

Jo-Ann Gershkoff

From: Petrarca and McGair, Inc. <jjm@petrarcamcgair.com>
Sent: Wednesday, July 25, 2012 2:07 PM
To: jgershkoff@kentcountywater.org
Subject: FW: SOS Open Meetings : Meeting Notice

Here is the confirmation of the filing of the June 21, 2012 Agenda.

-----Original Message-----

From: Open Meetings Admin [<mailto:openMeetings@sos.ri.gov>]
Sent: Friday, June 15, 2012 12:05 PM
To: jjm@petrarcamcgair.com; openMeetings@sos.ri.gov
Subject: SOS Open Meetings : Meeting Notice

June 15, 2012

✓ This is your electronic confirmation for the electronic filing of meeting notice for the Kent County Water Authority. The meeting notice filed is for the meeting on: June 21, 2012 3:30:00 pm.

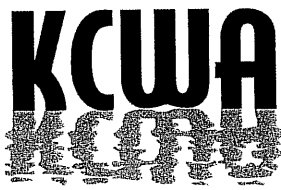
This notice was electronically filed on the Secretary of State Open Meetings Website on: June 15, 2012 12:05:16 pm.

Please retain this message as your official proof of electronic filing.

Sincerely,

The Open Meetings Team at
Office of Secretary of State A. Ralph Mollis State House Room 38 Providence, RI 02903
(401) 222-2357
(401) 222-1404
TTY: 711
openmeetings@sos.ri.gov
sos.ri.gov

Agenda



Agenda

Kent County Water Authority

BOARD MEETING AGENDA

JUNE 21, 2012 – 3:30 P.M.

OFFICES OF KENT COUNTY WATER AUTHORITY

- Approval - Minutes of Meeting: Board Meeting – MAY 17, 2012
- Guests:
- | | |
|-----------|--|
| 3:30 p.m. | High Service Requests |
| | ▪ 51 Silverwood Lane, West Warwick, Mr. Stamp |
| | ▪ 400 Moosehorn Road, East Greenwich, Mr. Thomas Mattos |
| 3:45 p.m. | Stockweather & Shepley |
| | ▪ Health Care Coverage FY 2012/2013 |
| 4:15 p.m. | Underwriters Counsel – Due Diligence Questions of Authority – Barclays Capital |
- Legal Counsel: Legal Matters
- Director of Finance Report: Cash Report May 2012
April Closing
- Point of Personal Privilege & Communication:
- General Manager/Chief Engineer's Report:
- Old Business:
- Bond Refinancing (Status)
 - Division Filing Decision
 - Sale of Refinancing
- New Business:
- Fiscal Year 2012/2013 Legal Services Selection
 - Legal Council Existing Cases Carry Over
 - Approval – DEM Land Purchase Curran Dam Property
 - Designation of Filing Coordinator
 - Stenographic Record/State MPA/Minutes of Meeting
 - COBRA Administration, Contract Approval
 - Crew Leader Promotion
 - 2012/2013 Budget Approval
- Capital Projects:
- CIP-1C Mishnock Well Treatment Plant (Construction Status, Positions)
 - CIP-1B Mishnock Transmission
- Infrastructure Projects:
- IFR 2009B (Construction Status)
 - IFR 2010A (Construction Status)
 - Quaker Lane P. S. Upgrade Construction (Status)
 - IFR 2010B Design (Finalization of Design)
 - Tech Park Storage Tank Painting (Legal Action)
 - Water Street Replacement (Construction Status)
- Board Organization: Election of Board Secretary

P O B o x 1 9 2

West Warwick, RI 02893-0192

4 0 1 - 8 2 1 - 9 3 0 0

www.kentcountywater.org

The offices of the Kent County Water Authority are handicapped accessible. Individuals requesting interpreter services for the hearing impaired must contact the offices of the Kent County Water Authority 72 hours before the meeting at 821-9300. (Telecommunications device for the hearing impaired available).

Revised Agenda Posted June 15, 2012.

1. KCWA Main Entry Office Public Bulletin Board
2. KCWA Side Entry Door Entrance
3. West Warwick Town Hall Public Bulletin Board

Revised Agenda Sent Via U. S. Post Office June 15, 2012 for Posting on Public Bulletin Board

1. City of Warwick
2. Town of Coventry
3. Town of East Greenwich
4. Town of West Warwick
5. Town of West Greenwich

Jo-Ann Gershkoff

From: Open Meetings Admin <openMeetings@sos.ri.gov>
Sent: Wednesday, July 25, 2012 1:23 PM
To: jgershkoff@kentcountywater.org; openMeetings@sos.ri.gov
Subject: SOS Open Meetings : Meeting Minutes

July 25, 2012

This is your electronic confirmation for the electronic filing of meeting minutes for the Kent County Water Authority. The meeting minutes filed are in for the meeting held on: June 21, 2012 15:30:00.

This notice was electronically filed on the Secretary of State Open Meetings Website on: July 25, 2012 01:22:52 pm.

Please retain this message as your official proof of electronic filing.

Sincerely,

The Open Meetings Team at
Office of Secretary of State A. Ralph Mollis State House Room 38 Providence, RI 02903
(401) 222-2357
(401) 222-1404
TTY: 711
openmeetings@sos.ri.gov
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KENT COUNTY WATER AUTHORITY

BOARD MEETING MINUTES

June 21, 2012

The Board of Directors of the Kent County Water Authority held its monthly meeting in the Joseph D. Richard Board Room at the office of the Authority on June 21, 2012.

Vice Chairman, Peter O. Masterson opened the meeting at 3:30 p.m. Board Members, Mr. Gallucci, Mr. Giorgio and Board Member Inman were present together with the General Manager, Timothy J. Brown, , Technical Service Director, John R. Duchesneau and Director of Administration Finance, Jo-Ann Gershkoff and Legal Counsel, Lewis J. Paras. The Vice Chairman led the group in the pledge of allegiance.

The minutes of the Board meeting minutes of May 17, 2012 were moved for approval by Board Member Gallucci and seconded by Vice Chairman Masterson and were unanimously approved.

Guests:

3:30 High Service Requests:

51 Silverwood Lane, West Warwick, Mr. Stamp

Steven Stamp appeared before the Board and requested water service in the high service area. He stated that he had been connected to Kent County Water Authority service six years ago with a well combination and thereafter the service was capped and he relied on his well for water. Mr. Stamp said that the well is non-functioning and he is requesting reinstatement of Kent County Water Authority water service. He stated that six years ago there had been a leak in the coupling area of the connection which has been repaired by a plumber and he and his wife are the only residents of the house at 51 Silverwood Lane.

It was moved by Board Member Giorgio and seconded by Board Member Inman that based upon health and safety concerns to conditionally approve the request for water supply to service a single family home with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority (KCWA) is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third party commitments made by an applicant/ customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.

2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, the KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers of KCWA.

3. Ventures, commitments or agreements are at the applicant's sole risk if supply or existing infrastructure is found to be insufficient to support service. The applicant may afford the Authority with system improvements to facilitate adequate service.

4. The applicant shall file a formal single family home application. The applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.

5. Only conservation-wise plumbing fixtures are to be installed including but not limited to low flow shower heads, low flow toilets and low flow aerators on faucets.

6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping technique and/or proper planting bed (high water holding capacity) soil preparation shall be employed throughout the project.

And it was unanimously,

VOTED: That based upon health and safety concerns to conditionally approve the request for water supply to service a single family home with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority (KCWA) is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third party commitments made by an applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.

2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, the KCWA is in the process of

planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers of KCWA.

3. Ventures, commitments or agreements are at the applicant's sole risk if supply or existing infrastructure is found to be insufficient to support service. The applicant may afford the Authority with system improvements to facilitate adequate service.

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400 Moosehorn Road, East Greenwich, Mr. Thomas Mattos

Mr. Thomas Mattos appeared before the Board requesting water service for the property located at 400 Moosehorn Road, East Greenwich, Rhode Island. Mr. Mattos' request is related to a health and safety issue and he presented a document which highlighted his request which included the fact that the property is located on the corner of Middle Road and Moosehorn Road and is a ranch style home with two bathrooms. Further, his family of four resides but one of his children will be entering college in the fall of 2013. Mr. Mattos is replacing the existing cesspool which is over 50 years old and he is now required by the Department of Environmental Management that a cesspool must be 100 feet away from a well and that his situation does not meet minimum requirements of 100 ft. He also stated that he has been a customer of Kent County Water Authority for over 12 years and has consumed an average in the last three years of usage of 11,300 cu. ft.

It was moved by Vice Chairman Masterson and seconded by Board Member Inman to that based upon health and safety concerns to conditionally approve the request for water supply to service a single family home with the following conditions in

lieu of a moratorium:

1. The Kent County Water Authority (KCWA) is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third party commitments made by an applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.

2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, the KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers of KCWA.

3. Ventures, commitments or agreements are at the applicant's sole risk if supply or existing infrastructure is found to be insufficient to support service. The applicant may afford the Authority with system improvements to facilitate adequate service.

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5. Only conservation-wise plumbing fixtures are to be installed including but not limited to low flow shower heads, low flow toilets and low flow aerators on faucets.

6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping technique and/or proper planting bed (high water holding capacity) soil preparation shall be employed throughout the project.

And it was unanimously,

VOTED: That based upon health and safety concerns to conditionally approve the request for water supply to service a single family home with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority (KCWA) is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that

any third party commitments made by an applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.

2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, the KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers of KCWA.

3. Ventures, commitments or agreements are at the applicant's sole risk if supply or existing infrastructure is found to be insufficient to support service. The applicant may afford the Authority with system improvements to facilitate adequate service.

4. The applicant shall file a formal single family home application. The applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.

5. Only conservation-wise plumbing fixtures are to be installed including but not limited to low flow shower heads, low flow toilets and low flow aerators on faucets.

6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping technique and/or proper planting bed (high water holding capacity) soil preparation shall be employed throughout the project.

Uninvited Guest not on the agenda

Robert Mathias

Mr. Robert Mathias appeared as a guest before the Board and requested to speak before the Board. Board Member Inman indicated that this matter was not on the Agenda and the Board would have to vote to entertain discussion only with regards to Mr. Mathias.

It was moved by Board Member Inman and seconded by Board Member Giorgio

to add Mr. Mathias to the Agenda before the Board and the Board to entertain his request for discussion only with no action taken and it was unanimously,

VOTED: To add Mr. Mathias to the Agenda before the Board and the Board to entertain his request for discussion only and no vote shall be taken.

Mr. Mathias stated to the Board that he had sold his property two years ago and had requested a shut off of his water service and at the time of the closing the title search revealed no outstanding water bill to Kent County Water Authority. However, there were outstanding service charges in the sum of \$234.47 which were presented to the Board and this was discovered when the new owner tried to initiate water service and was informed by the Authority that it could not until this bill was paid. The General Manager stated that he would look into the matter and the Authority would respond to Mr. Mathias.

3:45 p.m. Stockweather & Shepley

Health Care Coverage FY 2013/2013

Kim Muldoon of Stockweather & Shepley appeared before the Board and presented the Board with options for health care coverage for fiscal year 2013 and the proposals as evidenced and attached as "A". Ms. Muldoon in response to a question by Board Member Inman stated that if the current plan under Blue Cross is renewed, it would result in 8% increase in premium but would retain the current deductibles and coverage. Ms. Muldoon also presented different plans with Blue Cross, United Healthcare and Tufts Rhode Island. The Blue Cross plans all involve the same coverage but higher deductibles and she indicated that retaining the Blue Cross coverage would be in the best interest of the Authority as the other plans from United Health and Tufts have higher deductibles and higher co-pays. The General Manager stated that Blue Cross would be preferable with regard to the retirees as United Healthcare and Tufts do not have plans similar to Blue Cross 65 which would create administrative difficulties in managing the coverage for the retirees if United Healthcare and/or Tufts were chosen.

Board Member Gallucci stated that it didn't seem to make much sense to change carriers and that the proposed increase was not substantially different from other plans.

It was moved by Board Member Inman and it was seconded by Board Member Giorgio to choose the Blue Cross Blue Shield Vantage Blue 100/80 \$250.00 deductible plan currently in effect to provide coverage for fiscal year 2013 and it was unanimously,

VOTED: To choose the Blue Cross Blue Shield Vantage Blue 100/80 \$250.00 deductible plan currently in effect to provide coverage for fiscal year 2013.

4:15 p.m. Underwriters Counsel – Due Diligence Questions of Authority – Barclays Capital

The General Manager indicated that the matter was cancelled in that the due diligence questions of the Authority have been addressed by the General Manager in a discussion with Barclays Capital and it was not necessary to present those issues before the Board.

LEGAL MATTERS

Harris Mills

The company has gone into receivership. Kent County Water Authority is owed \$3,676.58. Legal Counsel will monitor for proof of claim filing. A permanent receiver was appointed. A proof of claim prepared and forwarded to the General Manager for signature on September 17, 2008 and will be filed in the Kent County Superior Court and sent to the receiver. Proof of Claim was filed and sent to Received on September 19, 2008. The proof of claim deadline was December 1, 2008. Legal counsel will continue to monitor for payment on claim. As of May 12, 2009, there has been no change in status. Petition to sell was filed by Receiver in Kent County Superior Court on June 5, 2009. Offer to property made which will allow for partial payment of claims. Legal Counsel will monitor progress of sale.

There has been no further progress regarding the sale of the Harris Mill complex in the receivership matter. Legal Counsel to contact the Receiver for a status report. New offers to purchase have come in which could allow Kent County Water Authority claim in this matter to be paid out of the receivership proceeds. As of September 14, 2009 the previous offer did not materialize. A new offer is being pursued. Legal Counsel will continue to monitor the progress of the sale. The receivership case is in the Supreme Court. On October 1, 2010 the Court approved the sale of the property and the allowed disbursements including payment of Kent County Water Authority bill. This office will continue to monitor payment. On May 13, 2011 Legal Counsel sent a letter to Counsel for potential buyer inquiring as to the status of the sale. Legal Counsel followed up with counsel for Buyer on June 14, 2011 regarding response to May 13, 2011 correspondence. On July 18, 2011 Legal Counsel was informed by Buyer's Counsel that the sale is on hold pending resolution of Supreme Court Appeals in receivership case. There has been no further word as of April 18, 2012. Legal Counsel forwarded correspondence to Attorney for Buyer on April 17, 2012 for status report. As of June 20, 2012 no response has been received.

Hope Mill Village Associates

The company is in receivership. Kent County Water Authority is owed \$1,632.44. Legal Counsel to prepare and file Proof of Claim. Proof of Claim was prepared and was forwarded to the General Manager for signatures. Proof of Claim was filed in Kent

County Superior Court and was sent to the receiver on August 28, 2008 and as of this date this case is still pending. Hope Mill filed Chapter 11 Bankruptcy on August 20, 2008. Kent County Water Authority was not listed as a creditor. The proof of claim was prepared and signed by the General Manager on November 14, 2008 and was filed with the Bankruptcy Court on November 18, 2008. The proof of claim filing deadline was the end of November, 2008. Pursuant to the plan of reorganization filed by Debtor on November 22, 2008, Kent County Water Authority will be paid in full upon confirmation of the plan by the Bankruptcy Court and Legal Counsel will continue to monitor. As of February 17, 2009 the Court has not scheduled a hearing for confirmation of plan. Debtor will be filing an Amended Plan in March 2009. Legal Counsel will continue to monitor. As of July 16, 2009 the Debtor has not filed an Amended Plan.

The Bankruptcy Court hearing was to be held on August 19, 2009 regarding a motion filed by Hope Mill to convert Chapter 11 to Chapter 7. Legal counsel will monitor the hearing and how the disposition of the hearing will affect the claim of Kent County Water Authority. The hearing was held on December 17, 2009. Assets purchased pursuant to Asset Purchase Agreement. Kent County Water Authority charges to be paid pursuant to Asset Purchase Agreement. Legal Counsel will follow up regarding timetable of payment to Kent County Water Authority. Legal Counsel spoke with Attorney DeAngelis on February 17, 2010 for status on payment to Kent County Water Authority.

Legal Counsel spoke with Attorney DeAngelis on May 13, 2010 and Mr. DeAngelis stated that a final closing has yet to be scheduled, but should be scheduled in the near future. There has been no progress on scheduling a closing as of April 18, 2012. Legal Counsel forwarded correspondence to Attorney DeAngelis on April 17, 2012 requesting status. Attorney DeAngelis was replaced by Attorney Indeglia and correspondence was sent to Attorney Indeglia on May 2, 2012 requesting status.

West Greenwich Technology Tank/Rockwood

This matter may be in litigation in that Rockwood Corporation had failed to take any steps and continually denied Kent County Water Authority efforts to take any steps in the painting issues inside of the tank and on February 16, 2009 their surety, Lincoln General Insurance Company, denied the claim as well. The matter was reviewed between the General Manager and Legal Counsel. Rockwood sent a proposal to Legal Counsel on March 31, 2009 and the General Manager weighed the same and a response was sent to Rockwood on April 24, 2009. On May 2, 2009 Rockwood sent another proposal and the General Manager responded to the same on May 8, 2009 requesting a written remedial plan proposal within ten days. On May 8, 2009 Rockwood responded by asking the General Manager to reconsider his position. On May 12, 2009 the General Manager sent correspondence to Rockwood stating the Authority will await Rockwood comments to KCWA letter of May 8, 2009. On May 13, 2009 Rockwood provided an additional response to the KCWA letter of May 8, 2009 with questions. On May 13, 2009 the General Manager sent correspondence agreeing to provide Rockwood with more time to complete a plan of remediation for an additional 10 days.

On May 14, 2009, Rockwood sent a response and the General Manager, Merithew and Rockwood to have an informal meeting to work out details. The meeting took place and the Authority is monitoring the efforts of Rockwood to remedy the situation. The tank was recently dry inspected and the vendor remediated the same. Kent County Water Authority is awaiting final inspection of the tank with respect to the remediation. Rockwood has performed work at the site and it is necessary to have a final inspection after the tank has been filled. The tank has been filled and inspection is moving forward. This has been concluded. However, inspection followed which disclosed that there were more paint issues. On July 22, 2010, Legal Counsel notified the Bonding Company regarding action to correct. This will be further discussed by the General Manager in IFR projects. This matter is being discussed which may include litigation and KCWA is awaiting final restoration plans from the vendor. On March 16, 2011 and March 17, 2011, the General Manager received email communications from Rockwood requesting KCWA response to Rockwood performing its February 18th proposal on March 21, 2011. Further, the email stated that Mr. Northrop is no longer with Lincoln and provided an alternate contact for forwarding of the claim of KCWA.

On March 29, 2011 Legal Counsel sent correspondence to Mr. Northrop's successor, Paul Poppish pursuant to Mr. Law of Rockwood. After receiving no reply, Legal Counsel sent a follow up letter to Mr. Poppish on April 13, 2011. On May 16, 2011, Legal Counsel called Lincoln General and Mr. Poppish is no longer with the company and was directed to Mr. Bob Griffith and Legal Counsel spoke with him and was asked to send the correspondence to him which was accomplished on even date. No response was received from Mr. Griffith and Legal Counsel sent a follow up letter on June 9, 2011.

