

NARRAGANSETT BAY COMMISSION

RHODE ISLAND

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022



LAURIE HORRIDGE
EXECUTIVE DIRECTOR

VINCENT J. MESOLELLA
CHAIRMAN

Narragansett Bay Commission

Rhode Island

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022



Newport Bridge

Photo by: Alisha D'Ambrosio-Grandin

Prepared by:

The Finance Division of Narragansett Bay Commission



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Narragansett Bay Commission

Mission Statement

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



*Newport Bridge Sunset
Photo by: Alisha D'Ambrosio-Grandin*



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ANNUAL COMPREHENSIVE FINANCIAL REPORT

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June 30, 2022

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The Narragansett Bay Commission
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Vincent J. Mesoella
Chairman

Laurie Horridge
Executive Director

September 29, 2022

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

We are pleased to transmit the Annual Comprehensive Financial Report of the Narragansett Bay Commission (NBC) for the fiscal year that ended June 30, 2022. NBC staff prepared this Annual Comprehensive Financial Report following the guidelines set forth by the Governmental Accounting Standards Board (GASB). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

NBC is subject to independent audit per Section 35-6-37 of the Rhode Island General Laws (RIGL) and is required to submit audited financial statements to the state controller no later than ninety (90) days after the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2022.

Bacon and Company CPAs, LLC, NBC's Independent Auditor, has issued an unmodified ("clean") opinion on the NBC's financial statements for the fiscal year ended June 30, 2022 (see page 9). Management's Discussion and Analysis (MD&A) follows the Independent Auditor's Report and provides an introduction, overview, and analysis of the financial statements in a narrative format. The MD&A complements and should be read in conjunction with this letter of transmittal.

Profile of the Narragansett Bay Commission

NBC is a public corporation incorporated in 1980 pursuant to Rhode Island General Laws Chapter 46-25 to provide wastewater treatment and collection service to the greater Providence metropolitan area. On January 1, 1992, the former Blackstone Valley District Commission was merged into NBC, expanding the service area to include the greater Pawtucket metropolitan area. NBC provides services to approximately 390,000 residents and 7,700 businesses. NBC funds its operation and maintenance expenses as well as debt service through user charges and fees.

Wastewater Treatment and Sustainability

NBC owns, operates, and maintains Rhode Island's two largest wastewater treatment facilities. The Field's Point Wastewater Treatment Facility (WWTF), located in Providence, provides advanced wastewater treatment for dry weather flows of up to 65 million gallons per day (MGD) and primary treatment and disinfection for flows up to 200 MGD. The Bucklin Point WWTF, located in East Providence, provides secondary treatment and nitrogen removal for flows of up to 46 MGD and primary treatment and disinfection for flows up to 116 MGD. In addition, NBC owns, operates, and maintains 80 miles of interceptors, six outlying pump stations, 32 tide-gates, and 61 combined sewer overflows (CSOs). The Tunnel Pump Station, adjacent to the Ernest Street Pump Station at Field's Point, pumps stored combined sewage flow from the CSO tunnel to the Field's Point WWTF for treatment. The NBC also owns and operates a septage receiving facility in Lincoln.

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

Governance

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

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

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

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

Local Economy

The NBC services approximately 41% of the total population of Rhode Island. Of the eight major communities serviced by NBC, Providence, Pawtucket, Cumberland, and North Providence account for the majority or 79% of NBC's accounts. NBC's user fee revenues are relatively stable with NBC's 10 largest users responsible for 8.59% of the billed user fee revenues in FY 2022. NBC's largest customers include government, education, and healthcare providers.

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

Based on Rhode Island Department of Labor and Training data, the Rhode Island unemployment rate decreased from 5.8% in June 2021 to 2.7% in June 2022. The Rhode Island median household income has exceeded the national median household income the last ten years.

In response to COVID-19, the PUC ordered the suspension of the assessment of late fees, interest charges, as well as electronic payment transaction fees (credit card, debit card and ACH fees) effective June 1, 2020. Effective February 15, 2022 the PUC allowed the reinstatement of late fees. On January 19, 2022, NBC filed an application with the PUC to include electronic payment transaction fees in the cost of service and recover electronic payment transaction fees incurred between April 1, 2020 and the effective date of the new tariffs. A 0.56% across-the-board rate increase was approved by the PUC effective May 1, 2022. In addition, the PUC authorized the transfer of \$742,801 from the Stabilization account in the Debt Service Fund to the Operations and Maintenance Fund for previously incurred electronic payment transaction fees.

Major Initiatives

NBC's Capital Improvement Program (CIP) identifies 45 projects that are in progress, being initiated or to be completed during FY 2024-2028 at an estimated cost of \$562.0 million, with additional expenditures of \$220.0 million in FY 2023 for total of \$782.0 million. The majority or 72% of the expenditures are for the Combined Sewer Overflow (CSO) Phase III A Facilities which are part of the third and final phase of the mandated CSO Abatement Program. The CSO Phase III A Facilities consist of 13 separate construction projects; however, two projects were rolled into other projects reducing the number to eleven and three projects have been completed. This year's CIP includes \$403.9 million in fiscal years 2024-2028 with an additional \$173.3 million in FY 2023 for a total of \$577.2 million over the six-year period. Other significant capital initiatives include the Bucklin Point Resiliency Improvements at \$12.7 million and the Field's Point Resiliency Improvements at \$88.4 million.

Since FY 2020, NBC's primary capital funding source has been the Water Infrastructure Finance and Innovation Act (WIFIA) loan program administered by the United States Environmental Protection Agency (USEPA). NBC applied for a third WIFIA loan to fund a portion of the Field's Point Resiliency Improvements. NBC also executed a \$45.0 million loan through the Rhode Island Infrastructure Bank (RIIB) on November 16, 2021 that included \$1.0 million in principal forgiveness.

Long-term Financial Planning

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Finance Reporting to NBC for its Annual Report for the fiscal year ended June 30, 2021. This was the twentieth consecutive year that NBC has received this prestigious award. To be awarded a Certificate of Achievement, NBC issued an easily readable and efficiently organized Annual Report that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, NBC received the GFOA's Distinguished Budget Presentation Award for the twentieth consecutive year for its annual budget document for the FY 2022 Budget. NBC was also awarded Special Capital Recognition. To qualify for the Distinguished Budget Presentation Award, the budget document must meet program criteria as a policy document, as financial plan, as an operations guide, and as a communication device. This award is valid for a period of one year only.

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

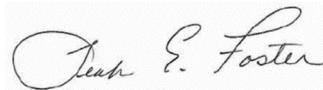
Respectfully Submitted,

Karen L. Giebink, MBA



Chief Financial Officer

Leah E. Foster, CPA



Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Narragansett Bay Commission
Rhode Island**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Board of Commissioners

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

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

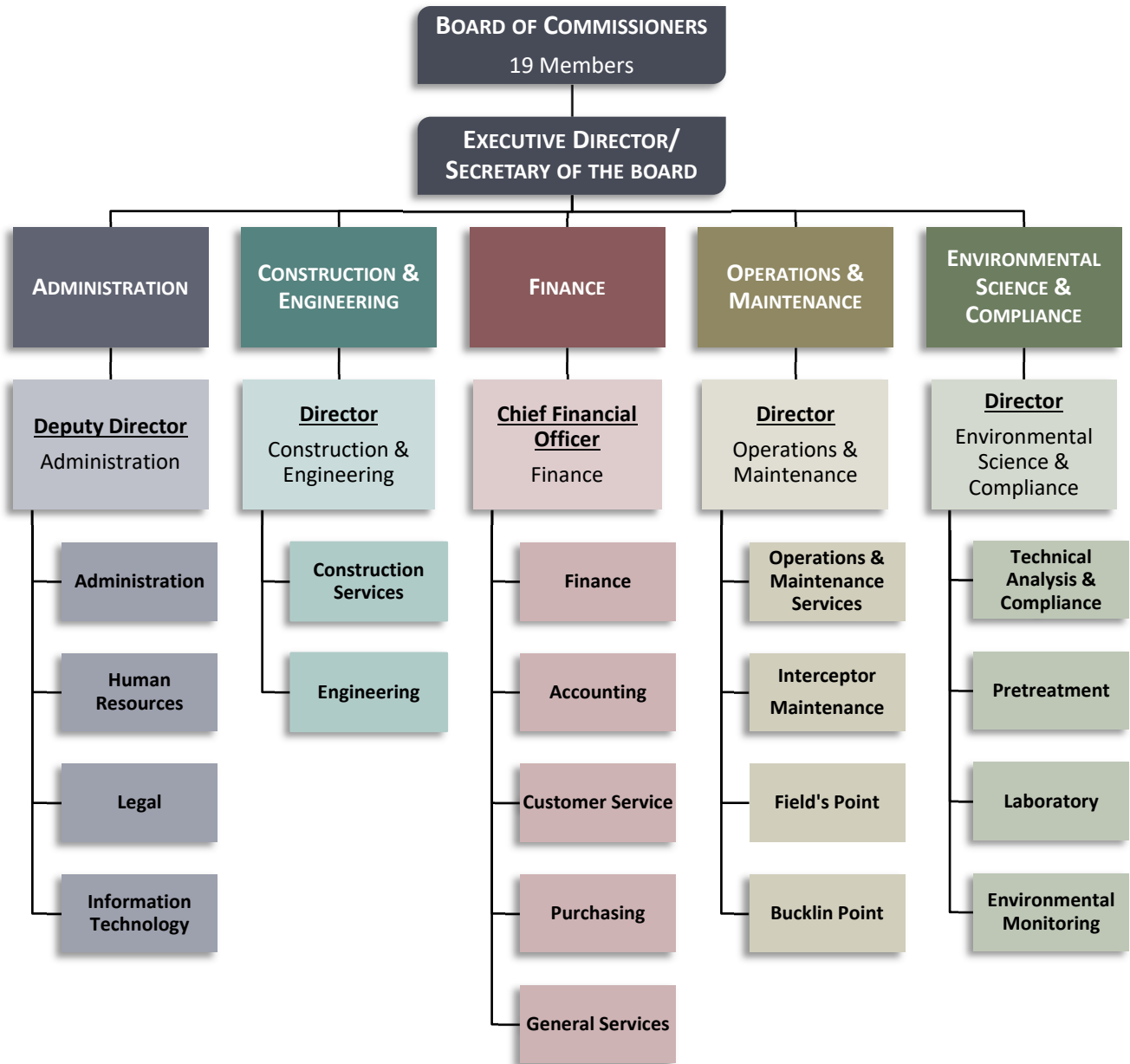
Ernest Almonte, CPA
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Charles A. Ruggerio, Esq.

Laurie Horridge, Executive Director and Secretary of the Board



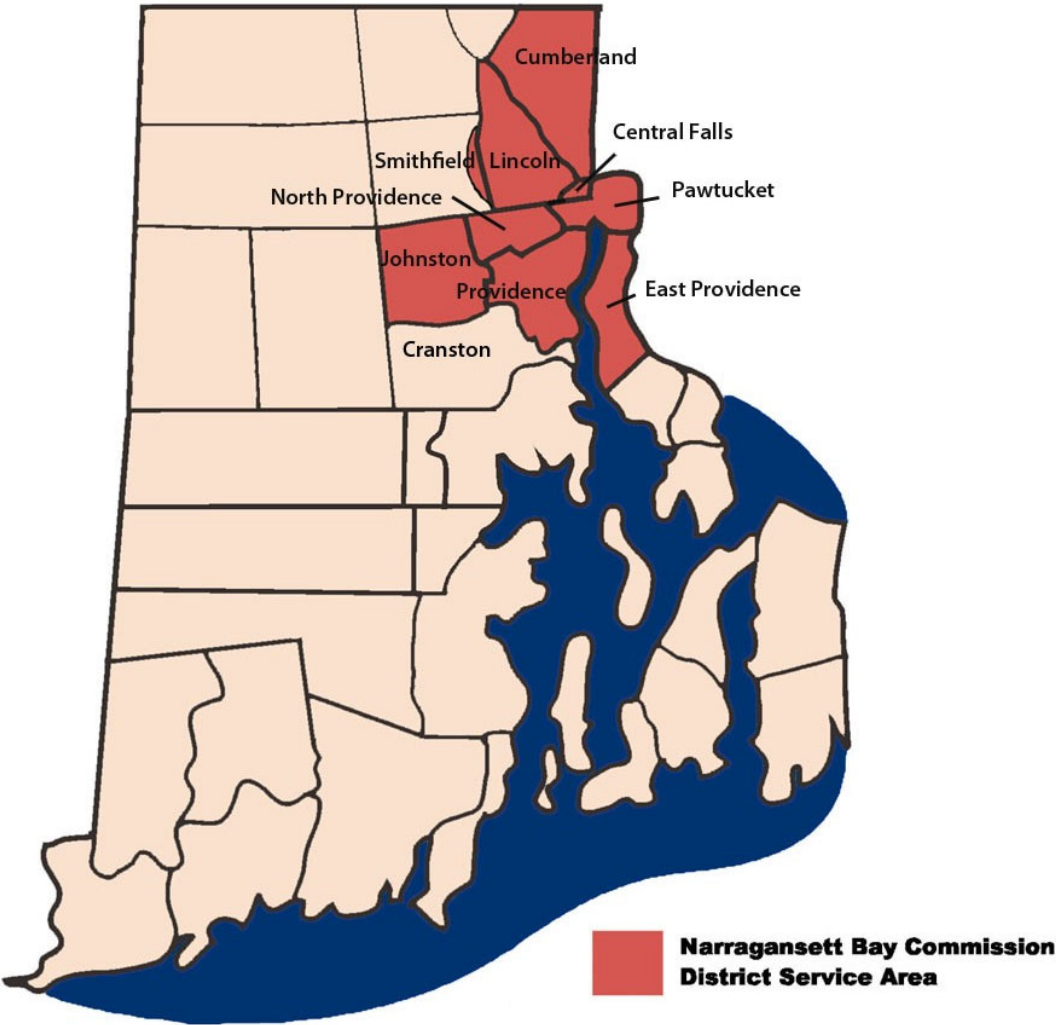
Sunset over the Claiborne Pell Bridge, Newport Rhode Island



Service Area

NBC provides reliable, cost-effective wastewater collection and treatment services to over 395,000 residents and approximately 7,700 businesses in the metropolitan Providence and Blackstone Valley areas. These communities include Providence, North Providence, Johnston, Pawtucket, Central Falls, Cumberland, Lincoln, the northern portion of East Providence and small sections of Cranston and Smithfield.

The State of Rhode Island is 1,097.0 square miles and NBC's service area is 70.8 square miles or 6.5%. The map below shows NBC's service area.



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the NBC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the NBC, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NBC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 17 to the financial statement, the NBC implemented GASB Statement No. 84 *Fiduciary Activities*, during fiscal year 2021, which resulted in the restatement of the beginning fiduciary net position of the Non-Union Defined Benefit Plan in fiscal year 2022 to correct the prior year omission of the Non-Union Defined Benefit Plan as a fiduciary component unit in the financial statements. Our opinions were not modified with respect to this matter.

As discussed in Notes 1 and 8 to the financial statements, the NBC implemented GASB Statement No. 87, *Leases*, during fiscal year 2022. Our opinions were not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NBC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 NBC's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NBC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and supplementary pension and other post-employment other than pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NBC's basic financial statements. The schedule of operating budget revenues-budget to actual, schedule of operating budget expenses- budget to actual, combining schedule of net position, combining schedule of revenues, expenses and changes in net position, and schedule of long distance travel are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 operating budget revenues, schedule of operating budget expenses, combining schedule of net position, combining schedule of revenues, expenses and changes in net position, and schedule of long distance travel are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements

do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of the NBC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NBC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NBC's internal control over financial reporting and compliance.

Bacon & Company CPAs, LLC

Warwick, Rhode Island
September 29, 2022

Narragansett Bay Commission
Management's Discussion and Analysis (Unaudited)
June 30, 2022

NBC's Management offers readers of the basic financial statements, this narrative overview and analysis of NBC for the fiscal year ended June 30, 2022 (FY 2022). Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

Financial Highlights

From a financial perspective, FY 2022 was a strong year for NBC. The following are the key financial highlights:

- NBC's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$617,964,138. Of this amount, \$4,456,158 is unrestricted net position.
- NBC's total net position increased by \$27,697,835 or 4.7% over the prior year.
- NBC finished FY 2022 under budget for expenses by \$4,348,460. The majority of the favorable variance is from personnel services, chemicals, electricity, biosolids, wind turbine expense and interest expense.
- Debt service coverage calculated as gross revenues, minus operating expenses exclusive of depreciation and amortization, divided by total debt service was 1.56 in FY 2022, exceeding the 1.25 debt service coverage level recommended by credit rating agencies.
- NBC realized a savings of \$358,363 in FY 2022 resulting from Rhode Island Infrastructure Bank (RIIB) refundings. NBC will recognize total savings of \$4,369,070 over the life of the loans due to these refundings.
- NBC accounts receivable (net of allowance) increased from \$12,816,471 to \$13,115,084 from FY 2021 to FY 2022, respectively. This is a \$298,613 or 2.33% increase.
- The Non-Union Defined Benefit Plan is funded at 108.89%, which results in a net pension asset of \$2.2 million on the Statement of Net Position. The Employees' Retirement System of the State of Rhode Island (ERSRI) Defined Benefit Plan is funded at 63.2% which results in a net pension liability – ERSRI Pension Plan of \$14.6 million on the Statement of Net Position.
- NBC implemented GASB 87 Leases. NBC has wind turbines that are located on two land leases.

- RIIB refunded debt that resulted in a gain of \$2.6 million which will be amortized over the remaining life of the loans.
- NBC executed a \$45.0 million loan through the RIIB on November 16, 2021 that included \$1.0 million in principal forgiveness.

Overview of the Financial Statements

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

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

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

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

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

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

Financial Analysis – Statement of Net Position

Net position over time may serve as a useful indicator of a government's financial position. In the case of NBC, assets plus deferred outflows of resources exceeded the liabilities plus deferred inflows of resources by \$617,964,138 as of June 30, 2022.

Condensed Statement of Net Position

| Assets | FY 2022 | FY 2021 |
|---|-----------------------|-----------------------|
| Current assets | \$ 318,369,805 | \$ 424,187,569 |
| Noncurrent assets | | |
| Restricted assets | 94,826,129 | 77,987,362 |
| Net capital assets | 1,289,827,515 | 1,132,898,591 |
| Other assets | 2,183,820 | 6,797,195 |
| Total assets | <u>1,705,207,269</u> | <u>1,641,870,717</u> |
| Deferred outflows of resources | | |
| Deferred outflows of resources | 12,677,469 | 9,955,355 |
| Total deferred outflows resources | <u>12,677,469</u> | <u>9,955,355</u> |
| Liabilities | | |
| Current liabilities | 80,846,678 | 58,887,233 |
| Noncurrent liabilities | 1,010,597,795 | 995,549,763 |
| Total liabilities | <u>1,091,444,473</u> | <u>1,054,436,996</u> |
| Deferred inflows of resources | | |
| Deferred inflows of resources | 8,476,127 | 7,122,775 |
| Total deferred inflows resources | <u>8,476,127</u> | <u>7,122,775</u> |
| Net position | | |
| Net investment in capital assets | 527,168,331 | 517,866,217 |
| Restricted for environmental enforcement | 59,508 | 74,068 |
| Restricted for bond covenants | 67,265,617 | 61,740,095 |
| Restricted operating reserve for revenue stability fund | 4,507,306 | 4,500,459 |
| Restricted for debt service reserve | 2,967,686 | 2,963,177 |
| Restricted for operating capital | 11,539,532 | 6,230,100 |
| Unrestricted | 4,456,158 | (3,107,815) |
| Total net position | <u>\$ 617,964,138</u> | <u>\$ 590,266,301</u> |

The Condensed Statement of Net Position above reflects a decrease in current assets of \$105.8 million from FY 2021 to FY 2022. This is the net of a reduction in Water Infrastructure Finance Innovation Act (WIFIA) loan receivable and a \$1.0 million increase in RIIB receivable.

In FY 2022, NBC's restricted assets of \$94,826,129 consisted of the following:

| | | |
|---|----|-------------------|
| Cash and cash equivalents, for environmental enforcement fund | \$ | 59,508 |
| Cash and cash equivalents, bond covenants | | 67,265,617 |
| Cash and cash equivalents, debt service reserve fund | | 2,967,686 |
| Cash and cash equivalents, grant and project reimbursement | | 8,486,480 |
| Cash and cash equivalents, operating reserve for revenue stability fund | | 4,507,306 |
| Cash and cash equivalents, operating capital | | <u>11,539,532</u> |
| | \$ | <u>94,826,129</u> |

The Condensed Statement of Net Position shows an increase in net capital assets of \$156.9 million from FY 2021 to FY 2022. This increase reflects FY 2022 investments in capital improvements and leased land, less related accumulated depreciation and amortization. Construction in progress increased \$131.6 million. This increase is due to additions of \$172.8 million and the reclassification of \$41.2 million from construction in progress to completed projects.

