,940	$ 1,625,306
Pooled Loan #4 - Series 1999 - The total loan authorized is $23,955,000, dated February 4, 1999, with an interest rate of 3.032%.	8,840,000	-	2,520,000	6,320,000
Pooled Loan #5 - Series 2001 - The total loan authorized is $57,000,000 dated November 1, 2001, with an interest rate of 2.671%.	16,280,000	-	2,650,000	13,630,000
Pooled Loan #6 - Series 2002 - The total loan authorized is $57,000,000, dated October 24, 2002, with an interest rate of 1.0785%.	23,421,359	-	3,088,525	20,332,834
Pooled Loan #7 - Series 2003 - The total loan authorized is $40,000,000, dated November 13, 2003, with an interest rate of 1.349%.	19,849,000	-	2,029,000	17,820,000
Pooled Loan #8 - 2004 Series B - The total loan authorized is $40,000,000, dated December 30, 2004, with an interest rate of 1.404%.	25,125,000	-	2,895,000	22,230,000
Pooled Loan #9 - 2005 Series B - The total loan authorized is $30,000,000, dated December 15, 2005, with an interest rate of 1.397%.	16,402,000	-	1,499,000	14,903,000
Pooled Loan #10 - 2006 Series A - The total loan authorized is $30,000,000, dated December 21, 2006, with an interest rate of 1.27%.	17,781,000	-	1,476,000	16,305,000

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 6 - LOANS PAYABLE (CONTINUED)

	June 30, 2016	*Additions*	*Payments*	*June 30, 2017*
Pooled Loan #11 - 2007 Series B - The total loan authorized is $25,000,000, dated December 12, 2007, with an interest rate of 1.475%.	$ 18,798,000	$ -	$ 1,281,000	$ 17,517,000
Pooled Loan #12 - 2009 Series A - The total loan authorized is $55,000,000, dated October 6, 2009, with principal forgiveness of $8,302,114 with an interest rate of .877%.	43,301,678	-	1,698,106	41,603,572
Pooled Loan #12 - Takeover - 2010 Series A - The total loan authorized is $2,000,000, dated February 12, 2010, with principal forgiveness of $301,895 and an interest rate of .522%.	1,280,371	-	74,716	1,205,655
Pooled Loan #13 - 2010 Series B - The total loan authorized is $20,000,000, dated June 24, 2010, with an interest rate of 2.143%.	15,890,000	-	862,000	15,028,000
Pooled Loan #14 - 2011 Series A - The total loan authorized is $30,000,000, dated March 29, 2011, with principal forgiveness of $1,845,345 and an interest rate of 2.259%.	23,629,263	-	1,175,926	22,453,337
Pooled Loan #15 - 2012 Series A - The total loan authorized is $25,750,000, dated June 28, 2012, with principal forgiveness of $354,202 and an interest rate of 2.088%.	22,175,817	-	1,089,391	21,086,426
Pooled Loan #16 - 2013 Series B - The total loan authorized is $25,000,000, dated June 6, 2013, with principal forgiveness of $80,966 and an interest rate of 2.092%.	22,801,946	-	1,070,545	21,731,401
Pooled Loan #17 - Series 2014 A - The total loan authorized is $45,000,000, dated March 6, 2014, with an interest rate of 2.467%.	43,143,000	-	1,870,000	41,273,000
Pooled Loan #18 - Series 2015 B - The total loan authorized is $41,753,500 dated July 30, 2015 with principal forgiveness of $512,070 and an interest rate of 2.549%.	41,241,430	-	-	41,241,430
Pooled Loan #19 - Series 2016 A - The total loan authorized is $23,000,000, dated June 2, 2016, with an interest rate of 1.967%.	23,000,000	-	-	23,000,000
Total loans payable	$ 385,089,111	$ -	$ 25,783,149	$ 359,305,961
Less current portion	(25,783,150)			(27,529,555)
Net long-term loans payable	$ 359,305,961			$ 331,776,406

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 6 - LOANS PAYABLE (CONTINUED)

The RIIB pays all invoices, which have been certified by the NBC, directly to the contractors or reimburses NBC for costs incurred on the projects funded by the RIIB loans. As of June 30, 2017, loans payable of $359,305,961 are reported on the Statement of Net Position. A receivable from RIIB of $42,258,211 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2017. NBC is obligated for the total loan amount once the underlying bonds are issued on NBC's behalf by RIIB.

During FY 2017, NBC realized a savings of $232,157 from RIIB refundings. NBC will recognize a total savings of $4,369,069.63 over the life of the loans as a result of the refunding. The reduction in the future debt service interest payments has been reflected in the maturities in future years.

Maturities of loans payable as of June 30, 2017 are due in future years as follows:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2018	$ 27,529,555	$ 8,351,850	$ 35,881,405
2019	28,801,972	8,096,810	36,898,782
2020	28,848,393	7,488,229	36,336,622
2021	29,004,498	6,793,713	35,798,211
2022	28,306,899	6,139,149	34,446,048
2023-2027	101,928,754	22,755,556	124,684,310
2028-2032	70,211,995	11,475,981	81,687,976
2033-2037	27,576,395	4,484,608	32,061,003
2038-2042	10,732,000	1,880,448	12,612,448
2043-2045	6,365,500	322,738	6,688,238
	$ 359,305,961	$ 77,789,082	$ 437,095,043

NOTE 7 – CAPITAL LEASES

Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2017. As of June 30, 2017, there are no future minimum rental commitments under capital leases.

The changes in capital leases for the year ended June 30, 2017 were as follows:

	June 30, 2016	*Additions*	*Payments*	*June 30, 2017*
Capital leases	$ 109,685	$ -	$ 109,685	$ -

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8 – LONG-TERM DEBT

Long-term debt at June 30, 2017 consists of the following:

	June 30, 2016	*Additions*	*Payments*	*June 30, 2017*
Revenue Bonds (variable rate) 2008 Series A, dated July 17, 2008, maturing September 1, 2034.	$ 56,465,000	$ -	$ -	$ 56,465,000
Revenue Bonds 2013 Series A, 4.332913% average coupon rate, dated March 21, 2013, maturing September 1, 2043 (net of premium unamortized at June 30, 2015 of $4,131,888).	75,611,888	-	-	75,611,888
Revenue Bonds 2013 Series C, 4.687151% average coupon rate, dated December 12, 2013, maturing September 1, 2033 (net of premium unamortized at June 30, 2015 of $2,274,637).	37,244,637	-	-	37,244,637
Revenue Bonds 2014 Series B, 4.861248% average coupon rate, dated October 28, 2014, maturing September 1, 2035 (net of premium unamortized at June 30, 2015 of $7,381,545).	47,201,545	-	-	47,201,545
Revenue Bonds 2015 Series A, 4.942067% average coupon rate, dated May 5, 2015, maturing February 1, 2037 (net of premium unamortized at June 30, 2015 of $5,996,114).	46,081,114	-	-	46,081,114
Total long-term debt payable	$ 262,604,184	$ -	$ -	$ 262,604,184
Less current portion	-			-
Net long-term debt payable	$ 262,604,184			$ 262,604,184

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt for the year ending June 30, 2018 through 2044 are as follows:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2018	$ -	$ 10,685,975	$ 10,685,975
2019	-	10,685,975	10,685,975
2020	-	10,689,599	10,689,599
2021	560,000	10,668,350	11,228,350
2022	1,875,000	10,611,100	12,486,100
2023-2027	34,865,000	49,851,409	84,716,409
2028-2032	73,160,000	37,857,128	111,017,128
2033-2037	73,585,000	20,686,430	94,271,430
2038-2042	40,225,000	8,024,400	48,249,400
2043-2044	18,550,000	749,400	19,299,400
	$ 242,820,000	$ 170,509,766	$ 413,329,766

Principal total of $242,820,000 plus premium to be amortized as of June 30, 2017 on bonds of $19,784,184 equals total long-term debt of $262,604,184. The above bonds are subject to federal arbitrage regulations. Based on current calculations, NBC has no arbitrage liability.

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

These bonds have been issued in weekly rate mode but can be changed by NBC to a daily, commercial paper or term rate mode. The interest rate is determined weekly or daily based on the mode and interest is paid monthly. The interest rate for the bonds outstanding during fiscal year 2017 ranged from 0.44% to 0.92%. The Bonds shall be repaid from Revenues, as defined in the Indenture of the Commission pledged under the Indenture and funds drawn under an irrevocable direct pay letter of credit issued by TD Bank, N.A. Under the Letter of Credit, the Bank is obligated to pay to the Trustee, upon presentation of required documentation, the amount necessary to pay the principal and purchase price of and interest on the Bonds of up to 60 days at the maximum rate of 10% on the Bonds. The Letter of Credit provides that it will expire on July 7, 2021.

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 8 – LONG-TERM DEBT (CONTINUED)

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

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - NET POSITION

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

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

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

Chapter 46-25-38.1 of the general laws enacted by the General Assembly established a restricted environmental enforcement fund. The fund consists of sums recovered by administrative or civil enforcement action and may be used as outlined in chapter 46-25-38.1. NBC has restricted net position equal to the balance of funds in the environmental enforcement restricted cash and cash equivalents account of $96,095.