On July 14, 2011 Legal Counsel had a telephone conference with Bob Griffith from Lincoln General who stated that he would get something out to Legal Counsel the beginning of the week of July 18, 2011 and a letter was received on July 17, 2011 stating that he would discuss it with his insured and would respond thereafter. On August 5, 2011, Legal Counsel sent a follow up letter to Mr. Griffith since no response was received. A second follow up letter was sent to Mr. Griffith on November 16, 2011 since there has been no response.

A complaint was filed in Kent County Superior Court and served on Defendants Rockwood Corporation and Lincoln General Insurance Company on February 23, 2012. Defendants requested an extension to answer per Stipulation and their answer was due April 2, 2012 and was received by Legal Counsel on April 2, 2012. Mediation of this matter is scheduled for June 29, 2012 and Legal Counsel will be forwarding a mediation statement to the Mediator, Matthew T. Oliverio on June 22, 2012.

Spectrum Properties, The Oaks, Coventry, Rhode Island

Legal Counsel for the developer forwarded on July 13, 2009 to Kent County Water Authority Legal Counsel for comment on the proposed form of easement deeds

with respect to the residential subdivision. On July 29, 2009, Legal Counsel for Kent County Water Authority sent a response to Attorney William Landry setting forth comments to the proposed form of deeds. Legal Counsel received revised deeds from Attorney Landry on September 10, 2009 and they have been forwarded to the General Manager for review and have been approved by the General Manager. On September 24, 2009, Legal Counsel forwarded to Attorney Landry correspondence stating that the form of easement deed has been approved by Kent County Water Authority and for Attorney Landry to forward the original executed deeds to Kent County Water Authority for execution of acceptance. Legal Counsel has not received the deeds to date therefore Legal Counsel forwarded status inquiry correspondence to Attorney Landry on November 18, 2009. Attorney Landry replied to Legal Counsel on November 23, 2009 stating that the developer is in the midst of scheduling a final approval hearing with the Town and Attorney Landry will provide Legal Counsel for KCWA with the anticipated timetable for final approval and recording of the deeds upon Mr. Landry's receipt of this information.

Legal Counsel was pursuing Attorney Landry for status of his receipt of timetable for municipal approvals. Legal Counsel telephoned Attorney Landry and left a voicemail message as to status and subsequently forwarded correspondence to Attorney Landry on March 11, 2010. On May 11, 2010, Legal Counsel forwarded subsequent correspondence to Attorney Landry inquiring as to the status of the matter. The Developer contacted Legal Counsel directly and informed her that final approvals have not been received. Sanford J. Resnick, Esq. forwarded correspondence on September 17, 2010 to the Chairman informing of his representation of the developer and a request to appear before the Board to discuss inspection fees.

Mr. Resnick appeared at the May 19, 2011 Board Meeting and the staffs are working together with the Developer and Legal Counsel. Mr. Resnick will draft agreements with respect to flushing and constructing the water line. On August 15, 2011 Legal Counsel left a message with Mr. Resnick for status update and as of June 20, 2012 Legal Counsel has not received a response.

DPUC – Gregory Decubellis

Legal Counsel received from the DPUC on March 12, 2012 an entry of appearance for John A. Pagliarini.

There was a meeting between the parties on April 30, 2012 at the offices of Kent County Water Authority which said meeting was recommended by the hearing office prior to commencing discovery. This matter is in the process of discovery.

Director of Finance Report:

Jo-Ann Gershkoff, Finance Director, explained and submitted the financial report.

Statement of Revenues, Expenditures and Change in Fund Balance as of April, 2012, Cash Location FY 2011-2012 and Cash Receipts and Disbursements FY 2011-2012 attached as “B”, and after thorough discussion with regard to the sales and revenue. The restricted accounts were all funded for the period and collections have exceeded forecasts.

Board Member Gallucci moved and seconded by Board Member Giorgio to accept the reports and attach the same as an exhibit and that the same be incorporated by reference and be made a part of these minutes and it was unanimously,

VOTED: That the financial report and Statement of Revenues, Expenditure and Change in Fund Balance as of April, 2012, Cash Location FY 2011-2012 and Cash receipts and Disbursements FY 2011-2012 attached as “B” be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege and Communications:

Vice Chairman Masterson stated that on an evening in the beginning of June at approximately 9:30 p.m. there was a water pipe that burst at the Harbourside Lobstermania Restaurant in East Greenwich and Vice Chairman Masterson drove by the area that evening and was very impressed with the professionalism of the crew that was sent to take care of the problem. He wanted to publicly commend the crew of Kent County Water Authority employees that responded to the break for their in handling of the matter in the best interests of the customer and the Authority.

GENERAL MANAGER/CHIEF ENGINEER’S REPORT

Old Business:

Bond Refinancing (Status)

Division Filing Decision

Sale of Refinancing

The General Manager disseminated to the Board a Preliminary Offering Statement regarding the 2001A 2002A Series Bond issue refinancing as evidenced and attached as “C” and stated to the Board that the price will be set on June 28, 2012 which is the sale date of the bonds. It is anticipated that the Authority will save \$2 plus million dollars on the refinancing and the preparation for the sale is going very well.

The General Manager stated that the final Offering Statement will not be printed until after the sale has occurred and the final numbers are known.

New Business:

Fiscal Year 2012/2013 Legal Services Selection

The General Manager indicated that three law firms responded to the request for qualifications that was issued by the Board with regards to the 2012/2013 legal services selection.

A discussion commenced with regard to selection for General Counsel and Board Member Gallucci stated that only a request for qualifications has been issued so far and you can not make a selection based on a request for qualifications. Board Member Gallucci further stated that an RFP would have to be issued with regard to pricing before a selection could be made. The General Manager stated that for legal services pursuant to the State Purchasing Act it is not necessary to issue an RFP and that negotiations can occur with the potential candidates at a price to be set through those negotiations. The General Manager stated that he had met with Chairman Boyer earlier on June 21, 2012 and the Chairman stated that a special board meeting should be convened on June 28, 2012 to allow Chairman Boyer to attend and that selection of Legal Counsel should be deferred until the special Board meeting. Board Member Inman then stated that the three candidates who submitted responses to the request for qualifications should be brought into the special Board meeting and allowed 15 minutes of time to be interviewed by the Board and that the law firm should be ready to come in with figures with regards to hourly rates in order that the Board can either authorize the General Manager to negotiate with the candidates and/or make a selection at the special Board meeting.

It was moved by Board Member Inman and seconded by Board Member Giorgio that a Special Board Meeting be convened on June 28, 2012 to allow the three candidates that responded to the RFQ to come in to be interviewed by the Board and have the negotiating process begin and/or have the Board make a selection for the fiscal year 2012/2013 services and it was unanimously,

VOTED: That a Special Board Meeting be convened on June 28, 2012 to allow the three candidates that responded to the RFQ to come in to be interviewed by the Board and have the negotiating process begin and/or have the Board make a selection for the fiscal year 2012/2013.

Legal Counsel Existing Cases Carry Over

The General Manager presented the Board with a document entitled, "Legal Outstanding" which included the outstanding legal matters that are pending which the General Manager recommended that current counsel Petrarca and McGair, Inc. be retained to continue representation of the Authority on these cases until completion. The General Manager stated that Chairman Boyer had recommended that Petrarca and McGair, Inc. not be retained to continue representation on these cases and that a bridge attorney, specifically, John Brunero, Jr. be retained for the specific purposes of representing the Board on these cases until completion.

Board Member Inman inquired as to whether a bridge attorney is needed in that the current contract for Petrarca and McGair, Inc. expires on June 30, 2012 and that new General Counsel will begin on July 1, 2012 and that new counsel could handle the cases outlined in the document entitled, "Legal Outstanding". The General Manager stated that Petrarca and McGair, Inc. has the institutional knowledge and experience with these cases that would make it in the best interest of Kent County Water Authority to continue Petrarca and McGair, Inc. as attorneys for the Authority in these cases, especially the Rockwood Tech Park which is scheduled for mediation on June 29, 2012 and is a complex case that would take a new attorney a great deal of time to familiarize themselves at an additional cost to the Authority. Also, the General Manager reminded the Board that the new counsel would be General Counsel and not regulatory counsel and that the Authority will be without regulatory counsel for matters before the Public Utilities Commission or the DPUC and that the cases listed that involve DPUC action should be handled by Petrarca and McGair, Inc.

Board Member Inman and Board Member Giorgio expressed reservations about retaining a third counsel, specifically Mr. Brunero, in that Mr. Brunero that has not presented the Board with qualifications and further that could result in additional charges to the Authority that may not be necessary. Board Member Gallucci offered the possibility of retaining Petrarca and McGair, Inc. for the Rockwood case at the very least and cases involving the DPUC. Board Member Inman stated that this matter should be placed on the Agenda for the Special Board Meeting on June 28, 2012 to allow for further discussion and decision at that time.

The consensus at the end of the discussion was that this matter would be tabled and placed on the Agenda for the Special Board Meeting on June 28, 2012 and that Petrarca and McGair, Inc. would continue until replaced.

Approval DEM Land Purchase Curran Dam Property

The General Manager stated that the Department of Environmental Management is purchasing this piece of land which has no value to the Authority and is located on the easterly side Seven Mile Road in the City of Cranston and the sale price for the property is \$28,700.00 and the General Manager recommended that the Board authorize the signing of the purchase and sales contract which would allow the property to be sold by Kent County Water Authority to the State of Rhode Island Department of Environmental Management.

It was moved by Board Member Inman and seconded by Board Member Giorgio that Kent County Water Authority enter into a purchase and sale contract for the sale of the property located on the easterly side of Seven Mile Road in the City of Cranston to the Department of Environmental Management for the sale price of \$28,700.00 and it was unanimously,

VOTED: That Kent County Water Authority enter into a purchase and sale contract for the sale of the property located on the easterly side of Seven

Mile Road in the City of Cranston to the Department of Environmental Management for the sale price of \$28,700.00.

Designation of Filing Coordinator

The General Manager recommended that Jo-Ann Gershkoff be selected as the Filing Coordinator for the purpose of the filing of the minutes and the Agenda with the Rhode Island Secretary of State office. This had previously been done by Joseph J. McGair of Petrarca and McGair, Inc. who had been previously designated as the Filing Coordinator.

It was moved by Board Member Inman and seconded by Board Member Gallucci that Jo-Ann Gershkoff be selected as Filing Coordinator for Kent County Water Authority effective July 1, 2012 and it was unanimously,

VOTED: That Jo-Ann Gershkoff be selected as Filing Coordinator for Kent County Water Authority effective July 1, 2012.

Stenographic Record/state MPA/Minutes of Meeting

The General Manager circulated document entitled, "Kent County Water Authority Stenographer Services of Prices Comparison June 21, 2012" for review by the Board regarding the General Manager's recommendation that a stenographer be present at the Board Meeting to take down the actions of the Board for the purposes of preparing the minutes of the meeting. The General Manager stated that the preparation of the Board meeting minutes is a very difficult and time consuming process which over the last several years been done by Petrarca and McGair, Inc. Prior to Petrarca and McGair, Inc. preparing the minutes, the minutes had been prepared by the various secretaries of the Board. The General Manager stated that it is his opinion that it would be less costly for the Authority to have a stenographer presents for the purposes of preparing the minutes of the meetings. Legal Counsel reminded the Board that having a stenographer present at the meetings will result in a transcript being prepared of those meetings which must be preserved by the Authority. The consensus of the Board was that this matter should be tabled to a future date.

COBRA Administration, Contract Approval

The General Manager presented the Board with a document entitled, "COBRA Administration and Health Services, Inc. Employee Group Contract" between the COBRA Administration and Health Services, Inc. and Kent County Water Authority and the General Manager recommended approval of the contract in that there was no change from the previous contract that had been in existence and it would not involve any increase in cost to the Authority.

It was moved by Board Member Giorgio and seconded by Board Member Inman

to approve the Employee Group Contract between COBRA Administration and Health Services, Inc. and Kent County Water Authority and it was unanimously,

VOTED: To approve the Employee Group Contract between COBRA Administration and Health Services, Inc. and Kent County Water Authority.

Crew Leader Promotion

The General Manager stated that five people were interviewed for this position and after these interviews the General Manager recommended that Eric Tift be selected for the Crew Leader promotion. In response to a question from Board Member Gallucci, the General Manager stated Mr. Tift has been an employee of Kent County Water Authority for seven years and has the demeanor, personality and work ethic that would make him the most qualified for the Crew Leader promotion and the General Manager stated that Mr. Tift would provide good leadership and be an asset to the Authority in that position.

It was moved by Board Member Gallucci and seconded by Board Member Inman to select Eric Tift for the Crew Leader promotion and it was unanimously,

VOTED: To select Eric Tift for the Crew Leader promotion.

2012/2013 Budget Approval

The General Manager presented the Board with the proposed fiscal year 2012/2012 budget and stated highlights of the budget indicating that it is a proposed balance budget which would result in a surplus of \$195,112.00. The General Manager stated that the Authority is maintaining equilibrium despite lower water consumption. The General Manager was pleased to present the proposed budget as a balanced budget for the Authority. The General Manager presented the budget summarizing the various operating revenue which is anticipated to be \$20,071,000 or an increase of .5%. The General Manager reviewed the operating expenses for the various departments and services provided by the Authority and highlighted expenses which require significant increases over the previous budget.

As part of the budget discussion, the General Manager presented a document entitled, "Confidential Employee Data" as evidenced and attached as "D" which reflected the proposed salary increases for Kent County Water Authority employees becoming effective July 2012. The General Manager highlighted the fact that there is a proposed across the Board 3% increase in salary and wages for the Kent County Water Authority employees with a few noted exceptions. In the absence of the General Manager, the Board also discussed and improved a salary increase for the General Manager.

The General Manager was returned to the meeting and it was moved by Board Member Gallucci and seconded by Board Member Inman that a 3% across the board

salary and wage increase for the employees of Kent County Water Authority be approved effective July, 2012 with the adjustments noted for the employees identified by the Board and for the change in compensation for the General Manager and it was unanimously,

VOTED: That a 3% across the board salary and wage increase for the employees of Kent County Water Authority be approved effective July, 2012 with the adjustments noted for the employees identified by the Board and for the change in compensation for the General Manager.

It was moved by Board Member Gallucci and seconded by Board Member Inman to approve the Kent County Water Authority fiscal year 2012/2013 annual budget as evidenced and attached as "E" and it was unanimously,

VOTED: To approve the Kent County Water Authority fiscal year 2012/2013 annual budget as evidenced and attached as "E".

CAPITAL PROJECTS:
INFRASTRUCTURE PROJECTS

All Capital and Infrastructure Projects were addressed by the General Manager and described to the Board by the General Manager with general discussion following and are evidenced and attached as "F".

Bond Organization

Election of Secretary

The General Manager indicated that it will be necessary to appoint a new secretary to execute the refunding bond documents. The General Manager advised that a Board Member be appointed Secretary. Vice Chairman Masterson recommended that Board Member Inman be nominated and selected as Secretary.

It was moved by Board Member Giorgio and seconded by Vice Chairman Masterson to nominate Board Member Edward Inman as Secretary for Kent County Water Authority and it was unanimously,

VOTED: To nominate Board Member Edward Inman as Secretary for Kent County Water Authority.

It was moved by Board Member Giorgio and seconded by Vice Chairman Masterson that Board Member Inman be elected as Secretary of Kent County Water Authority effective July 1, 2012 and it was unanimously,

EXHIBIT A

Kent County Water Board Meeting

June 21, 2012

Kent County Water Authority
Financial Analysis
Rates Effective July 01, 2012 - June 30, 2013

CARRIER:		Single 4 Contracts	Emp. & Sp. 6 Contracts	Emp. & Ch. 4 Contracts	Family 18 Contracts	Estimated Annualized Premium	% Renewal Increase (Decrease)	\$ Renewal Increase (Decrease)	
Blue Cross Blue Shield RI									
Company Sponsored Plan	VantageBlue 100/80 \$250 Ded \$15 / \$30 Office Visit, \$100 Emergency Room, \$7, \$30, \$50, \$75 Rx., \$250 / \$500 Deductible. Deductible applies to: 100% In Patient / Out Patient Hospital, Diagnostic Lab & X-rays, 80% Physical / Speech / Occupational Therapy & DMF.	Current Rates Current Enrollment	\$574.40 4	\$1,379.77 6	\$919.51 4	\$1,551.68 18	\$506,178	N/A	N/A
Company Sponsored Plan	VantageBlue 100/80 \$250 Ded \$15 / \$30 Office Visit, \$100 Emergency Room, \$7, \$30, \$50, \$75 Rx., \$250 / \$500 Deductible. Deductible applies to: 100% In Patient / Out Patient Hospital, Diagnostic Lab & X-rays, 80% Physical / Speech / Occupational Therapy & DMF.	Renewal Rates Current Enrollment	\$620.78 4	\$1,489.86 6	\$993.24 4	\$1,676.10 18	\$546,780	8.0%	\$40,602

Kent County Water Authority
Financial Analysis
Rates Effective July 01, 2012 - June 30, 2013

CARRIER:		Single 4 Contracts	Emp. & Sp. 6 Contracts	Emp. & Ch. 4 Contracts	Family 18 Contracts	Estimated Annualized Premium	% Renewal Increase (Decrease)	\$ Renewal Increase (Decrease)
Option Number	Blue Cross Blue Shield RI							
1	VantageBlue 100/80 \$500 Ded \$15 / \$30 Office Visit, \$100 Emergency Room, \$7, \$30, \$50, \$75 Rx., \$500 / \$1,000 Deductible. Deductible applies to: 100% In Patient / Out Patient Hospital, Diagnostic Lab & X-rays, 80% Physical / Speech / Occupational Therapy & DME.	\$583.59	\$1,400.60	\$933.74	\$1,575.68	\$514,022	1.5%	\$7,844
2	VantageBlue 100/80 \$1,000 Ded \$15 / \$30 Office Visit, \$100 Emergency Room, \$7, \$30, \$50, \$75 Rx. \$1,000 / \$2,000 Deductible. Deductible applies to: 100% In Patient / Out Patient Hospital, Diagnostic Lab & X-rays, 80% Physical / Speech / Occupational Therapy & DME.	\$534.11	\$1,281.85	\$854.57	\$1,442.08	\$470,439	-7.1%	(\$35,739)
3	\$2,000 / \$4,000 Ded \$7, \$30, \$50, \$75 Rx. \$2,000 / \$4,000 Deductible. Deductible applies to: All services except preventative care and Rx.	\$464.21	\$1,114.09	\$742.73	\$1,253.35	\$408,871	-19.2%	(\$97,307)
4	BlueSolutions for HSA 100/60 \$1,500/\$3,000 \$1,500 / \$3,000 Family Deductible \$10, \$35, \$60 Rx After Deductible Deductible applies to: All services except preventative care including Rx.	\$471.09	\$1,130.61	\$753.74	\$1,271.94	\$414,935	-18.0%	(\$91,243)

Rates are based on the census data and employer contributions provided.
All rates are subject to change if significant modifications are made to either upon enrollment.