Other assets on the Condensed Statement of Net Position decreased by \$4.6 million which is a result of a decrease in the net pension asset of the non-union defined benefit plan.

From FY 2021 to FY 2022, total deferred outflows of resources increased by \$2.7 and total deferred inflows of resources increased by \$1.4. The increase in deferred outflows is a result of the GASB 68 pension entries, GASB 75 other post-employment benefits (OPEB) entries, and GASB 83 Asset retirement obligation. The increase in deferred inflows is the result of the GASB 68 pension entries, GASB 75 other post-employment benefits (OPEB) entries, and a gain on refunding debt.

Current liabilities increased \$22.0 million from FY 2021 to FY 2022. This is the result of an increase in the contracts payable related to the capital improvement program. The non-current liabilities increased by \$15.0 million due to the net effect of \$43.4 million increase in RIIB loans, the \$1.6 million increase loans payable WIFIA for capitalized interest, principal debt service payments relating to the loans, an increase in lease liability and increase in asset retirement obligation and the decrease in the net pension and net OPEB liabilities.

Total net position increased by \$27.7 million to \$618.0 million in FY 2022, which demonstrates NBC's improving financial position. The largest portion of NBC's net position, 85.3%, reflects net investment in capital assets. NBC uses these capital assets to provide wastewater treatment and collection services to its customers.

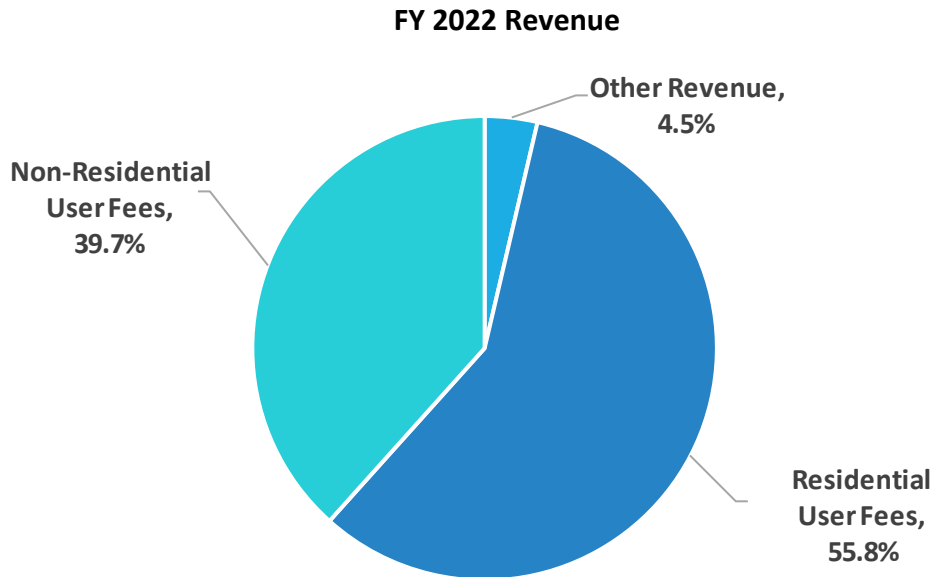
Only the unrestricted net position is available for future spending. Although NBC's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to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

Condensed Statement of Revenues, Expenses and Changes in Net Position

| | FY 2022 | FY 2021 |
|---|----------------|----------------|
| Operating revenues | | |
| User fees | \$ 102,132,232 | \$ 102,984,257 |
| Pretreatment fees | 61,280 | 71,700 |
| Connection fees/capacity charges | 269,660 | 357,070 |
| Septage income | 372,346 | 352,135 |
| Renewable energy credits revenues | 648,148 | 604,033 |
| Other operating revenues | 549,200 | 213,092 |
| Non-operating revenues | | |
| Interest income | 132,830 | 25,879 |
| Gain on disposal of asset | 10,241 | |
| Grant revenue | - | 27,415 |
| Sewer tie-in revenue | 2,384,273 | - |
| Miscellaneous revenues | 346,499 | 280,906 |
| Total revenues | 106,906,709 | 104,916,487 |
| Operating expenses | | |
| Personnel services | 23,988,962 | 23,193,856 |
| Operating supplies/expense | 17,218,133 | 15,635,215 |
| Professional services | 1,738,671 | 1,592,497 |
| Depreciation and amortization | 22,223,491 | 17,093,870 |
| Non-operating expenses | | |
| Interest Expense | 14,450,782 | 13,964,362 |
| Bond and note fees | 588,835 | 661,536 |
| Loss on economic defeasance | - | 111,138 |
| Total expenses | 80,208,874 | 72,252,474 |
| Net income before capital contribution | 26,697,835 | 32,664,013 |
| Capital contribution | 1,000,000 | - |
| Change in net position | 27,697,835 | 32,664,013 |
| Total net position - beginning of year | 590,266,303 | 557,602,288 |
| Total net position - end of year | \$ 617,964,138 | \$ 590,266,303 |

Revenue

User fees are NBC’s primary source of revenue, representing approximately 95.5% of total revenue. FY 2022 user fees were \$102,132,232 which is \$852,025 lower than the prior year. In FY 2022, other operating revenue increased by \$336,108 primarily as the result of the late fee revenue. Non-operating revenue increased by \$2.5 million, reflecting sewer tie-in revenue for two large customers and higher investment income.



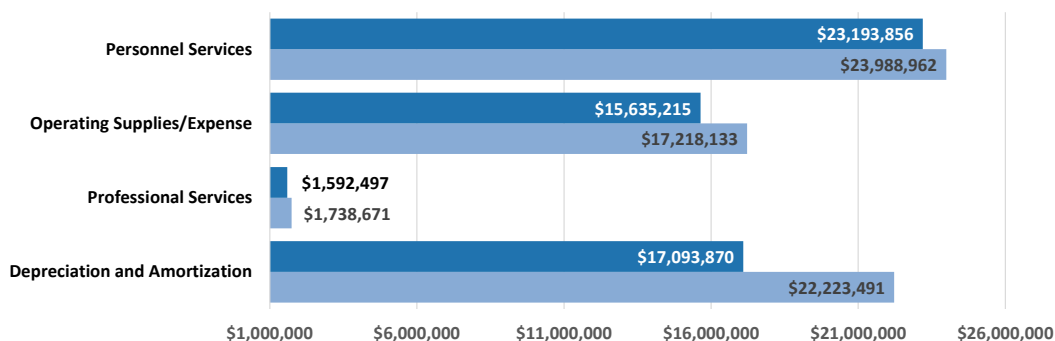
Total expense in FY 2022 increased by \$8.0 million from the prior year primarily due to an increase in operating supplies/expense, and depreciation and amortization. Non-operating expense increased by \$302,581 or 2.05% from FY 2021 to FY 2022 as the result of higher interest expense.

Total operating expense was \$7.7 million or 1.3% higher in FY 2022 than the prior year. The increase in operating expense was the result of higher personnel services, operating supplies/expense, professional services expense, and depreciation and amortization expense.

In FY 2022, personnel services increased by \$795,106 or 3.43% more than the prior year. This is the result of an increase in union and non-union wages, fringe benefits resulting from the GASB 68 entries relating to pensions, and GASB 75 entries relating to OPEB.

Operating supplies/expense increased by \$1.6 million or 10.12% over the prior year due to an increase in repair, maintenance/service agreement, insurance, chemicals, and electricity expense. The FY 2022 professional services expense was \$146,174 or 9.18% higher than the prior year. This is primarily due to an increase in legal expense and regulatory expense.

Operating Expenses for FY 2022 and FY 2021



Capital contributions increased \$1,000,000 from FY 2021 to FY 2022 due to principal forgiveness of the 2021 Series A loan from RIIB.

Capital Assets and Debt Administration

Capital Assets

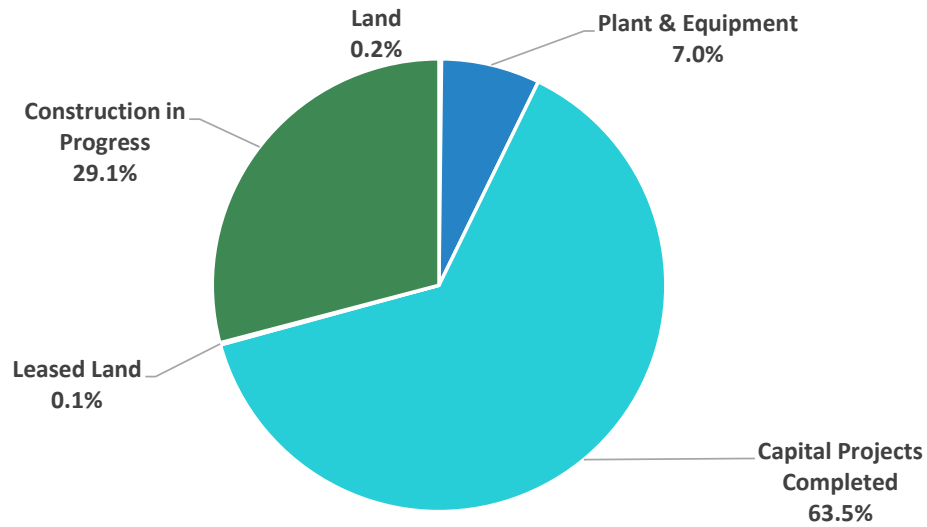
At the end of FY 2022, NBC had \$1.3 billion invested in net capital assets. Total net capital assets increased more than \$176.5 million, or 12.55% over prior year. The majority of this increase relates to NBC's investment in capital projects and is reflected in construction in progress that is \$131.6 million higher than the prior year. In FY 2022, capital projects completed increased \$41.2 million due to a reclassification from construction in progress to completed projects. NBC also has a new capital asset category leased land as a result of implementation of GASB 87. For additional information relating to capital assets refer to the notes to the financial statement on page 40.

The following table summarizes NBC's capital assets as of June 30, 2022 and 2021.

Capital Assets

| | FY 2022 | FY 2021 |
|--|----------------------|----------------------|
| Capital assets | | |
| Land | \$ 2,754,407 | \$ 2,754,407 |
| Plant & Equipment | 111,524,562 | 107,805,191 |
| Capital Projects Completed | 1,005,551,311 | 964,395,968 |
| Leased Land | 2,344,137 | 2,344,137 |
| Construction in Progress | 460,672,822 | 329,039,245 |
| | <u>1,582,847,239</u> | <u>1,406,338,948</u> |
| Less accumulated depreciation and amortization | 293,019,724 | 271,096,220 |
| Net capital assets | <u>1,289,827,515</u> | <u>1,135,242,728</u> |

**Capital Assets
June 30, 2022**



Long-Term Debt

Total outstanding long-term debt increased by \$16.7 million as the net result of the \$43.4 million increase in RIIB loans payable, increase in the WIFIA loan payable for capitalized interest, and principal payments on loans and bonds payable. For additional information relating to long-term debt refer to the notes to the financial statement on pages 41-47.

| | FY 2022 | FY 2021 |
|----------------------------------|-------------------------|-----------------------|
| Long-Term Debt | | |
| Current portion of loans payable | \$ 23,102,904 | \$ 23,915,270 |
| Current portion of revenue bonds | 5,325,000 | 4,255,000 |
| Loans payable WIFIA | 461,271,187 | 459,704,608 |
| Loans payable, net | 273,791,419 | 253,467,058 |
| Revenue bonds, net | 253,088,030 | 258,550,064 |
| Total Long-Term Debt | \$ 1,016,578,540 | \$ 999,892,000 |

Currently Known Facts, Conditions, or Decisions

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

| | Rating/Outlook | |
|--------------------------|------------------|------------|
| | Long-Term Rating | 2022 A |
| S&P Global Rating | AA-/Stable | AA-/Stable |
| Kroll Bond Rating Agency | AA/Stable | N/A |

Economic Factors and Next Year's Budget

FY 2023 Budget

The FY 2023 Budget, which includes the operating and capital budgets, totals \$330.6 million and is \$44.9 million or 15.7% higher than the prior year. This is driven by a \$42.8 million increase in the capital budget primarily for Capital Improvement Program (CIP) and completion of the federally mandated CSO Phase III A Facilities.

Operating Budget

The FY 2023 Operating Budget is \$107.0 million, which is approximately \$2.1 million, or 0.2% greater than the FY 2022 budget. Budgeted operating revenue is 2.0% higher, primarily due to an increase in budgeted user fee revenue and a 0.56% across-the-board rate increase effective May 1, 2022.

NBC's budgeted operating expense for FY 2023 is \$51.4 million which is \$2.5 million or 5.1% more than the prior year. This is due to an increase in personnel, operating supplies/expense, professional services, and lease/subscription expense.

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

Capital Budget

The FY 2023 Capital Budget includes the Operating Capital Program (OCP) and the CIP and is \$223.6 million. This is \$42.8 million or 23.7% more than prior year and is primarily driven by a \$43.5 million increase in the CIP. Funding for the capital program in FY 2023 shows the use of WIFIA proceeds with \$191.9 million programmed to finance capital improvements in the upcoming fiscal year.

Requests for Information

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



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NARRAGANSETT BAY COMMISSION

Statement of Net Position

June 30, 2022

Assets

Current assets

| | |
|------------------------------|---------------|
| Accounts receivable | |
| Sewer use (net of allowance) | \$ 13,115,084 |
| Sewer use unbilled | 6,659,090 |
| Receivables, RIIB | 1,000,000 |
| Receivables, WIFIA | 297,271,571 |
| Receivables, other | 18,724 |
| Prepaid expenses | 305,336 |

Total current assets 318,369,805

Non-current assets

Restricted assets

| | |
|---------------------------------------|-------------------|
| Cash and cash equivalents, restricted | <u>94,826,129</u> |
|---------------------------------------|-------------------|

Total restricted assets 94,826,129

Capital assets

| | |
|----------------------------|---------------|
| Land | 2,754,407 |
| Plant and equipment | 111,524,562 |
| Capital projects completed | 1,005,551,311 |
| Leased land | 2,344,137 |
| Construction in progress | 460,672,822 |

Subtotal 1,582,847,239

| | |
|---|--------------------|
| Less: accumulated depreciation and amortization | <u>293,019,724</u> |
|---|--------------------|

Total net capital assets 1,289,827,515

Other assets

| | |
|--|------------------|
| Net pension asset - Non-Union Defined Benefit Plan | <u>2,183,820</u> |
|--|------------------|

Total non-current assets 1,386,837,464

Total assets 1,705,207,269

Deferred outflows of resources

| | |
|----------------------------------|-----------|
| Loss on refunding of debt, net | 5,037,851 |
| Pension related outflows, net | 6,575,386 |
| OPEB related outflows, net | 636,732 |
| Asset retirement obligation, net | 427,500 |

Total deferred outflows of resources \$ 12,677,469

(Continued)

NARRAGANSETT BAY COMMISSION

Statement of Net Position (Continued)

June 30, 2022

Liabilities

Current liabilities

| | |
|--|------------|
| Accounts payable | 2,113,423 |
| Contracts payable | 44,737,919 |
| Accrued interest payable | 4,292,117 |
| Accrued expense | 933,717 |
| Current portion of the other accrued expense | 236,682 |
| Current portion of loans payable | 23,102,904 |
| Current portion of revenue bonds | 5,325,000 |
| Current portion of lease liability | 104,916 |

Total current liabilities 80,846,678

Non-current liabilities

| | |
|--|-------------|
| Other accrued expense, net | 3,318,908 |
| Net pension liability - ERSRI Pension Plan | 14,631,376 |
| Net OPEB liability | 1,912,937 |
| Loans payable, WIFIA | 461,271,187 |
| Loans payable, net | 273,791,419 |
| Revenue bond, net | 253,088,030 |
| Lease liability, net | 2,133,938 |
| Asset retirement obligation | 450,000 |

Total non-current liabilities 1,010,597,795

Total liabilities 1,091,444,473

Deferred inflows of resources

| | |
|------------------------------|-----------|
| Gain on refunding debt, net | 2,413,293 |
| Pension related inflows, net | 4,330,800 |
| OPEB related inflows, net | 1,732,034 |

Total deferred inflows of resources 8,476,127

Net position

| | |
|---|-------------|
| Net investment in capital assets | 527,168,331 |
| Restricted - environmental enforcement fund | 59,508 |
| Restricted - bond covenants | 67,265,617 |
| Restricted - debt service reserve fund | 2,967,686 |
| Restricted - operating reserve for revenue stability fund | 4,507,306 |
| Restricted - operating capital | 11,539,532 |
| Unrestricted | 4,456,158 |

Total net position \$ 617,964,138

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

NARRAGANSETT BAY COMMISSION
Statement of Revenue, Expense and Changes in Net Position
For the Year Ended June 30, 2022

| | |
|---|-----------------------|
| Operating revenue | |
| User fees, residential | \$ 59,654,921 |
| User fees, commercial and industrial | 42,477,311 |
| Connection fees/capacity charges | 269,660 |
| Pretreatment fees | 61,280 |
| Septage income | 372,346 |
| Renewable energy credits | 648,148 |
| Miscellaneous revenue | 190,785 |
| Late charge penalties | 358,415 |
| Total operating revenue | <u>104,032,866</u> |
| Operating expense | |
| Personnel services | 23,988,962 |
| Operating supplies/expense | 17,218,133 |
| Professional services | 1,738,671 |
| Depreciation and amortization | 22,223,491 |
| Total operating expense | <u>65,169,257</u> |
| Operating income | <u>38,863,609</u> |
| Non-operating revenue (expense) | |
| Interest expense | (14,450,782) |
| Interest income | 132,830 |
| Gain on sale of capital asset | 10,241 |
| Bond and note fees | (588,835) |
| Sewer tie-in revenue | 2,384,273 |
| Miscellaneous income | 346,499 |
| Total non-operating revenue (expense) | <u>(12,165,774)</u> |
| Net income before capital contribution | 26,697,835 |
| Capital Contribution | 1,000,000 |
| Change in net position | 27,697,835 |
| Total net position, beginning of year | <u>590,266,303</u> |
| Total net position, end of year | <u>\$ 617,964,138</u> |

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

NARRAGANSETT BAY COMMISSION

Statement of Cash Flows

For the Year Ended June 30, 2022

| | |
|---|----------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 104,876,392 |
| Cash paid to suppliers for goods and services | (18,154,610) |
| Cash paid to employees for services | (26,891,253) |
| Other non-operating revenue | <u>2,730,772</u> |
| Net cash provided by operating activities | <u>62,561,301</u> |
| Cash flows from capital and related financing activities | |
| WIFIA loan receipts | 105,873,469 |
| Acquisitions and construction of capital assets | (112,871,130) |
| Principal paid on long-term debt and leases | (28,275,552) |
| Interest paid on long-term debt and leases | (13,146,245) |
| Bond and note fees paid | (56,085) |
| Gain on disposal capital asset | 10,241 |
| Cash received from RIIB from refunding gain | <u>2,609,938</u> |
| Net cash used for capital and related financing activities | <u>(45,855,364)</u> |
| Cash flows from investing activities | |
| Interest income | <u>132,830</u> |
| Net cash provided by investing activities | <u>132,830</u> |
| Net increase in cash and cash equivalents | 16,838,767 |
| Cash and cash equivalents, beginning of year | <u>77,987,362</u> |
| Cash and cash equivalents, end of year | <u>\$ 94,826,129</u> |

(Continued)

NARRAGANSETT BAY COMMISSION

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2022

Reconciliation of operating income to net cash provided by operating activities

| | | |
|------------------|----|------------|
| Operating Income | \$ | 38,863,609 |
|------------------|----|------------|

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

| | | |
|---|--|------------------|
| Depreciation and amortization | | 22,223,491 |
| Changes in assets, deferred outflows, liabilities, and deferred inflows | | |
| Increase in accounts receivable sewer user fees | | (298,613) |
| Decrease in sewer user fees unbilled revenue | | 1,040,090 |
| Decrease in other receivables | | 102,048 |
| Decrease in prepaid expense | | 100,770 |
| Increase in pension related deferred outflows of resources, net | | (2,414,246) |
| Increase in OPEB related deferred outflows of resources, net | | (139,707) |
| Decrease in net pension asset | | 4,613,375 |
| Decrease in pension related deferred inflows of resources, net | | (1,712,159) |
| Increase in OPEB related deferred inflows of resources, net | | 652,218 |
| Decrease in net pension liability | | (3,069,872) |
| Decrease in net OPEB liability | | (889,070) |
| Increase in accounts payable | | 701,592 |
| Increase in accrued expense | | 57,003 |
| Non-operating revenue reported as operating revenue received | | <u>2,730,772</u> |

| | | |
|--------------------------|--|-------------------|
| Total adjustments | | <u>23,697,692</u> |
|--------------------------|--|-------------------|

| | | |
|--|-----------|-------------------|
| Net cash provided by operating activities | <u>\$</u> | <u>62,561,301</u> |
|--|-----------|-------------------|