NBC funded a restricted debt service reserve fund related to the 2013 Series C Wastewater System Revenue Bonds in the amount of $3,499,229. NBC has restricted net position equal to the balance of the funds in the debt service reserve fund cash and cash equivalents account.

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 $4,502,869.

Unrestricted
This category represents the residual amount of net position not included in the other two categories.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS

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

General Information about the Pension Plan

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

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

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

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

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

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

ERSRI DEFINED BENEFIT PLAN (CONTINUED)

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

Contributions – The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For FY 2017, NBC employees, with less than 20 years of service as of July 1, 2015 were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2015 were required to contribute 11% of their annual covered salary. The NBC is required to contribute at an actuarially determined rate was 25.34% of annual covered payroll for the fiscal year ended June 30, 2017. The NBC contributed $1,509,312, $1,370,821, and $1,329,238 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

At June 30, 2017, the NBC reported a liability of $18,292,407 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, 2016, 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, 2015 rolled forward to June 30, 2016. The NBC proportion of the net pension liability was based on its share of contributions to the ERSRI for FY 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2016, the NBC proportion was 0.8619%.

The components of NBC's share of the net pension liability at June 30, 2017 were as follows:

NBC's share of pension liability	$	38,017,195
NBC's share of plan fiduciary net position		19,724,788
NBC's share of net pension liability	$	18,292,407

For the year ended June 30, 2017 the NBC recognized pension expense of $1,430,832. At June 30, 2017, the NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Changes in assumptions	$ 1,894,807	$ (90,824)
Contributions paid subsequent to measurement date	1,509,312	-
Difference between expected and actual experience	-	(484,410)
Changes in proportions and differences between employer contributions and proportionate share of contributions	150,169	(235,729)
Net difference between projected and actual investment earnings	-	(589,071)
Total deferred outflows / (inflows)	$ 3,554,288	$ (1,400,034)

The NBC's contributions of $1,509,312 paid in FY 2017 subsequent to the measurement date were reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability for the FY ended June 30, 2017. The ERSRI deferred outflows and deferred inflows of resources are reported as net deferred outflows of resources in the Statement of Net Position.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

ERSRI DEFINED BENEFIT PLAN (CONTINUED)

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

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

Year ended June 30,	*Net Deferred Outflows (Inflows) of Resources*
2018	$ 19,587
2019	19,587
2020	337,578
2021	268,190
2022	-
Thereafter	-
Total	$ 644,942

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

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

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

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

ERSRI DEFINED BENEFIT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-term expected real rate of return
Global equity	38.00%	-
U.S. equity	-	6.90%
International developed	-	7.26%
International emerging markets	-	9.57%
Equity hedge funds	8.00%	4.10%
Private equity	7.00%	10.15%
Core fixed	15.00%	2.37%
Absolute return hedge	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real estate	8.00%	5.33%
Other real return assets	11.00%	-
Master limited partnerships	-	4.97%
Credit	-	4.97%
Inflation linked bonds	-	1.76%
Cash	3.00%	0.82%
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 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

ERSRI DEFINED BENEFIT PLAN (CONTINUED)

Discount rate (Continued)

In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7.0% which will be reflected in the determination of the net pension liability (asset) for the various plans administrated by the ERSRI beginning with the June 30, 2017 measurement date valuations.

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

	1% Decrease (6.5%)	*Current Discount Rate (7.5%)*	*1% Increase (8.5%)*
NBC's Net Pension Liability	$ 22,399,784	$ 18,292,407	$ 14,929,871

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

ERSRI DEFINED CONTRIBUTION PLAN

Plan Description – Certain employees participating in the defined contribution plan (those with less than 20 years of service as of 7/1/2015), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The Employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

ERSRI DEFINED CONTRIBUTION PLAN (CONTINUED)

Plan contribution – Employees with less than 20 years of service as of July 1, 2015 contribute 5% of their annual covered salary and the employer's contribution rates of their annual covered salary for those employees are based on their years of service as of July 1, 2015:

Years of Service as of July 1, 2015	*Employer Contribution Rate*
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.

The NBC contributed and recognized a pension expense $307,284.65 for the FY 2017, 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 1 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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

NON-UNION PROFIT-SHARING PLAN

NBC's Board approved a resolution at the regular business meeting on May 15, 2002 adopting the Narragansett Bay Commission Non-union Defined Contribution Plan, which is a profit-sharing plan for its non-union employees pursuant to 401(a) of the Internal Revenue Code. The profit-sharing plan is a defined contribution, single employer pension plan. As of June 30, 2017, there were 123 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, 2017 amounted to $479,915 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2017. Employees are allowed to make voluntary contributions to the profit-sharing plan on an after-tax basis. The employees' contribution to the plan for the year ended June 30, 2017 amounted to $0. Non-union employees are eligible to participate in the profit-sharing plan if they have performed one year of service and are at least twenty-one years of age. These provisions were adopted and may be amended by the Board.

NBC funds the annual profit-sharing plan contribution biweekly based on each eligible employee's biweekly compensation. The plan is administered by a third-party administrator and Reliance Trust Company is the Plan's trustee. NBC's payroll for employees covered by the profit-sharing plan was $9,598,300 for the year ended June 30, 2017. The total payroll for the year ended June 30, 2017 amounted to $16,679,301.

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 1 and ends December 31, with the initial plan year ending December 31, 2005. The Plan assets are invested under a group annuity contract issued by MassMutual Financial Group, which also provides certain administrative services. NBC has a third party administrator, The Angell Pension Group, Inc. and Reliance Trust Company is the Plan's trustee. Various asset classes and investment manager styles are used to create a broadly diversified portfolio. The Investment Committee (IC) develops long-term asset allocation ranges, and works in conjunction with NBC's investment advisor GPS Investment Advisors, LLC, a fiduciary to the Plan, to select investments and review asset allocations and performance. Please refer to the Notes 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, 2017, there were 163 Plan participants: 49 were inactive participants, of which 31 were vested and terminated and 18 were retirees, and 114 participants were active.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Benefits Provided - All non-union employees are eligible to participate in the plan after the completion of one year of service and attaining age 21. The monthly retirement benefit is based on 1% of average monthly compensation multiplied by total years of service limited to 30 years. Participants are eligible to retire at age 65 after 5 years of service. A participant is eligible for early actuarially adjusted retirement after 20 years of service and if they have attained age 62. The Plan has cliff vesting after 7 years. There were no retirement benefit payment distributions for the first five years of the plan. The Board is authorized to establish and amend all plan provisions. Effective as of January 1, 2007 the Plan was amended such that 1,000 hours of service were added to the definitions of both "Period of Service" and "Period of Participation."

Contributions - The Plan was established, and is sponsored and administered by the Board. The Plan document provides for periodic NBC contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. The Board's funding policy during 2017 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, 2017 was $626,042.

The contributions made to the plan for the fiscal year ended June 30, 2017 were $2,353,691 which consists of employer contributions of $1,899,556 and employee contributions of $454,135.

Net Pension Liability
The components of the net pension liability at June 30, 2017, were as follows:

Total pension liability	$ 18,252,983
Plan fiduciary net position	(16,979,011)
Net pension liability	$ 1,273,972
Plan fiduciary net position as a of the total pension liability	93.02%

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Net Pension Liability (Continued)

	Total Pension Liability	*Plan Fiduciary Net Position*	*Net Pension Liability*
Balance as of July 1, 2016	$ 17,482,805	$ 13,467,193	$ 4,015,612
Changes for the year:			
Service cost	483,428	-	483,428
Interest on total pension liability	1,048,533	-	1,048,533
Differences between expected and actual experience	(265,443)	-	(265,443)
Change in assumptions	(228,207)	-	(228,207)
Contributions - employer	-	1,899,556	(1,899,556)
Contributions - employee	-	454,135	(454,135)
Net investment income	-	1,434,681	(1,434,681)
Benefit payments	(268,133)	(268,133)	-
Administrative expense	-	(8,421)	8,421
Net changes	770,178	3,511,818	(2,741,640)
Balance as of June 30, 2017	$ 18,252,983	$ 16,979,011	$ 1,273,972

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Pre-retirement mortality rates were based on RP-2014 employee blended 60% white collar and 40% blue collar tables for annuitants and non-annuitants with scale MP-2016 generational improvements from 2006 (male/female). Post-retirement mortality rates are based on the RP-2014 blended 60% white collar and 40% blue collar tables with Scale MP-2016 generational improvements from 2006 (male/female).

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ended June 30, 2017.