Kent County Water Authority
Financial Analysis
Rates Effective July 01, 2012 - June 30, 2013

		Single 4 Contracts	Emp. & Sp. 6 Contracts	Emp. & Ch. 4 Contracts	Family 18 Contracts	Estimated Annualized Premium	% Renewal Increase (Decrease)	\$ Renewal Increase (Decrease)
CARRIER:								
	United Healthcare							
Option Number								
5	B01 \$20 / \$30 Office Visit, \$150 Emergency Room, \$10, \$30, \$50 Rx \$300 / \$600 Ded \$800 / \$1,600 Out of Pocket Maximum. Deductible applies to: Inpatient / Outpatient Hospital Services, MRIs, MRAs, Pet Scans, Cat Scans, Nuclear Testing and DME	\$598.09	\$1,285.89	\$1,726.09	\$1,644.73	\$535,406	5.8%	\$29,228
6	B02 \$25 / \$35 Office Visit, \$150 Emergency Room, \$10, \$30, \$50 Rx \$500 / \$1,000 Ded \$1,000 / \$2000 Out of Pocket Maximum. Deductible applies to: Inpatient / Outpatient Hospital Services, MRIs, MRAs, Pet Scans, Cat Scans, Nuclear Testing and DME	\$564.90	\$1,214.54	\$1,158.05	\$1,553.47	\$605,698	0.1%	(\$480)
7	B33 \$20 / \$30 Office Visit, \$150 Emergency Room, \$10, \$30, \$50 Rx \$1,000 / \$2,000 Ded \$1,500 / \$3,000 Out of Pocket Maximum. Deductible applies to: Inpatient / Outpatient Hospital Services, MRIs, MRAs, Pet Scans, Cat Scans, Nuclear Testing and DME	\$524.17	\$1,126.97	\$1,074.55	\$1,441.46	\$469,236	-7.3%	(\$36,942)
8	HSA - B41 \$30 / \$60 Office Visit after deductible, \$250 Emergency Room after deductible \$2,000 / \$4,000 Deductible \$4,000 / \$8,000 Out of Pocket Maximum. \$10, \$30, \$50 Rx After Deductible. Deductible applies to: All services except preventative care including Rx.	\$350.20	\$752.93	\$717.91	\$963.04	\$313,497	-38.1%	(\$192,681)

Kent County Water Authority
Financial Analysis
Rates Effective July 01, 2012 - June 30, 2013

CARRIER:		Single 4 Contracts	Emp. & Sp. 6 Contracts	Emp. & Ch. 4 Contracts	Family 18 Contracts	Estimated Annualized Premium	% Renewal Increase (Decrease)	\$ Renewal Increase (Decrease)
Option Number	Tufts RI							
9	Advantage PPO 250 \$15 / \$25 Office Visit, \$100 Emergency Room, \$10, \$30, \$45 Rx. \$250 / \$500 Deductible, 100% Deductible applies to: In Patient / Out Patient, Spinal Manipulation, Diagnostic X-rays and lab tests, Physical Speech / Occupational Therapy & Ambulance.	\$633.79	\$1,521.10	\$1,014.06	\$1,711.23	\$558,242	10.3%	\$52,064
10	Advantage PPO 500 \$20/\$30 Office Visit, \$100 Emergency Room, \$10, \$30, \$45 Rx. \$500 / \$1,000 Deductible, 100% Deductible applies to: In Patient / Out Patient, Spinal Manipulation, Diagnostic X-rays and lab tests, Physical Speech / Occupational Therapy & Ambulance.	\$597.57	\$1,434.17	\$956.11	\$1,613.44	\$526,340	4.0%	\$20,162
11	Advantage PPO 1000 \$20/\$30 Office Visit, \$100 Emergency Room, \$10, \$30, \$45 Rx. \$1,000 / \$2,000 Deductible, 100% Deductible applies to: In Patient / Out Patient, Spinal Manipulation, Diagnostic X-rays and lab tests, Physical Speech / Occupational Therapy & Ambulance.	\$568.63	\$1,364.71	\$909.81	\$1,535.30	\$500,849	-1.1%	(\$5,329)
12	Advantage HMO Saver HSA \$1,500/\$3,000 \$1,500 / \$3,000 Deductible, 100%, Deductible Applies to: All services except routine annual preventative services. \$10, \$30, \$45 Rx. After Deductible. Deductible applies to: All services except preventative care including Rx.	\$478.57	\$1,148.57	\$765.71	\$1,292.14	\$421,525	-16.7%	(\$84,653)

EXHIBIT B

Kent County Water Board Meeting

June 21, 2012

Kent County water Authority
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 AS OF 04/2012

ACCOUNT DESCRIPTION	C U R R E N T M O N T H			Y E A R - T O - D A T E		
	BUDGET	ACTUAL	ACTUAL OVER/ UNDER BUDGET	BUDGET	ACTUAL	ACTUAL OVER/ UNDER BUDGET
REVENUES						
1-4150 MERCHANDISING & JOBBING						
1-4160 M & J COSTS & EXPENSES	416.66	172.77	-243.89	4166.60	4566.34	399.74
1-4190 INTEREST & DIVIDEND INC.	1500.00	-48947.01	-50447.01	15000.00	11078.88	-3921.12
1-4210 MISC. NON-OPER. INCOME	7500.00	279.82	-7220.18	75000.00	37029.24	-37970.76
TOTALS FOR OTHER INCOME	2083.33	397.33	-1686.00	20833.30	17511.19	-3322.11
1-461A METERED SALES - GC	11499.99	-48097.09	-59597.08	114999.90	70185.65	-44814.25
1-461B METERED SALES - IC	1136282.83	910403.87	-225878.96	11362828.30	11892279.61	529451.31
1-4620 PRIVATE FIRE PROTECTION	290093.66	163635.72	-126457.94	2900936.60	2705319.41	-195617.19
1-4630 PUBLIC FIRE PROTECTION				144336.75	137516.56	-6820.19
1-4640 SALES -PUBLIC AUTHORITIES				976663.50	976245.33	-418.17
1-4660 SALES FOR RESALE	62229.08	26952.51	-35276.57	622290.80	625289.64	2998.84
1-4710 MISC. SERVICE REVENUE				75000.00	117785.43	42785.43
1-4740 OTHER WATER REVENUES	14172.16	8154.93	-6017.23	141721.60	140480.74	-1240.86
TOTALS FOR OPERATING REVENUE ACCTS.	3750.00	2784.22	-965.78	37500.00	35755.56	-1744.44
	1506527.73	1111931.25	-394596.48	16261277.55	16630672.28	369394.73
TOTALS FOR REVENUES	1518027.72	1063834.16	-454193.56	16376277.45	16700857.93	324580.48
EXPENDITURES						
1-6020 PURCHASED WATER						
1-6140 MAINTENANCE OF WELLS	402500.00	343916.31	58583.69	4025000.00	3889772.18	135227.82
TOTALS FOR SOURCE OF SUPPLY EXPENSES	20.00		20.00	200.00	489.98	-289.98
	402520.00	343916.31	58603.69	4025200.00	3890262.16	134937.84
1-6210 FUEL FOR PUMPING						
1-6230 POWER PURCHASED	95.83	90.72	5.11	958.30	4158.75	-3200.45
1-624A PUMPING LABOR	36500.00	32697.43	3802.57	365000.00	279652.10	85347.90
1-624B PUMPING EXPENSES	3333.33	5373.21	-2039.88	33333.30	50455.29	-17121.99
1-6310 MAINT STRUCT & IMPROVE	289.16	933.23	-644.07	2891.60	3965.53	-1073.93
	2358.33	5481.51	-3123.18	23583.30	49147.21	-25563.91

Kent County Water Authority
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 AS OF 04/2012

ACCOUNT DESCRIPTION	C U R R E N T M O N T H			Y E A R - T O - D A T E		
	BUDGET	ACTUAL	ACTUAL OVER/ UNDER BUDGET	BUDGET	ACTUAL	ACTUAL OVER/ UNDER BUDGET
1-6330 MAINT PUMPING EQUIPMENT	3166.66	1091.25	2075.41	31666.60	28842.78	2823.82
TOTALS FOR PUMPING EXPENSES	45743.31	45667.35	75.96	457433.10	416221.66	41211.44
1-6410 CHEMICALS						
1-642A OPERATION LABOR	13775.00	18409.94	-4634.94	137750.00	112465.24	25284.76
1-642B OPERATION EXPENSES	6391.66	5778.75	612.91	63916.60	61996.10	1920.50
1-6510 MAINT STRUCT & IMPROVE	3041.66	-248.92	3290.58	30416.60	33481.13	-3064.53
1-6520 MAINT WATER TREAT EQUIP	133.33	933.23	-799.90	1333.30	253.35	-253.35
TOTALS FOR WATER TREATMENT EXPENSES	23341.65	24873.00	-1531.35	233416.50	211832.91	21583.59
1-662A T & D LABOR	2108.33	9966.96	-7858.63	21083.30	21032.09	51.21
1-662B T & D SUPPLIES & EXP	5354.16	19472.70	-14118.54	53541.60	69491.13	-15949.53
1-663A T & D METER LABOR	3829.16	2764.57	1064.59	38291.60	32323.63	5967.97
1-663B T & D METER SUPP & EXP	1095.83	3828.55	-2732.72	10958.30	18031.11	-7072.81
1-6650 T & D MISC	937.50	562.84	374.66	9375.00	2529.28	6845.72
1-6710 MAINT STRUCT & IMPROV	520.83		520.83	5208.30	4999.00	209.30
1-6720 MAINT RESERVOIR & STDPIPE	1041.66	1037.96	3.70	10416.60	13270.44	-2853.84
1-6730 MAINT T & D MAINS	48893.75	215389.23	-166495.48	488937.50	621990.01	-133052.51
1-6750 MAINT SERVICES	22208.33	12470.31	9738.02	257948.30	201940.27	56008.03
1-6760 MAINT METERS	6060.83	21094.13	-15033.30	60608.30	104811.02	-44202.72
1-6770 MAINT HYDRANTS	7250.00	5794.64	1455.36	72500.00	89842.96	-17342.96
1-6790 TRANSFER TO CONSTRUCTION	-927.91	-27.54	-900.37	-9279.10	-532.91	-8746.19
TOTALS FOR TRANS. & DISTR. EXPENSES	98372.47	292354.35	-193981.88	1019589.70	1179728.03	-160138.33
1-902A METER READING LABOR	10516.75	6760.63	3756.12	112026.50	79006.94	33019.56
1-902B METER READING SUPP & EXP	186.25		186.25	1862.50	216.73	1645.77
1-903A CUSTOMER RECORDS LABOR	14779.66	14556.17	223.49	148574.60	159504.61	-10930.01
1-903B CUSTOMER RECORDS SUPP	5683.33	9130.69	-3447.36	56833.30	45396.48	11436.82

Kent County Water Authority
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 AS OF 04/2012

ACCOUNT DESCRIPTION	C U R R E N T M O N T H			Y E A R - T O - D A T E		
	BUDGET	ACTUAL	ACTUAL OVER/ UNDER BUDGET	BUDGET	ACTUAL	ACTUAL OVER/ UNDER BUDGET
TOTALS FOR CUSTOMER ACCT. EXPENSES	31165.99	30447.49	718.50	319296.90	284124.76	35172.14
1-9200 ADM & GENERAL SALARIES						
1-9210 OFFICE SUPPLIES & EXP	26274.41	25926.75	347.66	268981.10	264073.45	4907.65
1-9230 OUTSIDE SERVICES	11083.33	33558.10	-22474.77	110833.30	138007.48	-27174.18
1-9240 PROPERTY INSURANCE	10416.66	9441.09	975.57	104166.60	85202.64	18963.96
1-9250 INJURIES & DAMAGES				234287.00	177276.23	57010.77
1-9260 EMPLOYEE PENSION & BENEF	50.83		50.83	508.30	102.38	405.92
1-9280 REGULATORY COMM EXP	54868.58	62310.89	-7442.31	770685.84	809150.22	-38464.38
1-930B MISC GENERAL EXPENSE	5625.00		5625.00	56250.00	53179.26	3070.74
1-930C MISC GENERAL EXPENSE	1125.00	1253.58	-128.58	11250.00	12556.92	-1306.92
1-932A MAINT GENERAL PLANT	3000.00		3000.00	30000.00		30000.00
1-932B MAINT VEHICLES	9166.66	9584.45	-417.79	91666.60	105765.60	-14099.00
1-9330 UNASSIGNED TIME VAC HOL	12416.66	7493.43	4923.23	124166.60	140405.32	-16238.72
1-9340 UNCOLLECTIBLE (WRITE OFF)	17901.91	14314.41	3587.50	179019.10	209230.90	-30211.80
TOTALS FOR ADM. & GENERAL EXPENSES	151929.04	163882.70	-11953.66	1981814.44	1995426.34	-13611.90
1-4030 DEPRECIATION EXPENSE	96666.66	96666.67	-.01	966666.60	966666.70	-.10
1-4080 TAXES OTHER THAN INCOME	12541.66	22570.19	-10028.53	125416.60	238039.64	-112623.04
1-4270 INTEREST-LONG TERM DEBT	107157.00	107157.00		1071570.00	1071570.00	
1-4280 AMORTIZATION OF DEBT DISC	5833.33	5833.33		58333.30	58333.30	
TOTALS FOR OTHER EXPENSES	222198.65	232227.19	-10028.54	2221986.50	2334609.64	-112623.14
TOTALS FOR EXPENDITURES	975271.11	1133368.39	-158097.28	10258737.14	10312205.50	-53468.36
EXCESS OF REVENUE OVER EXPENDITURES FOR general	542756.61	-69534.23	-612290.84	6117540.31	6388652.43	271112.12

KENT COUNTY WATER AUTHORITY
CASH RECEIPTS & DISBURSEMENTS
FY 2011 - 2012

	JULY 2011	AUGUST 2011	SEPTEMBER 2011	OCTOBER 2011	NOVEMBER 2011	DECEMBER 2011	JANUARY 2012	FEBRUARY 2012	MARCH 2012	APRIL 2012	MAY 2012	JUNE 2012	RATE REVENUE FY 10-11	RATE REVENUE FY 11-12	
BEGINNING MONTH BALANCE	37,726,775	34,181,115	34,175,000	34,235,508	35,184,171	35,514,748	34,910,053	34,978,412	34,932,401	34,953,868	35,469,317		JUL	1,608,840	1,458,444.12
CASH RECEIPTS:													AUG	1,588,117	1,422,222.99
Collections	1,966,570	1,533,789	1,507,240	3,333,369	1,967,940	1,472,113	2,290,840	1,468,633	1,066,268	1,865,384	1,219,283		SEP	3,697,980	3,425,570.55
Interest Earned	24,595	287	312	265	300	1,577	242	281	10,201				OCT	1,740,472	1,773,750.10
Other													NOV	1,193,207	1,220,702.55
TOTAL CASH RECEIPTS	39,717,940	35,715,191	35,682,553	37,569,141	37,152,410	36,988,438	37,201,135	36,447,326	36,008,870	36,819,532	36,688,872		DEC	2,315,872	2,166,398.00
													JAN	1,152,402	1,090,917.00
CASH DISBURSEMENTS:													FEB	1,115,636	1,014,642.86
Purchased Water	619,643	317,621	298,557	849,466	298,580	331,457	393,445	331,244	370,886	354,435	343,916		MAR	1,879,971	1,782,677.55
Electric Power	24,408	25,012	34,274	37,769	27,363	27,356	29,204	30,268	35,627	32,697	30,024		APR	1,119,045	1,100,992.10
Payroll	143,753	186,550	149,225	134,783	166,162	141,808	245,253	161,782	141,763	141,257	176,926		MAY	912,317	1,021,304.94
Operations	67,012	78,251	42,183	75,936	78,684	94,784	39,473	55,983	62,336	52,770	53,659		JUN	2,042,267	
Employee Benefits	282,802	109,906	53,346	57,148	55,556	54,861	3,514	56,985	55,663	65,241	50,317				
Legal	2,856	1,765	2,715	3,634	4,039	2,570	3,109	3,109	2,899	3,017	3,231				
Materials	166,404	129,947	51,562	79,855	77,651	46,567	33,319	47,385	37,429	226,346	81,766				
Insurance	60,983	122,022	1,048		-	-	-	-	-	-	-				
Sales Taxes	27,682	12,489	11,623	40,586	14,062	11,067	28,412	10,047	8,132	23,671	8,878				
Refunds	251	7,874	547	1,607	564	1,427	394	461	350	242	14,111				
Rate Case															
Conservation															
Pilot	8,265														
Capital Expenditures (Other)															
Mishnock Well/Storage/Pump/T 221C	7,666	8,257	12,282	91,750	35,551	51,146	71,167	117,664	-						
Mishnock Treatment Facility 230A				32,458				52,459							
Read School House 234C				378,429	358,196	365,857	366,452	581,119	39,506	53,579	40,701				
CIP Update 235A			148,807						221,585	340,791	662,846				
Read School House Tank 236C				780	1,020	2,550	1,235	2,773	8,935						
Quaker Lane 240C						177,925									
2007 Infrastructure 284B	213,665			2,490	11,920		332								
2009 A Infrastructure 243C	270,845								2,055	765					
2009 B Infrastructure 248C	316,733	488,950	590,595	485,362	444,797	723,483	317,886	4,771							
2010 Infrastructure Design 249C				2,575			1,020	2,487	3,502	5,132	356,236				
Water Street EG 250C								124		1,465	556				
U. S. Bank - Debt Service (P. & I.)	3,264,328					3,016					303				
Water Protection	59,527.62	51,547	50,282	110,342	63,517	42,511	20,089	56,263	61,576	48,807	26,751				
TOTAL DISBURSEMENTS	5,536,825	1,540,191	1,447,045	2,384,971	1,637,663	2,078,385	2,222,722	1,514,925	1,055,001	1,350,214	1,850,222				
BALANCE END OF MONTH	34,181,115	34,175,000	34,235,508	35,184,171	35,514,748	34,910,053	34,978,412	34,932,401	34,953,868	35,469,317	34,838,651				