Non-cash capital and related financing activities

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

| | | |
|---|----|--------------|
| Increase in loan payable RIIB | \$ | (43,427,266) |
| Capital contribution | | (1,000,000) |
| Increase in amount due from RIIB | | 1,000,000 |
| RIIB costs of issuance | | 532,750 |
| Capitalized interest RIIB | | 15,350 |
| Acquisitions and construction of capital assets | | 42,879,166 |

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

| | | |
|--------------------------------|----|-------------|
| Increase in loan payable WIFIA | \$ | (1,566,579) |
| Capitalized interest WIFIA | | 1,566,579 |

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

NARRAGANSETT BAY COMMISSION

Statement of Net Fiduciary Position

June 30, 2022

| | Non-Union Defined Benefit Pension Fund |
|---|---|
| Assets | |
| Investments, at fair value: | |
| Investment contract with insurance company | \$ 3,596,449 |
| Pooled separate account investments: | |
| Large Cap US Equity | 7,917,761 |
| Small/Mid Cap US Equity | 2,723,777 |
| International Equity | 3,580,398 |
| Intermediate to Long-Term Bonds | 7,941,288 |
| Total Investments | <u>25,759,673</u> |
| | |
| Contributions Receivable | <u>1,000,000</u> |
| Total Assets | <u>26,759,673</u> |
| | |
| Net position restricted for pension benefits | <u>\$ 26,759,673</u> |

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

NARRAGANSETT BAY COMMISSION
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

| | Non-Union Defined Benefit Pension Fund |
|--|---|
| Additions | |
| Contributions | |
| Employer | \$ 1,767,069 |
| Employee | 521,597 |
| Total contributions | 2,288,666 |
| Investment Income | |
| Net appreciation (depreciation) in fair value of investments | (4,741,630) |
| Interest and dividends | 58,286 |
| Less investment expense | (168,867) |
| Net investment income | (4,852,211) |
| Total additions | (2,563,545) |
| Deductions | |
| Benefit payments, including refunds of member contributions | 784,184 |
| Administrative expenses | 18,137 |
| Total deductions | 802,321 |
| Net decrease in fiduciary net position | (3,365,866) |
| Net position restricted for pension benefits, beginning of year, restated | 30,125,539 |
| Net position restricted for pension benefits, end of year | \$ 26,759,673 |

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

Narragansett Bay Commission
Notes to Financial Statements
June 30, 2022

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

In evaluating the inclusion of potential component units within its financial reporting entity, NBC applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61 "Financial Reporting Entity Omnibus". A component unit is a legally separate organization for which the officials of the primary government are financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Through the application of GASB Statements Nos. 14, 39 and 61 criteria, the Non-Union Defined Benefit Pension Fund has been presented as a fiduciary component unit in the NBC Fiduciary Fund Financial Statements.

The Non-Union Defined Benefit Pension fund is a pension fund discussed in Note 11 of the financial statements. The plan year of the Non-Union Defined Benefit Pension fund ends on December 31. The Non-Union Defined Benefit Pension fund issues separate financial statements.

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

The basic financial statements of NBC, which include the Business-Type Activities and the Fiduciary Activity financial statements are accounted for using the "economic resources" measurement focus and have been prepared on the accrual basis of accounting with the exception of fines and monitoring fees, which are recorded on a cash basis which are immaterial. Under the accrual basis of accounting, all assets, deferred outflows, liabilities, and deferred inflows associated with operations are included on the Statement of Net Position, and revenue is recorded when earned and expense is recognized at the time liabilities are incurred.

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

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

Investments – Investments are valued at fair value, except for money market funds and investment pool accounts, which are reported at net asset value per share (which approximates fair value)

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, 2022 was \$63,378.

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources- Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflow of resources represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. NBC deferred outflows and resourced and deferred inflows of resources relate to its pension plan other post-employment benefit plan, Gains/Losses on refunding debt and Asset retirement obligation and will be amortized as a component of pension, post- employment benefit expense, debt service and amortization in future years.

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. Bond premiums are presented in addition to the face amount of the bonds payable.

The total unamortized bond premiums as of June 30, 2022 were \$458,030.

The total bond and loan fees for the year ending June 30, 2022 were \$588,835.

Pensions - For purposes of measuring the net pension liability (asset), 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 Non-Union Defined Benefit Pension Plan and the additions to/deductions from each respective plan's fiduciary net position have been determined on the same basis as they are reported by plan. For further information on both the ERSRI plan and Non-Union Defined Benefit Plan, please refer to Notes to Financial Statements, notes 10 and 11.

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, 2021 while the NBC's Non-Union Defined Benefit Plan has a measurement date of June 30, 2022.

OPEB- For purposes of measuring the net OPEB liability, deferred outflows or resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the State Employees' and Electing Teachers OPEB System and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they reported by the State Employees' and Electing Teachers OPEB system. For this purpose, the State Employees' and Electing Teachers OPEB System recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Contributions- In the Pension Trust Fund member contributions are recognized in the period in which compensation subject to required contributions are earned. NBC contributions are recognized when due and the NBC has made a formal commitment to provide contributions.

Payment of Benefits - In the Pension Trust benefits payments to participants and refund of contributions are recorded upon distribution in accordance with the terms of the Plan.

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

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

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

Recently Issued Accounting Standards

NBC has implemented the following new accounting pronouncements:

GASB Statement No. 87, Leases, effective for NBC's fiscal year ending June 30, 2022.

GASB Statement No. 92, Omnibus 2020, effective for NBC's fiscal year ending June 30, 2022.

GASB Statement No. 89, Accounting for Interest Cost incurred before the end of a construction period, effective for NBC's fiscal year ending June 30, 2022.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 is effective for NBC fiscal year ending June 30, 2022, except for paragraphs 4 and 5 which are effective upon issuance.

GASB Statement No. 93, Replacement of Interbank Offered Rates, paragraphs 11b, 13 and 14, effective for NBC fiscal year ending June 30, 2022.

As discussed in Note 8, the adoption of GASB Statement No. 87 resulted in recording a leased land asset and a lease liability. The adoption of GASB Statement No. 92, GASB Statement No. 89, GASB Statement No. 97 and GASB Statement No. 93 applicable in fiscal year 2022 did not have an impact on the NBC's financial position or results of operations.

NBC will adopt the following new accounting pronouncements into the future years:

GASB Statement 91, Conduit Debt Obligations effective for NBC's fiscal year ending June 30, 2023.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements effective for NBC's fiscal year ending June 30, 2023

GASB Statement No. 96, Subscription-Based Information Technology Arrangements effective for NBC's fiscal year ending June 30, 2023.

GASB Statement No. 99, Omnibus 2022 effective for leases, PPPs and SBITAs are effective for NBC's fiscal year ending June 30, 2023. The financial guarantees and classifications and reporting of derivatives are effective for NBC's fiscal year ending June 30, 2024.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 effective for NBC's fiscal year ending June 30, 2024.

GASB Statement No. 101, Compensated Absences effective for NBC's fiscal year ending June 30, 2025.

The impact of these pronouncements on the NBC's financial statements has not been determined.

2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

CASH, CASH EQUIVALENTS AND INVESTMENTS – BUSINESS -TYPE ACTIVITY

Deposits - NBC's cash deposits on June 30, 2022 were \$19,386,340, with corresponding bank balances of \$19,900,917. All NBC's cash equivalents are restricted assets and considered to be highly liquid investments with a maturity of three months or less from the date of acquisition.

In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies, or governmental subdivisions of the State, shall at a minimum, insure or pledge

eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions, which do not meet minimum capital standards prescribed by federal regulators, shall insure, or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity.

| | <u>Bank Balance</u> |
|---|-----------------------------|
| Insured (Federal depository insurance funds) | \$ 250,000 |
| Collateralized with securities held by pledging financial institution's or its agent, in NBC's name | <u>19,650,917</u> |
| Total Bank Balance | <u><u>\$ 19,900,917</u></u> |

Investment policy – The investment policy applies to all funds of the NBC, except those funds covered by any separate NBC Board approved agreements, or pension or retirement funds held in trust for the NBC Non-Union Retirement Plans and the NBC Deferred Compensation Plan. 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, investment agreements, commercial paper, money market mutual funds whose portfolios consist of U.S. Treasury securities, U.S. agency obligations and repurchase agreements fully collateralized by such securities and governmental investment products backed by collateral consisting of U.S. Treasury and U.S. Agency securities. Money held by the Trustee under the Trust Indenture is invested at the direction of an Authorized Officer from NBC and must be invested in accordance with Permitted Investments as defined under the Trust Indenture.

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

The three categories within the hierarchy are as follows:

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

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

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

As of June 30, 2022, NBC had investments as follows:

| <u><i>Investments measured at the Net Asset Value (NAV)</i></u> | <u><i>June 30, 2022</i></u> | <u><i>Maturity</i></u> |
|---|-----------------------------|------------------------|
| Goldman Sachs Financial Square Government Fund | \$ 75,038,462 | Average 13 days |
| Ocean State Investment Pool (OSIP) | 400,827 | N/A |
| Total investments measured at NAV | <u><u>\$ 75,439,289</u></u> | |

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

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

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

Goldman Sachs Financial Square Government Fund

Goldman Sachs Financial Square Government Fund is a money market fund with an average maturity of 13 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 funds. The monies invested in the Goldman Sachs Financial Square Government Fund held by the Trustee were rated Aaa-mf by Moody's Investor Service, Inc.

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

INVESTMENTS – FIDUCIARY ACTIVITY NON-UNION DEFINED BENEFIT PLAN– PENSION FUND

Investment Policy

The Plan's asset investment policy is established and may be amended by the Investment Committee (IC) by a majority vote of its members. It is the policy of the IC to invest the assets in a prudent manner and establish an investment strategy following the concepts driven by modern portfolio theory, including risk, return and correlations among asset classes. The primary objective of the IC's investment policy is to preserve the actuarial soundness of the Plan by achieving a long-term return of at least the actuarial return rate and to prudently manage the inherent investment risks that are related to the achievement of this goal. The IC recognizes that the investment objective is long-term in nature, and that actual year-to-year returns achieved may be above or below the actuarially assumed rate of return.

The IC has adopted asset allocation ranges and the adopted asset target allocation as of June 30, 2022 is as follows:

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

On June 30, 2022, the Plan had the following investments:

| <u>Description</u> | <u>Fair Value</u> |
|---|----------------------|
| Investment contract with insurance company - Separate Account Guaranteed Interest Contract (SAGIC) | \$ 3,596,449 |
| Pooled separate account investments: | |
| Large Cap US Equity | 7,917,761 |
| Small/Mid Cap US Equity | 2,723,777 |
| International Equity | 3,580,398 |
| Intermediate to Long-Term Bonds | 7,941,288 |
| | <u>\$ 25,759,673</u> |

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty, the Plan will not be able to recover its investment or collateral securities that are in the possession of an outside party. The Plan does not have a formal investment policy related to custodial credit risk. As of June 30, 2022 the Plan had no investments subject to custodial credit risk.

Interest Rate Risk

The Plan does not have a formal investment policy that limits the length of its investment maturities in order to manage the exposure to fair value losses arising from increasing interest rates. As of June 30, 2022, the Plan had the following investments subject to interest rate risk:

| | <u>Fair Value</u> | <u>Weighted Average Maturity/Duration (Years)</u> |
|---|----------------------|---|
| Investment contract with insurance company SAGIC | \$ 3,596,449 | 6.30 |
| Pooled Separate account investments: | | |
| Western Asset Core Plus Bond | 3,911,639 | 15.24 |
| Inflation Protected Securities (DFA) | 1,428,148 | 7.98 |
| Delaware Extended Duration Bond | 1,207,061 | 25.12 |
| Alliance Bernstein Global Bond Advisor | 1,394,440 | 9.02 |
| Total Fair Value | <u>\$ 11,537,737</u> | |
| Portfolio weighted average maturity/duration | | <u>11.84</u> |

Credit Risk

The Plan does not have a formal investment policy that limits investment choices due to credit risk. Credit quality information for the Plan's investments subject to credit risk as of June 30, 2022 is as follows: MassMutual - Separate Account Guaranteed Interest Contract (SAGIC) rating of A+.

Concentration of Credit Risk

The Plan does not have a formal investment policy that limits the amount that may be invested in a single issuer. Concentration of credit risk is the risk of loss attributed to the magnitude of an

investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in diversified mutual funds, external investment pools, and other pooled investments are excluded. As of June 30, 2022, the Plan had no assets subject to concentration of credit risk.

Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Plan has the following recurring fair value measurements as of June 30, 2022.

- Investment Contract with insurance company - Separate Account Guaranteed Interest Contract (SAGIC) – The fair value is based on the SAGIC’s market value account. The market value account is maintained at the fair value of the underlying assets and equals the number of units owned multiplied by unit value. The unit value includes reinvested dividend and interest income, realized gains and losses and unrealized gains and losses of the underlying assets. (Level 3 inputs)

The valuation methods for the Plan’s investments in pooled separate accounts measured at the net asset value (NAV) per share or its equivalent are as follows:

- *Large, Mid and Small Cap US Equity Accounts* – are primarily invested in domestic equity funds. The fair values of the investments have been determined using the NAV equivalent per unit as determined by the insurance company using the closing price of the underlying funds from the applicable exchange, NYSE, NASDAQ, etc. The redemption frequency is daily and there are no withdrawal limitations for domestic equity accounts.
- *International Equity Accounts* - are primarily invested in international equity funds. The fair values of the investments have been determined using the NAV equivalent per unit as determined by the insurance company using the closing price of the underlying funds from the applicable exchange, NYSE, NASDAQ, etc. The redemption frequency is daily and there are no withdrawal limitations for international equity accounts.
- *Intermediate to Long Term Bond Accounts* - are primarily invested in domestic fixed income funds with some exposure to international fixed income funds. The fair values of the investments have been determined using the NAV equivalent per unit as determined by the insurance company using the closing price of the underlying funds from the applicable exchange, NYSE, NASDAQ, etc. The redemption frequency is daily and there are no withdrawal limitations for the bond accounts.

Concentrations

The Plan’s investment in the Separate Account Guaranteed Interest Contract is \$3.6 million or 13.44% of the Plan’s fiduciary net position as of June 30, 2022.

Rate of Return

For the year ended June 30, 2022 the annual money-weighted rate of return on Plan investments, net of investment expense, was (15.99%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the change amounts actually invested.

3 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2022:

| | <u>June 30, 2021</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2022</u> |
|---|--------------------------------|------------------------------|-------------------------------|--------------------------------|
| Nondepreciable assets | | | | |
| Land | \$ 2,754,407 | \$ - | \$ - | \$ 2,754,407 |
| Construction in progress | 329,039,245 | 172,788,919 | (41,155,342) | 460,672,822 |
| Total nondepreciable assets | 331,793,652 | 172,788,919 | (41,155,342) | 463,427,229 |
| Depreciable assets | | | | |
| Plant and equipment | 107,805,191 | 3,996,858 | (277,487) | 111,524,562 |
| Capital projects completed | 964,395,968 | 41,155,343 | - | 1,005,551,311 |
| Leased land | 2,344,137 | - | - | 2,344,137 |
| Total depreciable assets | 1,074,545,296 | 45,152,201 | (277,487) | 1,119,420,010 |
| Less accumulated depreciation and amortization for | | | | |
| Plant and equipment | (89,808,486) | (5,250,710) | 277,487 | (94,781,709) |
| Capital projects completed | (181,287,734) | (16,833,075) | - | (198,120,809) |
| Leased land | - | (117,206) | - | (117,206) |
| Total accumulated depreciation | (271,096,220) | (22,200,991) | 277,487 | (293,019,724) |
| Total capital assets, net | <u>\$ 1,135,242,728</u> | <u>\$ 195,740,129</u> | <u>\$ (41,155,342)</u> | <u>\$ 1,289,827,515</u> |

4 – COMPENSATED ABSENCES

NBC's employees are granted vacation and sick leave in varying amounts based on years of service with NBC. At the termination of service, an employee is paid for accumulated unused vacation leave and sick leave. Sick leave payments are based on age and years of service for both union and non-union employees. NBC has determined that the dollar value of accumulated accrued vacation leave and sick leave, valued at the current rate of pay, on June 30, 2022 to be \$3,555,590. The accrued vacation and sick leave are reported on the Statement of Net Position as other accrued expenses.

The changes in compensated absences for the year ended June 30, 2022 were as follows:

| | <u>June 30, 2021</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2022</u> | <u>Amount Due Within One Year</u> |
|----------------------|----------------------|-------------------|-------------------|----------------------|---------------------------------------|
| Compensated absences | <u>\$ 3,645,395</u> | <u>\$ 236,002</u> | <u>\$ 325,807</u> | <u>\$ 3,555,590</u> | <u>\$ 236,682</u> |

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

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

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

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

NBC has seventeen loans outstanding with the RIIB which are classified as loans from direct borrowings at June 30, 2022 as follows:

| | <u>June 30, 2021</u> | <u>Additions</u> | <u>Payment/ Defeased</u> | <u>June 30, 2022</u> |
|---|----------------------|------------------|------------------------------|----------------------|
| Narragansett Bay Commission Clean Water Revenue Bonds, 2003 Series, issued on November 13, 2003 in the amount of \$40,000,000, at an interest rate of 1.849%, maturing September 1, 2024. | \$ 9,283,000 | \$ - | \$ 2,247,000 | \$ 7,036,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2004 Series B, issued on December 30, 2004 in the amount of \$40,000,000, at an interest rate of 1.904%, maturing September 1, 2024. | 9,458,000 | - | 3,553,000 | 5,905,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2005 Series B, issued on December 15, 2005 in the amount of \$30,000,000, at an interest rate of 1.897%, maturing September 1, 2025. | 8,607,000 | - | 1,653,000 | 6,954,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2006 Series A, issued on December 21, 2006 in the amount of \$30,000,000, at an interest rate of 1.802%, maturing September 1, 2026. | 10,134,000 | - | 1,613,000 | 8,521,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2007 Series B, issued on December 13, 2007 in the amount of \$25,000,000, at an interest rate of 2.029%, maturing September 1, 2028. | 12,139,000 | - | 1,411,000 | 10,728,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2009 Series A, issued on October 6, 2009 in the amount \$55,000,000, at an interest rate of 1.377%, and maturing September 1, 2030, with principal forgiveness of \$8,302,114. | 31,324,940 | - | 2,739,043 | 28,585,897 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2010 Series A, issued on February 12, 2010 in the amount of \$2,000,000, at an interest rate of 1.022%, and maturing September 1, 2029, with principal forgiveness of \$301,895. | 886,410 | - | 85,754 | 800,656 |

| | <u>June 30, 2021</u> | <u>Additions</u> | <u>Payment/ Defeased</u> | <u>June 30, 2022</u> |
|---|----------------------|------------------|------------------------------|----------------------|
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2010 Series B, issued on June 24, 2010 in the amount of \$20,000,000, at an interest rate of 3.163%, maturing September 1, 2030. | 11,362,000 | - | 979,000 | 10,383,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2011 Series A, issued on March 29, 2011 in the amount of \$30,000,000, at an interest rate of 2.759%, and maturing September 1, 2031, with principal forgiveness of \$1,845,345. | 17,472,779 | - | 1,329,838 | 16,142,941 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2012 Series A, issued on June 28, 2012 in the amount of \$25,750,000, at an interest rate of 2.588%, and maturing September 1, 2032, with principal forgiveness of \$354,202. | 16,557,360 | - | 1,187,934 | 15,369,426 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2013 Series B, issued on June 6, 2013 in the amount \$25,000,000, at an interest rate of 2.592%, and maturing September 1, 2033, with principal forgiveness of \$80,966. | 17,323,723 | - | 1,145,258 | 16,178,465 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2014 Series A, issued on March 6, 2014 in the amount \$45,000,000, at an interest rate of 2.967%, maturing September 1, 2034. | 33,589,000 | - | 1,998,000 | 31,591,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2015 Series B, issued on July 30, 2015 in the amount of \$41,753,500, at an interest rate of 3.049%, and maturing September 1, 2044, with principal forgiveness of \$512,070. | 37,029,314 | - | 1,092,844 | 35,936,470 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2016 Series A, issued on June 2, 2016 in the amount of \$23,000,000, at an interest rate of 2.467%, maturing September 1, 2037. | 20,069,000 | - | 1,001,000 | 19,068,000 |

| | <u>June 30, 2021</u> | <u>Additions</u> | <u>Payment/ Defeased</u> | <u>June 30, 2022</u> |
|--|------------------------------|----------------------|------------------------------|------------------------------|
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2019 Series A, issued on April 4, 2019 in the amount of \$35,000,000, at an interest rate of 2.300%, and maturing September 1, 2039, with principal forgiveness of \$1,000,000. | 32,578,800 | - | 1,441,600 | 31,137,200 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2019 Series B, issued on April 4, 2019 in the amount of \$10,000,000, at an interest rate of 1.910%, maturing September 1, 2039. | 9,568,000 | - | 438,000 | 9,130,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2021 Series A, issued on November 16, 2021 in the amount of \$45,000,000, at an interest rate of 1.803%, maturing September 1, 2038 with principal forgiveness of \$1,000,000. | - | 43,427,266 | - | 43,427,266 |
| Total loans payable from direct borrowings | \$ 277,382,327 | \$ 43,427,266 | \$ 23,915,271 | \$ 296,894,322 |
| Less current portion | (23,915,270) | | | (23,102,904) |
| Net long-term loans payable from direct borrowings | <u>\$ 253,467,057</u> | | | <u>\$ 273,791,418</u> |

RIBB pays all invoices certified by NBC, either directly to the contractors or through reimbursement of NBC for costs incurred on the projects funded by the RIBB loans. As of June 30, 2022, loans payable of \$296,894,323 are reported on the Statement of Net Position. NBC is obligated for the total loan amount once the loan has been executed.