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.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap US Equity	30%	5.58%
Small/Mid Cap US Equity	10%	5.92%
International Equity	15%	5.93%
Intermediate to Long-Term Bonds	35%	2.09%
Short-Term Bonds	10%	0.84%
	100%	

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

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

	1% Decrease (5.00%)	*Current Discount Rate (6.00%)*	*1% Increase (7.00%)*
Net Pension Liability	$ 3,751,588	$ 1,273,972	$ (800,181)

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 11 - PENSION PLANS (CONTINUED)

NON-UNION DEFINED BENEFIT PLAN (CONTINUED)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions -
For the year ended June 30, 2017, the NBC recognized pension expense of $281,872. At June 30, 2017, the NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Changes in assumptions	$ 834,279	$ -
Differences between expected and actual experience	88,876	-
Difference between projected and actual earnings on plan investments	-	(157,126)
Total deferred outflows/(inflows)	$ 923,155	$ (157,126)

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

Year ended June 30,	**Net Deferred Outflows (Inflows) of Resources**
2018	$ 61,229
2019	184,028
2020	118,546
2021	21,495
2022	135,606
Thereafter	245,124
Total	$ 766,028

The NBC issues a publicly available financial report that includes financial statements and required supplementary information for the Non-Union Defined Pension Plan administered by the NBC. The report may be obtained by contacting the Director of Administration and Finance, Narragansett Bay Commission, 1 Service Road, Providence, RI 02905.

NOTE 12 - SALARY DEFERRAL

Under a salary reduction plan adopted by NBC, the gross pay of non-union employees of the Field's Point service area was reduced by 12.5% from March 10, 1991 through June 29, 1991; the gross pay of union employees of the Bucklin Point service area was reduced 14% from April 21, 1991 through June 29, 1991; and the gross pay of all non-union employees of the Field's Point service area was reduced 10% from June 30, 1991 through March 21, 1992. The equivalent number of pay hours was accrued as deferred vacation days. Field's Point service area employees may discharge this additional deferred leave during any payroll period following the payroll period(s) in which it was earned commencing July 1, 1991.

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 12 - SALARY DEFERRAL (CONTINUED)

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

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

Salary deferred under the salary reduction plan is included in compensated absences as of June 30, 2017 and is reported as a long-term liability within other accrued expenses.

NOTE 13 - USER BILLING

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

NBC has entered into various engineering and construction contracts for the design and improvement of its facilities as part of its capital improvement program. Commitments under these contracts aggregated approximately $25,970,911 on June 30, 2017.

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

NOTE 15 - POST-EMPLOYMENT UNION HEALTHCARE PLAN

Plan Description – For union employees, The NBC contributes to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the RI State Employees' and Electing Teachers Other Post Employment Benefit System (OPEB). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system.

The plan provides medical benefits to certain retired employees of participating employers including NBC. Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

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

NARRAGANSETT BAY COMMISSION
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 15 - POST-EMPLOYMENT UNION HEALTHCARE PLAN (CONTINUED)

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

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2017 was 5.97% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Narragansett Bay Commission's contributions to the plan for the fiscal years ended June 30, 2017, 2016, and 2015 were $355,600, $352,684, and $405,562 respectively, which represents 100% of the ARC.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 17, 2017, the date the financial statements were available to be issued.

On August 3, 2017, the State of Rhode Island budget became law. The budget mandates the transfer of $5,000,000 from NBC to the state controller by June 30, 2018.

NARRAGANSETT BAY COMMISSION

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

*Last 10 Fiscal Years**

		June 30, 2017
Total pension liability		
Service cost	$	483,428
Interest		1,048,533
Differences between expected and actual experience		(265,443)
Change in assumptions		(228,207)
Benefit payments, including refunds of participant contributions		(268,133)
Net Change in total pension liability		770,178
Total pension liability - beginning		17,482,805
Total pension liability - ending	$	18,252,983
Pension fiduciary net position		
Contributions - employer	$	1,899,556
Contributions - employee		454,135
Net Investment income		1,434,681
Benefit payments		(268,133)
Administrative expense		(8,421)
Net change in plan fiduciary net position		3,511,818
Plan fiduciary net position - beginning		13,467,193
Plan fiduciary net position - ending	$	16,979,011
Net pension liability - ending	$	1,273,972

(Continued)

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

NARRAGANSETT BAY COMMISSION

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios-

Non-Union Defined Benefit Plan (Unaudited) (Continued)

For the Years Ended June 30,

*Last 10 Fiscal Years**

June 30, 2016	***June 30, 2015***	***June 30, 2014***
$ 469,348	$ 504,855	$ 441,297
965,809	803,212	729,646
352,399	232,651	(187,670)
(228,213)	1,350,562	424,254
(180,615)	(136,591)	(120,730)
1,378,728	2,754,689	1,286,797
16,104,077	13,349,388	12,062,591
$ 17,482,805	$ 16,104,077	$ 13,349,388
$ 1,744,985	$ 986,656	$ 789,435
429,941	410,397	398,975
239,860	283,708	1,101,778
(180,615)	(136,591)	(120,720)
(6,761)	(6,027)	(2,639)
2,227,410	1,538,143	2,166,829
11,239,783	9,701,640	7,534,821
$ 13,467,193	$ 11,239,783	$ 9,701,650
$ 4,015,612	$ 4,864,294	$ 3,647,738

(Continued)

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

NARRAGANSETT BAY COMMISSION

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios-

Non-Union Defined Benefit Plan (Unaudited) (Continued)

For the Years Ended June 30,

*Last 10 Fiscal Years**

	June 30, 2017	***June 30, 2016***	***June 30, 2015***	***June 30, 2014***
Total pension liability	$ 18,252,983	$ 17,482,805	$ 16,104,077	$ 13,349,388
Plan fiduciary net position	16,979,011	13,467,193	11,239,783	9,701,640
Net pension liability	$ 1,273,972	$ 4,015,612	$ 4,864,294	$ 3,647,748
Plan fiduciary net position as a percentage of total pension liability	93.02%	77.03%	69.79%	72.67%
Covered-employee payroll**	$ 9,082,700	$ 8,598,820	$ 8,207,940	$ 7,979,500
Net pension liability as a percentage of covered-employee payroll	14.03%	46.70%	59.26%	45.71%

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

** Reflects revised definition per GASB 82.

See independent auditor's report

NARRAGANSETT BAY COMMISSION

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

*Last 10 Fiscal Years**

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

Notes to schedule:

Actuarially determined contribution rate are calculated as of the plan year end.
Actuarial Assumptions as of June 30, 2017:

Discount rate	6.00%	
Long-term rate of return on investments	6.00%	net of expenses, including inflation
Municipal bond	3.13%	based on S&P Municipal Bond 20 year high grade index
Salary increases	3.50%	
Payroll growth rate	3.50%	based on salary increase rate by individual given above
Inflation	N/A	
Pre and post retirement mortality	RP-2014 blended 60% white collar & 40% blue collar tables for annuitants and non-annuitants (separate tables for male / female) with MP-2016 generational improvements from 2006 (M/F)	
Termination	T-2	illustrative annual rates of withdrawals as follows:

Age	Rate
25	5.29%
40	3.50%
55	0.00%

Disability rate	None
Assumed retirement age	Age 65 for active participants and normal retirement age for inactive participants
Expenses	None

* GASB 68 was implemented in FY 2014, therefore only four years of the 10 years required data is available.
** Reflects revised definition per GASB 82.

See independent auditor's report

NARRAGANSETT BAY COMMISSION

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

*Last 10 Fiscal Years**

	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%

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

NARRAGANSETT BAY COMMISSION

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

Employees' Retirement System RI (Unaudited)

For the Year Ended June 30,

*Last 10 Fiscal Years**

	June 30, 2017	June 30, 2016	June 30, 2015
NBC's proportion of the net pension liability	$ 18,292,407	$ 16,936,520	$ 15,554,087
NBC's proportionate share of the net pension liability	0.862%	0.852%	0.873%
NBC's covered-employee payroll	$ 5,956,481	$ 5,798,735	$ 5,700,732
NBC's proportionate share of the net pension liability as a percentage of its covered employee payroll	307.10%	292.07%	272.84%
Plan fiduciary net position as a percentage of the total pension liability	51.88%	55.03%	58.58%

Note:

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

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

NARRAGANSETT BAY COMMISSION

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

*Last 10 Fiscal Years**

	June 30, 2017	June 30, 2016	June 30, 2015
Statutorily determined contribution	$ 1,509,312	$ 1,370,821	$ 1,329,238
Contributions in relation to the statutorily determine contribution	1,509,312	1,370,821	1,329,238
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 5,956,481	$ 5,798,735	$ 5,700,732
Contribution as a percentage of covered-employee payroll	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.