CASH LOCATION
FISCAL YEAR 2011-2012

	JUL 2011	AUG 2011	SEP 2011	OCT 2011	NOV 2011	DEC 2011	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012
CASH LOCATION:												
Citizens Bank - Payroll	\$ 40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	
Fleet Bank - Deposit	305,831.16	64,248.86	150,908.96	1,046,044.68	78,477.24	165,309.32	670,726.30	55,436.12	93,330.57	333,479.99	159,924.84	
Fleet Bank - Checking	156,293.32	3,350.65	199,148.91	73,321.40	136,350.06	202,743.97	144,229.70	159,183.79	291,103.43	221,920.54	272,350.43	
	502,124.48	107,599.51	390,057.87	1,159,366.08	254,827.30	408,053.29	854,956.00	254,619.91	424,434.00	595,400.53	472,275.27	0.00
U. S Bank - Project Funds												
Revenue	1,431,740.63	1,456,433.84	1,131,621.93	1,041,850.80	2,658,199.96	2,298,204.62	2,391,272.32	2,841,214.72	2,103,199.32	1,977,838.43	1,631,067.72	
Infrastructure Fund	8,424,924.93	8,428,020.46	8,319,036.54	8,362,425.08	8,214,922.08	7,998,651.81	8,174,706.13	8,624,773.65	9,074,838.73	9,524,912.18	9,666,431.38	
Operation Reserve Allowance	364,593.01	388,900.55	413,208.33	437,516.25	461,824.40	486,132.68	510,440.96	534,750.09	559,058.82	583,368.10	607,677.31	
Operation & Maintenance Reserve	2,367,556.27	2,367,576.41	2,367,596.56	2,373,447.05	2,373,467.19	2,373,486.69	2,373,506.87	2,373,527.02	2,373,545.87	2,373,566.02	2,373,585.52	
Renewal & Replacement Fund	343,057.93	351,394.00	359,730.18	368,066.47	239,442.31	247,778.17	256,113.62	139,315.30	147,650.19	155,984.71	164,319.24	
Renewal & Replacement Reserve	786,143.95	786,150.71	786,157.49	1,023,851.04	1,023,858.05	1,023,866.59	1,023,876.57	1,023,885.25	1,023,893.37	1,023,902.05	1,023,910.45	
Debt Service Fund - 2001	94,044.99	159,660.15	225,273.46	290,887.12	358,053.57	424,056.43	339,057.44	405,060.83	471,063.92	537,067.79	603,072.13	
Debt Service Reserve - 2001	781,148.43	781,148.43	781,148.43	781,148.43	781,148.43	781,148.43	781,148.43	781,148.43	781,148.43	781,148.43	781,148.43	
General Project - 2002	15,562,632.13	15,562,764.25	15,414,089.25	15,035,787.90	14,578,687.11	14,035,284.92	13,668,955.12	13,087,954.94	12,857,541.86	12,516,861.02	11,854,120.27	
Debt Service Fund - 2002	213,944.89	370,804.93	527,660.62	684,517.42	840,975.75	997,735.24	748,973.71	905,734.28	1,062,494.11	1,219,255.65	1,376,018.14	
Debt Service Reserve - 2002	1,823,614.72	1,823,614.72	1,823,614.72	1,823,614.72	1,823,614.72	1,823,614.72	1,823,614.72	1,823,614.72	1,823,614.72	1,823,614.72	1,823,614.72	
Debt Service Fund - 2004	182,706.53	288,050.43	393,390.58	498,731.55	602,740.26	707,749.68	752,728.91	857,739.91	962,751.19	1,067,763.85	1,172,776.93	
Debt Service Reserve - 2004	1,302,166.08	1,302,882.73	1,302,921.82	1,302,960.91	1,302,986.97	1,304,289.97	1,279,061.84	1,279,061.84	1,288,633.67	1,288,633.67	1,288,633.67	
	\$ 34,180,398.97	34,175,001.12	34,235,507.78	35,184,170.82	35,514,748.10	34,910,053.24	34,978,412.64	34,932,400.89	34,953,868.20	35,469,317.15	34,838,651.18	0.00

EXHIBIT C

Kent County Water Board Meeting

June 21, 2012

MEMO

To: Board
From: Timothy Brown
Subject: 2001A, 2002A Series Bond Issue Refinancing, Preliminary Offering Statement
Date: June 19, 2012

Attached is the preliminary offering statement dated June 19, 2012 which is being electronically offered today through our underwriter Barclay. Pricing is to occur on the 28th of June with the bond purchase agreement to be signed that day as well. Closing will occur sometime after July 15th of 2012. We expect a very good response to this bond sale and hopefully produce a good interest rate for the Authority in accordance with the projected savings we had previously discussed. This is for the Board's review. The final offering statement will not be printed until such time that the sale has occurred and the final numbers are known. The blanks will then be filled in that you may see throughout this document. This can be discussed at the Board meeting of the 21st of June. This has been reviewed by many parties throughout its preparation and approved.

The due diligence which was sent to the Board in their previous package will not be required at the Board meeting. I resolved all questions yesterday during the due diligence call with all parties.

Timothy Brown

From: MuniOS.com [mailto:mail@munios.com]
Sent: Tuesday, June 19, 2012 12:00 PM
To: tbrown@kentcountywater.org
Cc: adam.krea@firstsw.com; ataylor@haslaw.com; awp@psh.com;
brandon.wolanski@barclayscapital.com; jjm@petrarcamcgair.com; joe@shekarchilaw.com;
maureen.gurghigian@firstsw.com; mgurghigian@firstsw.com; ngb@psh.com;
paul.haley@barclayscapital.com; susan.calise@bnymellon.com
Subject: Preliminary Official Statement (Kent County Water Authority)

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\$17,490,000*
KENT COUNTY WATER AUTHORITY
GENERAL REVENUE REFUNDING BONDS, 2012 SERIES A

Barclays

* Preliminary, subject to change

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Electronic Posting Notice

\$17,490,000*
KENT COUNTY WATER AUTHORITY
GENERAL REVENUE REFUNDING BONDS, 2012 SERIES A

The information and expressions of opinion in the preliminary official statement dated June 19, 2012 for the Kent County Water Authority General Revenue Refunding Bonds, 2012 Series A (the "Preliminary Official Statement") are subject to change without notice. The availability of the Preliminary Official Statement on this website does not create any implication that there have been no changes in the affairs of the parties described in the Preliminary Official Statement or that the other information or opinions therein are correct as of any time subsequent to its date. Maintenance of the Preliminary Official Statement on this website is not intended as a republication of the information therein on any date subsequent to the date set forth in the Preliminary Official Statement.

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Investors must read the entire Preliminary Official Statement, including the appendices, to obtain information essential to making an informed investment decision.

By electronically accessing the Preliminary Official Statement, you acknowledge that you understand that the securities are being offered only by means of the entire Preliminary Official Statement and agree that you have (i) accepted the provisions of this page, (ii) agreed not to print the Preliminary Official Statement except in its entirety and (iii) consented to the electronic transmission of the Preliminary Official Statement.

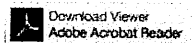
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Ratings: Standard & Poor's "A+"
 Moody's "Aa3"
 See "Ratings" herein

NEW ISSUE—Book-Entry Only

In the opinion of Partridge Snow & Hahn LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the 2012 Series A Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the 2012 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the 2012 Series A Bonds and any profit on the sale of the 2012 Series A Bonds are exempt from taxation by the State of Rhode Island (the "State") or any political subdivision or other instrumentality of the State, although the income thereon may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Series A Bonds. See "TAX MATTERS" herein.

\$17,490,000*

**KENT COUNTY WATER AUTHORITY
 GENERAL REVENUE REFUNDING BONDS, 2012 SERIES A**

Dated: Date of Delivery**Due:** July 15, as shown on inside cover

The \$17,490,000* Kent County Water Authority General Revenue Refunding Bonds, 2012 Series A (the "2012 Series A Bonds") will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the 2012 Series A Bonds. Individual purchases of beneficial interests in the 2012 Series A Bonds will be made in book-entry form. Purchasers of beneficial interests in the 2012 Series A Bonds will not receive certificates representing interests in the 2012 Series A Bonds that they purchase. So long as Cede & Co, as nominee of DTC, is the registered owner of the 2012 Series A Bonds, reference herein to the Bondowners or registered owners shall mean Cede & Co., rather than the beneficial owners of the 2012 Series A Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. So long as DTC or its nominee is the registered owner of the 2012 Series A Bonds, payments of principal and premium, if any, and interest on the 2012 Series A Bonds shall be made to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants and indirect participants.

The 2012 Series A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof and upon such other terms as are set forth on the cover hereof. The 2012 Series A Bonds shall bear interest from the date of delivery thereof, payable on January 15 and July 15 of each year, commencing on January 15, 2013.

The 2012 Series A Bonds are general obligations of the Kent County Water Authority (the "Authority"). The Authority does not have taxing power. The 2012 Series A Bonds will be secured by a pledge of and a security interest in certain revenues and other moneys of the Authority as described herein. Neither the State of Rhode Island and Providence Plantations, nor any political subdivision thereof other than the Authority, is obligated to pay the principal of or premium, if any, or interest on the 2012 Series A Bonds and neither the full faith and credit nor the taxing power of the State of Rhode Island and Providence Plantations or of any municipality or political subdivision thereof is pledged to the payment of the principal of or premium, if any, or the interest on the 2012 Series A Bonds.

The 2012 Series A Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approving opinion and certain other matters by Partridge Snow & Hahn LLP, Providence, Rhode Island, Bond Counsel, as well as certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Petrarca & McGair, Inc., Warwick, Rhode Island, and for the Underwriter by their counsel, K. Joseph Shekarchi, Esq., Warwick, Rhode Island. FirstSouthwest, Lincoln, Rhode Island, is serving as financial advisor to the Authority in this transaction. The 2012 Series A Bonds are expected to be available for delivery in definitive form through the facilities of DTC in New York, New York on or about July 18, 2012.

Barclays

Official Statement Dated: [____], 2012

* Preliminary, subject to change

MATURITY SCHEDULE
\$17,490,000*
KENT COUNTY WATER AUTHORITY
GENERAL REVENUE REFUNDING BONDS, 2012 SERIES A

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS[†]

<u>Maturity</u> <u>July 15</u>	<u>Principal</u> <u>Amount</u> *	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> [†]
2013	\$1,385,000			
2014	1,430,000			
2015	1,490,000			
2016	1,550,000			
2017	1,630,000			
2018	1,710,000			
2019	1,795,000			
2020	1,890,000			
2021	1,985,000			
2022	1,280,000			
2023	1,345,000			

[†] The CUSIP Numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2012 A Bonds. Neither the Underwriter, nor the Authority, is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2012 A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012 A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2012 A Bonds.

*Preliminary subject to change.

REGARDING THIS OFFICIAL STATEMENT

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2012 SERIES A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter intends to make a bona fide initial public offering of all 2012 Series A Bonds at prices no higher than, or yields not lower than, those shown in the Official Statement. The Underwriter reserves the right to lower such initial offering prices as it deems necessary in connection with the marketing of the 2012 Series A Bonds. The Underwriter may offer and sell the 2012 Series A Bonds to certain dealers (including dealers depositing the 2012 Series A Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter also reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the 2012 Series A Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of 2012 Series A Bonds in any jurisdiction in which such an offer or solicitation is not authorized or in which it is unlawful to make such an offer or solicitation. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Underwriter, or FirstSouthwest, the financial adviser to the Authority.

The information set forth herein has been obtained from the Authority and other sources all of which are believed to be reliable, but it is not guaranteed as to its accuracy or completeness and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter. The information and expressions of opinion set forth herein are made as of the date hereof and are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, in the circumstances, create any implication that there has been no change in the affairs of the Authority or in any other matter since the date hereof.

The Authority has agreed to enter into a Continuing Disclosure Agreement pursuant to which the Authority will provide certain continuing disclosure to the extent required by law. The purpose of the Continuing Disclosure Agreement is to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE FINANCIAL ADVISOR HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE FINANCIAL ADVISOR HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE

FINANCIAL ADVISOR DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

UPON ISSUANCE, THE 2012 SERIES A BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW, AND THE AGREEMENT HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS. THE 2012 SERIES A BONDS WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE AND NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY HEREOF.

This Official Statement, which includes all appendices hereto, contains forward-looking statements that involve risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the use of the words or phrases such as "will result," "expects to," "will continue," "anticipates," "plans," "intends," "estimated," "projects" and "outlook") are not historical and may be forward-looking. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Although the Authority believes that the expectations reflected in the forward-looking statements are reasonable, the Authority cannot guarantee future results, levels of activity, performance or achievements. Moreover, none of the Authority or any other person assumes responsibility for the accuracy or completeness of these statements. Accordingly, investors should not rely on forward-looking statements in this Official Statement.

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**OFFICIAL STATEMENT OF THE
KENT COUNTY WATER AUTHORITY**

Relating To Its

\$17,490,000*

GENERAL REVENUE REFUNDING BONDS, 2012 SERIES A

This Official Statement including the cover page, the inside cover page, and the appendices hereto, provides certain information concerning the Kent County Water Authority (the "Authority"), a public benefit corporation of the State of Rhode Island and Providence Plantations (the "State"), in connection with the sale of \$17,490,000* aggregate principal amount of the Authority's General Revenue Refunding Bonds, 2012 Series A dated their date of delivery (the "2012 Series A Bonds"). The 2012 Series A Bonds are being issued by the Authority for the purpose of: (i) providing funds for deposit in the 2012 Series A Refunding Trust Account (defined herein) to provide for the refunding, on a current basis, of the Authority's outstanding General Revenue Bonds, 2001 Series A (the "2001 Series A Bonds") and the Authority's outstanding General Revenue Bonds, 2002 Series A (the "2002 Series A Bonds" and together with the 2001 Series A Bonds, collectively, the "Prior Issues") (see "Plan of Refunding" herein); (ii) providing funds for deposit in the 2012 Series A Account of the Debt Service Reserve Fund; and (iii) providing funds for deposit in the 2012 Series A Cost of Issuance Account of the Project Fund to pay the costs of issuance of the 2012 Series A Bonds. Reference is made to APPENDIX C, "Definitions of Certain Terms" and to the General Resolution and 2012 Series A Resolution (as defined below) for definitions of certain capitalized terms used herein. Unless indicated otherwise, all geographic units mentioned herein are located in the State.

The 2012 Series A Bonds are issued by the Authority pursuant to Chapter 16 of Title 39 of the General Laws of Rhode Island (1956), as amended (the "Act"). The 2012 Series A Bonds are issued under and secured by the Authority's General Bond Resolution adopted July 6, 1994, as amended by the First Supplemental Resolution amending General Bond Resolution adopted on June 20, 2001 (the "General Resolution"), which constitutes a contract between the Authority and the registered owners of the 2012 Series A Bonds, the Authority's Outstanding \$10,430,000 General Revenue Bonds, 2004 Series A (the "2004 Series A Bonds") and any additional or refunding bonds issued under the General Resolution (collectively, the "Bonds"), and a Series Resolution of the Authority adopted May 17, 2012 (the "2012 Series A Resolution") (the General Resolution and the 2012 Series A Resolution being collectively referred to herein as the "Resolution"). The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), has been appointed Trustee under the General Resolution for all of the Bonds.

INTRODUCTION

The Authority is a public benefit corporation created pursuant to and existing under Chapter 1740 of the Public Laws of 1946 of the State, codified at Chapter 16 of Title 39 of the Rhode Island General Laws (1956), as amended (the "Act"). Pursuant to the Act, the Authority is the governing body of The Kent County Water District (the "District"), a political subdivision of the State the boundaries of which are coterminous with the boundaries of Kent County. The principal office of the Authority is located in the Town of West Warwick.

The Authority began functioning as a water distribution system in 1950 when it acquired the assets of three privately owned water companies serving communities within Kent County, namely the Pawtuxet Valley Water Company, the Warwick and Coventry Water Company and the East Greenwich

*Preliminary, subject to change

Water Supply Company, and Good Earth, Inc. a real estate holding company and owner of Carr Pond in East Greenwich. The three water companies which were each incorporated in the 1880s had been subsidiaries of New England Water, Light and Power Associates, a Massachusetts voluntary association, since 1928. The three water companies had been operated as a unit by a common staff with executive offices in Providence and operating headquarters in West Warwick. Funding for these acquisitions was generated by the Authority's Water Revenue Bonds, Issue of 1950, in the aggregate principal amount of \$2,050,000, all of which have been retired.

The State legislature established the Authority as an independent authority supported by a financial base of user charges subject to the provisions of Chapters 1 through 5 of Title 39 of the Rhode Island General Laws (1956), as amended, relating to the Public Utilities Commission (the "PUC") and the Division of Public Utilities and Carriers ("DPUC") of the State and its supervisory and regulatory powers. (See "OPERATIONS - Rates and Charges.")

Under the Act, the Authority is empowered, among other things, (i) to acquire property by voluntary purchase from the owner or owners thereof and if the Authority deems it advisable, to acquire any of the said properties through the purchase of stock and obligations of a corporation owning the same; (ii) to own and operate, maintain, repair, improve, enlarge and extend, in accordance with the provisions of the Act, any property acquired thereunder; (iii) to produce, distribute and sell water within or without the territorial limits of the District; (iv) to sue and be sued; (v) to adopt and alter a corporate seal; (vi) to acquire, hold, use, lease, sell, transfer and dispose of any property, real, personal or mixed, or interest therein for its corporate purposes, and to mortgage, pledge, or lease any such property; (vii) to make by-laws for the management and regulations of its affairs; (viii) to borrow money for any of its corporate purposes and to issue negotiable bonds, and other obligations to fund or refund the same and to secure the payment of the same as may be provided in the applicable authorizing resolution; (ix) to fix rates and collect charges for the use of the facilities of, or services rendered by, or any commodities furnished by, the Authority; (x) to contract in its own name for any lawful purpose which would effectuate the provisions of the Act; and (xi) to enter into cooperative agreements with cities, counties, towns or water companies within or without the District for the interconnection of facilities or for any other lawful corporate purposes necessary or desirable to effect the purposes of the Act.

The Authority may issue Additional Bonds under the Resolution, which Additional Bonds will be secured by and entitled to the protection of the Resolution on a parity with the 2012 Series A Bonds and the 2004 Series A Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Additional Bonds." The Rhode Island General Laws require that the Authority obtain the consent and authority from the DPUC prior to the issuance of any bonds by the Authority. On May 11, 2012, the Authority applied for such consent and authority. A public hearing took place on June 4, 2012, to consider such application. By Order, having an effective date of June 5, 2012, approval was granted by the DPUC.

The 2012 Series A Bonds will be general obligations of the Authority to which its full faith and credit will be pledged. The Authority has no taxing power. The 2012 Series A Bonds will be secured by a pledge of and security interest in all Revenues and certain other funds of the Authority, as more fully described herein. See "SECURITY FOR THE 2012 SERIES A BONDS." NEITHER THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS NOR ANY CITY, TOWN, COUNTY OR OTHER POLITICAL SUBDIVISION OTHER THAN THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE 2012 SERIES A BONDS AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS OR OF ANY CITY, TOWN, COUNTY OR OTHER POLITICAL SUBDIVISION OTHER THAN THE AUTHORITY IS PLEDGED TO SUCH PAYMENT.

The Authority is required under the Resolution to maintain its books and accounts in accordance with generally accepted accounting principles and to have an annual audit by an independent public accounting firm. In addition, the Resolution requires the Authority to use its best efforts to establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other moneys at least sufficient to pay or provide for all expenses of operating and maintaining the System, all amounts required to fund all required reserve funds under the Resolution, and all payments of debt service on all Authority obligations. The Authority is also required under the Resolution to use its best efforts to establish and maintain Rates and Charges at levels sufficient so that Net Revenues in each Fiscal Year, together with other funds available therefore, equal at least one hundred twenty five percent (125%) of the debt service during such Fiscal Year with respect to all Outstanding Bonds as of the first day of such Fiscal Year, including the 2012 Series A Bonds, less the amount of Bond proceeds, if any, available to pay interest coming due on such Outstanding Bonds. The Authority's rate setting powers are subject to supervision by the PUC. The Resolution also provides for a Debt Service Reserve Fund, an Operation and Maintenance Reserve Fund and a Renewal and Replacement Reserve Fund. The Authority is also required under the Resolution to operate the System in a sound, efficient and economical manner and to keep the System in good repair. See "SECURITY FOR THE 2012 SERIES A BONDS" and "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

This Official Statement includes brief descriptions of the Authority, its operations, management and finances, the System, and the Plan of Refunding, together with other information, including summaries of the terms of the 2012 Series A Bonds, the Resolution and certain provisions of the Act. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument, copies of which are available from the Authority. All references to the 2012 Series A Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Resolution.