In prior years, the NBC defeased RIBB loans by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the NBC's financial statements. At June 30, 2022 \$3,614,787 of the bonds outstanding are considered defeased.

The 2021 Series A Bond proceeds includes the use of \$588,084 for capitalized interest. The outstanding loan balance at June 30, 2022 includes \$15,350 of accrued capitalized interest and \$572,734 remains to be accrued to the outstanding loan balance at June 30, 2022.

Debt principal and interest maturities of loans payable for future years as of June 30, 2022 are as follows:

| <i>Year Ending June 30,</i> | Loans from Direct Borrowings | | |
|---------------------------------|-------------------------------------|----------------------|-----------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2023 | 23,102,904 | 6,386,718 | 29,489,622 |
| 2024 | 23,614,795 | 6,250,529 | 29,865,324 |
| 2025 | 23,040,162 | 6,022,369 | 29,062,531 |
| 2026 | 19,854,787 | 5,526,383 | 25,381,170 |
| 2027 | 18,528,178 | 5,078,350 | 23,606,528 |
| 2028-2032 | 88,475,350 | 18,371,121 | 106,846,471 |
| 2033-2037 | 58,131,121 | 8,979,360 | 67,110,481 |
| 2038-2042 | 36,354,260 | 2,576,572 | 38,930,832 |
| 2043-2045 | 6,365,500 | 322,738 | 6,688,238 |
| Total | <u>\$ 297,467,057</u> | <u>\$ 59,514,140</u> | <u>\$ 356,981,197</u> |

6 – LONG-TERM DEBT - REVENUE BONDS

The long-term debt - revenue bonds provided through public sale on June 30, 2022, consists of the following:

| | <u>June 30, 2021</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2022</u> |
|---|-----------------------|------------------|-------------------|-----------------------|
| Narragansett Bay Commission Wastewater System Revenue Refunding Bonds, 2008 Series A, at an interest rate of 2.290% issued on July 17, 2008 in the amount of \$56,465,000 and maturing September 1, 2034. | \$ 56,465,000 | \$ - | \$ - | \$ 56,465,000 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2013 Series C, issued on December 12, 2013 in the amount of \$34,970,000, at an interest rate of 4.133%, maturing September 1, 2024 (plus unamortized premium at June 30, 2022 of \$195,225). Partially refunded in FY 2020. | 9,025,214 | - | 1,964,989 | 7,060,225 |
| Narragansett Bay Commission Wastewater System Refunding Revenue Bonds, 2015 Series A, issued on May 5, 2015 in the amount of \$40,085,000, at an interest rate of 3.798%, maturing February 1, 2028 (plus unamortized premium at June 30, 2022 of \$262,805). Partially refunded FY 2020. | 3,524,850 | - | 47,045 | 3,477,805 |
| Narragansett Bay Commission Wastewater System, Refunding Revenue Bonds (federally taxable) 2020 Series A, issued on March 19, 2020 in the amount of \$196,360,000 at an interest rate of 2.516% maturing on September 1, 2043. | 193,790,000 | - | 2,380,000 | 191,410,000 |
| Total long-term debt payable - revenue bonds | 262,805,064 | \$ - | \$ 4,392,034 | 258,413,030 |
| Less current portion | 4,255,000 | | | 5,325,000 |
| Net long-term debt payable - revenue bonds | <u>\$ 258,550,064</u> | | | <u>\$ 253,088,030</u> |

Principal and interest maturities of long-term debt for future years as of June 30, 2022 are as follows:

| <i>Year Ending June 30,</i> | <i>Revenue Bonds</i> | | |
|---------------------------------|-----------------------|----------------------|-----------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2023 | \$ 5,325,000 | \$ 6,151,644 | \$ 11,476,644 |
| 2024 | 7,730,000 | 5,959,017 | 13,689,017 |
| 2025 | 8,150,000 | 5,730,363 | 13,880,363 |
| 2026 | 12,140,000 | 5,504,339 | 17,644,339 |
| 2027 | 13,570,000 | 5,260,382 | 18,830,382 |
| 2028-2032 | 81,860,000 | 21,288,325 | 103,148,325 |
| 2033-2037 | 76,035,000 | 11,779,819 | 87,814,819 |
| 2038-2042 | 36,840,000 | 5,116,737 | 41,956,737 |
| 2043-2044 | 16,305,000 | 479,044 | 16,784,044 |
| Total | <u>\$ 257,955,000</u> | <u>\$ 67,269,670</u> | <u>\$ 325,224,670</u> |

Total principal of \$257,955,000 plus premiums of \$458,030 to be amortized as of June 30, 2022 equals total long-term debt of \$258,413,030. Some of the above bonds are subject to federal arbitrage regulations. Based on current calculations, NBC does not anticipate a material arbitrage liability, if any.

In prior years, the NBC defeased certain revenue bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accounting the trust account assets and the liability for the defeased bonds are not included in the NBC's financial statements. At June 30, 2022 \$62,540,000 of the bonds outstanding are considered defeased.

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

The NBC has two WIFIA loans outstanding with the US Environmental Protection Agency (USEPA) which are classified as loans from direct borrowings at June 30, 2022 as follows:

| | <i>June 30, 2021</i> | <i>Additions</i> | <i>Payment/ Defeased</i> | <i>June 30, 2022</i> |
|---|-----------------------|---------------------|------------------------------|-----------------------|
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2020 Series B, taxable interest bonds originally issued on August 27, 2019 with a rate reset on October 26, 2020 in the amount of \$268,710,610 at a rate of 1.42% and maturing September 1, 2046. | \$ 269,064,160 | \$ 1,441,802 | \$ - | \$ 270,505,962 |
| Narragansett Bay Commission Wastewater System Revenue Bonds, 2020 Series C, taxable interest bonds issued on October 26, 2020 in the amount of \$190,633,824 at a rate of 1.6% and maturing September 1, 2059. | 190,640,448 | 124,777 | - | 190,765,225 |
| Total loans payable from direct borrowings | 459,704,608 | <u>\$ 1,566,579</u> | <u>\$ -</u> | 461,271,187 |
| Less current portion | - | | | - |
| Net long-term loans payable from direct borrowings | <u>\$ 459,704,608</u> | | | <u>\$ 461,271,187</u> |

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

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

Interest on funds drawn on the WIFIA loan accrues subsequent to each loan disbursement and is added to the principal amount of the WIFIA loan. The WIFIA loan repayment begins in FY 2032 and the WIFIA loan is fully amortized in fiscal year 2060. A receivable of \$297,271,571 is reported on the Statement of Net Position for that portion of the loans which have not been drawn down as of June 30, 2022. NBC may prepay the WIFIA loan in whole or in part in accordance with the loan agreement; however, it may not be repaid using federal funds.

Debt principal and interest maturities of WIFIA loan payable for future years as of June 30, 2022 are as follows:

| Year Ending June 30, | Loans from Direct Borrowings | | |
|---------------------------------------|-------------------------------------|-----------------------|-----------------------|
| | Principal | Interest | Total |
| 2023 | \$ - | \$ - | \$ - |
| 2024 | - | - | - |
| 2025 | - | - | - |
| 2026 | - | - | - |
| 2027 | - | - | - |
| 2028-2032 | - | 3,136,199 | 3,136,199.00 |
| 2033-2037 | - | 32,421,315 | 32,421,315 |
| 2038-2042 | 102,746,974 | 32,219,846 | 134,966,820 |
| 2043-2047 | 173,819,101 | 20,312,651 | 194,131,752 |
| 2048-2052 | 39,137,124 | 14,081,435 | 53,218,559 |
| 2053-2057 | 96,727,602 | 7,813,242 | 104,540,844 |
| 2058-2060 | 48,840,386 | 987,941 | 49,828,327 |
| Total | \$ 461,271,187 | \$ 110,972,629 | \$ 572,243,816 |

8 – LEASE LIABILITY

NBC is leasing two plots of land (plot 315 lot 61: plot 315 Lots 88 and 86.1) in Coventry, RI. NBC has constructed, operates, and maintains two 1.5 MW wind turbines on these parcels. The leases were entered into on July 14, 2016. The term of these two leases are an initial 25 years with a renewal terms for up to three successive period of five years each. The rental expense was \$4,500 at the commencement of the two leases. There is a rent increase of 5% every 5 years thereafter during the term of the lease.

This is the first year that NBC is implementing GASB Statement No. 87 Leases. As a result of this implementation, NBC recognized an asset leased land in the amount of \$2,344,137 with related amortization of \$117,206 for the FY 2022. (See note 3). NBC recognized a lease liability of \$2,344,137 when GASB Statement No. 87 was implemented. The lease liability as of June 30, 2022 was \$2,238,854 and the interest expense incurred in FY 2022 relating to the leases was \$8,117.

Lease principal and interest maturities as of June 30, 2022 are the following:

| <i>Year Ending June 30,</i> | <i>Lease Liability</i> | | |
|---------------------------------|------------------------|------------------|---------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2023 | \$ 104,916 | \$ 8,484 | \$ 113,400 |
| 2024 | 105,310 | 8,090 | 113,400 |
| 2025 | 105,711 | 7,689 | 113,400 |
| 2026 | 106,118 | 7,282 | 113,400 |
| 2027 | 111,859 | 7,211 | 119,070 |
| 2028-2032 | 571,752 | 29,521 | 601,273 |
| 2033-2037 | 613,081 | 18,250 | 631,331 |
| 2038-2041 | <u>520,108</u> | <u>4,916</u> | <u>525,024</u> |
| Total | <u>\$ 2,238,854</u> | <u>\$ 91,444</u> | <u>\$ 2,330,299</u> |

At the conclusion of these two leases, it is NBC's responsibility to decommission the two wind turbines in conformance with the Land Lease agreement. Therefore, based on the requirement of GASB Statement No. 83 Asset Retirement Obligations (AROs), NBC recognized a liability (ARO) and deferred outflow of resources of \$450,000 which will be amortized over estimated remaining useful life of the wind turbines, which is 20 years. The measurement of the ARO is based on the best estimate approach of the current value expected to be incurred to decommission the wind turbines.

9 – NET POSITION

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

Net investment in capital assets

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

Restricted

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

Restricted Environmental Enforcement - Chapter 46-25-38.1 of the RIGL established a restricted environmental enforcement fund. The fund consists of sums recovered by administrative or civil enforcement action and may be used as outlined in Chapter 46-25-38.1. NBC has restricted net position equal to the balance of funds in the environmental enforcement restricted cash and cash equivalents account of \$59,508.

Restricted Debt Service Reserve Fund - NBC funded a restricted debt service reserve fund related to the 2013 Series C Wastewater System Revenue Bonds in the amount of \$2,967,686. NBC has restricted net position equal to the balance of the funds in the debt service reserve fund cash and cash equivalents account.

Restricted Operating Reserve for Revenue Stability Fund - The PUC instructed NBC to establish an operating reserve for revenue stability fund in the Order from Docket 3905. To access this fund, NBC must demonstrate a serious revenue shortfall to the PUC. NBC has restricted net position equal to the balance of the operating reserve for revenue stability cash and cash equivalents account in the amount of \$4,507,306.

Restricted Bond Covenants – Based on a review of the Trust Indenture bond covenants it was determined that the Revenue Fund cash accounts, Operations and Maintenance Fund cash accounts, and the Debt Service Fund cash accounts are restricted. Therefore, NBC has restricted net position for bond covenants in the amount of \$67,265,617.

Restricted Operating Capital – In accordance with the Trust Indenture, the Operating Capital Accounts in the Project Fund are restricted for capital expenditures. NBC has established restricted net position for the Operating Capital cash accounts in the amount \$11,539,533.

Unrestricted

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

10 – UNION PENSION PLANS

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

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

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

Benefit provisions - The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age.

The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

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

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

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

Contributions – The funding policy, as set forth in the General Laws, section 36-10-2, provides for actuarially determined periodic contributions to the plan. For FY 2022, NBC employees, with less than 20 years of service as of July 1, 2012, were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2012, were required to contribute 11% of their annual covered salary. NBC is required to contribute at an actuarially determined rate of 28.01% of annual covered payroll for the fiscal year ended June 30, 2022. NBC contributed \$1,731,185, \$1,678,833, and \$1,553,112 for the fiscal years ended June 30, 2022, 2021, and 2020 respectively, equal to 100% of the required contributions for each year.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - On June 30, 2022, NBC reported a liability of \$14,631,376 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, 2021 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, 2020 rolled forward to June 30, 2021 measurement date. NBC's proportion of the net pension liability was based on its share of contributions to the ERSRI for FY 2021 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2021, measurement date, NBC's proportion was 0.82265941%.

For the year ended June 30, 2022, NBC recognized pension expense of \$824,981. At June 30, 2022, NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Changes in assumptions | \$ 67,435 | \$ 279,760 |
| Contributions paid subsequent to measurement date | 1,731,185 | - |
| Difference between expected and actual experience | 101,300 | 10,986 |
| Changes in proportions and differences between employer contributions and proportionate share of contributions | 784,395 | 806,468 |
| Net difference between projected and actual investment earnings | - | 2,661,834 |
| Total | <u>\$ 2,684,315</u> | <u>\$ 3,759,048</u> |

NBC's contributions of \$1,731,185 are reported as deferred outflows of resources related to pensions resulting from the NBC's contribution in FY 2022 subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

| <u>Year ended June 30,</u> | <u>Net Deferred Outflows (Inflows) of Resources</u> |
|--------------------------------|---|
| 2023 | \$ (764,616) |
| 2024 | (710,344) |
| 2025 | (730,336) |
| 2026 | (628,647) |
| 2027 | 28,025 |
| Thereafter | - |
| Total | <u>\$ (2,805,918)</u> |

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

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

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

The actuarial assumptions used in the June 30, 2020 valuation rolled forward to June 30, 2021 and the calculation of the total pension liability as of June 30, 2021 (measurement date) were consistent with the results of an actuarial experience investigation study performed as of June 30, 2019.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on collective summary of capital market expectations from 39 sources. These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

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

| Asset Class | Long-Term Target Asset Allocation | Long-Term Expected Arithmetic Real Rate of Return |
|--------------------------------|---|--|
| GROWTH | | |
| Global Equity | | |
| US Equity | 23.20% | 5.83% |
| International Developed Equity | 11.80% | 6.35% |
| Emerging Markets Equity | 5.00% | 8.04% |
| Sub-total | 40.00% | |
| Private Growth | | |
| Private Equity | 11.25% | 9.47% |
| Non-Core Real Estate | 2.25% | 5.32% |
| Opportunistic Private Credit | 1.50% | 9.47% |
| Sub-total | 15.00% | |
| INCOME | | |
| High Yield Infrastructure | 1.00% | 3.19% |
| REITS | 1.00% | 5.32% |
| Equity Options | 2.00% | 5.59% |
| EMD (50/50 Blend) | 2.00% | 1.96% |
| Liquid Credit | 2.80% | 3.19% |
| Private Credit | 3.20% | 3.19% |
| Sub-total | 12.00% | |
| STABILITY | | |
| Crisis Protection Class | | |
| Treasury Duration | 5.00% | (0.32%) |
| Systematic Trend | 5.00% | 3.39% |
| Sub-total | 10.00% | |
| Inflation Protection | | |
| Core Real Estate | 3.60% | 5.32% |
| Private Infrastructure | 2.40% | 5.81% |
| TIPs | 2.00% | 0.30% |
| Sub-total | 8.00% | |
| Volatility Protection | | |
| IG Corp Credit | 3.25% | 1.14% |
| Securitized Credit | 3.25% | 1.14% |
| Absolute Return | 6.50% | 3.39% |
| Cash | 2.00% | (0.32%) |
| Sub-total | 15.00% | |
| Total | 100.00% | |

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

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

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

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

Net Pension Liability

| | <u>1% Decrease (6.0% Discount Rate)</u> | <u>Current Discount Rate (7.0%)</u> | <u>1% Increase (8.0% Discount Rate)</u> |
|-----------------------------|---|---|---|
| NBC's Net Pension Liability | \$ 18,141,568 | \$ 14,631,376 | \$ 10,151,526 |

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

Plan contribution – Employees (those with less than 20 years of service as of July 1, 2012) contribute 5% of their annual covered salary and employers contribute at the following percentages of annual covered salary for these employees based on their years of service as of July 1, 2012:

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

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

NBC contributed and recognized a pension expense of \$56,130 for the FY 2022 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 qualified military service. At a minimum, retirement benefits must begin no later than April 1st of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

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

11 – NON-UNION PENSION PLANS

Non-Union Defined Contribution Plan

NBC's Board approved a resolution at the regular business meeting on May 15, 2002, adopting the Non-Union Defined Contribution Plan, which is a profit-sharing plan for its non-union employees pursuant to 401(a) of the Internal Revenue Code. The profit-sharing plan is a defined contribution, single employer pension plan. As of June 30, 2022, 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, 2022 amounted to \$536,612 representing a contribution rate of 5% of eligible employee compensation for the year ended June 30, 2022. Employees voluntary contributions to the profit-sharing plan on an after-tax basis were \$650. Non-union employees are eligible to participate in the profit-sharing plan if they have performed one year of service and are at least 21 years of age. These provisions were adopted and may be amended by the Board.

NBC funds the annual profit-sharing plan contribution biweekly based on each eligible employee's biweekly compensation. The plan is administered by a third-party administrator and Great-West Life and Annuity Insurance Company is the Plan's trustee. NBC's payroll for employees covered by the profit-sharing plan was \$10,732,240 for the year ended June 30, 2022. The total payroll for the year ended June 30, 2022 amounted to \$19,191,421.

Non-Union Defined Benefit Plan (Fiduciary Pension Fund)

Plan description

Organization - The NBC's Board of Commissioners (Board) approved a resolution at the 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 was most recently amended effective January 1, 2020.

Plan benefits and other provisions are established by the Plan document. Any changes to the Plan must be approved by the Board.

The Plan is a component unit of the Narragansett Bay Commission and is reported as a Fiduciary Activity in its financial statements.

Plan administration - The Plan is administered by NBC staff and a third-party administrator, The Angell Pension Group, Inc. An Investment Committee (IC) provides overall guidance to the Plan. The IC meets quarterly and works with NBC's investment advisor Strategic Retirement Partners, LLC, a fiduciary to the Plan, to select investments and review asset allocations and performance. The Plan assets are invested under a group annuity contract which as of December 31, 2021, was assigned by MassMutual Financial Group to Great-West Life and Annuity Insurance Company, which operates primarily as Empower Retirement (Empower). Certain administrative services are also provided by Empower.

Plan membership - All non-seasonal, non-union employees scheduled to work more than 20 hours per week are eligible to participate in the plan after the completion of one year of service and attaining age 21. 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."

As of June 30, 2022, Plan membership consisted of the following:

| | |
|---|-------------------|
| Inactive Plan members or beneficiaries currently receiving benefits | 44 |
| Inactive Plan members entitled to but not yet receiving benefits | 49 |
| Active Plan members | <u>124</u> |
| | <u><u>217</u></u> |

Contributions - NBC's policy is to fund 100% of the actuarially determined contribution or a total of up to 10% of budgeted non-union salaries (determined by the total budgeted for non-union retirement less the 5% employer contribution to the 401(a) Non-Union Defined Contribution Plan) whichever is greater. Additional NBC contributions may be made to the Plan subsequent to fiscal year end if it is determined to be in the best interest of the Plan, there are unspent budget funds, and the action does not impair NBC from meeting its debt service coverage requirements. The actuarially determined contribution is calculated as the normal cost plus an amortization of the initial accrued liability. Changes in plan provisions and actuarial assumptions give rise to changes in the unfunded liability.