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

NARRAGANSETT BAY COMMISSION

Schedule of Expenses - Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

OPERATING EXPENSES	Budget	Actual	Variance Favorable (Unfavorable)
Personnel services			
Union regular	$ 6,504,630	$ 6,165,646	$ 338,984
Union overtime	587,400	591,401	(4,001)
Non-union regular	10,157,915	9,737,743	420,172
Non-union overtime	130,900	134,578	(3,678)
Non-union limited	31,200	9,589	21,611
Fringe benefits	9,333,602	8,584,948	748,654
Project salaries and fringe benefits capitalized	(1,550,016)	(1,806,638)	256,622
Total personnel services	25,195,631	23,417,267	1,778,364
General and administration			
Insurance	613,133	577,382	35,751
Workers' compensation insurance	444,035	443,789	246
Workers' compensation old claims	4,400	197	4,203
Total general and administration	1,061,568	1,021,368	40,200
OPERATIONS AND MAINTENANCE			
Travel			
Local travel	5,800	3,109	2,691
Long distance travel	90,200	53,989	36,211
Total travel	96,000	57,098	38,902
Repairs and maintenance			
Building and ground maintenance	222,275	173,172	49,103
Vehicle fuel and maintenance	196,300	183,476	12,824
Repairs, building and structures	754,869	692,978	61,891
Repairs, highway and walks	10,000	8,348	1,652
Maintenance/service agreements	1,195,114	1,164,307	30,807
Highway and landscape	22,500	12,076	10,424
Diesel for equipment	23,000	9,770	13,230
Total repairs and maintenance	2,424,058	2,244,127	179,931
Utilities			
Telephone	197,420	178,644	18,776
Central telephone services	5,000	3,762	1,238
Fuel, gas	325,255	288,322	36,933
Electricity	2,517,778	2,360,439	157,339
Water	78,955	66,601	12,354
Total utilities	3,124,408	2,897,768	226,640

(Continued)

NARRAGANSETT BAY COMMISSION

Schedule of Expenses - Budget and Actual (Budgetary Basis)(Continued)
For the Year Ended June 30, 2017

OPERATIONS AND MAINTENANCE (CONTINUED)	Budget	Actual	Variance Favorable (Unfavorable)
Supplies			
Clothing and clothing materials	$ 42,000	$ 34,012	$ 7,988
Building and machinery supplies and expenses	517,850	506,364	11,486
Educational expenses	94,800	66,870	27,930
Lab supplies	365,738	337,001	28,737
Computer supplies	96,550	84,730	11,820
Other operating supplies and expenses	22,750	9,999	12,751
Chemicals	1,068,739	1,060,133	8,606
Total supplies	2,208,427	2,099,109	109,318
TOTAL OPERATIONS AND MAINTENANCE	7,852,893	7,298,102	554,791
Contract services			
Medical services	14,490	11,061	3,429
Biosolids disposal	4,455,811	4,443,909	11,902
Screening and grit disposal	163,000	150,410	12,590
Service agreements	209,997	187,169	22,828
Security services	47,800	36,539	11,261
Regulatory expenses	472,950	445,402	27,548
Legal services	212,000	192,826	19,174
Management/audit services	277,000	177,256	99,744
Special clerical services	66,000	52,376	13,624
Other special services	196,400	174,044	22,356
Total contract services	6,115,448	5,870,992	244,456
Miscellaneous			
Office expenses	113,775	100,246	13,529
Postage	427,453	390,329	37,124
Dues and subscriptions	66,300	57,840	8,460
Freight	50,110	39,957	10,153
Printing and binding	159,350	135,859	23,491
Advertising	27,000	13,272	13,728
Rental of outside property	336,150	296,432	39,718
Rental of equipment	59,000	53,179	5,821
Rental of clothing	32,300	28,263	4,037
Safety equipment	57,150	49,374	7,776
Miscellaneous	3,600	3,524	76
Public outreach education	30,500	30,408	92
Total miscellaneous	1,362,688	1,198,683	164,005
TOTAL OPERATING EXPENSES	41,588,228	38,806,412	2,781,816

(Continued)

NARRAGANSETT BAY COMMISSION

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

For the Year Ended June 30, 2017

NON-OPERATING EXPENSES	Budget	Actual	Variance Favorable (Unfavorable)
Interest expense			
Interest expense - 2008 Series A	$ 1,972,651	$ 655,944	$ 1,316,707
Interest expense - 2013 Series A	3,136,650	3,136,650	-
Interest expense - 2013 Series C	1,656,550	1,656,550	-
Interest expense - 2014 Series B	1,944,400	1,944,400	-
Interest expense - 2015 Series A	1,972,100	1,972,100	-
Interest expense - RIIB	8,672,121	8,439,403	232,718
Interest expense - leases	15,000	1,630	13,370
Total interest expense	19,369,472	17,806,677	1,562,795
Operating capital			
Building and plant equipment	514,000	436,537	77,463
Medical lab equipment	33,800	23,229	10,571
Office furniture and equipment	402,600	276,462	126,138
Computer software	1,019,500	740,485	279,015
Computer hardware	179,400	161,792	17,608
Other equipment	59,000	52,900	6,100
Building and other structures	126,000	41,351	84,649
Replacement reserve	2,679,200	1,918,817	760,383
Special studies	208,000	-	208,000
Automotive equipment	258,000	220,465	37,535
Total operating capital	5,479,500	3,872,038	1,607,462
Debt service principal	25,783,150	25,783,150	-
TOTAL EXPENSES	$ 92,220,350	$ 86,268,277	$ 5,952,073

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

Total expenses on budgetary basis	$ 86,268,277
Add:	
Depreciation	15,593,700
Amortization	113,976
EEF expenses	17,100
Bond and note fees	109,321
Less:	
Non-Union FY 2017 pension plan activity	(617,684)
ERSRI FY 2017 pension plan activity	(79,215)
Operating capital	(3,872,038)
Debt service principal	(25,783,150)
Total expenses on a GAAP basis	$ 71,750,287

NARRAGANSETT BAY COMMISSION

Combining Schedule of Net Position

June 30, 2017

	Revenue Fund	*O & M Fund*
Assets		
Current assets		
Cash and cash equivalents	$ 11,339,509	$ 3,899,600
Accounts receivable		
Sewer use (net of allowance)	8,962,219	-
Sewer use unbilled	4,596,135	-
Receivables, other	249,432	15,630
Due from RIIB	-	-
Prepaid expenses	-	1,241,164
Total current assets	25,147,295	5,156,394
Non-current assets		
Restricted assets		
Cash and cash equivalents, environmental enforcement	96,095	-
Cash and cash equivalents, operating reserve for revenue stability fund	-	-
Cash and cash equivalents, restricted for debt service	-	-
Cash and cash equivalents, restricted for debt service reserve fund	-	-
Cash and cash equivalents, restricted for acquisition and construction of plant assets	-	-
Total restricted assets	96,095	-
Capital assets		
Land	-	-
Plant and equipment	-	-
Capital projects completed	-	-
Construction in progress	-	-
Subtotal	-	-
Less: accumulated depreciation	-	-
Total net capital assets	-	-
Total non-current assets	96,095	-
Total assets	25,243,390	5,156,394
Deferred outflows of resources		
Loss on refunding of debt	-	-
ERSRI Pension - net deferred outflows of resources	-	2,154,254
Non-union Pension - change in assumptions	-	834,279
Non-union Pension - difference between expected and actual experience	-	88,876
Total deferred outflows of resources	-	3,077,409

(Continued)

NARRAGANSETT BAY COMMISSION

Combining Schedule of Net Position (Continued)

June 30, 2017

Project Fund	*Debt Service Fund*	*Operating Reserve for Revenue Stability Fund*	*Debt Service Reserve Fund*	*Total*
$ 1,571,623	$ -	$ -	$ -	$ 16,810,732
-	-	-	-	8,962,219
-	-	-	-	4,596,135
-	-	-	-	265,062
42,258,211	-	-	-	42,258,211
-	-	-	-	1,241,164
43,829,834	-	-	-	74,133,523
-	-	-	-	96,095
-	-	4,502,869	-	4,502,869
-	43,993,877	-	-	43,993,877
-	-	-	3,499,229	3,499,229
19,640,402	-	-	-	19,640,402
19,640,402	43,993,877	4,502,869	3,499,229	71,732,472
2,754,407	-	-	-	2,754,407
95,956,693	-	-	-	95,956,693
770,804,899	-	-	-	770,804,899
325,199,530	-	-	-	325,199,530
1,194,715,529	-	-	-	1,194,715,529
206,306,769	-	-	-	206,306,769
988,408,760	-	-	-	988,408,760
1,008,049,162	43,993,877	4,502,869	3,499,229	1,060,141,232
1,051,878,996	43,993,877	4,502,869	3,499,229	1,134,274,755
1,992,756	-	-	-	1,992,756
-	-	-	-	2,154,254
-	-	-	-	834,279
-	-	-	-	88,876
1,992,756	-	-	-	5,070,165

(Continued)

NARRAGANSETT BAY COMMISSION

Combining Schedule of Net Position (Continued)