THE 2012 SERIES A BONDS

General

The 2012 Series A Bonds will be dated the date of their delivery. The 2012 Series A Bonds mature as set forth on the inside cover of this Official Statement and bear interest from the date of delivery at the rates set forth on the inside cover of this Official Statement which interest is payable on January 15 and July 15 of each year commencing January 15, 2013 (each January 15 and July 15 commencing January 15, 2013 being hereinafter referred to as an "Interest Payment Date").

The 2012 Series A Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the 2012 Series A Bonds will be made so long as DTC or its nominee is the registered owner of the 2012 Series A Bonds. See "THE 2012 SERIES A BONDS – Book-Entry Only System." The 2012 Series A Bonds will be issued in denominations of \$5,000 or any multiple thereof.

Redemption Provisions

The 2012 Series A Bonds maturing on or before July 15, 2022 are not subject to redemption prior to their stated dates of maturity.

The 2012 Series A Bonds maturing July 15, 2023 are subject to redemption on and after July 15, 2022 at the option of the Authority, as a whole or in part at any time (by lot or DTC), at the redemption price of 100% of the principal amount of the 2012 Series A Bonds to be redeemed, together with interest unpaid and accrued to the redemption date.

Notice of Redemption. Notice of redemption of the 2012 Series A Bonds and the numbers and other designations of 2012 Series A Bonds to be redeemed shall be given not more than 60 days nor less than 30 days prior to the date set for redemption by mailing a copy of such notice to the Bondholders. Notice having been given as specified above, the 2012 Series A Bonds so called for redemption shall be due and payable on the redemption date and interest from and after such date shall cease to accrue thereon. If any 2012 Series A Bond is to be redeemed in part, upon such redemption the Authority will issue, at its expense, for the unredeemed balance of such 2012 Series A Bond, a new 2012 Series A Bond of the same series, interest rate and maturity in any of the authorized denominations.

The Authority, so long as a book-entry system with DTC is used for determining beneficial ownership of the 2012 Series A Bonds, shall send any notice of redemption to DTC, or its nominee, as registered owner of the 2012 Series A Bonds (see "Book-Entry-Only System" below). Transfer of such notice to DTC's Participants is the responsibility of DTC. Transfer of such notice to Beneficial Owners by Participants is the responsibility of the Participants and other nominees of Beneficial Owners of the Bonds. Any failure of DTC to mail such notice to any Participant will not affect the validity of the redemption of the 2012 Series A Bonds. The Authority can make no assurances that DTC, the Participants or other nominees of the Beneficial Owners of the 2012 Series A Bonds will distribute such redemption notices to the Beneficial Owners of nominees of the 2012 Series A Bonds, or that they will do so on a timely basis, or that DTC will act as described in this Official Statement.

Book-Entry Only System

The information under this heading has been furnished by The Depository Trust Company, New York, New York ("DTC"). Neither the Authority nor the Underwriter make any representations as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the 2012 Series A Bonds. The 2012 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the 2012 Series A Bonds set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users or its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information at www.dtcc.com and www.dtc.org.

Purchases of the 2012 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012 Series A Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2012 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2012 Series A Bonds, except in the event that use of the book-entry system for the 2012 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2012 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2012 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2012 Series A Bonds issued are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2012 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the 2012 Series A Bonds, and redemption proceeds, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to

Beneficial Owners will be governed by standing instructions and customary practices as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2012 Series A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2012 Series A Bond certificates are required to be printed and delivered.

The Authority also may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2012 Series A Bond certificates will be printed and delivered to DTC.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT NONE OF THE AUTHORITY OR THE UNDERWRITER TAKES RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE AUTHORITY, THE UNDERWRITER AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2012 SERIES A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE 2012 SERIES A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2012 SERIES A BONDS.

None of the Authority, the Underwriter, or the Trustee shall have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC or any Participant with respect to any beneficial ownership interests of the 2012 Series A Bonds; (ii) the delivery to any Participant, Beneficial Owner of the 2012 Series A Bonds or other person, other than DTC, of any notice with respect to the 2012 Series A Bonds; (iii) the payment to any Participant, Beneficial Owner of the 2012 Series A Bonds or other person, other than DTC, of any amount with respect to the principal of, premium, if any, or interest on, the 2012 Series A Bonds; (iv) any consent given by DTC as Registered Owner; or (v) the selection by DTC or any Participant or any Beneficial Owners to receive payment if the 2012 Series A Bonds are redeemed in part.

Plan of Refunding

The proceeds of the 2012 Series A Bonds will be applied to refund, on a current basis, the 2001 Series A Bonds and the 2002 Series A Bonds maturing on or after July 15, 2013. As of the date hereof, the aggregate outstanding principal balance of the 2001 Series A Bonds, maturing on or after July 15, 2013, is \$5,645,000. The 2001 Series A Bonds are subject to optional redemption and will be so redeemed approximately 30 days from the date of delivery of the 2012 Series A Bonds at the redemption

price of 100.5% of the principal amount thereof plus accrued interest. As of the date hereof, the aggregate outstanding principal balance of the 2002 Series A Bonds, maturing on or after July 15, 2013, is \$15,610,000. The 2002 Series A Bonds are subject to optional redemption and will be so redeemed approximately 30 days from the date of delivery of the 2012 Series A Bonds at a redemption price of 100% of the principal amount thereof plus accrued interest. The principal and interest due on the 2001 Series A Bonds and the 2002 Series A Bonds maturing on July 15, 2012 will be paid by the Authority from other funds available to the Authority.

A portion of the proceeds of the 2012 Series A Bonds will be deposited into a refunding trust accounts (the "Refunding Trust Accounts") held by The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Refunding Trustee") under a Refunding Trust Agreement (the "Refunding Trust Agreement") with the Authority dated as of July 1, 2012. The Trustee is also the Paying Agent for the 2001 Series A Bonds and the 2002 Series A Bonds. Such proceeds will remain uninvested in cash or will be invested in certain obligations of, or guaranteed by, the United States Government (the "Government Obligations"). Such proceeds and investments and income therefrom, if any, shall be calculated to be sufficient to pay principal and interest on the 2001 Series A Bonds and the 2002 Series A Bonds.

ESTIMATED SOURCES AND USES OF 2012 SERIES A BOND PROCEEDS

The estimated sources and uses of the 2012 Series A Bonds proceeds are summarized below:

Sources of Funds

Par Amount of the 2012 Series A Bonds	\$
Reoffering Premium	
Prior Issues Debt Service Reserve Fund	
Prior Issues Debt Service Fund	
Total Sources	\$

Uses of Funds

Deposit to the Refunding Trust Accounts	\$
Deposit to 2012 Series A Account of Debt Service Reserve Fund	
Costs of Issuance*	
Total Uses	\$

*Includes underwriters discount, legal fees, printing costs, etc.

SECURITY FOR THE 2012 SERIES A BONDS

General

The 2012 Series A Bonds will be general obligations of the Authority and the full faith and credit of the Authority will be pledged to the payment of the principal and interest thereon. The Authority has no taxing power. Pursuant to the Act and the Resolution, for the security and payment of the 2012 Series A Bonds the Authority has pledged and granted a security interest in all Revenues (defined to include all income, revenues receipts and other moneys derived by or on behalf of the Authority from its ownership and operation of the System, together with any existing or future rights of the Authority to receive the same, other than certain receipts and other moneys as specifically provided in the Resolution; see APPENDIX C - "Definitions of Certain Terms"), subject only to the application of such Revenues for the purposes set forth in the Resolution, including without limitation, the expenses of administration,

operation and maintenance of the System in accordance with the terms and conditions of the Resolution. In addition, the proceeds of the sale of the 2012 Series A Bonds (except monies deposited into the Refunding Trust Accounts) and all other moneys, securities and Reserve Deposits in all funds and accounts established by or pursuant to the Resolution, except the Rebate Fund and the General Fund, are pledged and subject to a security interest for the benefit of the owners of Bonds subject to the application of such moneys for other purposes as provided in the Resolution.

The Authority may issue Additional Bonds under the General Resolution on a parity with the 2012 Series A Bonds and the 2004 Series A Bonds. All Bonds issued and outstanding under the General Resolution will be secured equally and ratably without preference of any Bond over any other Bond by the pledge created by and covenants of the Authority made in the General Resolution and in addition may be secured by other accounts or funds created for each series of Bonds pursuant to the applicable series resolution. The Authority may provide for additional collateral or sources of payment for such Additional Bonds pursuant to the series resolution authorizing such Additional Bonds. See "SECURITY FOR THE 2012 SERIES A BONDS - Additional Bonds."

NEITHER THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS NOR ANY CITY, TOWN, COUNTY OR OTHER POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE 2012 SERIES A BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAKING POWER OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS OR OF ANY CITY, TOWN, COUNTY OR OTHER POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY IS PLEDGED TO PAYMENT OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE 2012 SERIES A BONDS.

The enforceability of the 2012 Series A Bonds and the Resolution may be limited by the excise of judicial discretion in accordance with general equitable principles and by bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally enforceable.

For a description of the various funds and accounts established under the Resolution, the flow of Revenues through such funds and accounts, the rights and remedies of Bondholders under the Resolution and other related matters see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Reserve Funds

As additional security for the Bonds, the Resolution establishes a Debt Service Reserve Fund to be maintained in an amount at least equal to the Debt Service Reserve Fund Requirement (i.e., the lesser of (i) ten percent (10%) of the stated principal amount of the 2012 Series A Bonds, the Outstanding 2004 Series A Bonds and any Additional Bonds Outstanding, (ii) the maximum annual Debt Service Requirement in the current or any future Fiscal Year on the Outstanding 2012 Series A Bonds, the Outstanding 2004 Series A Bonds and any Additional Bonds, or (iii) one hundred twenty five percent (125%) of the average annual Debt Service Requirement for all Outstanding 2012 Series A Bonds, the Outstanding 2004 Series A Bonds and any Additional Bonds less the stated and unpaid amounts of all Reserve Deposits held for the account of the Debt Service Reserve Fund. With respect to any Additional Bonds bearing a variable rate of interest, the Debt Service Requirement will be based on a Pro-Forma Bond Issue determined by the Authority, in accordance with the Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Debt Service Reserve Fund." The Debt Service Reserve Fund will be initially funded from the proceeds of the 2012 Series A Bonds and the 2004

Series A Bonds. The Resolution also provides for the maintenance of the Debt Service Reserve Fund through monthly deposits from the Revenue Fund.

The Resolution establishes as additional reserve funds pledged as security for the Bonds, subject to the terms of the Resolution, an Operation and Maintenance Reserve Fund and a Renewal and Replacement Reserve Fund. The Operation and Maintenance Reserve Fund will be maintained in an amount equal to the Operation and Maintenance Reserve Fund Requirement which, as of the last business day of each Fiscal Year is an amount equal to at least twenty five percent (25%) of the amount designated for operation and maintenance in the Authority's annual budget. The Operation and Maintenance Reserve Fund will be drawn upon in the event sufficient funds are not otherwise on deposit pursuant to the Resolution to pay principal installments, redemption price and interest on the Bonds, when due, or in the event amounts on deposit in the Operation and Maintenance Fund are insufficient to pay Operating Expenses then payable. The Renewal and Replacement Reserve Fund will be maintained in an amount equal to the Renewal and Replacement Reserve Fund Requirement which, as of the last business day of each Fiscal Year is an amount at least equal to one percent (1.00%) of the depreciated value of the System as shown on the annual audited financial statements of the Authority for the prior Fiscal Year. The Renewal and Replacement Reserve Fund may be used in the event sufficient funds are not otherwise on deposit pursuant to the Resolution to pay principal installments, redemption price and interest on the Bonds, when due, or in the event amounts on deposit in the Renewal and Replacement Account or the Project Account are insufficient to pay the costs of any Capital Improvements. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION Application of Bond Proceeds, Revenues and Other Moneys" and APPENDIX C - "Definitions of Certain Terms."

Rate Covenants

The Authority is subject to rate regulation by the PUC. See "OPERATIONS - Rates and Charges." The Authority has covenanted in the Resolution to use its best efforts to establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other moneys at least sufficient, with such margin of safety as the Authority deems reasonable, to pay or provide for, as the same become due and payable, all Operating Expenses, payments of principal installments and redemption price of and interest on all Outstanding Bonds, including the 2012 Series A Bonds, and any other indebtedness of or assumed or guaranteed by the Authority, all amounts payable to the reserve funds maintained under the Resolution, all repairs, replacements and renewals of the System deemed necessary by the Authority, and all other amounts which the Authority may by law or contract be obligated to pay.

So long as any Bonds are Outstanding, the Authority has also covenanted to use its best efforts to establish and maintain Rates and Charges at levels sufficient so that Net Revenues in each Fiscal Year during which Bonds are outstanding will equal at least one hundred twenty five percent (125%) of (i) the Debt Service Requirement during such Fiscal Year with respect to all Bonds Outstanding as of the first day of such Fiscal Year, less (ii) the amount, if any, of Bond proceeds available to pay interest coming due in such Fiscal Year on Bonds Outstanding. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Covenant as to Rates and Charges".

Failure by the Authority to comply with the foregoing rate covenant in any Fiscal Year will not in itself constitute an event of default under the Resolution. However, the Authority has covenanted, on or before six months prior to the last day of each Fiscal Year that the Bonds are Outstanding to review the adequacy of its Rates and Charges. If such review indicates that Rates and Charges are, or are likely to be, insufficient to meet the requirements of the Resolution for the next succeeding Fiscal Year, the Authority has covenanted to promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency including making an emergency request to the PUC to raise its rates and charges.

The Authority is required to furnish the Trustee annually with a certificate stating that the Authority satisfied the foregoing rate covenant in the preceding Fiscal Year or, if such was not the case, stating the corrective steps taken by the Authority.

Additional Bonds

The Resolution permits the issuance of additional series of Bonds ("Additional Bonds") on a parity with the 2012 Series A Bonds and the 2004 Series A Bonds for the purpose of paying the Cost of any Project, making deposits in various funds established pursuant to the General Resolution and any other series resolution, paying costs of issuance of such Additional Bonds, paying the principal, premium and interest on any notes issued in anticipation of such Additional Bonds or any combination of the foregoing. The Resolution also permits the issuance of bonds ("Refunding Bonds") to refund all or any part of a series of Outstanding Bonds. Additional Bonds or Refunding Bonds may be issued as fixed rate bonds, variable rate bonds, tender bonds (bonds providing for the right of the owner thereof to present the bond for redemption or purchase prior to maturity), compound interest bonds or discount bonds, or any combination thereof.

For a more detailed description of the requirements relating to the issuance of Additional Bonds and Refunding Bonds see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

THE AUTHORITY

The Authority is governed by a five-member board (the "Board"), one member of which is appointed by each of the respective Town Councils of the Towns of East Greenwich, West Warwick and Coventry, one member by the City Council of the City of Warwick and one additional member (the "Additional Member") initially appointed by the council of the above named city or town having the greatest number of inhabitants who are customers of the Authority. The successor to the original Additional Member is elected by the Board from the city or town having the greatest number of inhabitants who are customers of the Authority. Each member serves for a term of ten (10) years except that all vacancies occurring during a term are filled for the unexpired terms. The chairperson of the Board is selected by a majority vote of the members of the Board. The secretary and treasurer are appointed by the Board but need not be members. Three members of the Board constitute a quorum and the vote of three members is necessary for any action taken by the authority. The members of the Board are entitled to receive an annual salary not to exceed three thousand dollars (\$3,000) plus reimbursement for necessary expenses incurred in the performance of their duties. The salaries, compensation, and expenses of all members, officers, employees and agents of the Authority are paid solely out of the funds of the Authority.

The present members of the Board, their respective offices, if any, occupations, sources of appointment and dates of expiration of their terms as members of the Board are set forth below:

Name	Occupation	Source of Appointment	Term Expires
Edward E. Inman	Educator	Town of Coventry	July 8, 2016
Peter Masterson, Vice Chairman	Independent Contractor	Town of East Greenwich	July 8, 2019

Robert B. Boyer, Chairman	Professional Land Surveyor	Town of West Warwick	July 8, 2017
Joseph Gallucci, Treasurer	Retired Secretary Board of Canvassers, City of Warwick	City of Warwick	August 15, 2015
Frank A. Giorgio, III	Sales Executive	The Authority	July 8, 2018

The Authority currently employs the following three managers:

Timothy J. Brown, P.E., General Manager and Chief Engineer. Mr. Brown has been employed by the Authority as its Chief Engineer and General Manager since 1988. Mr. Brown received a Bachelor of Science Degree in Civil and Environmental Engineering (summa cum laude) from the University of Rhode Island (Kingston) in 1975 and is a registered professional engineer in the State as well as in Massachusetts, Connecticut and Vermont. Mr. Brown is a member of numerous professional societies including the American Society of Civil Engineers, the American Water Works Association, the Rhode Island Water Works Association, Rhode Island Backflow Association, the National Society of Professional Engineers, the American Arbitration Society and the Rhode Island Society of Professional Engineers. He is past president of the Rhode Island Society of Professional Engineers and of the Rhode Island section of the American Society of Civil Engineers.

Jo-Ann Gershkoff, Director of Administration and Finance. Ms. Gershkoff has been employed by the Authority as Director of Administration and Finance since 2008. She attended Bryant College and additional management and employee benefit training courses. Ms. Gershkoff previously worked for the law firm Tillinghast Licht Perkins Smith & Cohen, LLC as firm administrator and controller.

John Duchesneau, Director of Technical Services. Mr. Duchesneau has been employed by the Authority as Director of Technical Services since 1998. Mr. Duchesneau retired from the U.S. Coast Guard as Chief Warrant Officer. He had previously held the position of Chief Engineer at several government facilities. He has attended numerous technical, engineering and management courses. Mr. Duchesneau previously held an American Bureau of Shipping Chief Engineers License and is currently a member of the American Water Works Association, the New England Water Works Association and Rhode Island Backflow Association.

THE SERVICE AREA

General

Kent County, with a total area of approximately 172 square miles, lies approximately five miles south of the City of Providence and is comprised of the communities of Coventry, East Greenwich, Warwick, West Greenwich and West Warwick. The Authority currently provides water supply and water distribution services on a retail basis to residential, commercial, industrial and other customers throughout Kent County, in Scituate and portions of the City of Cranston, in parts of contiguous Providence County and in the Town of North Kingstown in Washington County. The water users in Kent County not serviced by the Authority are served by privately owned wells or the Warwick Water Department for the City of Warwick.