Participants must make mandatory contributions of 5% of compensation, as defined in the Plan, until termination of service.

The annual required NBC contribution for the fiscal year ending June 30, 2022 was \$0. The contributions made to the plan for the fiscal year ended June 30, 2022 were \$2,288,666 which consists of employer contributions of \$1,767,069 and employee contributions of \$521,597.

Vesting - Plan participants are eligible for their Plan benefit after terminating employment with vested rights. Vesting in a participant's accrued benefit is based on years of service in accordance with the following schedule:

| <u>Years of Service</u> | <u>Percentage Vested</u> |
|-------------------------|--------------------------|
| Less than 7 years | 0% |
| 7 years and thereafter | 100% |

Notwithstanding the foregoing, a participant becomes 100% vested upon normal retirement age, death, disability, or attainment of early retirement age.

Participants are vested immediately in their mandatory employee contributions. If a participant terminates employment for reasons other than retirement, death, or disability prior to the completion of 7 years of service, the participant is entitled to a refund of the mandatory employee contributions without interest.

Benefits provided - Distributions are subject to the applicable provisions of the Plan document. The monthly retirement benefit is based on 1% of average annual compensation for each year of credited service up to a maximum of 30 years. Average annual compensation is the average of the annual compensation over 3 consecutive years in the final 10 years that results in the highest average.

Normal Retirement – The monthly retirement benefit is based on 1% of average annual compensation multiplied by total years of service limited to 30 years. Participants are eligible to monthly pension benefits beginning at normal retirement age. Normal retirement age is the later of the date a participant reaches age 65 or the fifth anniversary of participation.

Early Retirement – Participants are eligible for reduced amount of their accrued benefit at their early retirement age. Early retirement age is the later of: (1) a participant attaining age 62 or, (2) The date a participant reaches the later of 20 years of credited service or the fifth anniversary of participation. The early retirement benefit is reduced by 6.67% for each year that a participants early retirement date precedes their normal retirement age.

Late Retirement – Benefits to participants who remain employed after their normal retirement date commence upon termination. The later retirement benefit accrual is the greater of the benefit earned under the benefit formula or an actuarial adjustment required for the commencement of benefit payments after reaching normal retirement age.

Death Benefit – If retirement benefit payments have not began at the time of a participant's death, the death benefit is the greater of 50% joint and survivor benefit or the participant's mandatory contributions. A lump sum distribution is allowed if the present value of the death benefit is less than \$10,000.

Total and Permanent Disability – Benefit payments are deferred until normal or early retirement date.

Cash Out – If the vested amount of the present value of the accrued benefit exceeds \$1,000 but is less than \$5,000 and the participant does not timely return distribution forms, the value of the vested accrued benefit may be transferred to an IRA in the participant’s name, unless the distribution is after the later of normal retirement age or 62.

Net pension liability (asset)

The components of the net pension liability (asset) on June 30, 2022 (the measurement date) were as follows:

| | |
|--|------------------------------|
| Total pension liability | \$ 24,575,853 |
| Plan fiduciary net position | <u>(26,759,673)</u> |
| Net pension liability (asset) | <u><u>\$ (2,183,820)</u></u> |
| Plan's fiduciary net position as a percentage of the total pension liability | <u><u>108.89%</u></u> |

Changes in Net Pension Liability (Asset)

| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability (Asset)</u> |
|--|--------------------------------|------------------------------------|--------------------------------------|
| Balance as of July 1, 2021 | \$ 23,217,300 | \$ 30,125,539 | \$ (6,908,239) |
| Changes for the year: | | | |
| Service cost | 541,641 | | 541,641 |
| Interest on total pension liability | 1,376,241 | | 1,376,241 |
| Differences between expected and actual experience | 144,836 | | 144,836 |
| Change in assumptions | 80,019 | | 80,019 |
| Contributions - employer | | 1,767,069 | (1,767,069) |
| Contributions - employee | | 521,597 | (521,597) |
| Net investment income | | (4,852,211) | 4,852,211 |
| Benefit payments | (784,184) | (784,184) | - |
| Administrative expense | | (18,137) | 18,137 |
| Net changes | <u>1,358,553</u> | <u>(3,365,866)</u> | <u>4,724,419</u> |
| Balance as of June 30, 2022 | <u><u>\$ 24,575,853</u></u> | <u><u>\$ 26,759,673</u></u> | <u><u>\$ (2,183,820)</u></u> |

Actuarial assumptions - The total pension liability was determined by an actuarial valuation performed as of December 31, 2021 and rolled forward to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

| Actuarial cost method - actuarially determined contribution | Frozen Entry Age Cost Method | | | | | | | | |
|--|--|------------|-------------|----|-------|----|-------|----|-------|
| Actuarial cost method - GASB 67 & 68 | Entry Age Cost Method | | | | | | | | |
| Discount Rate for Purposes of Determining Net Pension Liability: | 6.00% | | | | | | | | |
| Long-Term Rate of Return on Investments: | 6.00% | | | | | | | | |
| Annual Salary Increases: | 3.50% | | | | | | | | |
| Payroll Growth Rate: | 3.50% | | | | | | | | |
| Pre and Post Retirement Mortality: | PubG-2010 Above Median for Employees and Healthy Retirees with Scale MP-2021 Generational Improvements (Male/Female) | | | | | | | | |
| Terminations | T-2. Illustrative annual rates of withdrawal are as follows: | | | | | | | | |
| | <table> <thead> <tr> <th><u>Age</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>25</td> <td>5.29%</td> </tr> <tr> <td>40</td> <td>3.50%</td> </tr> <tr> <td>55</td> <td>0.00%</td> </tr> </tbody> </table> | <u>Age</u> | <u>Rate</u> | 25 | 5.29% | 40 | 3.50% | 55 | 0.00% |
| <u>Age</u> | <u>Rate</u> | | | | | | | | |
| 25 | 5.29% | | | | | | | | |
| 40 | 3.50% | | | | | | | | |
| 55 | 0.00% | | | | | | | | |
| Disability Rate: | None | | | | | | | | |
| Assumed Retirement Age: | Age 65 for active and inactive participants | | | | | | | | |
| Expenses: | None | | | | | | | | |
| The following changes in assumptions were made from the prior valuation: | Mortality scale ws changed from MP-2020 Generational Improvements to MP-2021 Generational Improvements | | | | | | | | |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2022 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| Short-Term Bonds | 10% | 3.23% |
| Large Cap US Equity | 30% | 6.65% |
| Small/Mid Cap US Equity | 10% | 7.04% |
| International Equity | 15% | 7.27% |
| Intermediate to Long-Term Bonds | 35% | 2.99% |
| Total | <u>100%</u> | |

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

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

| | 1% Decrease (5.0%) | Current Discount Rate (6.0%) | 1% Increase (7.0%) |
|-------------------------------|-------------------------------|---|-------------------------------|
| Net Pension Liability (Asset) | \$ 976,829 | \$ (2,183,820) | \$ (4,838,806) |

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions - For the year ended June 30, 2022, NBC recognized pension expense of \$112,551. On June 30, 2022, 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 | \$ 775,501 | \$ 290,023 |
| Difference between expected and actual experience | 423,845 | 281,729 |
| Difference between projected and actual investment earnings | 2,691,725 | - |
| Total | \$ 3,891,071 | \$ 571,752 |

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, | Deferred Outflows and (Inflows) of Resources |
|--------------------------------|---|
| 2023 | \$ 604,930 |
| 2024 | 653,761 |
| 2025 | 552,194 |
| 2026 | 1,412,192 |
| 2027 | 66,408 |
| Thereafter | 29,834 |
| Total | \$ 3,319,319 |

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

12 – PENSION INFORMATION

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

Aggregate Pension Information

| | <i>ERSRI Defined Benefit Plan</i> | <i>Non-Union Defined Benefit Plan</i> | <i>Total</i> |
|-------------------------------|--|--|---------------------|
| Pension Expense | \$ 824,981 | \$ 112,551 | \$ 937,532 |
| Net Pension Liability (Asset) | 14,631,376 | (2,183,820) | 12,447,556 |
| Deferred Outflows | 2,684,315 | 3,891,071 | 6,575,386 |
| Deferred Inflows | 3,759,048 | 571,752 | 4,330,800 |

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

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

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

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

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans.

The report may be obtained at <http://www.oag.ri.gov/reports.html>.

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

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

Contributions – The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. NBC is required to contribute at an actuarially determined rate; the rate was 5.28% of annual covered payroll for the fiscal year ended June 30, 2022. NBC contributed \$326,287, \$338,328, and \$391,357 for the fiscal years ended June 30, 2022, 2021, and 2020 respectively, equal to 100% of the required contributions for each year.

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

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - On June 30, 2022, NBC reported a liability of \$1,912,937 for its proportionate share of the net OPEB liability related to its participation in the System. The net OPEB liability was measured as of June 30, 2021 the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 measurement date. NBC’s proportion of the net OPEB liability was based on its share of contributions to the System for FY 2021 relative to the total contributions of all participating employers for that fiscal year. On June 30, 2021 measurement date, NBC’s proportion was 0.82468984%.

For the year ended June 30, 2022, NBC recognized OPEB expense of (\$50,274). On June 30, 2022, NBC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <i>Deferred Outflows of Resources</i> | <i>Deferred Inflows of Resources</i> |
|--|--|---|
| Changes in assumptions | \$ 95,538 | \$ 375,842 |
| Contributions paid subsequent to measurement date | 326,287 | - |
| Difference between expected and actual experience | | 720,103 |
| Changes in proportions and differences between employer contributions and proportionate share of contributions | 214,907 | 186,370 |
| Net difference between projected and actual investment earnings | - | 449,719 |
| Total | <u>\$ 636,732</u> | <u>\$ 1,732,034</u> |

NBC's contributions of \$326,287 are reported as deferred outflows of resources related to OPEB expense resulting from NBC's contributions in FY 2022 subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the subsequent period. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <i>Year ended June 30:</i> | <i>Net Deferred Outflows (Inflows)</i> |
|---------------------------------------|---|
| 2023 | (307,738) |
| 2024 | (298,167) |
| 2025 | (286,616) |
| 2026 | (272,336) |
| 2027 | (152,638) |
| Thereafter | (104,094) |
| Total | <u>\$ (1,421,589)</u> |

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

| | |
|-----------------------------|---|
| Actuarial Cost Method | Entry Age Normal - the Individual Entry Age Actuarial Cost Methodology is used. |
| Amortization Method | Level Percent of Payroll - Closed |
| Inflation | 2.75% |
| Salary increases | 3.25% to 6.25% |
| Investment rate of return | 5.00% |
| Health care cost trend rate | 7.5% in FY 2021 decreasing annually to 3.5% in FY 2033 and later |

Mortality rates for male plan members were based on the PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Mortality rates for female plan members were based on the PUB-10 Median Table for General Healthy Retiree Females, loaded by 111%, projected with Scale Ultimate MP16.

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

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

| <u>Asset Class</u> | <u>Long-Term Target Asset Allocation</u> | <u>Long-Term Expected Arithmetic Real Rate of Return</u> |
|--------------------|--|--|
| Domestic Equity | 65% | 5.72% |
| Fixed Income | 35% | 1.73% |

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

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

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

| | Net OPEB Liability Discount Rate Sensitivity | | |
|--------------------|---|---|-------------------------------|
| | <u>1% Decrease (4.0%)</u> | <u>Current Discount Rate (5.0%)</u> | <u>1% Increase (6.0%)</u> |
| Net OPEB Liability | <u>\$ 2,547,076</u> | <u>\$ 1,912,937</u> | <u>\$ 1,383,123</u> |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate - The following table presents the net OPEB liability calculated using the healthcare cost trend rate of 7.5% and gradually decreasing to an ultimate rate of 3.5%, as well as what the employers' net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

| | Net OPEB Liability Health Care Trend Rate Sensitivity | | |
|--------------------|--|---------------------|---------------------|
| | <u>1% Lower</u> | <u>Baseline</u> | <u>1% Higher</u> |
| Net OPEB Liability | <u>\$ 1,208,447</u> | <u>\$ 1,912,937</u> | <u>\$ 2,795,589</u> |

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

14 – 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.

15 – RISK MANAGEMENT

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

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

16 – 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 \$310,285,068 on June 30, 2022.

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.

17 – RESTATEMENTS

The net position of the Fiduciary Fund – Non-Union Defined Benefit Pension Fund has been restated to reflect the adjustments related to the adoption of GASB Statement No. 84 *Fiduciary Activities* and the restating of the SAGIC to the fair market value as of June 30, 2021.

| | <i>Non-Union Defined Benefit Pension Fund</i> |
|--|--|
| Net position, June 30, 2021, as previously reported | \$ - |
| Adoption of GASB Statement No. 84 | |
| Record the Non-union Defined Benefit Pension Fund in the NBC's financial s | 30,014,495 |
| Restatement of Net Position to record the SAGIC investment to fair market as of June 30, 2021 | <u>111,044</u> |
| Net Positon, June 30, 2021, as restated | <u><u>\$ 30,125,539</u></u> |

18 – SUBSEQUENT EVENTS

For the purposes of determining the effects of subsequent events of these financial statements, management has evaluated subsequent events which have occurred after June 30, 2022 and through September 29, 2022, the date which the financial statements were available to be issued. The following represents the subsequent events.

The NBC closed on a \$55.9 million loan at an interest rate of 3.10% through the WIFIA program on July 25, 2022. This loan, the 2022 Series A, will be used to finance 49% of the Field's Point Resiliency Improvements Project.

On January 4, 2021, Empower Retirement ("Empower") closed the acquisition of the Massachusetts Mutual Life Insurance Company ("MassMutual") retirement plan business, and the Administrative Services Agreement was assigned to Empower. Empower is requiring NBC to execute a new service agreement for the Plan and to change the trustee from Reliance Trust Company to Great-West Trust Company, LLC. These changes are anticipated to be completed in October 2022. In addition, Empower is engaging Milliman, Inc. ("Milliman") to provide some or all of the services required for the Plan. As part of this arrangement, Empower will provide Milliman with all necessary information so that the Plan's records and data are on Milliman's systems.

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

| <i>Year Ended</i> | <i>June 30, 2022</i> | <i>June 30, 2021</i> | <i>June 30, 2020</i> |
|--|----------------------|----------------------|----------------------|
| <i>Measurement Date</i> | <i>June 30, 2021</i> | <i>June 30, 2020</i> | <i>June 30, 2019</i> |
| NBC's proportion of the net pension liability | \$ 14,631,376 | \$ 17,701,248 | \$ 18,732,009 |
| NBC's proportionate share of the net pension liability | 0.823% | 0.778% | 0.827% |
| NBC's covered payroll | \$ 6,095,980 | \$ 5,885,229 | \$ 6,063,363 |
| NBC's proportionate share of the net pension liability as a percentage of its covered payroll | 240.02% | 300.77% | 308.94% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.2% | 52.6% | 52.8% |

(Continued)

Note:

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

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

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

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

Note:

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

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

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--|----------------------|----------------------|----------------------|
| Statutorily determined contribution | \$ 1,731,185 | \$ 1,678,833 | \$ 1,553,112 |
| Contributions in relation to the statutorily determined contribution | <u>1,731,185</u> | <u>1,678,833</u> | <u>1,553,112</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 6,179,660 | \$ 6,095,980 | \$ 5,885,229 |
| Contribution as a percentage of covered payroll | 28.01% | 27.54% | 26.39% |

(Continued)

Note:

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

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

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

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

Note:

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

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

See accompanying notes to the required supplementary information.

NARRAGANSETT BAY COMMISSION
Required Supplementary Information
Employees' Retirement System RI
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2022

Pension - Required Supplementary Information:

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

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

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

The actuarial methods and assumptions used to calculate the net pension liability of the participating employers are described in Note 10 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2021 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2021 measurement date compared to the June 30, 2020 measurement date.

June 30, 2020 measurement date:

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

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

June 30, 2019 measurement date:

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

June 30, 2018 measurement date:

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

June 30, 2017 measurement date:

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

June 30, 2016 measurement date:

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

June 30, 2015 measurement date:

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

(Continued)

NARRAGANSETT BAY COMMISSION

Required Supplementary Information

Employees' Retirement System RI

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

For the Year Ended June 30, 2022

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

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

2. Actuarially determined contributions

Actuarially determined contributions are calculated as of June 30, are based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service cost | \$ 541,641 | \$ 498,635 | \$ 511,897 | \$ 540,312 |
| Interest | 1,376,241 | 1,331,636 | 1,240,457 | 1,159,483 |
| Differences between expected and actual experience | 144,836 | (192,830) | (43,521) | 299,596 |
| Change in assumptions | 80,019 | (115,355) | 559,283 | (57,266) |
| Benefit payments, including refunds of participant contributions | (784,184) | (749,591) | (682,310) | (533,330) |
| Net change in total pension liability | <u>1,358,553</u> | <u>772,495</u> | <u>1,585,806</u> | <u>1,408,795</u> |
| Total pension liability - beginning | <u>23,217,300</u> | <u>22,444,805</u> | <u>20,858,999</u> | <u>19,450,204</u> |
| Total pension liability - ending | <u>\$ 24,575,853</u> | <u>\$ 23,217,300</u> | <u>\$ 22,444,805</u> | <u>\$ 20,858,999</u> |
| Pension fiduciary net position | | | | |
| Contributions - employer | \$ 1,767,069 | \$ 738,505 | \$ 683,152 | \$ 1,008,665 |
| Contributions - employee | 521,597 | 493,009 | 448,468 | 446,520 |
| Net investment income | (4,852,211) | 5,699,377 | 1,441,662 | 1,537,861 |
| Benefit payments, including refunds of participant contributions | (784,184) | (749,591) | (682,310) | (533,330) |
| Administrative expense | (18,137) | (15,820) | (13,304) | (11,910) |
| Net change in plan fiduciary net position | <u>(3,365,866)</u> | <u>6,165,480</u> | <u>1,877,668</u> | <u>2,447,806</u> |
| Plan fiduciary net position - beginning | <u>30,125,539</u> | <u>23,960,059</u> | <u>22,082,391</u> | <u>19,634,585</u> |
| Plan fiduciary net position - ending | <u>\$ 26,759,673</u> | <u>\$ 30,125,539</u> | <u>\$ 23,960,059</u> | <u>\$ 22,082,391</u> |
| Net pension liability (asset) - ending | <u>\$ (2,183,820)</u> | <u>\$ (6,908,239)</u> | <u>\$ (1,515,254)</u> | <u>\$ (1,223,392)</u> |

(Continued)

* Ninth year of implementation of GASB 67, therefore only nine years of the 10 years of required data is available.

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

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

(Continued)

* Ninth year of implementation of GASB 67, therefore only nine years of the 10 years of required data is available.

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | \$ 24,575,853 | \$ 23,217,300 | \$ 22,444,805 | \$ 20,858,999 |
| Plan fiduciary net position | <u>26,759,673</u> | <u>30,125,539</u> | <u>23,960,059</u> | <u>22,082,391</u> |
| Net pension liability (asset) | <u>\$ (2,183,820)</u> | <u>\$ (6,908,239)</u> | <u>\$ (1,515,254)</u> | <u>\$ (1,223,392)</u> |
| Plan fiduciary net position as a percentage of total pension liability | 108.89% | 129.75% | 106.75% | 105.87% |
| Covered payroll** | \$ 10,431,937 | \$ 9,860,178 | \$ 8,969,358 | \$ 8,930,389 |
| Net pension liability (asset) as a percentage of covered payroll | (20.93%) | (70.06%) | (16.89%) | (13.70%) |

(Continued)

* Ninth year of implementation of GASB 67, therefore only nine years of the 10 years of required data is available.

** Reflects revised definition per GASB 82.

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

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

* Ninth year of implementation of GASB 67, therefore only nine years of the 10 years of required data is available.