June 30, 2017

	Revenue Fund	*O & M Fund*
Liabilities		
Current liabilities		
Accounts payable	$ 28,511	$ 2,677,855
Contracts payable	-	-
Accrued interest payable	-	-
Accrued expenses	-	580,610
Current portion of the other accrued expenses	-	172,377
Current portion of loans payable	-	-
Total current liabilities	28,511	3,430,842
Non-current liabilities		
Long-term other accrued expenses, net	-	2,779,796
Long-term net pension liability - ERSRI Pension	-	18,292,407
Long-term net pension liability - Non-Union Pension	-	1,273,972
Long-term loans payable, net	-	-
Long-term debt	-	-
Total non-current liabilities	-	22,346,175
Total liabilities	28,511	25,777,017
Deferred inflows of resources		
Unearned revenue billed in advance	263,208	-
Gain on refunding of debt	-	-
Non-union Pension - difference between projected and actual earnings	-	157,126
Total deferred inflows of resources	263,208	157,126
Net position		
Net investment in capital assets	-	-
Restricted	96,095	-
Unrestricted	24,855,576	(17,700,340)
Total Net Position	$ 24,951,671	$ (17,700,340)

(Continued)

NARRAGANSETT BAY COMMISSION

Combining Schedule of Net Position (Continued)

June 30, 2017

Project Fund	*Debt Service Fund*	*Operating Reserve for Revenue Stability Fund*	*Debt Service Reserve Fund*	*Total*
$ -	$ -	$ -	$ -	$ 2,706,366
3,700,957	-	-	-	3,700,957
-	6,034,897	-	-	6,034,897
-	-	-	-	580,610
-	-	-	-	172,377
27,529,555	-	-	-	27,529,555
31,230,512	6,034,897	-	-	40,724,762
-	-	-	-	2,779,796
-	-	-	-	18,292,407
-	-	-	-	1,273,972
331,776,406	-	-	-	331,776,406
262,604,184	-	-	-	262,604,184
594,380,590	-	-	-	616,726,765
625,611,102	6,034,897	-	-	657,451,527
-	-	-	-	263,208
170,164	-	-	-	170,164
-	-	-	-	157,126
170,164	-	-	-	590,498
406,878,461	43,993,877.00	-	-	450,872,338
-	-	4,502,869	3,499,229	8,098,193
21,212,025	(6,034,897)	-	-	22,332,364
$ 428,090,486	$ 37,958,980	$ 4,502,869	$ 3,499,229	$ 481,302,895

NARRAGANSETT BAY COMMISSION

Combining Schedule of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2017

	Revenue Fund	*O & M Fund*	*Project Fund*
Operating revenues			
User fees, residential	$ 55,885,288	$ -	$ -
User fees, commercial and industrial	40,724,868	-	-
Permit and connection fees	145,713	-	-
Pretreatment fees	1,090,541	-	-
Environmental enforcement	18,500	-	-
Septage income	328,590	-	-
Late charge penalties	874,396	-	-
REC revenue	581,007		
Miscellaneous	7,128	-	-
Total operating revenues	99,656,031	-	-
Operating expenses			
Personnel services	-	22,720,366	-
General and administration	-	1,021,372	-
Operations and maintenance	-	7,219,511	-
Depreciation	-	15,593,700	-
Contractual services	-	5,970,551	-
Miscellaneous	-	1,215,783	-
Total operating expenses	-	53,741,283	-
Operating income (loss)	99,656,031	(53,741,283)	-
Non-operating revenues (expenses)			
Interest expense	-	-	-
Interest income	63,707	17,354	116,304
Bond and note issuance fees	-	-	-
Miscellaneous income	252,508	-	-
Total non-operating revenues (expenses)	316,215	17,354	116,304
Net income before transfers	99,972,246	(53,723,929)	116,304
Transfers in (out)	(101,584,908)	55,928,798	28,807,191
Change in net position	(1,612,662)	2,204,869	28,923,495
Total net position, beginning of year	26,564,333	(19,905,209)	399,166,991
Total net position, end of year	$ 24,951,671	$ (17,700,340)	$ 428,090,486

(Continued)

NARRAGANSETT BAY COMMISSION

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

For the Year Ended June 30, 2017

Debt Service Fund	*Operating Reserve for Revenue Stability Fund*	*Debt Service Reserve Fund*	*Total*
$ -	$ -	$ -	$ 55,885,288
-	-	-	40,724,868
-	-	-	145,713
-	-	-	1,090,541
-	-	-	18,500
-	-	-	328,590
-	-	-	874,396
			581,007
-	-	-	7,128
-	-	-	99,656,031
-	-	-	22,720,366
-	-	-	1,021,372
-	-	-	7,219,511
-	-	-	15,593,700
-	-	-	5,970,551
-	-	-	1,215,783
-	-	-	53,741,283
-	-	-	45,914,748
(17,899,683)	-	-	(17,899,683)
142,688	20,314	-	360,367
(109,321)	-	-	(109,321)
-	-	-	252,508
(17,866,316)	20,314	-	(17,396,129)
(17,866,316)	20,314	-	28,518,619
16,870,403	(18,507)	(2,977)	-
(995,913)	1,807	(2,977)	28,518,619
38,954,893	4,501,062	3,502,206	452,784,276
$ 37,958,980	$ 4,502,869	$ 3,499,229	$ 481,302,895

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Comprehensive Annual Financial Report

Statistical Section

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STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

- Ratios of Outstanding Debt
- Debt Service Coverage

Demographic and Economic Information

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

- Demographic Statistics
- Principal Employers

Operating Information

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

- Operating Indicators by Division
- Budgeted Employees by Activity

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

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NARRAGANSETT BAY COMMISSION

Net Position by Component (Unaudited)

Last Ten Fiscal Years

Years Ending June 30,	*Net Investment in Capital Assets*	*Restricted*	*Unrestricted*	*Total Net Position*
2008	$ 275,282,413	$ 189,545	$ 11,278,006	$ 286,749,964
2009	287,519,524	157,021	17,249,233	304,925,778
2010	308,023,780	146,170	19,816,951	327,986,901
2011	332,397,131	118,796	20,718,376	353,234,303
2012	355,425,077	87,748	20,686,171	376,198,996
2013	400,509,402	74,841	(3,717,492)	396,866,751
2014 *	397,290,915	72,426	18,420,683	415,784,024
2015 **	414,028,338	8,051,763	1,629,242	423,709,343
2016	443,394,173	8,094,178	1,295,925	452,784,276
2017	450,872,338	8,097,191	22,332,364	481,301,893

* Restated net position - GASB 65

** Restated net position - GASB 68

Note: Restated FY 2008 - FY 2016 Net Position by Component to be consistent with the FY 2017 Net Position calculations.

NARRAGANSETT BAY COMMISSION

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

	2017	*2016*	*2015**	*2014***
Operating Revenues				
User fees	$ 96,610,156	$ 96,078,624	$ 92,007,299	$ 89,182,519
Pretreatment fees	1,090,541	1,088,763	1,076,481	1,095,551
Other operating revenue	1,955,334	1,837,607	1,932,062	1,869,945
Total Operating Revenues	99,656,031	99,004,994	95,015,842	92,148,015
Non-Operating Revenues				
Interest income	360,367	112,094	5,839	5,433
Grant Income	-	4,910	4,910	-
Other non-operating revenues	252,508	203,855	163,634	182,084
Total Non-Operating Revenues	612,875	320,859	174,383	187,517
Operating Expenses				
Personnel services	22,720,366	22,903,792	20,946,735	21,090,749
Contractual services	5,970,551	5,748,754	7,469,034	8,036,730
General and administration	9,456,666	9,460,958	8,756,689	8,838,866
Depreciation and amortization	15,593,700	14,091,320	12,983,750	11,812,153
Total Operating Expenses	53,741,283	52,204,824	50,156,208	49,778,498
Non-Operating Expenses				
Interest expense	17,899,683	17,734,236	16,475,516	16,660,404
Other expenses	109,321	823,930	720,428	915,288
Total Non-Operating Expenses	18,009,004	18,558,166	17,195,944	17,575,692
Net income before capital contributions	28,518,619	28,562,863	27,838,073	24,981,342
Capital contributions	-	512,070	-	80,965
Change in Net Position	28,518,619	29,074,933	27,838,073	25,062,307
Net Position, beginning	452,784,276	423,709,343	395,871,270	390,721,717
Net Position, ending	$ 481,302,895	$ 452,784,276	$ 423,709,343	$ 415,784,024

(Continued)

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

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

NARRAGANSETT BAY COMMISSION

Changes in Net Position (Unaudited) (Continued)