Population and Household Information

According to the United States Census Bureau, the population of Kent County in 2010 was 166,158. This represents a decrease of approximately 0.6 percent from the county's 2000 population of 167,090.

The following table shows actual population figures and population figures projected by the Division of Planning of the State Department of Administration, for the years indicated for Kent County by municipality.

Municipality	Actual			Projected	
	1980	1990	2000	2010	2020
Coventry	27,065	31,083	33,668	35,014	36,873
East Greenwich	10,211	11,865	12,948	13,146	13,229
Warwick	87,123	85,427	85,808	85,808	83,631
West Greenwich	2,738	3,492	5,085	6,135	5,696
West Warwick	27,026	29,268	29,581	29,191	31,779

Source: U.S. Department of Commerce, Bureau of the Census (actual figures); Division of Planning, Rhode Island Department of Administration (projections).

Income Levels

According to the 2010 United States Census, per capita income for Kent County for 2010 was \$31,221. Per capita income for the State for the same year was \$28,707 and for the United States was \$27,334.

Water Users

Based on the Authority's Annual Report to the PUC for the year ended June 30, 2011, residential customers made up approximately 94 percent of the total number of the Authority's accounts and accounted for approximately 75 percent of the total water sold. Industrial and commercial accounts represented approximately 5 percent of the total number of the Authority's accounts and accounted for approximately 20 percent of total water sold, while other accounts, primarily public agencies, made up approximately 1 percent of the Authority's accounts and accounted for approximately 4 percent of total water sold. These percentages have remained fairly stable during the past five years.

The following table shows, as of December 31, 2003 and December 31, 2011, the number of the Authority's customers by municipality and the percentage these customers are of the Authority's total customers as of December 31, 2012.

Municipality Served	Number of Customers	Number of Customers	Percent of Total
	12/31/03	12/31/11	12/31/11
West Warwick	8,214	8,239	31%
Coventry	8,121	8,202	31%
East Greenwich	4,074	3,972	15%
Warwick	4,180	4,424	17%
Cranston	915	914	3%
Hope/Scituate	428	433	2%
West Greenwich	342	363	1%
North Kingstown	15	13	0%
Total	26,289	26,560	100%

The following table shows the Authority's twenty largest accounts for the twelve months ended December 31, 2011 and for each, its total consumption in cubic feet and total amount billed for December 31, 2010 and December 31, 2011.

CUSTOMER NAME	TOTAL CONSUMPTION IN CUBIC FEET		BILLED AMOUNT	
	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/10</u>	<u>12/31/11</u>
AMGEN	12,143,400	11,729,050	\$474,543.10	\$474,109.35
KENT COUNTY MEMORIAL HOSPITAL	5,632,894	5,051,599	\$251,956.17	\$233,246.85
COMMERCE PARK	2,007,789	3,534,040	\$96,944.88	\$162,082.78
BRIARWOOD MEADOWS	3,043,444	3,467,709	\$150,191.90	\$174,303.58
WESTWOOD TRAILER PARK	2,297,238	2,521,928	\$111,253.17	\$123,363.21
AMTROL INC.	1,638,000	2,519,000	\$82,619.18	\$131,819.11
AIMCO WARWICK LLC	2,437,000	2,405,000	\$89,439.87	\$91,784.39
CLARIANT	1,850,250	1,675,698	\$90,575.38	\$76,550.05
COWESETT HILLS	1,638,000	1,569,000	\$76,869.51	\$76,345.89
EQUITY RESIDENTIAL PROP TRUST	1,090,000	1,213,000	\$49,571.44	\$56,104.57
EDENS & AVENT	1,193,000	1,131,000	\$60,894.16	\$59,659.55
HAVEN ELDERCARE OF N.E.	1,151,600	1,068,500	\$49,716.27	\$47,753.06
VISHAY ELECTRO FILMS	1,371,200	1,028,600	\$69,278.69	\$52,978.43
SHORESIDE APARTMENTS	1,096,000	1,009,000	\$55,470.52	\$52,921.61
ROYAL MILLS	764,000	835,000	\$38,702.60	\$43,714.39
BRADFORD SOAP WORKS	1,148,920	819,210	\$58,495.32	\$42,945.46
MAPLE ROOT CORPORATION	731,860	816,607	\$37,500.65	\$43,631.39
ARKRIGHT INTERLAKEN	642,923	774,290	\$31,994.09	\$40,948.09
GREENWICH PLACE APARTMENTS	773,000	749,000	\$39,080.77	\$39,135.25
WGTECHII/CONDYNE LLC	1,096,000	693,424	\$55,470.52	\$37,262.67

DEBT SERVICE REQUIREMENTS

The following schedule sets forth for each Fiscal Year indicated the debt service requirements for the 2004 Series A Bonds and 2012 Series A Bonds.

Fiscal Year	2004 Series A		2012 Series A		Total Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
6/30/2012	\$1,100,000	\$143,063			
6/30/2013	\$1,140,000	\$97,263			
6/30/2014	\$1,180,000	\$55,288			
6/30/2015	\$1,070,000	\$18,056			
6/30/2016	-	-			
6/30/2017	-	-			
6/30/2018	-	-			
6/30/2019	-	-			
6/30/2020	-	-			

<u>Fiscal Year</u>	<u>2004 Series A</u>		<u>2012 Series A</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
6/30/2021	-	-	-	-	-
6/30/2022	-	-	-	-	-
6/30/2023	-	-	-	-	-
6/30/2024	-	-	-	-	-
Total ⁽¹⁾	<u>\$4,490,000</u>	<u>\$312,670</u>			<u>\$ -</u>

⁽¹⁾ Totals may not add due to rounding.

THE SYSTEM

General Service Area Overview

Kent County service area comprises various regions within five communities in central Rhode Island (Coventry, East Greenwich, West Greenwich, Warwick, and West Warwick). The general laws of Rhode Island permit the Authority to own, operate and maintain a water supply coterminous with the county's political boundaries. In addition to serving all or parts of those communities, Authority service has been extended outside of its legislative boundaries to contiguous bordering communities in need of public water supply. Currently, its service area also incorporates parts of the Oaklawn section in Cranston, part of Western Cranston, southeastern Scituate, and the extreme northeast corner of North Kingstown. There are active 26,560 service accounts (including residential, commercial/industrial, and governmental users) in these locales. Based on census tract data, the Authority serves a residential population of approximately 88,700 citizens.

The three primary sources of water supply for the Authority water system are the:

1. Providence Water Supply Board (PWSB).
2. City of Warwick Water Department through wholesale interconnections with PWSB.
3. Groundwater from well fields owned and operated by the Authority.

Treated water from the Scituate Reservoir complex supplies the entire PWSB system, which in turn supplies wholesale water to the Authority and several other water utilities throughout State by way of individual wholesale interconnections. The Authority maintains two direct interconnections to the PWSB, and one to the City of Warwick Water Department. The City of Warwick Water Department is a transmission host that receives the vast majority of its source of supply from the PWSB. Under an existing wholesale agreement the Authority also provides the City of Warwick with a wholesale supply connection to service the isolated Potowomut section of Warwick. Most of this supply can be attributed to withdrawals from the East Greenwich well source.

Groundwater resources of the Authority include three (3) independent well fields within Kent County. The Mishnock, Spring Lake and East Greenwich well fields are essential riparian resources that were intrinsic to economic development and residential customer base expansion in the service area.

The transmission and distribution system consists of approximately 403 miles of water main, with sizes ranging from 2-inch diameter in older areas that serve domestic supply only, to 36-inch diameter transmission mains, which transport water from the supply sources and storage tanks to the distribution

system. Transmission mains, which are defined as water mains 12 inches or greater in diameter, total approximately 45 miles, or 11 percent of the total system piping.

Elevations throughout the Authority water system range from 15 feet Mean Sea Level (“MSL”) along coastal areas to 400 feet MSL in West Greenwich in the southwestern portion of the system. The service area is operated as nine (9) distinct service area pressure gradients, each operating at varying hydraulic grades and at various locations. There are nine (9) operational water storage tanks, one (1) offline and three (3) have been abandoned due to capital improvements over the years.

The Authority owns and operates four (4) booster pumping stations (Setian Lane, J.P. Murphy Boulevard, Johnson Boulevard, and Hope Road Pump Stations) and two (2) transmission pumping stations (Clinton Avenue and Quaker Lane Pump Stations), in addition to facilities at the well fields. Only the East Greenwich Well is active in the production of drinking water at this time due to benign water quality issues at the remaining well fields. Construction is ongoing for the Mishnock Treatment Facilities to bring that well field back onto production.

The Authority maintains four wholesale interconnections to neighboring water purveyors – two each with Providence Water and the City of Warwick Water Department. Three of the four interconnections supply the Authority with finished water on a daily basis, while one of the interconnections to the City of Warwick (Potowomut) conveys finished water to the City of Warwick Water Department distribution system. The Authority also has four (4) emergency interconnections:

1. A one-way supply to the Quonset Development Corporation.
2. A one-way supply to the Town of North Kingstown.
3. A one way supply to the City of Warwick Water department that can only be activated when the wholesale connection from Warwick to the Quaker Lane transmission station is offline.
4. A two way connection with the Providence Water Supply Board.

All of these connections are governed by written agreement and restricted to emergency use due to hydraulic capability limits of the existing Authority transmission distribution system.

Groundwater Wells

The Authority maintains three (3) well fields within its water supply system. A description of each groundwater supply source is provided below.

Mishnock Wells

The Mishnock Wells are located in Coventry, Rhode Island. The Mishnock well field contains three wells with only one of the wells serving as an active production well (Mishnock Well No. 3). Mishnock Well No. 1 (350 gpm) currently serves as a standby well for emergency purposes and Mishnock Well No. 2 has been abandoned and replaced by Mishnock Well No. 3. Mishnock Well No. 3 was installed in September 1999 and placed into service in March 2000. Eventually, Mishnock Well No. 1 will be replaced by an additional wells (Mishnock Wells No. 4 and 5) located in the same well field.

Mishnock Well No. 3 consists of a gravel-packed well, which was constructed in 1999 by R.E. Chapman. The well is a total depth of 67.5 feet with 10 feet of stainless steel screen. There is a 700 gallon per minute (“GPM”) submersible pump which is designed to operate at 168 feet total dynamic head (“TDH”) discharging into an 8-inch ductile iron main.

Currently, the Mishnock well field is offline due to aesthetic problems with iron and manganese. The well field will be reactivated upon activation of the treatment facility currently under construction.

Spring Lake Well

The Spring Lake Well is 79 feet deep with 15 feet of screen. This facility consists of a gravel-packed well constructed in 1960 by R.E. Chapman. The Spring Lake Well contains a 1,350 GPM vertical turbine pump designed to operate at 200 feet TDH discharging into an 8-inch ductile iron main. In 1998, the Spring Lake Well was redeveloped and re-screened at a smaller diameter. Currently, the well facility has been reduced in capacity to approximately 300 gpm due to well field fouling and excessive drawdown in the well casing. A replacement well is envisioned along with treatment at a future date.

East Greenwich Well

The East Greenwich Well was constructed in 1964 by R.E. Chapman. This well is 118 feet deep with 30 feet of screen. The East Greenwich Well is equipped with a 1,600 GPM vertical turbine pump with a rated capacity of 1,000 GPM at 407 feet TDH. The facility will produce 1,600 gpm when not restricted (i.e. wide open) but is typically controlled between 1200- 1,400 gpm. This facility contains a diesel driven engine to provide standby pumping capabilities for the well. The East Greenwich Well was redeveloped in 1995. Preliminary design has been completed of a new treatment facility. The Authority anticipates that it will need to issue Additional Bonds in the approximate amount of \$7,000,000 in the future to finance the proposed treatment facility.

Wholesale Interconnections

The primary source of water supply for the Authority is through wholesale interconnections through Providence Water and the City of Warwick Water Department (indirectly from Providence Water). Below is a description of each wholesale interconnection.

Clinton Avenue Pump Station

The Clinton Avenue Pump Station, located in Scituate, Rhode Island, is the main source of water supply for the Authority. This facility is fed via a 30-inch water main that is tied into Providence Water's 78-inch aqueduct. The pump station boosts water from the Providence system operating at a hydraulic grade of approximately 231 feet MSL to the Authority's low service system, which operates at a hydraulic grade of 334 feet MSL. The Clinton Avenue Pump Station contains five (5.5 MGD) low service vertical turbine pumps and two (3.0 MGD) high service vertical turbine pumps. The station has an emergency generator to provide standby power.

There is a 30-inch discharge main from the pump station, which feeds 24-inch diameter and 16-inch diameter low service transmission mains outside the station on Clinton Avenue and a 24-inch diameter high service transmission main.

Oaklawn Avenue Interconnection

The Oaklawn Avenue interconnection is the second wholesale interconnection to Providence Water. It is located near the intersection of Oaklawn Avenue and Old Spring Road in Cranston, Rhode Island. Primarily, the Oaklawn Avenue interconnection services small portions of Cranston and West Warwick. There is a closed gate valve at the intersection of Providence Street and Wakefield Street in West Warwick isolating the interconnection from the Authority's low service system. Water is supplied from the Oaklawn Avenue interconnection to the Authority by gravity at a hydraulic grade of approximately 231 feet MSL.

Historic master meter records for the Oaklawn Avenue interconnection indicate that an average of approximately 130 million gallons of water per year (0.35 MGD) is supplied to the Authority.

Bald Hill Road Pump Station

The Bald Hill Road Pump Station boosts water from a hydraulic grade of 232 feet MSL to 334 feet MSL. This facility is located at the intersection of Bald Hill Road and Centerville Road in Warwick. The Bald Hill Road Pump Station is equipped with three (3) 2,400 GPM centrifugal pumps and one (1) 2,100 GPM centrifugal pump. The pump station pumps from the City of Warwick's water system which is supplied by Providence Water's aqueduct. Typically, this station is not operated during the winter months. This station is currently under refurbishment to increase its capacity and make provisions for a high service booster option.

Potowomut Interconnection (Wholesale)

The Authority wholesales water to the City of Warwick via the Potowomut interconnection. The Potowomut interconnection is located on LaForge Road in Warwick. This interconnection services approximately 1000 residents.

Storage Facilities

The Authority water supply system consists of ten (10) water storage facilities. Three tanks have been abandoned due to system changes over time that has rendered these tanks obsolete. One tank is offline.

Security

The Authority is keenly aware of the current public health security requirements. The Bioterrorism Preparedness Response Act of 2002 requires every community water system to conduct a vulnerability assessment of their system. The Authority has met these requirements and has completed the required vulnerability assessment of its System. The Authority believes that it has achieved all requirements and is operating with a greater sense of security within its System.

OPERATIONS

General

The Authority operates the System in accordance with all applicable rules and regulations and requirements of the water industry and all regulatory bodies. As the Authority's budget is limited to its revenues, the Authority strives to achieve a balanced budget each year.

Management of the System is divided into a ladder structure to allow direct and indirect supervision by senior management. The office staff, collection, billing and administration are under the direct control of the Director of Administration & Finance. The Director of Technical Services supervises contract operation, Dig Safe notification, technical review, Geographic Information System ("GIS") implementation and operation of the System. Director of Operations supervises all transmission and distribution of field crews for installation and repair and all facilities and control system for the Authority. Management of the entire System is under the authority of the General Manager and Chief Engineer.

Employees of the Authority receive medical, pension and life insurance benefits. Employees of the Authority are not members of any collective bargaining group.

Budgeting Process and Expenditure Control

The Authority prepares an annual budget for both operating and capital expenditures. That budget is based upon the requirements of the most recent rate decisions of the PUC. All items of the budget are reviewed including costs of both wholesale water and power, transmission and distribution, storage and salaries. The Board has directed the staff of the Authority to strive for a balanced budget annually. When a balanced budget is not achievable, the Authority must apply to the PUC for a rate increase.

Budgets are prepared by the General Manager and Chief Engineer with the assistance of the Director of Administration and Finance. Each April, the Board begins its review of the budget for the Fiscal Year beginning July 1.

The Authority's Annual Budget must be approved by the Board prior to the beginning of the Fiscal Year.

On a monthly basis the General Manager and Director of Administration and Finance review expenditures compared to budgeted amounts, as well as reports prepared by the Director of Administration and Finance, as to the cash condition of the Authority. Any expenditure over budgeted amounts must be approved by the Board and funds for such expenditures must be re allocated from other items and must be listed as separate items in the budget.

Financial and Long Term Planning

The Authority's long term planning is handled through the Capital Improvement Program ("CIP") process or the Infrastructure Program described below. Financial planning is embodied in the Authority's rate filings with the PUC.

Rates and Charges

The Authority is subject to the regulation of the PUC. The PUC is an agency of the State established pursuant to Chapter 1 of Title 39 of the Rhode Island General Laws (1956), as amended, to serve as a "quasi-judicial tribunal with jurisdiction, powers and duties to hold investigations and hearings involving rates, tariffs, tolls and charges, and the sufficiency and reasonableness of facilities and accommodations of railroad, gas, electric, water, telephone, telegraph and pipeline public utilities," among other powers. Since 1953, the PUC has approved rate increases for the Authority. Rate increases have produced sufficient revenues to cover the operations of the Authority, the CIP and an Infrastructure Program. The Infrastructure Program consists of annual expenditures in the amount of \$5,400,000 for renewal and replacement improvements in accordance with the approval plan and state statute.

The following percentage rate increases were granted to the Authority by the PUC during the past ten (10) years:

<u>Effective Date</u>	<u>% Increase Granted</u>
1/01/2001	1.95%
1/01/2002	15.88%
1/01/2003	2.85%
7/15/2005	24.23%
1/01/2006	2.28%
11/01/2007	4.60%
11/01/2008	22.03%
10/05/2009	1.53%
4/27/2010	10.30%

The current rate schedule applicable to all retail metered water in the System for residential, commercial and industrial consumption is as follows:

<u>Size of Meter</u>	<u>Rate per 100 cubic feet</u>
Small (5/8 inch to 2 inch)	\$5.225
Medium (3 inch to 4 inch)	\$4.452
Large (6 inch and larger)	\$3.795

The current schedule of System service charges is as follows:

<u>Metered Accounts</u>		<u>Private Fire Service</u>		<u>Public Fire Service</u>	
<u>Meter Size (in inches)</u>	<u>Quarterly Accounts</u>	<u>Monthly Accounts</u>	<u>Service Size (in inches)</u>	<u>Quarterly Accounts</u>	<u>Quarterly</u>
5/8 and 3/4	\$10.26	\$ 7.51	4	\$ 55.69	\$139.33/hydrant
1	\$13.57	\$ 8.61	6	\$150.09	Plus \$6.12/billing
1 1/2	\$19.78	\$10.67	8	\$312.94	
2	\$25.17	\$12.47	10	\$557.88	
3	\$32.20	\$14.82	12	\$897.35	
4	\$45.86	\$19.37	Hydrant	\$150.09	
6	\$76.08	\$29.44			
8	\$128.66	\$45.97			

Effective April 27, 2010, the PUC granted the Authority an increase in revenues of \$1,460,031 to recover the cost of the wholesale rate increase granted to the Providence Water Supply Board. Based upon that rate filing, new rates were in place effective April 27, 2010 to begin collecting the additional revenues.