** Reflects revised definition per GASB 82.

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|---|-----------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ - | \$ - | \$ - | \$ 254,623 |
| Contribution in relation to the actuarially determined contribution | <u>1,767,069</u> | <u>738,505</u> | <u>683,152</u> | <u>1,008,665</u> |
| Contribution deficiency (excess) | <u>\$ (1,767,069)</u> | <u>\$ (738,505)</u> | <u>\$ (683,152)</u> | <u>\$ (754,042)</u> |
| Covered payroll** | \$ 10,431,937 | \$ 9,860,178 | \$ 8,969,358 | \$ 8,930,389 |
| covered payroll | 16.94% | 7.49% | 7.62% | 11.29% |

(Continued)

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

* Ninth year of implementation of GASB 67, therefore only nine years of the 10 years of required data is available

** Reflects revised definition per GASB 82.

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

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

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

* Ninth year of implementation of GASB 67, therefore only nine years of the 10 years of required data is available

** Reflects revised definition per GASB 82.

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

| | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Annual money-weighted rate of return net of investment expense | (15.99%) | 23.14% | 6.48% | 7.74% | 7.85% |

| | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--|----------------------|----------------------|----------------------|----------------------|
| Annual money-weighted rate of return net of investment expense | 10.25% | 2.06% | 2.81% | 13.84% |

* Ninth year of implementation of GASB 67, therefore only nine years of the 10 years of required data is available.

NARRAGANSETT BAY COMMISSION
Required Supplementary Information
Non-Union Defined Benefit Plan
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2022

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

Actuarial Assumptions as of June 30, 2022:

| Discount rate | 6.00% | | | | | | | | |
|---|---|-----|------|----|-------|----|-------|----|-------|
| Long-term rate of return on investments | 6.00% | | | | | | | | |
| Annual Salary Increases | 3.50% | | | | | | | | |
| Payroll growth rate | 3.50% based on salary increase rate by individual given above | | | | | | | | |
| Inflation | N/A | | | | | | | | |
| Pre and post retirement mortality | PubG-2010 Above Median for Employees and Healthy Retirees with Scale MP-2021 Generational Improvements (M/F) | | | | | | | | |
| Termination | T-2 illustrative annual rates of withdrawals as follows: | | | | | | | | |
| | <table border="0"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Age</th> <th style="text-align: center; border-bottom: 1px solid black;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">5.29%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td style="text-align: center;">55</td> <td style="text-align: center;">0.00%</td> </tr> </tbody> </table> | Age | Rate | 25 | 5.29% | 40 | 3.50% | 55 | 0.00% |
| Age | Rate | | | | | | | | |
| 25 | 5.29% | | | | | | | | |
| 40 | 3.50% | | | | | | | | |
| 55 | 0.00% | | | | | | | | |
| Disability rate | None | | | | | | | | |
| Assumed retirement age | Age 65 for active participants and inactive participants | | | | | | | | |
| Expenses | None | | | | | | | | |

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

| Year Ended | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| NBC's proportion of the net OPEB liability | \$ 1,912,937 | \$ 2,802,007 | \$ 3,608,513 | \$ 4,169,461 | \$ 4,265,419 |
| NBC's proportionate share of the net OPEB liability | 0.82469% | 0.77639% | 0.82674% | 0.81861% | 0.82115% |
| NBC's covered payroll | \$ 6,096,018 | \$ 5,885,051 | \$ 6,063,361 | \$ 5,785,794 | \$ 5,956,481 |
| NBC's proportionate share of the OPEB liability as a percentage of its covered payroll | 31.38% | 47.61% | 59.51% | 72.06% | 71.61% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 60.5% | 42.51% | 33.57% | 26.25% | 22.38% |

Note:

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

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

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Statutorily determined contribution | \$ 326,287 | \$ 338,329 | \$ 391,357 | \$ 362,589 | \$ 345,990 |
| Contributions in relation to the statutorily determined contribution | <u>326,287</u> | <u>338,329</u> | <u>391,357</u> | <u>362,589</u> | <u>345,990</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 6,179,676 | \$ 6,096,018 | \$ 5,885,051 | \$ 6,063,361 | \$ 5,785,794 |
| Contribution as a percentage of covered payroll | 5.28% | 5.55% | 6.65% | 5.98% | 5.98% |

Note:

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

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

See accompanying notes to the required supplementary information.

NARRAGANSETT BAY COMMISSION
Required Supplementary Information
State Employees' and Electing Teachers OPEB System Plan
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2022

OPEB - Required Supplementary Information:

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

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

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

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 13 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2021 measurement date:

Assumption changes included updated rates of mortality, retirement, withdrawal, disability and salary increases consistent with the Employees' Retirement System of Rhode Island, as applicable.

June 30, 2020 measurement date:

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

June 30, 2019 measurement date:

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

June 30, 2018 measurement date:

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

June 30, 2017 measurement date:

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

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

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

NARRAGANSETT BAY COMMISSION
Required Supplementary Information
State Employees' and Electing Teachers OPEB System Plan
Notes to the Required Supplementary Information (Unaudited)(Continued)
For the Year Ended June 30, 2022

OPEB - Required Supplementary Information:

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

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

2. Actuarially determined contributions

The annual required contribution for FY 2022 was based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

NARRAGANSETT BAY COMMISSION

Supplementary Information

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

For the Year Ended June 30, 2022

| REVENUE | Budget | Actual | Variance Favorable (Unfavorable) |
|--|------------------------------|------------------------------|---|
| Operating revenue | | | |
| User fees | \$ 102,476,287 | \$ 102,132,232 | \$ (344,055) |
| Connection fees/capacity charges | 339,000 | 269,660 | (69,340) |
| Pretreatment fees | 80,000 | 61,280 | (18,720) |
| Septage income | 354,000 | 372,346 | 18,346 |
| Renewable energy credits | 694,837 | 647,708 | (47,129) |
| Miscellaneous revenue | 251,000 | 191,225 | (59,775) |
| Late Charge penalties | 450,000 | 358,415 | (91,585) |
| Total operating revenue | <u>104,645,124</u> | <u>104,032,866</u> | <u>(612,258)</u> |
| Non-operating revenue | | | |
| Investment Income | 100,000 | 1,153 | (98,847) |
| Sewer tie-in revenue | - | 2,384,273 | 2,384,273 |
| Miscellaneous | 91,000 | 346,500 | 255,500 |
| Total non-operating revenue | <u>191,000</u> | <u>2,731,926</u> | <u>2,540,926</u> |
| TOTAL REVENUE | <u><u>\$ 104,836,124</u></u> | <u><u>\$ 106,764,792</u></u> | <u><u>\$ 1,928,668</u></u> |
| | | | |
| Total revenue on budgetary basis | | \$ 106,764,792 | |
| Add: | | | |
| Gain on sale of capital asset | | 10,241 | |
| Interest income debt service fund and project fund | | <u>131,677</u> | |
| Total revenue on a GAAP basis | | <u><u>\$ 106,906,710</u></u> | |

NARRAGANSETT BAY COMMISSION

Supplementary Information

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

For the Year Ended June 30, 2022

| OPERATING EXPENSE | Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------|---|
| Personnel services | | | |
| Union regular | \$ 6,708,829 | \$ 6,356,106 | \$ 352,723 |
| Union overtime | 668,600 | 674,868 | (6,268) |
| Non-union regular | 12,439,065 | 11,711,353 | 727,712 |
| Non-union overtime | 300,594 | 246,531 | 54,063 |
| Non-union limited | 63,600 | 30,073 | 33,527 |
| Fringe benefits | 10,516,042 | 9,560,881 | 955,161 |
| Project salaries and fringe benefits capitalized | (2,721,658) | (2,631,389) | (90,269) |
| Total personnel services | 27,975,072 | 25,948,423 | 2,026,649 |
| Operating supplies/expense | | | |
| Medical services | 13,200 | 10,318 | 2,882 |
| Postage | 403,001 | 402,181 | 820 |
| Dues and subscriptions | 96,216 | 73,243 | 22,973 |
| Freight | 47,003 | 36,232 | 10,771 |
| Printing and binding | 149,873 | 124,720 | 25,153 |
| Advertising | 17,950 | 3,020 | 14,930 |
| Rental of equipment | 42,250 | 34,323 | 7,927 |
| Rental of clothing | 38,600 | 36,123 | 2,477 |
| Rental of outside property | 16,100 | 1,500 | 14,600 |
| Miscellaneous | 6,500 | 6,478 | 22 |
| Public outreach education | 51,000 | 33,362 | 17,638 |
| Local travel | 4,800 | 947 | 3,853 |
| Long-distance travel | 31,283 | 21,714 | 9,569 |
| Building and ground maintenance | 360,076 | 244,840 | 115,236 |
| Biosolids disposal | 5,352,447 | 4,940,085 | 412,362 |
| Screening and grit disposal | 303,090 | 247,688 | 55,402 |
| Vehicle fuel and maintenance | 262,550 | 246,131 | 16,419 |
| Repairs, buildings and structures | 380,038 | 309,812 | 70,226 |
| Repairs, process equipment | 689,947 | 656,995 | 32,952 |
| Repairs, highways and walks | 66,800 | 42,417 | 24,383 |
| Maintenance/service agreements | 659,293 | 653,874 | 5,419 |
| Office equipment contracts | 183,768 | 118,083 | 65,685 |
| Service agreements | 456,418 | 345,399 | 111,019 |
| Software licenses & subscriptions | 909,504 | 909,471 | 33 |
| Highway and landscape | 16,500 | 11,077 | 5,423 |
| Insurance | 1,024,122 | 1,024,072 | 50 |
| Workers' compensation insurance | 474,987 | 443,397 | 31,590 |
| Central telephone services | 4,000 | 616 | 3,384 |
| Telephone | 304,016 | 277,960 | 26,056 |
| Diesel for equipment | 44,000 | 12,004 | 31,996 |
| Fuel, gas | 415,178 | 414,334 | 844 |

(Continued)

NARRAGANSETT BAY COMMISSION

Supplementary Information

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

For the Year Ended June 30, 2022

| OPERATING EXPENSE | Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------|-------------------|---|
| Operating supplies/expense | | | |
| Electricity | 2,281,494 | 2,217,763 | 63,731 |
| Wind turbine expense - Field's Point | 269,000 | 268,490 | 510 |
| Wind turbine expense - WED | 352,150 | 244,645 | 107,505 |
| Biogas expense | 8,400 | 1,700 | 6,700 |
| Water | 131,200 | 119,644 | 11,556 |
| Clothing and clothing materials | 54,225 | 48,644 | 5,581 |
| Chemicals | 1,512,180 | 1,249,030 | 263,150 |
| Lab supplies | 473,600 | 458,017 | 15,583 |
| Building and machinery supplies and expense | 577,650 | 538,894 | 38,756 |
| Educational expense | 84,154 | 30,110 | 54,044 |
| Computer supplies | 99,200 | 93,451 | 5,749 |
| Other operating supplies and expense | 18,040 | 12,695 | 5,345 |
| Safety equipment | 94,400 | 82,005 | 12,395 |
| Office expense | 148,150 | 116,468 | 31,682 |
| Total operating supplies/ expense | 18,928,353 | 17,163,972 | 1,764,381 |
| Professional services | | | |
| Regulatory expense | 570,405 | 547,951 | 22,454 |
| Educational expense | 46,000 | 42,224 | 3,776 |
| Security services | 40,890 | 24,476 | 16,414 |
| Legal services | 218,000 | 165,536 | 52,464 |
| Management/audit services | 192,634 | 164,710 | 27,924 |
| Special clerical services | 10,400 | 669 | 9,731 |
| Other special services | 807,900 | 747,404 | 60,496 |
| Total professional services | 1,886,229 | 1,692,970 | 193,259 |
| Lease | | | |
| Interest expense - leases payable | 9,000 | 8,117 | 883 |
| Lease principal | 106,000 | 105,283 | 717 |
| Total lease | 115,000 | 113,400 | 1,600 |
| TOTAL OPERATING EXPENSE | 48,904,654 | 44,918,765 | 3,985,889 |

(Continued)

NARRAGANSETT BAY COMMISSION

Supplementary Information

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

For the Year Ended June 30, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------------|-----------------------------|-----------------------------|---|
| DEBT SERVICE | | | |
| Interest expense | | | |
| Interest expense - 2008 Series A | 1,293,049 | 1,293,048 | 1 |
| Interest expense - 2013 Series C | 358,874 | 358,874 | - |
| Interest expense - 2015 Series A | 128,600 | 128,600 | - |
| Interest expense - 2020 Series A | 4,469,065 | 4,469,065 | - |
| Revenue anticipation notes | 375,000 | - | 375,000 |
| Interest expense - loans payable | <u>6,673,058</u> | <u>6,685,488</u> | <u>(12,430)</u> |
| Total interest expense | <u>13,297,646</u> | <u>12,935,075</u> | <u>362,571</u> |
| Debt service principal | <u>28,170,271</u> | <u>28,170,271</u> | <u>-</u> |
| TOTAL EXPENSE | <u>\$ 90,372,571</u> | <u>\$ 86,024,111</u> | <u>\$ 4,348,460</u> |

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

| | |
|--|------------------------------------|
| Total expense on budgetary basis | \$ 86,024,111 |
| Add: | |
| Depreciation and amortization | 22,223,491 |
| Environmental Enforcement Fund expense | 14,595 |
| Bond and note fees | 588,835 |
| Expenses charged to prior year budget | 133,795 |
| Amortization debt premiums and refunding gain/loss & capitalized Interest | 1,507,590 |
| Less: | |
| Expenses charged to current year budget | (48,528) |
| ERSRI pension plan activity | (906,175) |
| Non-Union pension plan activity | (676,727) |
| OPEB plan activity | (376,559) |
| Lease principal | (105,283) |
| Debt service principal | <u>(28,170,271)</u> |
| Total expense on a GAAP basis | <u><u>\$ 80,208,874</u></u> |

NARRAGANSETT BAY COMMISSION

*Supplementary Information
Combining Schedule of Net Position
June 30, 2022*

| | Revenue Fund | O & M Fund |
|--|-------------------------|---------------------------|
| Assets | | |
| Current assets | | |
| Accounts receivable | | |
| Sewer use (net of allowance) | \$ 13,115,084 | \$ - |
| Sewer use unbilled | 6,659,090 | - |
| Receivables, RIIB | - | - |
| Receivables, WIFIA | - | - |
| Receivables, other | 18,724 | - |
| Prepaid expense | - | 305,336 |
| Total current assets | 19,792,898 | 305,336 |
| Non-current assets | | |
| Restricted assets | | |
| Cash and cash equivalents, restricted | 6,375,278 | 13,412,388 |
| Total restricted assets | 6,375,278 | 13,412,388 |
| Capital assets | | |
| Land | - | - |
| Plant and equipment | - | - |
| Capital projects completed | - | - |
| Leased land | - | - |
| Construction in progress | - | - |
| Subtotal | - | - |
| Less: accumulated depreciation and amortization | - | - |
| Total net capital assets | - | - |
| Other assets | | |
| Net pension asset - Non-Union Defined Benefit Pension Plan | - | 2,183,820 |
| Total non-current assets | 6,375,278 | 15,596,208 |
| Total assets | 26,168,176 | 15,901,544 |
| Deferred outflows of resources | | |
| Loss on refunding of debt, net | - | - |
| Pension related outflows, net | - | 6,575,386 |
| OPEB related outflows, net | - | 636,732 |
| Asset retirement obligation, net | - | - |
| Total deferred outflows of resources | - | 7,212,118 |

(Continued)

NARRAGANSETT BAY COMMISSION
Supplementary Information
Combining Schedule of Net Position (Continued)
June 30, 2022

| Project Fund | Debt Service Fund | Operating Reserve for Revenue Stability Fund | Debt Service Reserve Fund | Total |
|-------------------------|------------------------------|---|--------------------------------------|----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 13,115,084 |
| - | - | - | - | 6,659,090 |
| 1,000,000 | - | - | - | 1,000,000 |
| 297,271,571 | - | - | - | 297,271,571 |
| - | - | - | - | 18,724 |
| - | - | - | - | 305,336 |
| <u>298,271,571</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>318,369,805</u> |
| 20,026,012 | 47,537,459 | 4,507,306 | 2,967,686 | 94,826,129 |
| <u>20,026,012</u> | <u>47,537,459</u> | <u>4,507,306</u> | <u>2,967,686</u> | <u>94,826,129</u> |
| 2,754,407 | - | - | - | 2,754,407 |
| 111,524,562 | - | - | - | 111,524,562 |
| 1,005,551,311 | - | - | - | 1,005,551,311 |
| 2,344,137 | - | - | - | 2,344,137 |
| <u>460,672,822</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>460,672,822</u> |
| 1,582,847,239 | - | - | - | 1,582,847,239 |
| <u>293,019,724</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>293,019,724</u> |
| <u>1,289,827,515</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,289,827,515</u> |
| - | - | - | - | 2,183,820 |
| <u>1,309,853,527</u> | <u>47,537,459</u> | <u>4,507,306</u> | <u>2,967,686</u> | <u>1,386,837,464</u> |
| <u>1,608,125,098</u> | <u>47,537,459</u> | <u>4,507,306</u> | <u>2,967,686</u> | <u>1,705,207,269</u> |
| 5,037,851 | - | - | - | 5,037,851 |
| - | - | - | - | 6,575,386 |
| - | - | - | - | 636,732 |
| <u>427,500</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>427,500</u> |
| <u>5,465,351</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,677,469</u> |

(Continued)

NARRAGANSETT BAY COMMISSION
Supplementary Information
Combining Schedule of Net Position (Continued)
June 30, 2022

| | Revenue Fund | O & M Fund |
|---|-------------------------|---------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ - | \$ 2,113,423 |
| Contracts payable | - | - |
| Accrued interest payable | - | - |
| Accrued expense | - | 933,717 |
| Current portion of the other accrued expense | - | 236,682 |
| Current portion of loans payable | - | - |
| Current portion of revenue bonds | - | - |
| Current portion of lease liability | - | - |
| Total current liabilities | - | 3,283,822 |
| Non-current liabilities | | |
| Other accrued expense, net | - | 3,318,908 |
| Net pension liability - ERSRI Pension Plan | - | 14,631,376 |
| Net OPEB liability | - | 1,912,937 |
| Loans payable, WIFIA | - | - |
| Loans payable, net | - | - |
| Revenue bond, net | - | - |
| Lease liability, net | - | - |
| Asset retirement obligation | - | - |
| Total non-current liabilities | - | 19,863,221 |
| Total liabilities | - | 23,147,043 |
| Deferred inflows of resources | | |
| Gain on refunding debt, net | - | - |
| Pension related inflows, net | - | 4,330,800 |
| OPEB related inflows, net | - | 1,732,034 |
| Total deferred inflows of resources | - | 6,062,834 |
| Net position | | |
| Net investment in capital assets | - | - |
| Restricted - environmental enforcement fund | 59,508 | - |
| Restricted - bond covenants | 6,315,770 | 13,412,388 |
| Restricted - debt service reserve fund | - | - |
| Restricted - operating reserve for revenue stability fund | - | - |
| Restricted - operating capital | - | - |
| Unrestricted | 19,792,898 | (19,508,603) |
| Total net position | \$ 26,168,176 | \$ (6,096,215) |

NARRAGANSETT BAY COMMISSION
Supplementary Information
Combining Schedule of Net Position (Continued)
June 30, 2022

| <i>Project Fund</i> | <i>Debt Service Fund</i> | <i>Operating Reserve for Revenue Stability Fund</i> | <i>Debt Service Reserve Fund</i> | <i>Total</i> |
|-----------------------|--------------------------|---|----------------------------------|-----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 2,113,423 |
| 44,737,919 | - | - | - | 44,737,919 |
| - | 4,292,117 | - | - | 4,292,117 |
| - | - | - | - | 933,717 |
| - | - | - | - | 236,682 |
| 23,102,904 | - | - | - | 23,102,904 |
| 5,325,000 | - | - | - | 5,325,000 |
| 104,916 | - | - | - | 104,916 |
| <u>73,270,739</u> | <u>4,292,117</u> | <u>-</u> | <u>-</u> | <u>80,846,678</u> |
| - | - | - | - | 3,318,908 |
| - | - | - | - | 14,631,376 |
| - | - | - | - | 1,912,937 |
| 461,271,187 | - | - | - | 461,271,187 |
| 273,791,419 | - | - | - | 273,791,419 |
| 253,088,030 | - | - | - | 253,088,030 |
| 2,133,938 | - | - | - | 2,133,938 |
| 450,000 | - | - | - | 450,000 |
| <u>990,734,574</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,010,597,795</u> |
| <u>1,064,005,313</u> | <u>4,292,117</u> | <u>-</u> | <u>-</u> | <u>1,091,444,473</u> |
| 2,413,293 | - | - | - | 2,413,293 |
| - | - | - | - | 4,330,800 |
| - | - | - | - | 1,732,034 |
| <u>2,413,293</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,476,127</u> |
| 527,168,331 | - | - | - | 527,168,331 |
| - | - | - | - | 59,508 |
| - | 47,537,459 | - | - | 67,265,617 |
| - | - | - | 2,967,686 | 2,967,686 |
| - | - | 4,507,306 | - | 4,507,306 |
| 11,539,532 | - | - | - | 11,539,532 |
| 8,463,981 | (4,292,117) | - | - | 4,456,158 |
| <u>\$ 547,171,843</u> | <u>\$ 43,245,342</u> | <u>\$ 4,507,306</u> | <u>\$ 2,967,686</u> | <u>\$ 617,964,138</u> |