Last Ten Fiscal Years

2013	*2012*	*2011*	*2010*	*2009*	*2008*
$ 77,949,901	$ 75,921,752	$ 73,412,706	$ 69,224,415	$ 67,958,753	$ 64,462,984
1,077,887	1,087,140	1,109,709	1,114,004	1,126,654	1,115,529
1,320,944	1,410,298	1,390,160	1,435,630	1,458,274	1,499,218
80,348,732	78,419,190	75,912,575	71,774,049	70,543,681	67,077,731
22,907	10,868	11,609	47,803	420,017	2,195,657
14,980	129,327	66,851	279,978	34,300	27,653
190,923	247,740	263,238	280,656	185,832	95,316
228,810	387,935	341,698	608,437	640,149	2,318,626
19,858,457	19,412,763	18,751,300	18,767,282	17,832,832	17,052,860
7,104,834	6,780,533	6,614,019	7,008,213	7,221,939	7,214,382
8,607,391	8,783,624	8,223,641	8,529,977	8,622,100	7,384,874
10,974,885	10,569,625	10,437,059	9,065,008	7,301,816	7,463,646
46,545,567	45,546,545	44,026,019	43,370,480	40,978,687	39,115,762
13,587,442	11,785,551	10,887,026	10,820,471	12,013,384	13,121,460
130,980	60,883	136,664	36,381	15,945	24,720
13,718,422	11,846,434	11,023,690	10,856,852	12,029,329	13,146,180
20,313,533	21,414,146	21,204,564	18,155,154	18,175,814	17,134,415
354,202	1,550,547	4,042,838	4,905,969	-	-
20,667,735	22,964,693	25,247,402	23,061,123	18,175,814	17,134,415
376,198,996	353,234,303	327,986,901	304,925,778	286,749,964	269,615,549
$ 396,866,731	$ 376,198,996	$ 353,234,303	$ 327,986,901	$ 304,925,778	$ 286,749,964

NARRAGANSETT BAY COMMISSION

Revenues by Source (Unaudited)

Last Ten Fiscal Years

	Operating Revenues					
Years Ending June 30,	***User Fees***	***Permit and Connection Fees***	***Pretreatment Fees***	***Environmental Enforcement***	***Septage Income***	***Late Charges Penalties***
2008	$ 64,462,984	$ 181,290	$ 1,115,529	$ 75,500	$ 372,711	$ 741,834
2009	67,958,753	140,822	1,126,654	3,700	382,955	849,127
2010	69,224,415	86,009	1,114,004	13,650	380,579	901,619
2011	73,412,706	82,914	1,109,709	8,315	293,718	951,351
2012	75,921,752	85,487	1,087,140	1,000	304,157	918,943
2013	77,949,901	95,609	1,077,887	-	300,319	918,134
2014	89,182,519	112,773	1,095,551	15,229	310,136	1,013,240
2015	92,007,299	100,906	1,076,481	5,972	336,037	999,867
2016	96,078,624	124,450	1,088,763	50,000	358,719	932,178
2017	96,610,156	145,713	1,090,541	18,500	328,590	874,396

(Continued)

NARRAGANSETT BAY COMMISSION

Revenues by Source (Unaudited) (Continued)

Last Ten Fiscal Years

			Non-Operating Revenues			
REC Revenue	***Miscellaneous Revenues***	***Total Operating Revenues***	***Grant Income***	***Interest Income***	***Miscellaneous Income***	***Total Revenues***
$ -	$ 127,883	$ 67,077,731	$ 27,653	$ 2,195,657	$ 95,316	$ 69,396,357
-	81,670	70,543,681	34,300	420,017	185,832	71,183,830
-	53,773	71,774,049	279,978	47,803	280,656	72,382,486
-	53,862	75,912,575	66,851	11,609	263,238	76,254,273
-	100,711	78,419,190	129,327	10,868	247,740	78,807,125
-	6,882	80,348,732	14,980	22,907	190,923	80,577,542
410,624	7,943	92,148,015	-	5,433	182,084	92,335,532
482,048	7,232	95,015,842	4,910	5,839	163,634	95,190,225
360,850	11,410	99,004,994	4,910	112,094	203,855	99,325,853
581,007	7,128	99,656,031	-	360,367	252,508	100,268,906

NARRAGANSETT BAY COMMISSION

Expenses by Function (Unaudited)

Last Ten Fiscal Years

				Operating Expenses	
Years Ending June 30,	***Personnel Services***	***Contractual Services***	***Repairs and Maintenance***	***Utilities***	***Supplies***
2008	$ 17,052,860	$ 7,214,382	$ 1,258,783	$ 3,435,790	$ 1,183,308
2009	17,832,832	7,221,939	1,304,720	4,156,172	1,479,232
2010	18,767,282	7,008,213	1,265,659	4,187,385	1,474,302
2011	18,751,300	6,614,019	1,315,887	3,940,125	1,255,828
2012	19,412,763	6,780,533	1,617,879	4,247,867	1,143,635
2013	19,858,457	7,104,834	1,595,803	4,008,392	1,294,849
2014	21,090,749	8,036,730	1,725,079	3,850,260	1,462,692
2015	20,946,735	7,469,034	1,905,473	3,753,041	1,423,101
2016	22,903,792	5,748,754	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

(Continued)

NARRAGANSETT BAY COMMISSION

Expenses by Function (Unaudited) (Continued)

Last Ten Fiscal Years

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

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NARRAGANSETT BAY COMMISSION

User Fee Revenues by Customer Type (Unaudited)

Last Ten Fiscal Years

	2017	*2016*	*2015*	*2014*	*2013*
Residential	$ 55,885,288	$ 54,406,898	$ 53,044,437	$ 51,129,479	$ 45,021,105
Commercial	38,010,903	37,534,887	36,623,617	36,073,080	31,111,175
Industrial	2,713,965	4,136,839	2,339,245	1,979,960	1,817,621
Total	$ 96,610,156	$ 96,078,624	$ 92,007,299	$ 89,182,519	$ 77,949,901

	2012	*2011*	*2010*	*2009*	*2008*
Residential	$ 43,266,302	$ 41,892,869	$ 39,392,798	$ 38,727,419	$ 36,113,007
Commercial	30,886,203	29,713,682	28,295,493	27,647,095	26,584,703
Industrial	1,769,247	1,806,155	1,536,124	1,584,239	1,765,274
Total	$ 75,921,752	$ 73,412,706	$ 69,224,415	$ 67,958,753	$ 64,462,984

NARRAGANSETT BAY COMMISSION

Residential Sewer Rates (Unaudited)

Last Ten Fiscal Years

Fiscal Year	*Effective Date*	*Residential Fixed Rate (per dwelling unit)*	*Residential Consumption Rate (HCF)*
2008	July 1, 2007	$ 112.350	$ 2.309
2009	July 1, 2008	124.980	2.569
2010	July 1, 2009	159.210	2.569
2011	July 1, 2010	162.790	2.627
2012	July 1, 2011	168.210	2.714
2013	July 1, 2012	171.990	2.775
2013	January 1, 2013	184.630	2.979
2014	July 1, 2013	202.470	3.267
2015	September 15, 2014	210.510	3.397
2016	July 1, 2015	215.500	3.478
2017	July 1, 2016	218.800	3.531

HCF - per hundred cubic feet

NARRAGANSETT BAY COMMISSION

Non-Residential Sewer Rates (Unaudited)

Last Ten Fiscal Years

Fiscal Year	*Effective Date*	*Non-Residential Fixed Rate (based on 5/8" meter)*	*Industrial Consumption Rate (HCF)*	*Commercial Consumption Rate (HCF)*
2008	July 1, 2007	$ 253.00	$ 2.153	$ 3.349
2009	July 1, 2008	281.00	2.395	3.725
2010	July 1, 2009	380.00	2.395	3.725
2011	July 1, 2010	389.00	2.449	3.809
2012	July 1, 2011	402.00	2.531	3.936
2013	July 1, 2012	411.00	2.588	4.025
2013	January 1, 2013	441.00	2.778	4.321
2014	July 1, 2013	484.00	3.046	4.738
2015	September 15, 2014	503.00	3.167	4.926
2016	July 1, 2015	515.00	3.242	5.043
2017	July 1, 2016	523.00	3.292	5.120