CAPITAL IMPROVEMENT PROGRAM

General

The Authority has historically endeavored to scrutinize its needs and establish programs to better serve its customers. In light of the federal drinking water regulations mandated by the Safe Drinking Water Act, the Authority has, since the late 1980s, proceeded aggressively towards implementing improvements to the System to ensure that all aspects of the System meet current and projected water standards and requirements.

In 1988, the Authority undertook a comprehensive capital improvement programming ("CIP"), which had the following objectives:

- Secure and increase source supply with improvements to wholesale source acquisition.
- Reinforce transmission capabilities with source distribution improvements.
- Improve pressure and service areas with historic pressure problems with use of high service gradient.
- Review storage capabilities for fire protection and distribution efficiency.
- Distribution system improvements.

The distribution system improvement projects are required to improve pressure and service within the System, add reliability, and reinforce the distribution portion of the System.

The Authority has made continued progress towards achieving the objectives and remains committed to achieving its objectives through the CIP which is revised by the Authority every five (5) years. Each revised and re-issued CIP reprioritizes and modifies the programs to be dynamic in nature and current to the direction of the Authority. Modern water system modeling and system studies continue to allow the Authority to balance supply with demand with improvements for system anomalies. Since Bonds were first issued, the programs have been ongoing with designs for construction and facility activations. Today, the Authority is benefiting from those improvements that have been completed to date and are well underway with the design for the next phases of the capital programs.

The CIP reiterates the Authority's commitment to:

- Provide a continued source of supply of high quality, potable water at adequate pressure both for consumption by the Authority's customers and for fire protection;
- Conserve water supplies and to reduce long term maintenance costs of the System;
- Improve the overall operation of the System;
- Coordinate improvements to the System to comply with local and federal guidelines for the management and operation of a water supply system; and
- Coordinate the scheduling of System improvements with the related projects of other public agencies to minimize the disruptions to residents and businesses.

The CIP focuses on three functional areas: source of supply, transmission and administration. Approximately 38% of the CIP is dedicated to supply issues, including upgraded well fields, treatment facilities, and booster station modifications. Approximately 36% is dedicated to transmission, including major transmission mains to supplement supply of either groundwater sources or the wholesale purchase sources throughout the distribution network of the Authority. The last item is dedicated to administrative needs which are a new facility for the Authority replacing the 100 year old facility infrastructure to continue to grow as needed and to function as a professional and efficient organization. This amounts to 26% of the total funds of the updated CIP. Total cost of the CIP, as updated is estimated at \$34,500,000.

The Authority has \$[] in unspent proceeds from the issuance of 2002 Series A Bonds (the "2002 Proceeds"), due to unexpected permitting issues that were encountered after the issuance of the 2002 Series A Bonds that ultimately prevented the expansion of certain wellfields. Upon issuance of the Bonds, the 2002 Proceeds will be transferred to the 2012 Series A Project Fund. The Authority intends to use the funds in the 2012 Series A Project Fund on two (2) approved CIP projects—the construction of a new Mishnock water treatment facility and a portion of a new pipeline. These projects have an estimated total cost of \$15,000,000. The Authority has obtained the necessary permitting for each of the projects and construction of a new Mishnock water treatment facility is already underway. It is anticipated that these CIP projects will exhaust the proceeds from 2002 Proceeds and the Authority will consider issuing Additional Bonds in the future to complete the updated CIP.

Water System Improvements

Source of Supply: In keeping with good waterworks and supply management practice, the Authority recognizes the need to assess the adequacy of its source of supply so as to ensure a continued and reliable source of water production with minimum interruption of service. The Authority believes it is timely and prudent to continuously evaluate its aquifers and treatment processes for the purpose of increasing supply. The current CIP provides for such evaluation.

Transmission System Improvements: Major transmission improvements are planned to ensure that adequate transmission capabilities exist between all sources of supply. The program is designed to ensure transmission of water from other locations should a particular source be out of service. Adequate supply and transmission is a key requirement under the emergency planning requirements of the Water Supply Management Act described hereinafter under "GOVERNMENT REGULATION". As such, the Authority will strengthen its transmission system to minimize risk and vulnerability so that a reliable supply is readily available. Other transmission improvements throughout the System included in the current CIP will provide greater hydraulic capabilities between supply and System storage.

Distribution System Improvements: The program of improvements to distribution piping includes replacing smaller mains and mains with a history of failure and the installation of new mains to improve pressure and service within the System for added reliability. This is accomplished by the Authority's separate and distinct infrastructure renewal and replacement program currently up to date and outlined in the updated CIP.

Administrative: The Authority proposes to enhance the effectiveness of its operation and the manner in which it monitors and maintains System performance by modernizing the administrative facilities as part of the updated CIP.

Plan of Financing

The Authority has been financing the CIP with the remaining proceeds of the 2001 Series A and 2002 Series A Bonds. The refinancing of the Prior Bonds will reduce the cost to the Authority's customers and will ease the Authority's debt service requirements. The Authority will consider the issuance of Additional Bonds in the future to complete the updated CIP.

GOVERNMENT REGULATION

The Authority is subject to various federal, state, and local environmental statutes and regulations, the most significant of which are described below.

Drinking Water Regulation

Both the water purchased from the PWSB and that derived from the Authority's wells meet or exceed all water quality requirements of the state and federal governments enacted to date. Under the federal Safe Drinking Water Act ("SDWA"), 42 U.S.C. §300 *et. seq.*, enacted in 1974 and significantly amended in 1986 the United States Environmental Protection Agency (the "EPA") is required to regulate the level of contaminants allowed in the drinking water of most water supply systems in the United States, including the Authority. Under the SDWA, the EPA established national drinking water standards and maximum levels for contaminants. These regulatory standards generally require treatment procedures by water supply systems so that drinking water will be free from bacteriological or chemical contaminants. Enforcement of drinking water standards in Rhode Island under the SDWA has been delegated to the State Department of Health (the "DOH"), which also acts under authority of state law. Final regulations promulgated by the EPA implementing the 1986 amendments to the SDWA detail criteria, procedures and timetables for state determinations of whether filtration measures will be required for drinking water supplied by surface water sources in the state and for state implementation of regulations regarding the maximum permissible levels of coliform bacteria occurrence in treated waters.

The System's water is continuously tested and found to be below the maximum contaminant level (MCL) for coliform bacteria and volatile organic contaminants. The System's water has also repeatedly

passed the EPA's and the DOH's lead and copper tests. The Authority meets EPA standards for all regulated contaminants.

The SDWA also establishes a Wellhead Protection Program (WHP) to protect wells and well fields supplying public water from contamination. The WHP Program is also administered by the EPA. Under the WHP, the states are required to submit a WHP Program to EPA. The Rhode Island Department of Environmental Management (DEM) was designated by the Governor of Rhode Island as the lead agency for the development and implementation of a WHP Program for Rhode Island. The Groundwater Protection Section of the Division of Groundwater and Freshwater Wetlands has taken responsibility for the program. Provisions of the WHP Program apply to all public water systems of which the Authority is one. The Authority has implemented these programs.

The State Water Supply Management Act, Chapter 15.4 of Title 46 of the General Laws of Rhode Island (1956), as amended, enacted in 1991, requires that all parties involved in the supply, transmission and/or distribution of drinking water prepare, maintain and carry out a water supply management plan.

Under the Water Supply Management Act, the Rhode Island Water Resources Board (WRB) is charged with the evaluation of such plans. The WRB has promulgated "Rules and Regulations for Water Supply System Management Planning" outlining in detail the requirements for water supply and emergency management planning considered necessary to implement the Water Supply Management Act. Such water supply management plan must contain among other things, a statement of goals the plan intends to achieve, demand, system and supply management measures and information regarding emergency management. The Authority's current water supply management plan is approved by all reviewing agencies.

Clean Water Infrastructure

In 1993 the Rhode Island General Assembly enacted the Comprehensive Clean Water Infrastructure Act of 1993 (Chapter 15.6 of Title 46 of the General Laws of Rhode Island (1956), as amended) (the "Infrastructure Act"), the stated objective of which is the establishment of a funding mechanism to ensure that infrastructure replacement programs are carried out by each municipality or other entity engaged in the supply, treatment, transmission or distribution of drinking water in the State. Under the Infrastructure Act, all municipalities or other entities engaged in the supply, transmission or distribution of drinking water on a wholesale or retail basis and which obtain, transport, purchase or sell more than fifty million (50,000,000) gallons of water per year are considered "Water Suppliers" for purposes of the Infrastructure Act. The Authority is such a Water Supplier.

Under the Infrastructure Act, all Water Suppliers are required to prepare, maintain and carry out an infrastructure replacement program. The infrastructure replacement component is to include, among other things, a detailed financial forecast of facility replacement improvement requirements for the next twenty (20) years and, to the extent that such component differs from the Water Supply System Management Plan filed pursuant to Chapter 15.4 of Title 46 of the Rhode Island General Laws (1956, as amended), must be filed with the DOH for review and approval. Each Water Supplier is required by the Infrastructure Act to then implement the requirements of its infrastructure replacement program and component in accordance with rules and regulations promulgated pursuant to the Infrastructure Act. Kent County Water Authority has complied with all infrastructure regulations and currently has a plan approved by all agencies. Funding has been allocated at \$5,400,000 per year and has been approved and included in rates by PUC. The Authority issues yearly programs for construction to fulfill the infrastructure regulations. The progress has been extensive since its beginning in the 1990's. Expenses are budgeted each year based on the collections to date and programs anticipated.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution contains terms and conditions relating to the issuance and sale of Bonds under it, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the General Resolution to which reference is hereby made, copies of which are available from the Authority or the Trustee. The summary uses various terms defined in the General Resolution. Summaries of certain of these definitions are given in APPENDIX C.

Bonds Authorized. Under the General Resolution the Authority may issue general revenue bonds ("Bonds") which bear a fixed rate of interest ("Fixed Rate Bonds"), which provide for a variable interest rate ("Variable Rate Bonds"), which include an option exercisable by the registered owner thereof to have such Bonds either purchased or redeemed prior to the maturity thereof ("Tender Bonds"), zero interest rate or deep discount Bonds ("Discount Bonds") or Bonds which provide for the compounding of interest ("Compound Interest Bonds"). The 2012 Series A Bonds will be issued under the General Resolution as Fixed Rate Bonds. At the time of issuance of the 2012 Series A Bonds, the Authority's 2004 Series A Bonds will also be Outstanding. The 2004 Series A Bonds are fixed rate bonds. As used herein, the term "Bonds" refers to all Bonds then Outstanding under the General Resolution.

Resolution to Constitute Contract. The General Resolution constitutes a contract between the Authority and the Bondholders. The pledge made in the General Resolution with respect to the Bonds and the covenants and agreements therein are for the equal benefit, protection and security of the holders of all Bonds, all of which, regardless of the time or times of their issue or maturity, rank equally without preference, priority or distinction of any Bond over any other, except as expressly provided in or permitted by the General Resolution.

Pledge of Resolution. Under the General Resolution, the Authority pledges for the payment of the Principal Amount and Redemption Price of and interest on the Bonds, subject only to the provisions of the General Resolution permitting the application thereof for the purposes and on the terms and conditions of the General Resolution, the proceeds of the sale of such Bonds, all Revenues and all moneys, securities and Reserve Deposits in all funds and accounts established by the General Resolution except the Rebate Fund and the General Fund. Pursuant to the Act, the State has pledged to and agreed with the Holders of any Bonds that the State will not limit or alter the rights vested in the Authority until such Bonds and the interest thereon are fully met and discharged.

The Bonds are general obligations of the Authority and the full faith and credit of the Authority are pledged for the payment of the Principal Amount and Redemption Price of and interest on the Bonds. Neither the State nor any political subdivision thereof other than the Authority is obligated to pay the Bonds and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof other than the Authority is pledged to such payment.

General Provisions for Issuance of Bonds; Delivery of Bonds. The General Resolution authorizes the issuance of Bonds in one or more series without limitation as to amount except as limited by law or the terms of the Resolution. In addition to other requirements of the Resolution, Bonds may be delivered by the Authority only upon receipt, among other things, by the Trustee of:

(1) an opinion of counsel to the effect that, among other things the Bonds are valid and binding general obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolution and the applicable series resolution and entitled to the benefits of the Act, the Resolution and the Series Resolution;

(2) a certificate of a Consulting Engineer or a Certified Public Accountant selected by the Authority setting forth a description of, and the estimated Cost and completion date of, each Project, if any, financed in whole or in part by such Bonds; and

(3) an amount of proceeds of such Bonds, other moneys or Reserve Deposits such that following the issuance of such Bonds and application of their proceeds, the Debt Service Reserve Fund will equal the Debt Service Reserve Fund Requirement.

Additional Bonds. In addition to the 2004 Series A Bonds and the 2012 Series A Bonds, the General Resolution permits the issue of additional series of Bonds ("Additional Bonds") on a parity with the 2004 Series A Bonds and the 2012 Series A Bonds for the purpose of paying all or a portion of the Cost of any Project, making deposits in the funds and accounts established under the General Resolution or series resolution authorizing the Bonds, paying the cost of issuance of Bonds, paying the principal of and interest on Notes issued in anticipation of such Bonds, or any combination of the foregoing. Additional Bonds may be issued by the Authority only upon receipt by the Trustee of, among other things:

(1) a certificate of the Authority that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

(2) a certificate of the Authority showing compliance with the covenant in the Resolution regarding Rates and Charges for the prior two Fiscal Years in which Bonds were Outstanding; and

(3) a certificate of (1) a Certified Public Accountant selected by the Authority and satisfactory to the Trustee setting forth the average Net Revenues for the prior two Fiscal Years, after giving effect to any increases in Rates and Charges approved up to the date of such Certificate as if such increased Rates and Charges had been in effect throughout the prior two Fiscal Years, and showing that, for the prior Fiscal Year the Net Revenues as so adjusted were at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service with respect to Bonds outstanding during such prior Fiscal Year and the Additional Bonds to be issued, (disregarding any Bonds that have been paid or discharged or will be paid or discharged immediately after the issuance of the Additional Bonds proposed to be issued) or (2) a Consulting Engineer or a Certified Public Accountant selected by the Authority and satisfactory to the Trustee (a) setting forth the estimated annual Net Revenues for each of the five full Fiscal Years following the issuance of such Bonds (including the Fiscal Year in which such Bonds are issued), after giving effect to any increases or decreases in Rates and Charges approved for such period, and, if the estimated Net Revenues include estimated increased costs for purchased water based on pending requests by other water suppliers for rate increases then the calculation of estimated revenues may also include estimated increases in Rates and Charges to provide for such estimated increased costs, and (b) showing for each of such Fiscal Years that such estimated annual Net Revenues for such Fiscal Year available in such Fiscal Year (as calculated by an Authorized Officer at the time of the issuance of such Bonds), will be equal to at least one hundred twenty five percent (125%) of (A) the Debt Service Requirement calculated as of the first day of such Fiscal Year and the Bonds to be issued and to any increase in the Debt Service Requirement as a result thereof, less (B) the amount, if any, of Bond proceeds available or projected to be available to pay Principal Installments and interest becoming due in such Fiscal Year on Bonds Outstanding or projected to be Outstanding as of the first day of such Fiscal Year.

Refunding Bonds. The General Resolution permits the issuance of one or more series of Bonds ("Refunding Bonds") for the purpose of refunding any or all of the Bonds Outstanding. Refunding Bonds may be issued by the Authority only upon a certificate of the Authority to the effect that the Debt Service Requirement for each Fiscal Year in which Bonds will be outstanding will be reduced as a result of the

issuance of Refunding Bonds; provided that, in lieu of such certification, the Authority may deliver to the Trustee certificates satisfying the conditions described above under "Additional Bonds."

Additional Security. The General Resolution provides that in connection with the initial issuance of any series of Bonds, the Authority may obtain letters of credit, lines of credit, insurance of similar obligations, agreements or instruments ("Additional Security") securing or providing for the payment of all or a portion of the Principal or Redemption Price of, or interest due on, such Bonds or providing for the purchase of such Bonds by the issuer of such Additional Security. The Authority may secure its obligations with respect to any Additional Security by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the interest rates or other provisions of the Bonds secured thereby as provided by the Authority in the applicable series resolution. The Authority may also agree to directly reimburse the issuers of Additional Security for amounts paid thereunder ("Reimbursement Obligations") and such Reimbursement Obligations may be secured by a lien on Revenues which, upon payment of amounts payable under the terms of the Additional Security, may be on a parity with the lien of the Bonds.

Establishment of Funds and Accounts. The General Resolution established the following funds all of which shall be held by the Trustee, except the Operation and Maintenance Fund, the Insurance Reserve Fund and the General Fund, which will be held by the Authority:

- (1) Project Fund
 - (a) Project Accounts
 - (b) Renewal and Replacement Accounts
 - (c) Cost of Issuance Accounts
- (2) Revenue Fund
- (3) Operation and Maintenance Fund
- (4) Debt Service Fund
 - (a) Debt Service Account
 - (b) Stabilization Account
- (5) Rebate Fund
- (6) Redemption Fund
- (7) Debt Service Reserve Fund
- (8) Operation and Maintenance Reserve Fund
- (9) Insurance Reserve Fund
- (10) Renewal and Replacement Reserve Fund
- (11) General Fund

In addition to the Funds and Accounts created by the General Resolution, the Authority may, by supplemental resolution or a series resolution, direct the Trustee to create one or more accounts or sub-accounts within such Funds and Accounts, to be held and maintained by the Trustee or the Authority, as applicable, consistent with the General Resolution as provided in such supplemental resolution or series resolution.

Application of Bond Proceeds, Revenues and Other Moneys. The Resolution provides that the proceeds of Bonds, Revenues and other moneys deposited in the various funds and accounts under the Resolution shall be applied as follows:

Project Fund. The series resolution for any Series of Bonds issued to pay the Cost of any Project shall establish within the Project Fund one or more separate accounts ("Project Accounts") for such Series of Bonds. Amounts in any Project Account will be applied to the Cost of the Projects financed by such Series. Any balance in the Project Account not required to pay the Cost of such Projects may be applied to the Cost of other Capital Improvements including other Projects, for deposit in the Renewal and Replacement Reserve Fund, or to the redemption of the Bonds of the Series for which such Project Account was established by deposit of such amount in the Redemption Fund.

The Authority may establish within the Project Fund one or more separate accounts ("Renewal and Replacement Accounts") for Capital Improvements to be financed by Revenues. Amounts in a Renewal and Replacement Account will be applied to the Cost of the Capital Improvements for which such account was established. Upon completion of such Capital Improvements, or upon a determination by the Authority that a Capital Improvement has been or should be delayed and that no further amounts or significantly reduced amounts are required from the applicable Renewal and Replacement Account, the Authority may direct the Trustee to transfer amounts then on deposit in the applicable Renewal and Replacement Account (i) to another separate Renewal and Replacement Account, (ii) to the Renewal and Replacement Reserve Fund or (iii) to the Revenue Fund.