NARRAGANSETT BAY COMMISSION
Supplementary Information
Combining Schedule of Revenue, Expense and Changes in Net Position
For the Year Ended June 30, 2022

| | Revenue Fund | O & M Fund |
|---|-------------------------|---------------------------|
| Operating revenue | | |
| User fees, residential | \$ 59,654,921 | \$ - |
| User fees, commercial and industrial | 42,477,311 | - |
| Connection fees/capacity charges | 269,660 | - |
| Pretreatment fees | 61,280 | - |
| Septage income | 372,346 | - |
| Renewable energy credits | 648,148 | - |
| Miscellaneous revenue | 190,785 | - |
| Late charge penalties | 358,415 | - |
| Total operating revenue | 104,032,866 | - |
| Operating expense | | |
| Personnel services | - | 23,988,962 |
| Operating supplies/expense | - | 17,218,133 |
| Professional services | - | 1,738,671 |
| Depreciation and amortization | - | - |
| Total operating expense | - | 42,945,766 |
| Operating income (loss) | 104,032,866 | (42,945,766) |
| Non-operating revenue (expense) | | |
| Interest expense | - | - |
| Interest income | 679 | 510 |
| Gain on sale of capital asset | - | - |
| Bond and note fees | - | - |
| Sewer tie-in revenue | 2,384,273 | - |
| Miscellaneous income | 346,499 | - |
| Total non-operating revenue (expense) | 2,731,451 | 510 |
| Net income before capital contribution and transfers | 106,764,317 | (42,945,256) |
| Capital contribution | - | - |
| Transfer in (out) | (108,834,940) | 44,088,266 |
| Change in net position | (2,070,623) | 1,143,010 |
| Total net position, beginning of year | 28,238,799 | (7,239,225) |
| Total net position, end of year | \$ 26,168,176 | \$ (6,096,215) |

(Continued)

NARRAGANSETT BAY COMMISSION
Supplementary Information
 Combining Schedule of Revenue, Expense and Changes in Net Position (Continued)
 For the Year Ended June 30, 2022

| <i>Project Fund</i> | <i>Debt Service Fund</i> | <i>Operating Reserve for Revenue Stability Fund</i> | <i>Debt Service Reserve Fund</i> | <i>Total</i> |
|---------------------|--------------------------|---|----------------------------------|----------------|
| \$ - | \$ - | \$ - | \$ - | \$ 59,654,921 |
| - | - | - | - | 42,477,311 |
| - | - | - | - | 269,660 |
| - | - | - | - | 61,280 |
| - | - | - | - | 372,346 |
| - | - | - | - | 648,148 |
| - | - | - | - | 190,785 |
| - | - | - | - | 358,415 |
| - | - | - | - | 104,032,866 |
| - | - | - | - | 23,988,962 |
| - | - | - | - | 17,218,133 |
| - | - | - | - | 1,738,671 |
| 22,223,491 | - | - | - | 22,223,491 |
| 22,223,491 | - | - | - | 65,169,257 |
| (22,223,491) | - | - | - | 38,863,609 |
| - | (14,450,782) | - | - | (14,450,782) |
| 40,290 | 77,084 | 8,603 | 5,664 | 132,830 |
| 10,241 | - | - | - | 10,241 |
| - | (588,835) | - | - | (588,835) |
| - | - | - | - | 2,384,273 |
| - | - | - | - | 346,499 |
| 50,531 | (14,962,533) | 8,603 | 5,664 | (12,165,774) |
| (22,172,960) | (14,962,533) | 8,603 | 5,664 | 26,697,835 |
| 1,000,000 | - | - | 0 | 1,000,000 |
| 41,769,023 | 22,980,562 | (1,756) | (1,155) | - |
| 20,596,063 | 8,018,029 | 6,847 | 4,509 | 27,697,835 |
| 526,575,780 | 35,227,313 | 4,500,459 | 2,963,177 | 590,266,303 |
| \$ 547,171,843 | \$ 43,245,342 | \$ 4,507,306 | \$ 2,967,686 | \$ 617,964,138 |

NARRAGANSETT BAY COMMISSION
Supplementary Information
Schedule of Long-Distance Travel
For the Year Ended June 30, 2022

| Traveler | Cost Center | Travel Dates | | Purpose | Destination | Total Amount |
|--------------------|-------------|--------------|---------|---|-------------------|------------------|
| | | From | To | | | |
| Jamie Samons | 21 | 7/17/21 | 7/25/21 | Complete Certified Public Communicators course at TCU | Fort Worth, TX | \$ 399 |
| David Bowen | 25 | 9/28/21 | 9/30/21 | Speaker at NEWEA CSO/Wet Weather Conference | Portsmouth, NH | 1,286 |
| Kathryn Kelly | 25 | 9/28/21 | 9/30/21 | Speaker at NEWEA CSO/Wet Weather Conference | Portsmouth, NH | 1,198 |
| Walter Palm | 53 | 1/21/22 | 1/26/22 | NEWEA Annual Conference | Boston, MA | 1,920 |
| Nora Lough | 53 | 1/24/22 | 1/26/22 | NEWEA Annual Conference | Boston, MA | 1,187 |
| Kim Sandbach | 53 | 1/24/22 | 1/26/22 | NEWEA Annual Conference | Boston, MA | 461 |
| Kerry Britt | 52 | 5/17/22 | 5/20/22 | NACWA National Pretreatment Workshop and Training | Nashville, TN | 2,524 |
| Kimberly Sandbach | 53 | 5/22/22 | 5/25/22 | NEWEA Spring Conference | Bretton Woods, NH | 400 |
| Nora Lough | 53 | 5/22/22 | 5/25/22 | NEWEA Spring Conference | Bretton Woods, NH | 1,434 |
| Luis Cruz | 51 | 6/2/22 | 6/4/22 | NEERS Spring 2022 Meeting | Salem, MA | 851 |
| Eliza Moore | 51 | 6/2/22 | 6/4/22 | NEERS Spring 2022 Meeting | Salem, MA | 869 |
| Rhonda Wheaton | 31 | 8/7/22 | 8/11/22 | 41st Annual ISCEBS Employee Benefits Symposium | Toronto, Ontario | 3,359 |
| Jamie Samons | 21 | 7/24/22 | 7/28/22 | NACWA Utility Leadership Conference | Seattle, WA | 3,252 |
| Laurie Horridge | 21 | 7/24/22 | 7/28/22 | NACWA Utility Leadership Conference | Seattle, WA | 2,575 |
| Grand Total | | | | | | \$ 21,715 |

Narragansett Bay Commission Statistical Section

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

Financial Trends

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

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

Revenue Capacity

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

- User Fee Revenue by Customer Type
- Residential Sewer Rates
- Non-Residential Sewer Rates
- Comparative 2021 Annual Residential Sewer Rates – RI Municipalities
- Principal Commercial Users

Debt Capacity

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

- Ratios of Outstanding Debt
- Debt Service Coverage

Demographic and Economic Information

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

- Demographic Statistics
- Principal Employers

Operating Information

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

- Operating Indicators by Division
- Budgeted Employees by Activity

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

NARRAGANSETT BAY COMMISSION
Net Position by Component (Unaudited)
Last Ten Fiscal Years

| <i>Years Ending June 30,</i> | <i>Net Investment in Capital Assets</i> | <i>Restricted</i> | |
|----------------------------------|---|---|--------------------------------------|
| | | <i>Environmental Enforcement Fund</i> | <i>Bond Covenants Restricted</i> |
| 2013 | 400,509,402 | 74,841 | - |
| 2014(1) | 397,290,915 | 72,426 | - |
| 2015(2) | 414,028,338 | 54,405 | - |
| 2016 | 443,394,173 | 90,910 | - |
| 2017 | 470,512,740 | 96,095 | - |
| 2018(3) | 483,680,613 | 78,713 | - |
| 2019 | 504,260,346 | 69,948 | - |
| 2020(4) | 499,832,377 | 73,977 | 57,457,778 |
| 2021(5) | 517,866,217 | 74,068 | 61,740,095 |
| 2022 | 527,168,331 | 59,508 | 67,265,617 |

(Continued)

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

Note:

Restated FY 2013- FY 2017 Net Position by Component to be consistent with the FY 2018 and FY 2019 Net Position by Component.

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

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

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

| Restricted | | | | |
|----------------------------------|---|--------------------------|---------------------|---------------------------|
| Debt Service Reserve Fund | Operating Reserve for Revenue Stability Fund | Operating Capital | Unrestricted | Total Net Position |
| - | - | - | (3,717,492) | 396,866,751 |
| - | - | - | 18,420,683 | 415,784,024 |
| 3,497,335 | 4,500,023 | - | 1,629,242 | 423,709,343 |
| 3,502,206 | 4,501,062 | - | 1,295,925 | 452,784,276 |
| 3,499,229 | 4,502,869 | - | 2,691,962 | 481,302,895 |
| 3,539,427 | 4,554,596 | - | 6,264,370 | 498,117,719 |
| 3,503,652 | 4,508,560 | - | 13,103,188 | 525,445,694 |
| 2,987,306 | 4,502,371 | - | (7,251,521) | 557,602,288 |
| 2,963,177 | 4,500,459 | 6,230,100 | (3,107,815) | 590,266,301 |
| 2,967,686 | 4,507,306 | 11,539,532 | 4,456,158 | 617,964,138 |

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

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

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

(4) In 2020, beginning net position was reclassified to reflect the restricted portion of the unrestricted net position for bond covenants.

(5) In 2021, cash accounts for operating capital were reclassified out of net investment in capital assets calculation and posted in a restricted net position account.

Note:

Restated FY 2013 - FY 2017 Net Position by Component to be consistent with the FY 2018 and FY 2019 Net Position by Component.

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

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

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

| | 2022 | 2021 | 2020 | 2019 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating revenue | | | | |
| User fees | \$ 102,132,232 | \$ 102,984,257 | \$ 101,434,770 | \$ 96,428,606 |
| Pretreatment fees | 61,280 | 71,700 | 61,354 | 1,066,369 |
| Other operating revenue | 1,839,354 | 1,526,330 | 2,286,758 | 1,850,802 |
| Total operating revenue | 104,032,866 | 104,582,287 | 103,782,882 | 99,345,777 |
| Non-operating revenue | | | | |
| Interest income | 132,830 | 25,879 | 947,416 | 1,510,886 |
| Grant Income | - | 27,415 | - | - |
| Gain on disposal of asset | 10,241 | - | - | - |
| Sewer tie-in revenue | 2,384,273 | - | - | - |
| Other non-operating revenue | 346,499 | 280,906 | 202,585 | 145,161 |
| Total non-operating revenue | 2,873,843 | 334,200 | 1,150,001 | 1,656,047 |
| Operating expense | | | | |
| Personnel services | 23,988,962 | 23,193,856 | 23,877,590 | 23,844,901 |
| Operating supplies/expense | 17,218,133 | 15,635,215 | 15,008,091 | 15,931,218 |
| Professional services | 1,738,671 | 1,592,497 | 1,213,868 | 1,168,922 |
| Depreciation and amortization | 22,223,491 | 17,093,870 | 16,612,202 | 16,401,372 |
| Total operating expense | 65,169,257 | 57,515,438 | 56,711,751 | 57,346,413 |
| Non-operating expense | | | | |
| Interest expense | 14,450,782 | 13,964,362 | 16,018,533 | 16,816,321 |
| Loss on economic defeasance | - | 111,138 | 191,657 | - |
| Transfer to the State of Rhode Island | - | - | - | - |
| Other expense | 588,835 | 661,536 | 1,852,370 | 511,115 |
| Total non-operating expense | 15,039,617 | 14,737,036 | 18,062,560 | 17,327,436 |
| Net income before capital contribution | 26,697,835 | 32,664,013 | 30,158,572 | 26,327,975 |
| Capital contribution | 1,000,000 | - | 1,998,022 | 1,000,000 |
| Change in net position | 27,697,835 | 32,664,013 | 32,156,594 | 27,327,975 |
| Net position, beginning | 590,266,303 | 557,602,288 | 525,445,694 | 498,117,719 |
| Net position, ending | \$ 617,964,138 | \$ 590,266,303 | \$ 557,602,288 | \$ 525,445,694 |

(Continued)

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

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

| | 2018(3) | 2017 | 2016 | 2015(2) | 2014(1) | 2013 |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 95,822,841 | \$ 96,610,156 | \$ 96,078,624 | \$ 92,007,299 | \$ 89,182,519 | \$ 77,949,901 |
| | 1,066,370 | 1,090,541 | 1,088,763 | 1,076,481 | 1,095,551 | 1,077,887 |
| | 1,447,304 | 1,955,334 | 1,837,607 | 1,932,062 | 1,869,945 | 1,320,944 |
| | <u>98,336,515</u> | <u>99,656,031</u> | <u>99,004,994</u> | <u>95,015,842</u> | <u>92,148,015</u> | <u>80,348,732</u> |
| | 938,783 | 360,367 | 112,094 | 5,839 | 5,433 | 22,907 |
| | - | - | 4,910 | 4,910 | - | 14,980 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | <u>114,951</u> | <u>252,508</u> | <u>203,855</u> | <u>163,634</u> | <u>182,084</u> | <u>190,923</u> |
| | <u>1,053,734</u> | <u>612,875</u> | <u>320,859</u> | <u>174,383</u> | <u>187,517</u> | <u>228,810</u> |
| | 23,156,582 | 22,720,366 | 22,903,792 | 20,946,735 | 21,090,749 | 19,858,457 |
| | 15,146,106 | 14,348,774 | 14,190,603 | 13,247,181 | 13,905,640 | 13,180,420 |
| | 1,196,941 | 1,078,443 | 1,019,109 | 2,978,542 | 2,969,956 | 2,531,805 |
| | <u>16,091,344</u> | <u>15,593,700</u> | <u>14,091,320</u> | <u>12,983,750</u> | <u>11,812,153</u> | <u>10,974,885</u> |
| | <u>55,590,973</u> | <u>53,741,283</u> | <u>52,204,824</u> | <u>50,156,208</u> | <u>49,778,498</u> | <u>46,545,567</u> |
| | 17,994,682 | 17,899,683 | 17,734,236 | 16,475,516 | 16,660,404 | 13,587,442 |
| | - | - | - | - | - | - |
| | 5,000,000 | - | - | - | - | - |
| | 23,485 | 109,321 | 823,930 | 720,428 | 915,288 | 130,980 |
| | <u>23,018,167</u> | <u>18,009,004</u> | <u>18,558,166</u> | <u>17,195,944</u> | <u>17,575,692</u> | <u>13,718,422</u> |
| | 20,781,109 | 28,518,619 | 28,562,863 | 27,838,073 | 24,981,342 | 20,313,533 |
| | - | - | 512,070 | - | 80,965 | 354,202 |
| | 20,781,109 | 28,518,619 | 29,074,933 | 27,838,073 | 25,062,307 | 20,667,735 |
| | <u>477,336,610</u> | <u>452,784,276</u> | <u>423,709,343</u> | <u>395,871,270</u> | <u>390,721,717</u> | <u>376,198,996</u> |
| \$ | <u>498,117,719</u> | <u>\$ 481,302,895</u> | <u>\$ 452,784,276</u> | <u>\$ 423,709,343</u> | <u>\$ 415,784,024</u> | <u>\$ 396,866,731</u> |

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

NARRAGANSETT BAY COMMISSION

Revenue by Source (Unaudited)

Last Ten Fiscal Years

| Operating Revenue | | | | | | |
|--------------------------|------------------|---|--------------------------|--|-----------------------|-------------------------------|
| June 30, | User Fees | Connection Fees and capacity Charges | Pretreatment Fees | Environmental Enforcement Revenue | Septage Income | Late Charges Penalties |
| 2013 | \$ 77,949,901 | \$ 95,609 | \$ 1,077,887 | \$ - | \$ 300,319 | \$ 918,134 |
| 2014 | 89,182,519 | 112,773 | 1,095,551 | 15,229 | 310,136 | 1,013,240 |
| 2015 | 92,007,299 | 100,906 | 1,076,481 | 5,972 | 336,037 | 999,867 |
| 2016 | 96,078,624 | 124,450 | 1,088,763 | 50,000 | 358,719 | 932,178 |
| 2017 | 96,610,156 | 145,713 | 1,090,541 | 18,500 | 328,590 | 874,396 |
| 2018 | 95,822,841 | 123,319 | 1,066,370 | 3,400 | 333,037 | 796,362 |
| 2019 | 96,428,606 | 126,300 | 1,066,369 | 4,739 | 321,036 | 1,052,671 |
| 2020 | 101,434,770 | 335,431 | 61,354 | 8,997 | 342,994 | 837,184 |
| 2021 | 102,984,257 | 357,070 | 71,700 | 20,053 | 352,135 | - |
| 2022 | 102,132,232 | 269,660 | 61,280 | - | 372,346 | 358,415 |

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

| Operating Revenue | | | Non Operating Revenue | | | | |
|---|------------------------------|--------------------------------|------------------------------|------------------------|-----------------------------|-----------------------------|----------------|
| Renewable Energy Credits Revenue | Miscellaneous Revenue | Total Operating Revenue | Grant Income | Interest Income | Sewer Tie-in Revenue | Miscellaneous Income | Revenue |
| \$ - | \$ 6,882 | \$ 80,348,732 | \$ 14,980 | \$ 22,907 | \$ - | \$ 190,923 | \$80,577,542 |
| 410,624 | 7,943 | 92,148,015 | - | 5,433 | - | 182,084 | 92,335,532 |
| 482,048 | 7,232 | 95,015,842 | 4,910 | 5,839 | - | 163,634 | 95,190,225 |
| 360,850 | 11,410 | 99,004,994 | 4,910 | 112,094 | - | 203,855 | 99,325,853 |
| 581,007 | 7,128 | 99,656,031 | - | 360,367 | - | 252,508 | 100,268,906 |
| 152,338 | 38,848 | 98,336,515 | - | 938,783 | - | 114,951 | 99,390,249 |
| 150,596 | 195,460 | 99,345,777 | - | 1,510,886 | - | 145,161 | 101,001,824 |
| 579,679 | 182,473 | 103,782,882 | - | 947,416 | - | 202,585 | 104,932,883 |
| 604,033 | 193,039 | 104,582,287 | 27,415 | 25,879 | - | 280,906 | 104,916,487 |
| 648,148 | 190,785 | 104,032,866 | - | 132,830 | 2,384,273 | 356,740 | 106,906,709 |

NARRAGANSETT BAY COMMISSION

Expense by Function (Unaudited)

Last Ten Fiscal Years

| Operating Expense | | | | |
|--------------------------|-------------------------------|--|----------------------------------|--|
| June 30, | Personnel Services | Operating supplies/ expense | Professional Services | Depreciation and amortization |
| 2013 | \$ 19,858,457 | \$ 13,180,420 | 2,531,805 | \$ 10,974,885 |
| 2014 | 21,090,749 | 13,905,640 | 2,969,956 | 11,812,153 |
| 2015 | 20,946,735 | 13,247,181 | 2,978,542 | 12,983,750 |
| 2016 | 22,903,792 | 14,190,603 | 1,019,109 | 14,091,320 |
| 2017 | 22,720,366 | 14,348,774 | 1,078,443 | 15,593,700 |
| 2018 | 23,156,582 | 15,146,106 | 1,196,941 | 16,091,344 |
| 2019 | 23,844,901 | 15,931,218 | 1,168,922 | 16,401,372 |
| 2020 | 23,877,590 | 15,008,091 | 1,213,868 | 16,612,202 |
| 2021 | 23,193,856 | 15,635,215 | 1,592,497 | 17,093,870 |
| 2022 | 23,988,962 | 17,218,133 | 1,738,671 | 22,223,491 |

NARRAGANSETT BAY COMMISSION

Expense by Function (Unaudited)

Last Ten Fiscal Years

| Non-Operating Expense | | | | |
|------------------------------|-------------------------|-----------------------------|----------------------|----------------------|
| Total Expense | Interest Expense | Transfer State of RI | Other Expense | Total Expense |
| \$ 46,545,567 | \$ 13,587,442 | \$ - | \$ 130,980 | \$ 60,263,989 |
| 49,778,498 | 16,660,404 | - | 915,288 | 67,354,190 |
| 50,156,208 | 16,475,516 | - | 720,428 | 67,352,152 |
| 52,204,824 | 17,734,236 | - | 823,930 | 70,762,990 |
| 53,741,283 | 17,899,683 | - | 109,321 | 71,750,287 |
| 55,590,973 | 17,994,682 | 5,000,000 | 23,485 | 78,609,140 |
| 57,346,413 | 16,816,321 | - | 511,115 | 74,673,849 |
| 56,711,751 | 16,018,533 | - | 2,044,027 | 74,774,311 |
| 57,515,438 | 13,964,362 | - | 772,674 | 72,252,474 |
| 65,169,257 | 14,450,782 | - | 588,835 | 80,208,874 |