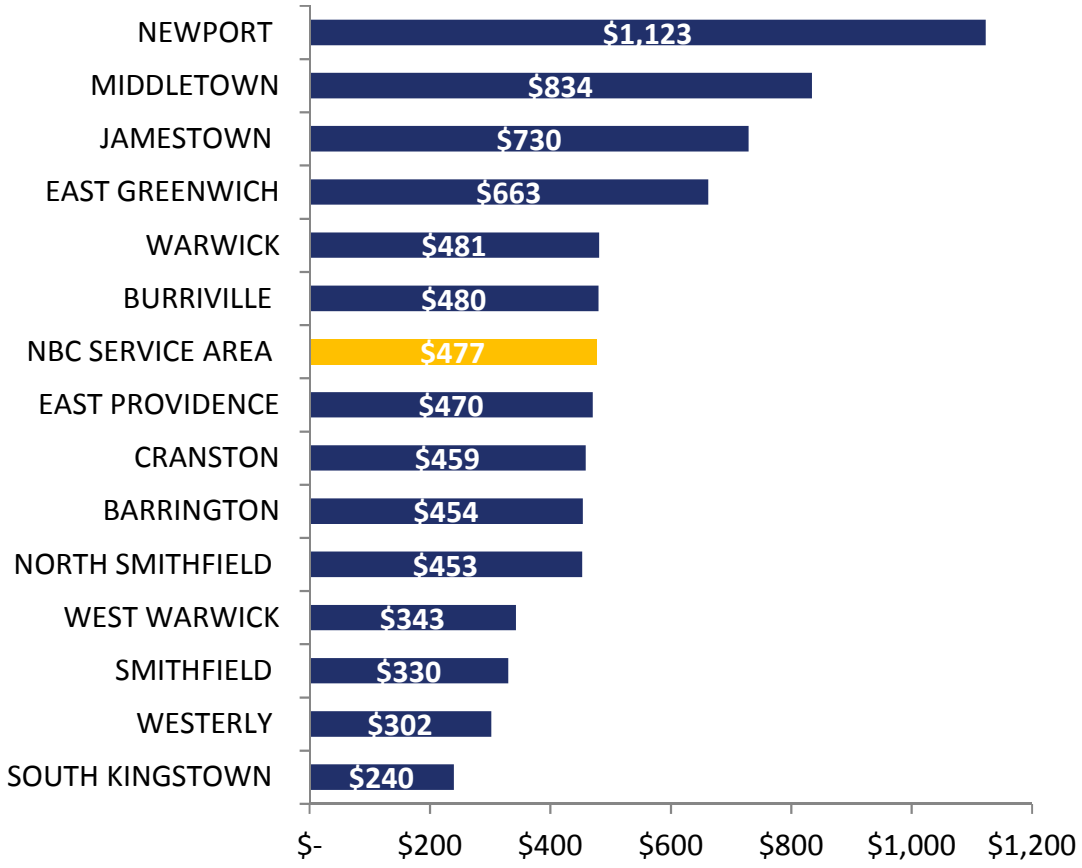
HCF - per hundred cubic feet

NARRAGANSETT BAY COMMISSION

Comparative Sewer Rates

Rhode Island Municipalities

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



Source: 2016 Narragansett Bay Commission Residential Sewer User Survey

Annual Residential charges are based on 73.2 HCF.

The 2016 RI Average Residential Sewer User Fee is $523.

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NARRAGANSETT BAY COMMISSION

Principal Commercial Users (Unaudited)

2017 and 2008

	2017			2008		
Company	***Annual billing***	***Rank***	***Percentage of total billing***	***Annual billing***	***Rank***	***Percentage of total billing***
Providence Housing Authority	$ 1,512,022	1	1.57%	$ 1,209,742	2	1.88%
Rhode Island Hospital	1,422,321	2	1.47%	1,064,195	3	1.65%
Brown University	1,181,064	3	1.22%	1,394,100	1	2.16%
City of Providence	644,621	4	0.67%	502,762	4	0.78%
City of Pawtucket	615,641	5	0.64%	456,519	5	0.71%
Johnson & Wales	436,748	6	0.45%	276,288	8	0.43%
Providence College	433,361	7	0.45%	367,738	7	0.57%
Providence School Department	395,432	8	0.41%	399,332	6	0.62%
Rhode Island Resource Recovery	360,764	9	0.37%	-	-	-
State of Rhode Island	350,897	10	0.36%	-	-	-
Rhode Island College	-	-	-	229,149	10	0.36%
Rhode Island School of Design	-	-	-	240,349	9	0.37%
	$ 7,352,871		6.05%	$ 6,140,174		9.53%

Source: NBC's billing records

NARRAGANSETT BAY COMMISSION

Ratio of Oustanding Debt (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	*Loans Payable*	*Bonds Payable*	*Lease Payable*	*Total Outstanding Debt*
2008	$ 269,026,900	$ 157,613,722	$ 585,756	$ 427,226,378
2009	271,381,022	156,089,206	441,456	427,911,684
2010	255,695,266	154,547,457	365,855	410,608,578
2011	269,436,595	152,950,708	282,318	422,669,621
2012	340,979,944	151,303,958	249,436	492,533,338
2013	345,706,020	225,204,097	617,136	571,527,253
2014	369,160,326	258,230,000	445,978	627,836,304
2015	346,132,052	262,604,184	253,297	608,989,533
2016	385,089,111	262,604,184	109,685	647,693,295
2017	331,776,406	262,604,184	-	594,380,590

(Continued)

NARRAGANSETT BAY COMMISSION

Ratio of Oustanding Debt (Unaudited) (Continued)

Last Ten Fiscal Years

*Capitalized Assets**	*Construction in Progress*	*Total Capital Assets*	*Outstanding Debt to Capital Assets*	*Outstanding Debt per Population (1)*	*Income to Outstanding Debt (1)*
$ 226,015,839	$ 412,852,916	$ 638,868,755	0.67	406.58	0.010%
225,324,137	431,243,898	656,568,035	0.65	406.29	0.010%
479,512,217	193,843,866	673,356,083	0.61	390.10	0.011%
476,713,013	228,402,550	705,115,563	0.60	402.04	0.011%
469,067,391	289,782,521	758,849,912	0.65	468.95	0.010%
532,119,805	320,249,539	852,369,344	0.67	543.53	0.009%
571,319,305	360,531,394	931,850,699	0.67	597.79	0.008%
622,572,499	329,874,143	952,446,642	0.64	576.69	0.009%
649,490,029	316,367,916	965,857,945	0.67	613.19	0.008%
663,209,230	325,199,530	988,408,760	0.60	N/A	N/A

* Capitalized assets net of accumulated depreciation

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

NARRAGANSETT BAY COMMISSION

Debt Service Coverage (Unaudited)

Last Ten Fiscal Years

Fiscal Year	*Gross Revenues (1)*	*Operating Expenses (2)*	*Net Revenues Available for Debt Service*
2008	$ 69,396,357	$ 31,652,116	$ 37,744,241
2009	71,183,830	33,676,871	37,506,959
2010	72,382,486	34,305,472	38,077,014
2011	76,254,273	33,588,960	42,665,313
2012	78,807,125	34,976,920	43,830,205
2013	80,577,542	35,570,682	45,006,860
2014	92,335,532	37,966,345	54,369,187
2015	95,190,225	37,172,458	58,017,767
2016	99,325,853	38,113,504	61,212,349
2017	100,268,906	38,147,583	62,121,323

(Continued)

(1) Total revenues including interest income

(2) Total operating expenses exclusive of depreciation and amortization

NARRAGANSETT BAY COMMISSION

Debt Service Coverage (Unaudited) (Continued)

Last Ten Fiscal Years

Debt Service Requirement			
Principal	*Interest*	*Total*	*Coverage*
$ 16,800,972	$ 12,879,158	$ 29,680,130	1.27
17,457,042	11,982,197	29,439,239	1.27
18,148,897	10,620,806	28,769,703	1.32
18,702,732	10,349,378	29,052,110	1.47
20,350,893	10,961,097	31,311,990	1.40
21,927,959	11,964,723	33,892,682	1.33
23,335,695	16,647,953	39,983,648	1.36
23,028,273	17,188,998	40,217,271	1.44
25,284,371	17,734,236	43,018,607	1.42
25,783,150	17,899,683	43,682,833	1.42

NARRAGANSETT BAY COMMISSION

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

Fiscal Year	*Population (1)*	*Personal Income (Millions) (1)*	*Per Capita Income (1)*	*Labor Force (2)*	*School Enrollment (3)*	*Unemployment Rate (2)*
2008	1,055,003	$ 44,181	$ 41,878	570,397	145,342	7.60%
2009	1,053,646	43,526	41,310	567,500	145,231	10.90%
2010	1,052,669	45,279	43,013	566,276	145,118	11.70%
2011	1,050,350	46,815	44,571	560,238	142,854	11.30%
2012	1,050,304	48,584	46,257	557,958	142,481	10.40%
2013	1,051,511	49,409	46,989	556,531	142,008	9.50%
2014	1,055,173	51,532	48,838	553,347	141,959	7.90%
2015	1,056,000	52,905	50,080	551,936	142,014	6.30%
2016	1,056,268	53,390	51,424	552,848	142,142	5.30%
2017	N/A	N/A	N/A	551,000	N/A	4.80%

(1) **Source:** United State Bureau of Economic Analysis
(2) **Source:** Bureau of Labor Statistics. RI state-wide Unemployment Rates Seasonally Adjusted.
(3) **Source:** Rhode Island Department of Education

NARRAGANSETT BAY COMMISSION

Principal Employers (Unaudited)

2016 and 2007

	2016			2007		
Company	**Number of Employees**	**Rank**	**Percentage of Total State Employment**	**Number of Employees**	**Rank**	**Percentage of Total State Employment**
Lifespan	12,050	1	2.47%	11,694	1	2.51%
Care New England	8,500	2	1.74%	6,561	2	1.41%
CVS Corp	7,800	3	1.60%	5,780	4	1.24%
Citizens Bank	5,318	4	1.09%	5,500	5	1.18%
General Dynamics Electric Boat	5,068	5	1.04%	-		-
Brown University	4,000	6	0.82%	4,443	7	0.96%
Fidelity Investments	4,000	7	0.82%	2,200	10	0.47%
Diocese of Providence	3,500	8	0.72%	6,200	3	1.33%
Naval Undersea Warfare Center	2,963	9	0.61%	-		-
University of RI	2,577	10	0.53%	2,245	9	0.48%
Bank of America (Fleet Financial Group)	-		-	4,500	6	0.97%
Stop & Shop	-		-	4,385	8	0.94%
	55,776		11.43%	53,508		11.51%