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| <i>Residential</i> | \$ 59,654,921 | \$ 61,941,753 | \$ 59,645,556 | \$ 55,473,053 | \$ 55,206,499 |
| <i>Commercial</i> | 39,625,189 | 38,354,300 | 39,068,175 | 38,017,450 | 37,757,562 |
| <i>Industrial</i> | 2,852,122 | 2,688,204 | 2,721,039 | 2,938,103 | 2,858,780 |
| Total | \$ 102,132,232 | \$ 102,984,257 | \$ 101,434,770 | \$ 96,428,606 | \$ 95,822,841 |

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <i>Residential</i> | \$ 55,885,288 | \$ 54,406,898 | \$ 53,044,437 | \$ 51,129,479 | \$ 45,021,105 |
| <i>Commercial</i> | 38,010,903 | 37,534,887 | 36,623,617 | 36,073,080 | 31,111,175 |
| <i>Industrial</i> | 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 |

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

| <i>Fiscal Year</i> | <i>Effective Date of Rate Increase</i> | <i>Residential Fixed Rate (per dwelling unit)</i> | <i>Residential Consumption Rate (HCF)</i> |
|--------------------|--|---|---|
| 2013 | July 1, 2012 | \$ 171.99 | \$ 2.775 |
| 2013 | January 1, 2013 | 184.63 | 2.979 |
| 2014 | July 1, 2013 | 202.47 | 3.267 |
| 2015 | September 19, 2014 | 210.51 | 3.397 |
| 2016 | July 1, 2015 | 215.50 | 3.478 |
| 2017 | July 1, 2016 | 218.80 | 3.531 |
| 2018 | July 1, 2016 | 218.80 | 3.531 |
| 2019 | January 1, 2019 | 225.32 | 3.636 |
| 2020 | July 1, 2019 | 237.41 | 3.810 |
| 2021 | July 1, 2019 | 237.41 | 3.810 |
| 2022 | May 1, 2022 | 238.74 | 3.831 |

HCF - per hundred cubic feet

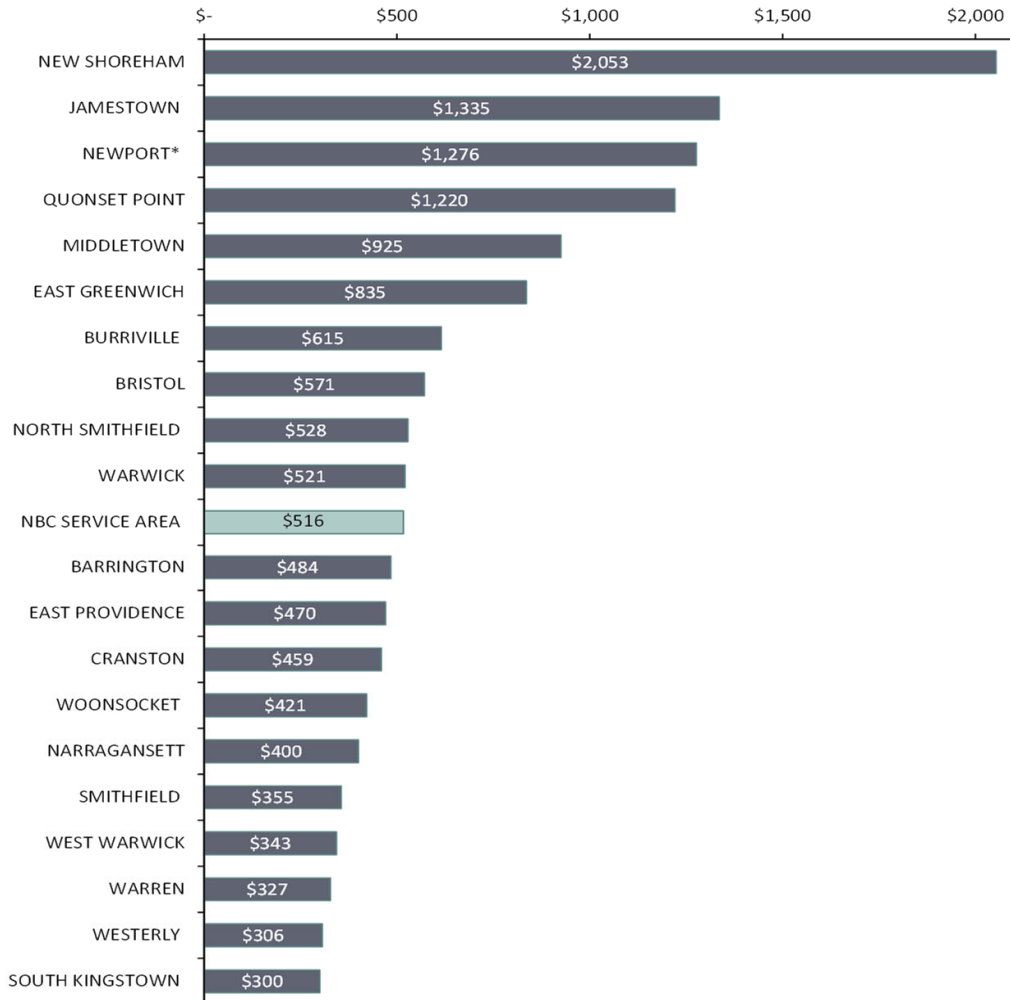
NARRAGANSETT BAY COMMISSION
Non-Residential Sewer Rates (Unaudited)
Last Ten Fiscal Years

| <i>Fiscal Year</i> | <i>Effective Date of Rate Increase</i> | <i>Non-Residential Fixed Rate (based on 5/8" meter)</i> | <i>Industrial Consumption Rate (HCF)</i> | <i>Commercial Consumption Rate (HCF)</i> |
|--------------------|--|---|--|--|
| 2013 | July 1, 2012 | \$ 411.00 | \$ 2.588 | \$ 4.025 |
| 2013 | January 1, 2013 | 441.00 | 2.778 | 4.321 |
| 2014 | July 1, 2013 | 484.00 | 3.046 | 4.738 |
| 2015 | September 19, 2014 | 503.00 | 3.167 | 4.926 |
| 2016 | July 1, 2015 | 515.00 | 3.242 | 5.043 |
| 2017 | July 1, 2016 | 523.00 | 3.292 | 5.120 |
| 2018 | July 1, 2016 | 523.00 | 3.292 | 5.120 |
| 2019 | January 1, 2019 | 539.00 | 3.390 | 5.273 |
| 2020 | July 1, 2019 | 563.00 | 3.749 | 5.722 |
| 2021 | July 1, 2019 | 563.00 | 3.749 | 5.722 |
| 2022 | May 1, 2022 | 566.00 | 3.770 | 5.754 |

HCF - per hundred cubic feet

NARRAGANSETT BAY COMMISSION
Comparative 2021 Annual Residential Sewer Rates (Unaudited)
Rhode Island Municipalities

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



* Newport includes stormwater fees

Source: 2021 NBC Residential Sewer User Survey

Annual Residential charges are based on 150 gallons per day.

The 2021 RI Average Annual Residential Sewer User Fee is \$684.



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NARRAGANSETT BAY COMMISSION
Principal Commercial Users (Unaudited)
 2022 and 2013

| Company | 2022 | | | 2013 | | |
|--------------------------------|-----------------------|-------------|-------------------------------------|-----------------------|-------------|-------------------------------------|
| | Annual Billing | Rank | Percentage of Total Billings | Annual Billing | Rank | Percentage of Total Billings |
| Providence Housing Authority | \$ 1,735,745 | 1 | 1.70% | 1,253,762 | 1 | 1.57% |
| Rhode Island Hospital | 1,636,493 | 2 | 1.60% | \$ 1,200,086 | 3 | 1.50% |
| Brown University | 1,399,658 | 3 | 1.37% | 1,222,953 | 2 | 1.53% |
| Rhode Island Resource Recovery | 777,742 | 4 | 0.76% | - | - | 0.00% |
| City of Providence | 777,367 | 5 | 0.76% | 663,928 | 4 | 0.83% |
| City of Pawtucket | 689,691 | 6 | 0.67% | 569,566 | 5 | 0.71% |
| Providence College | 484,372 | 7 | 0.47% | 370,196 | 7 | 0.46% |
| Providence School Department | 458,877 | 8 | 0.45% | 460,157 | 6 | 0.58% |
| State of Rhode Island | 422,095 | 9 | 0.41% | 334,789 | 9 | 0.42% |
| Fairfield Residential | 396,215 | 10 | 0.39% | - | - | - |
| Johnson & Wales University | | | | 363,957 | 8 | 0.46% |
| RI School of Design | | | | 253,912 | 10 | 0.32% |
| | <u>\$ 8,778,255</u> | | <u>8.59%</u> | <u>\$ 6,693,306</u> | | <u>8.38%</u> |

Source: NBC's billing system

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

| <i>Fiscal Year Ended June 30,</i> | <i>Loans Payable</i> | <i>Revenue Bonds Payable</i> | <i>WIFIA Loan Payable</i> | <i>Leases Liability</i> | <i>Total Outstanding Debt</i> |
|---------------------------------------|--------------------------|--------------------------------------|-------------------------------|-----------------------------|-----------------------------------|
| 2013 | \$ 345,706,020 | \$ 225,204,097 | \$ - | \$ 617,136 | \$ 571,527,253 |
| 2014 | 369,160,326 | 258,230,000 | - | 445,978 | 627,836,304 |
| 2015 | 346,132,052 | 262,604,184 | - | 253,297 | 608,989,533 |
| 2016 | 385,089,111 | 262,604,184 | - | 109,685 | 647,802,980 |
| 2017 | 359,305,961 | 262,604,184 | - | - | 621,910,145 |
| 2018 | 331,776,406 | 262,604,184 | - | - | 594,380,590 |
| 2019 | 346,974,434 | 261,553,307 | - | - | 608,527,741 |
| 2020 | 311,291,041 | 266,071,718 | 268,710,610 | - | 846,073,369 |
| 2021 | 277,382,328 | 262,805,064 | 459,704,608 | - | 999,892,000 |
| 2022 | 296,894,323 | 258,413,030 | 461,271,187 | 2,238,854 | 1,018,817,394 |

(Continued)

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

| <i>Capitalized Assets*</i> | <i>Construction in Progress</i> | <i>Total Net Capital Assets</i> | <i>Outstanding Debt to Capital Assets</i> | <i>Outstanding Debt per Population ⁽¹⁾</i> | <i>Income to Outstanding Debt ⁽¹⁾</i> |
|----------------------------|---------------------------------|---------------------------------|---|---|--|
| \$ 532,119,805 | \$ 320,249,539 | \$ 852,369,344 | 0.67 | 543.53 | 0.009% |
| 571,319,305 | 360,531,394 | 931,850,699 | 0.67 | 595.01 | 0.008% |
| 622,572,499 | 329,874,143 | 952,446,642 | 0.64 | 576.69 | 0.009% |
| 649,490,029 | 316,367,916 | 965,857,945 | 0.67 | 613.29 | 0.008% |
| 663,209,230 | 325,199,530 | 988,408,760 | 0.63 | 588.69 | 0.009% |
| 661,228,839 | 347,798,138 | 1,009,026,977 | 0.59 | 562.16 | 0.010% |
| 648,715,001 | 376,891,496 | 1,025,606,497 | 0.59 | 574.43 | 0.010% |
| 641,627,278 | 414,330,298 | 1,055,957,576 | 0.80 | 800.05 | 0.008% |
| 803,859,346 | 329,039,245 | 1,132,898,591 | 0.88 | 912.31 | 0.007% |
| 829,154,693 | 460,672,822 | 1,289,827,515 | 0.79 | N/A | N/A |

* Capitalized assets net of accumulated depreciation

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

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

| <i>Fiscal Year</i> | <i>Gross Revenue ⁽¹⁾</i> | <i>Operating Expense ⁽²⁾</i> | <i>Net Revenue Available for Debt Service</i> |
|------------------------|---|---|---|
| 2013 | 80,577,542 | 35,570,682 | 45,006,860 |
| 2014 | 92,335,532 | 37,966,345 | 54,369,187 |
| 2015 | 95,190,225 | 37,172,458 | 58,017,767 |
| 2016 | 99,325,853 | 38,113,504 | 61,212,349 |
| 2017 | 100,268,906 | 38,147,583 | 62,121,323 |
| 2018 | 99,390,249 | 39,499,629 | 59,890,620 |
| 2019 | 101,001,824 | 40,945,041 | 60,056,783 |
| 2020 | 104,932,883 | 40,099,549 | 64,833,334 |
| 2021 | 104,916,487 | 40,421,568 | 64,494,919 |
| 2022 | 106,906,709 | 42,945,766 | 63,960,944 |

(Continued)

(1) Total revenue including interest income

(2) Total operating expense exclusive of depreciation and amortization

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

| Debt Service Requirement | | | |
|---------------------------------|-----------------|--------------|-----------------|
| Principal ⁽³⁾ | Interest | Total | Coverage |
| 21,927,959 | 11,964,723 | 33,892,682 | 1.33 |
| 23,335,695 | 16,647,953 | 39,983,648 | 1.36 |
| 23,028,273 | 17,188,998 | 40,217,271 | 1.44 |
| 25,284,371 | 17,734,236 | 43,018,607 | 1.42 |
| 25,783,150 | 17,899,683 | 43,682,833 | 1.42 |
| 27,529,555 | 17,994,682 | 45,524,237 | 1.32 |
| 28,801,972 | 17,774,191 | 46,576,163 | 1.29 |
| 28,848,394 | 15,834,531 | 44,682,925 | 1.45 |
| 29,902,698 | 13,479,756 | 43,382,454 | 1.49 |
| 28,170,271 | 12,935,075 | 41,105,346 | 1.56 |

(3) Principal payment does not include economic defeasance payment

NARRAGANSETT BAY COMMISSION

Demographic Statistics (Unaudited)

State of Rhode Island

Last Ten Fiscal Years

| <i>Fiscal Year</i> | <i>Population ⁽¹⁾</i> | <i>Personal Income (Millions) ⁽¹⁾</i> | <i>Per Capita Income ⁽¹⁾</i> | <i>Labor Force ⁽²⁾</i> | <i>School Enrollment ⁽³⁾</i> | <i>Unemployment Rate ⁽⁴⁾</i> |
|--------------------|----------------------------------|--|---|-----------------------------------|---|---|
| 2013 | 1,051,511 | \$ 49,409 | \$ 46,989 | 556,409 | 142,008 | 9.3% |
| 2014 | 1,055,173 | 51,532 | 48,838 | 556,644 | 141,959 | 7.8% |
| 2015 | 1,056,000 | 52,905 | 50,080 | 555,163 | 142,014 | 6.0% |
| 2016 | 1,056,268 | 53,390 | 51,424 | 553,809 | 142,142 | 5.3% |
| 2017 | 1,056,426 | 54,077 | 50,427 | 553,330 | 142,949 | 4.4% |
| 2018 | 1,057,315 | 57,648 | 54,523 | 555,515 | 143,436 | 4.0% |
| 2019 | 1,059,361 | 60,138 | 56,542 | 552,132 | 143,557 | 3.6% |
| 2020 | 1,057,524 | 67,813 | 64,124 | 518,556 | 139,184 | 8.1% |
| 2021 | 1,096,000 | 67,865 | 61,942 | 539,623 | 138,566 | 5.8% |
| 2022 | N/A | N/A | N/A | 568,879 | N/A | 2.7% |

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

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

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

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

N/A - Information is not yet published

NARRGANSETT BAY COMMISSION
Non-Governmental Principal Employers (Unaudited)
2021 and 2012

| Company | 2021 | | | 2012 | | |
|-------------------------------|-----------|------|--------------------------|-----------|------|--------------------------|
| | Employees | Rank | Percentage of Employment | Employees | Rank | Percentage of Employment |
| Lifespan | 16,564 | 1 | 3.06% | 11,869 | 1 | 2.74% |
| CVS Corp | 8,600 | 2 | 1.59% | 5,800 | 4 | 1.34% |
| Care New England | 7,548 | 3 | 1.39% | 5,953 | 3 | 1.37% |
| Brown University | 4,709 | 4 | 0.87% | 4,800 | 6 | 1.11% |
| Citizens Bank | 4,571 | 5 | 0.84% | 4,991 | 5 | 1.15% |
| General Dynamic Electric Boat | 4,500 | 6 | 0.83% | - | - | - |
| Naval Undersea Warfare Center | 3,515 | 7 | 0.65% | - | - | - |
| Fidelity Investments | 3,200 | 8 | 0.59% | 2,934 | 9 | 0.68% |
| Roman Catholic Diocese | 2,600 | 9 | 0.48% | 6,200 | 2 | 1.43% |
| Bank of America | 2,500 | 10 | 0.46% | 3,500 | 8 | 0.81% |
| Stop and Shop | - | - | - | 3,632 | 7 | 0.84% |
| RI ARC | - | - | - | 2,851 | 10 | 0.66% |
| | 58,307 | | 10.76% | 52,530 | | 12.13% |

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

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Number of treatment plants | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of employees | 262 | 269 | 261 | 250 | 250 | 252 | 260 | 257 | 245 | 254 |
| Field's Point Plant (Largest WWTF in RI) | | | | | | | | | | |
| Daily average treatment in gallons (mgd) | 43.89 | 39.93 | 41.99 | 53.19 | 44.18 | 41.16 | 38.33 | 40.55 | 42.50 | 43.06 |
| Total wet weather capacity of treatment (mgd) | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Number of pump stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Number of active combined sewer overflows (CSOs) | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 37 | 38 | 38 |
| Miles of interceptor | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Number of tide gates | 31 | 31 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |
| Bucklin Point Plant (Second largest WWTF in RI) | | | | | | | | | | |
| Daily average treatment in gallons (mgd) | 19.48 | 18.07 | 20.18 | 23.89 | 20.45 | 17.30 | 16.98 | 19.20 | 21.73 | 19.82 |
| 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

| Cost Centers | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Administration | 7 | 7 | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Human Resources | 6 | 6 | 6 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Information Technology | 13 | 13 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Legal | 7 | 7 | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| Construction | 11 | 10 | 9 | 10 | 10 | 11 | 11 | 13 | 13 | 13 |
| Engineering | 10 | 10 | 10 | 7 | 6 | - | - | - | - | - |
| Finance | 10 | 10 | 8 | 7 | 6 | 5 | 5 | 5 | 5 | 5 |
| Accounting | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Customer Service | 28 | 28 | 27 | 25 | 25 | 25 | 25 | 24 | 24 | 24 |
| Purchasing | 4 | 4 | 2 | 3 | 3 | 4 | 4 | 4 | 4 | 4 |
| Interceptor Maintenance | 24 | 23 | 19 | 20 | 18 | 20 | 20 | 20 | 20 | 20 |
| Operations & Maintenance Services | 8 | 7 | 7 | 6 | 7 | 9 | 9 | 9 | 9 | 8 |
| Field's Point WWTF | 54 | 54 | 54 | 54 | 54 | 59 | 59 | 59 | 57 | 57 |
| Bucklin Point WWTF | 47 | 47 | 47 | 47 | 45 | 45 | 43 | 35 | 34 | 33 |
| Technical Analysis & Compliance | 10 | 10 | 10 | 4 | 4 | 5 | 5 | 5 | 5 | 5 |
| Pretreatment | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Laboratory | 19 | 19 | 18 | 17 | 17 | 17 | 17 | 17 | 16 | 16 |
| Environmental Safety & Technical Assistance | - | - | - | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Environmental Monitoring | 15 | 15 | 15 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Total Employee Positions | 297 | 294 | 281 | 275 | 269 | 274 | 272 | 265 | 261 | 259 |
| Less Turnover | 8 | 9 | 9 | 6 | 2 | 4 | 4 | 3 | 2 | 3 |
| Net Positions Budgeted | 289 | 285 | 272 | 269 | 267 | 270 | 268 | 262 | 259 | 256 |



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***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***

Independent Auditor's Report

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 business-type activities and fiduciary activities of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the NBC's basic financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the NBC's internal control over financial reporting (internal control) as a basis for designing 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 the NBC's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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.

Bacon & Company CPAs, LLC

Warwick, Rhode Island
September 29, 2022