Source : RI Department of Labor and Training

NARRAGANSETT BAY COMMISSION

Operating Indicators by Division - (Unaudited)

Last Ten Fiscal Years

	2017	*2016*	*2015*	*2014*	*2013*	*2012*	*2011*	*2010*	*2009*	*2008*
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of employees	252	260	257	245	254	246	246	244	237	241
Field's Point Plant (Largest WWTF in RI)										
Daily average treatment in gallons (mgd)	41.16	38.33	40.55	42.50	43.06	45.66	43.49	51.75	47.20	49.39
Total wet weather treatment capacity treatment (mgd)	200	200	200	200	200	200	200	200	200	200
Number of pump stations	4	4	4	4	4	4	4	4	4	4
Number of active combined sewer overflows (CSOs)	35	35	35	37	38	38	38	38	38	38
Miles of interceptor	80	80	80	80	80	80	80	80	80	80
Number of tide gates	32	32	32	32	32	32	32	32	32	32
Bucklin Point Plant (Second largest WWTF in RI)										
Daily average treatment in gallons (mgd)	17.30	16.98	19.20	21.73	19.82	20.36	19.98	19.71	23.98	24.83
Maximum daily capacity of treatment (mgd)	116	116	116	116	116	116	116	116	116	116
Number of pump stations	3	3	3	3	3	3	3	3	3	3
Number of active combined sewer overflows (CSOs)	26	26	26	26	26	26	26	26	26	26
Miles of interceptor	30	30	30	30	30	30	30	30	30	30

mgd = million gallons per day

Source: Management of NBC

NARRAGANSETT BAY COMMISSION

Budgeted Employees by Activity (Unaudited)

Last Ten Fiscal Years

Departments	***2017***	***2016***	***2015***	***2014***	***2013***	***2012***	***2011***	***2010***	***2009***	***2008***
Executive Affairs	8	8	8	8	8	8	8	8	8	8
Construction Services	11	11	13	13	13	12	12	10	10	9
Human Resources	4	4	4	4	4	4	4	4	4	4
Legal	5	5	5	5	5	5	5	5	5	5
Finance	5	5	5	5	5	5	5	5	5	5
Accounting	10	10	10	10	10	10	10	10	10	10
Information Technology	12	12	12	12	12	11	11	11	11	11
Customer Service	25	25	24	24	24	24	24	24	22	22
Purchasing	4	4	4	4	4	4	4	4	4	4
Water Quality & Compliance	5	5	5	5	5	5	5	4	4	4
Pretreatment	14	14	14	14	14	14	15	15	15	15
Laboratory	17	17	17	16	16	16	16	17	15	15
Environmental Safety and Technical Assistance	4	4	4	4	4	4	4	4	4	4
Environmental Monitoring and Data Analysis	17	17	17	17	17	17	17	17	17	17
Interceptor Maintenance	20	20	20	20	20	21	22	22	22	22
Engineering	9	9	9	9	8	9	10	10	11	11
Field's Point WWTF	59	59	59	57	57	58	56	56	56	56
Bucklin Point WWTF	45	43	35	34	33	33	32	32	32	32
Total Budgeted Employees	274	272	265	261	259	260	260	258	255	254

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Comprehensive Annual Financial Report

Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise NBC's basic financial statements, and have issued our report thereon dated September 17, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hague, Sahady & Co. PC

Fall River, Massachusetts
September 17, 2017

NARRAGANSETT BAY COMMISSION

Long Distance Travel

FY 2017

TRAVELER	TRAVEL DATES	PURPOSE OF TRAVEL	DESTINATION	TOTALS
Executive (21)				
Raymond J Marshall	7/9/16-7/21/16	NACWA Summer Conference	Denver, CO	$ 342
Jamie R Samons	7/10/16-7/14/16	NACWA Leadership Conference	Denver, CO	1,210
Raymond J Marshall	9/26/16-9/28/16	WEFTEC Conference	New Orleans, LA	754
Raymond J Marshall	10/31/16-11/2/16	NACWA Legal Conference	Kansas City, MO	512
Raymond J Marshall	11/15/16-11/16/16	NACWA Leadership Retreat	Alexandra, VA	407
Raymond J Marshall	12/5/16-12/6/16	NACWA American Water Summit 2016	Miami, FL	548
Raymond J Marshall	2/3/17-2/8/17	NACWA Winter Conference	Tampa, FL	576
Jamie R Samons	2/5/17-2/7/17	NACWA Winter Conference	Tampa, FL	989
Laurie Bissonette	2/26/17-3/10/17	Water & Wastewater Leadership Conf. 2017	Leesburg, VA	13,817
Raymond J Marshall	3/20/17-3/23/17	National Water Policy Fly-In	Washington, DC	513
Jamie R Samons	3/21/17-3/22/17	NACWA Policy Forum	Washington, DC	783
Laurie Bissonette	5/8/17	NACWA	Washington, DC	479
Laurie Bissonette	6/12/17	AWWA 2017 Annual Conf & Exposition	Philadelphia, PA	1,274
Diane Buerger	6/16/17-6/22/17	SHRM Annual Conference	New Orleans, LA	3,292
Raymond J Marshall	7/22/17-7/27/17	NACWA Summer Conference	St Louis, MO	600
		Total Executive (21)		**26,096**
Legal (24)				
Jennifer J Galego	11/1/16-11/4/16	NACWA Nat'l Clean Water Law Seminar	Kansas City, MO	2,487
Jennifer J Galego	6/12/17	AWWA 2017 Annual Conf & Exposition	Philadelphia, PA	1,275
Jennifer J Galego	7/22/17-7/26/17	NACWA's Utility Leadership Conference	St Louis, MO	2,060
		Total Legal (24)		**5,822**
Finance (31)				
Alice Marchessault	9/11/16-9/14/16	NESGFOA Fall Conference	Bretton Woods, NH	1,199
Gail Degnan	9/11/16-9/14/16	NESGFOA Fall Conference	Bretton Woods, NH	972
Karen Giebink	9/11/16-9/14/16	NESGFOA Fall Conference	Bretton Woods, NH	1,047
Karen Giebink	11/17/16-11/18/16	GFOA Debt Management for Frequent Issuers	Chicago, IL	685
		Total Finance (31)		**3,903**
IM (43)				
Russell McGinnis	9/16/2016	CIPP Training	Rockland, ME	630
Russell McGinnis	10/18/16-10/21/16	PACP Training	Springfield, MA	565
		Total Interceptor Maintenance (43)		**1,195**
Engineering (44)				
Iziarh Roberts	6/27/16-7/2/16	ESRI User Conference 2016 (GIS)	San Diego, CA	375
Michael J Caruolo	9/25/16-9/29/16	WEFTEC 2016	New Orleans, LA	2,606
		Total Engineering (44)		**2,981**
PT (52)				
Kerry Britt	5/16/17-5/19/17	2017 NACWA National PT Pollution Prev. Conf	San Antonio, TX	1,947
		Total Pretreatment (52)		**1,947**

NARRAGANSETT BAY COMMISSION

Long Distance Travel (Continued)

FY 2017

TRAVELER	TRAVEL DATES	PURPOSE OF TRAVEL	DESTINATION	TOTALS
Lab (53)				
Anna Kilian	11/14/16-11/18/16	Training on the ICP-MS	West Palm Beach, FL	1,136
Kim Sandbach	11/14/16-11/18/16	Training on the ICP-MS	West Palm Beach, FL	1,503
Lauren Lessuck	11/14/16-11/18/16	Training on the ICP-MS	West Palm Beach, FL	994
Edward Davies	4/27/17	Hands on WW Nutrient Removal	Meriden, CT	135
Walter Palm	6/4/17-6/7/17	NEWEA Spring Meeting	North Falmourth, MA	793
		Total Lab (53)		**4,560**
ESTA (54)				
James McCaughey	8/19/16-8/30/16	ACEEE Conference	San Francisco, CA	2,004
Barry Wenskowicz	11/2/16-11/3/16	Tour GE Fuel Cell Facility	Malta, NY	340
Barry Wenskowicz	11/29/16-12/6/16	National Summit on RPS	Washington, DC	479
David Aucoin	12/6/16-12/9/16	OSHA Training	Manchester, NH	721
Barry Wenskowicz	5/14/17-5/17/17	Better Buildings Summit	Washington, DC	833
James McCaughey	5/16/17-5/20/17	2017 NACWA National PT Pollution Prev. Conf	San Antonio, TX	1,891
James McCaughey	9/30/17-10/4/17	WEFTEC 2017	Chicago, IL	750
		Total ESTA (54)		**7,017**
EMDA (55)				
Eliza Moore	10/20/16-10/22/16	NE Estuarine Research Society Conference	Block Island, RI	365
Christine R Comeau	10/20/16-10/22/16	NE Estuarine Research Society Conference	Block Island, RI	103
		Total EMDA (55)		**468**
		GRAND TOTAL		**$ 53,989**