Revenue Fund. All Revenues except (1) proceeds of property loss insurance and condemnation, (2) proceeds of any sale or other disposition of any part of the System and (3) earnings on investment of the funds and accounts, shall be collected by the Authority and deposited daily, as far as practicable, with one or more Depositories selected by the Authority and satisfactory to the Trustee. All such Revenues shall be deemed to be held for the account of the Revenue Fund and shall be transferred to the Trustee for deposit in the Revenue Fund no less than monthly. There shall also be deposited in the Revenue Fund any other moneys of the Authority so directed by a series resolution which it determines to so apply unless required to be otherwise applied by the General Resolution. On the last business day of each calendar month or on such earlier business day as the Authority designates, the Trustee shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

(1) To the Authority for deposit in the Operation and Maintenance Fund, the amount requested by the Authority for Operating Expenses for the next ensuing month;

(2) To the Debt Service Fund, an amount, which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement as of the first day of the next ensuing month.

(3) To the Rebate Fund, an amount, which together with the amount on deposit in such Fund, will equal the Rebate Requirement.

(4) Except as otherwise provided in any applicable series resolution, if the amount on deposit in any series account of the Debt Service Reserve Fund, is less than the applicable Funded Debt Service Reserve Fund Requirement, to such series account of the Debt Service Reserve Fund an amount equal to

1/24th of the amount of such short fall on such day and an equal amount in each ensuing month until the amounts on deposit therein equal the Funded Debt Service Reserve Fund Requirement.

(5) To the Stabilization Account of the Debt Service Fund, such amount, if any, designated by the Authority as further provided in the General Resolution.

(6) To the Operation and Maintenance Reserve Fund, an amount necessary for such Fund to equal the Operation and Maintenance Reserve Fund Requirement;

(7) To the Authority for deposit in the Insurance Reserve Fund, if any, the amount necessary to maintain such Fund at the Insurance Reserve Fund Requirement;

(8) To the Renewal and Replacement Reserve Fund, an amount, which together with other amounts on deposit in such Fund, will equal the Renewal and Replacement Reserve Fund Requirement;

(9) To such other funds or accounts as shall be required by any series resolution;

(10) To such other funds or accounts established by the Authority in compliance with applicable law or required by any Rate Order; and

(11) To the Operation and Maintenance Reserve Fund, the Renewal and Replacement Reserve Fund or one or more Renewal and Replacement Accounts, such amount as requested by the Authority but only upon receipt by the Trustee of, among other things, a certificate of the Authority stating that such deposit will not impair the ability of the Authority to either (A) meet the requirements of the Revenue Fund during such Fiscal Year or (B) satisfy the requirements of the rate covenant in the General Resolution in the current or the next succeeding Fiscal Year.

Any balance remaining in the Revenue Fund following the above payments will be retained in the Revenue Fund to be available for payments therefrom in the succeeding months; provided that if the Authority has issued notes in anticipation of Revenue in accordance with the General Resolution (and described below under "Covenant with Respect to Creation of Liens and Other Indebtedness"), amounts in the Revenue Fund remaining after the above payments have been made may be used by the Authority to pay such notes at maturity or upon earlier redemption.

Notwithstanding the foregoing, in the event that any Rate Order requires that Revenues be held in a restricted account, the Authority shall request the Trustee to make such transfers as may be required to comply with any Rate Order. In the event that Revenues must be restricted in an account for debt service, such monies shall be deposited by the Trustee to the Debt Service Fund Stabilization Account.

On the last business day of each Fiscal Year, any balance in the Revenue Fund will, at the written request of the Authority, be withdrawn and paid to it for deposit in the General Fund held by the Authority but only upon receipt by the Trustee of a certificate of the Authority stating that such deposit will not impair the ability of the Authority to meet the requirements of the Revenue Fund during the next succeeding Fiscal Year to satisfy the rate covenant in the General Resolution in the current or next succeeding Fiscal Year and to satisfy the terms of any Rate Order then in effect.

Operation and Maintenance Fund. Amounts in the Operation and Maintenance Fund held by the Authority with one or more depositories shall be applied by the Authority from time to time to Operating Expenses. Amounts in the Operation and Maintenance Fund which the Authority determine to be in excess of the requirements of such account will be withdrawn and deposited in the Revenue Fund.

Debt Service Fund. Amounts in the Debt Service Fund will be applied to the payment of the interest and Principal Installments (including Sinking Fund Payments) due on the Bonds. Amounts in the Stabilization Account of the Debt Service Fund, if any, may also be applied to debt service and debt service reserves for Additional Bonds or to such other purposes as the Authority may direct not inconsistent with any Rate Order.

Amounts accumulated in the Debt Service Fund with respect to any Sinking Fund Payment may, and if so directed by the Authority shall, be applied by the Trustee prior to the forty fifth (45th) day preceding the due date of such Sinking Fund Payment, to the purchase of Bonds of the series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest, or to the redemption of such Bonds then redeemable by their terms. As soon as practicable after the forty fifth (45th) day preceding the due date of any such Sinking Fund Payment unless otherwise specified in the applicable series resolution, the Trustee will call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Payment was established in an amount sufficient to complete the retirement of the Principal Amount of the Bonds of such Series and maturity as specified for such Sinking Fund Payment in the applicable series resolution. In satisfaction, in whole or in part, of any Sinking Fund Payment, the Authority may deliver to the Trustee Bonds of the Series and maturity entitled to such payment. The Authority may establish in any series resolution a separate Capitalized Interest Account within the Debt Service Fund and may deposit therein proceeds of Bonds to be applied to the interest on the Bonds and as otherwise provided in the applicable series resolution.

Redemption Fund. The Authority may deposit in the Redemption Fund any moneys, including Revenues, not otherwise required by the Resolution to be deposited or applied. Amounts in the Redemption Fund may be applied by the Authority to the optional redemption of Bonds or to the purchase of Bonds at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Bonds been redeemed

Operation and Maintenance Reserve Fund. If at any time the amount on deposit in the Operation and Maintenance Fund is insufficient to pay all Operating Expenses then payable, the Trustee will withdraw from the Operation and Maintenance Reserve Fund and pay to the Authority for deposit in the Operation and Maintenance Fund the amount of the deficiency.

Debt Service Reserve Fund. If at any time the amount on deposit and available therefor in the Debt Service Fund and the Redemption Fund is insufficient to pay the Principal Installments and the Redemption Price of, and interest on, the Bonds, when due, amounts in the Debt Service Reserve Fund will be applied to the deficiency. Amounts so withdrawn shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Deposits held as a part thereof. If on the last business day of any month the amount on deposit in the Debt Service Reserve Fund is in excess of the Funded Debt Service Reserve Fund Requirement the Trustee at the direction of the Authority will withdraw such excess and deposit it in the Revenue Fund.

Renewal and Replacement Reserve Fund. If amounts on deposit in the Debt Service Account of the Debt Service Fund, Redemption Fund and Debt Service Reserve Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Renewal and Replacement Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. The Authority may apply amounts in the Renewal and Replacement Reserve Fund to the Cost of any Capital Improvement moneys for the payment of which are not available in any Project Account or any Renewal and Replacement Account. The Trustee will deposit in a Renewal and Replacement Account any amount requested by the Authority but only upon receipt of a certificate of the Authority specifying the Capital Improvement to which such amount will be applied, its

estimated Cost and estimated completion date and certifying among other things, that such Capital Improvement is reasonably required for the continued operation of the System or the maintenance of Revenues.

General Fund. Amounts on deposit in the General Fund may be held and applied by the Authority to any use or purpose of the Authority. In addition to amounts specifically provided or permitted by the General Resolution to be deposited in the General Fund, the Authority may deposit therein any other moneys received from any source unless such moneys are required to be otherwise applied by the General Resolution or any series resolution.

Insurance Reserve Fund. If at any time the Authority determines that it cannot obtain, or cannot obtain at reasonable cost, insurance in the amounts and of the types required by the General Resolution, it can direct the Trustee to deposit amounts in the Insurance Reserve Fund and will thereafter maintain the Insurance Reserve Fund at all times at the Insurance Reserve Fund Requirement. The Insurance Reserve Fund Requirement is the amount, if any, certified to the Authority by a Consulting Engineer or an insurance consultant as necessary to adequately reserve against risks for which the Authority does not then maintain insurance.

Application of Funds and Accounts in the Event of Insufficient Revenues. If, on any date on which payments are due with respect to Principal Installments, Redemption Price or interest on the Bonds, the amount on deposit in the Debt Service Fund is insufficient to make the required payments in full, the Trustee will withdraw from the following funds and accounts and in the following order amounts sufficient to satisfy the deficiency: (1) Redemption Fund (other than money held for Bonds already called for redemption); (2) Debt Service Reserve Fund; (3) Renewal and Replacement Reserve Fund; (4) Renewal and Replacement Accounts; (5) Operation and Maintenance Reserve Fund; and (6) Insurance Reserve Fund.

Investments and Deposits. Except as otherwise provided below, moneys held for the credit of any fund or account under the General Resolution will, to the fullest extent practicable, be invested by the Trustee at the direction of the Authority in Permitted Investments which mature or are redeemable at the option of the holder on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts. Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund shall be invested solely in the investments specified in categories (i), (ii), (iii), (iv) and (ix) of the definition of Permitted Investments. Unless otherwise directed by any series resolution, Permitted Investments purchased as an investment of moneys in any fund or account shall be deemed to be a part of such fund or account. All income from investments in any fund shall accrue to and all losses shall be charged against such fund or account; provided that all income earned on investment of the Operation and Maintenance Reserve Fund, the Renewal and Replacement Reserve Fund, the Insurance Reserve Fund and the Capitalized Interest Account, will be deposited in the Revenue Fund.

In lieu of investment in Permitted Investments, amounts held for the credit of the Revenue Fund pending transfer to the Trustee in accordance with the General Resolution and amounts on deposit in the Operation and Maintenance Fund, the Insurance Reserve Fund and the General fund may be deposited by the Authority on demand or on time deposit with such depositories at the Authority may from time to time appoint for such purpose. Any depository so appointed must be a member of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation in each case qualified under the laws of the State to receive deposits of public moneys. No moneys shall be deposited with a depository in amounts in excess of Federal Deposit Insurance Corporation insurance limits unless such depository has a combined capital and surplus of at least twenty five million dollars (\$25,000,000), or, in the case of the Operation and Maintenance fund and the General Fund, ten million dollars (\$10,000,000).

Holding of Special Deposits. Except as otherwise provided in any applicable series resolution, moneys collected by the Authority as water quality protection charges or paid to the Authority from proceeds of bonds issued by the State Water Resources Board or collected by the Authority pursuant to applicable law which mandates that such moneys be segregated and applied to specific purposes or held by the Authority in connection with the System which are required to be applied under the terms of an agreement to the acquisition, construction or alteration of a facility or which are subject to refund by the Authority or held for the account of others or subject to refund to others, including, without limitation amounts deducted by the Authority from wage and salary payments to the employees of the Authority, amounts contributed by the Authority to an employee's pension or retirement fund and amounts held as deposits, including contract deposits, together with any investments of such moneys, may be held by the Authority outside of the various funds and accounts established by the General Resolution and will not be subject to the pledge created by the General Resolution or be considered Revenues while so held.

Covenant as to Rates and Charges. So long as any Bonds are Outstanding, the Authority is required to use its best efforts to establish and maintain Rates and Charges adequate at all times, with other available funds, to provide Revenues and other moneys, at least sufficient, with such margin of safety as the Authority shall deem reasonable, to pay or provide for as the same become due and payable (a) all Operating Expenses (b) all payments of Principal Installments and Redemption Price of and interest on the Bonds and all other indebtedness of or assumed or guaranteed by the Authority, (c) all amounts, if any, payable to the Operation and Maintenance Reserve Fund Debt Service Reserve Fund, Renewal and Replacement Reserve Fund and Insurance Reserve Fund, if any, (d) all repairs, replacements and renewals of the System deemed necessary by the Authority and (e) all other amounts which the Authority may by law or contract be obligated to pay.

Without limiting the generality of the foregoing, as long as any Bonds are Outstanding the Authority is required by the General Resolution to use its best efforts to establish and maintain Rates and Charges at levels sufficient so that Net Revenues in each Fiscal Year during which Bonds are Outstanding together with any moneys on deposit in the Stabilization Account beginning with the first full Fiscal Year following issuance of any Bonds will equal at least one hundred twenty five percent (125%) of (1) the Debt Service Requirement during such Fiscal Year with respect to all Bonds Outstanding as of the first day of such Fiscal Year less (2) the amount, if any, of Bond proceeds available to pay interest becoming due in such Fiscal Year on Bonds Outstanding as of the first day of such Fiscal Year. Failure by the Authority to comply with the requirements of the foregoing sentence will not be considered an event of default under the General Resolution so long as the Authority has complied or is diligently proceeding to comply with the requirements of the following paragraph

On or before six months prior to the last day of each Fiscal Year the Authority must review the adequacy of its Rates and Charges to satisfy the foregoing rate covenant for the next succeeding Fiscal Year. If such review indicates that the Rates and Charges are, or are likely to be, insufficient to meet such requirements, the Authority must promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency including making an emergency request to the PUC to raise its rates and charges.

Covenants as to Budgets. Not less than one day prior to the beginning of each Fiscal Year, the Authority shall adopt and file with the Trustee an annual operating budget ("Annual Budget") for such Fiscal Year. The Authority shall also adopt and file at such time a Capital Improvements Program for the next two Fiscal Years and a Capital Improvements Budget for the next succeeding Fiscal Year. The Authority may at any time, but not more than once a month, file with the Trustee an amended or supplemented Annual Budget or Capital Improvements Budget. The Annual Budget is required to show projected Operating Expenses and the moneys projected to be available to meet the same. The Capital Improvements Budget will show all projected disbursements from any Project Account or Renewal and

Replacement Account in the Project Fund and any other fund or account under the General Resolution as well as the sources of moneys projected to be available to meet the same. The Capital Improvements Budget will also identify the Capital Improvements to be undertaken, the nature of the work, the estimated cost thereof; and the estimated completion date of each Capital Improvement.

Covenant with Respect to Creation of Liens and Other Indebtedness. The Authority shall not issue any indebtedness secured by a pledge of or other lien on the Revenues and other moneys, securities, Reserve Deposits, if any, and funds under the General Resolution, and shall not otherwise create any lien or charge on such Revenues, moneys, securities, Reserve Deposits, if any, and funds other than Additional Bonds, except as follows:

The Authority may at any time issue notes (and renewals thereof):

(a) in anticipation of Bonds, which notes may be secured by a pledge of Revenues, provided that such pledge of Revenues must be subordinate to the pledge of the General Resolution;

(b) in anticipation of federal or state grant receipts for Capital Improvements and payable solely out of, or secured by a pledge of, the amounts to be received; provided that no such Notes shall be issued unless the Authority has received and accepted an agreement for the grant, the aggregate principal amount of such Notes outstanding at any one time shall not exceed the amount of the grant not yet received and all such Notes or renewals thereof shall mature not later than six months after the expected final date of receipt of such grant;

(c) in anticipation of the Revenues to be received in any Fiscal Year, which Notes may be payable out of or secured by a pledge of Revenues: provided that such pledge shall be subordinate to the pledge of the General Resolution, any such Notes shall be payable no later than one year from their date of issue the aggregate principal amount of such Notes outstanding at any one time in a Fiscal Year may not exceed fifty percent (50%) of the Revenues for the immediately preceding Fiscal Year and the proceeds of such Notes (other than the proceeds of renewal notes required to pay Notes) must be deposited in the Revenue Fund.

The Authority may also issue bonds, notes or other evidences of indebtedness secured solely by receipts or other moneys derived by the Authority from the lease, license, operation, sale or other disposition of any facility or equipment (whether or not part of the System) constructed or acquired by or on behalf of the Authority with the proceeds of such bonds, notes or evidences of indebtedness. Such receipts and other moneys shall not be considered Revenues or Rates and Charges under the General Resolution provided that (i) neither the debt service on such evidences of indebtedness nor any cost of the acquisition, construction, operation, maintenance or repair of any such facility or equipment nor provision for reserves for any of the foregoing may be paid from the proceeds of Bonds or from Revenues (other than Revenues deposited in the General Fund pursuant to the General Resolution) or included in Operating Expenses and (ii) any such receipts and other moneys in excess of such debt service, cost of acquisition, construction, operation, maintenance and repair and reserves must be deposited in the Revenue Fund (and upon such deposit shall be deemed Revenues). Prior to the issue of any such evidences of indebtedness the Authority must deliver to the Trustee a certificate of a Consulting Engineer or a Certified Public Accountant stating that the lease, license, operation, sale or other disposition of such facility of equipment and the application of the receipts and other moneys derived therefrom as described above will not result in any decrease in the Net Revenues projected to be received by the Authority during the succeeding five Fiscal Years (including the Fiscal Year in which such indebtedness is incurred).

Nothing in the General Resolution prevents the Authority from incurring contractual obligations which are payable out of, or secured by a pledge of, Revenues to be derived on or after such date as the

pledge of the Revenues created by the General Resolution has been discharged or which is payable solely out of, or secured solely by a pledge of, amounts which may be deposited in the General Fund pursuant to the General Resolution, provided that the pledge of such amounts must be subordinate to the provisions of the General Resolution.

Events of Default; Acceleration of Maturities. Events of Default specified in the General Resolution include (1) failure by the Authority to pay Principal Installments or Redemption Price of or interest on any Bond when due; (2) default by the Authority in the performance or observance of the rate covenants provided in the Resolution and failure to take steps diligently to remedy such default; (3) default by the Authority in the performance or observance of any other covenants in the General Resolution or in the Bonds and such default shall continue for thirty (30) days after written notice thereof to the Authority by the Trustee; provided that if such default cannot be remedied within such thirty (30) day period, it will not constitute an Event of Default if the Authority institutes and diligently pursues corrective action until the default is remedied; (4) any order, judgment or decree is entered by a court of competent jurisdiction and is not set aside or stayed within ninety (90) days of its entry (i) appointing a receiver, trustee, or liquidator for the Authority or the whole or any substantial part of the System, (ii) granting relief in involuntary proceedings under the federal bankruptcy act, or (iii) assuming custody or control of the Authority or of the whole or any substantial part of the System under any law for the relief of debtors; and (5) the Authority (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeks a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of the System, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Authority or of the whole or any substantial part of the System.

Upon the occurrence of an Event of Default and so long as the default is not cured, the Trustee in addition to other remedies under the General Resolution, may, and upon written direction of the holders of 51% of the Bonds Outstanding the Trustee shall (by sixty days' written notice to the Authority, the Governor of the State and the Local Governing Bodies of East Greenwich, Coventry, West Warwick and Warwick Rhode Island) declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately.

Application of Revenues and Other Moneys after Default. If an Event of Default occurs and is not remedied, the Authority, upon demand of the Trustee, will pay over and assign to the Trustee all moneys, securities, Reserve Deposits, Additional Security, if any, and funds then held by the Authority in any fund or account pledged under the General Resolution and, as promptly as practicable after receipt thereof, the Revenues. During the continuance of an Event of Default, the Trustee will apply such moneys, securities, Reserve Deposits, Additional Security, if any, and funds held by the Trustee and such Revenues and the income therefrom, as follows and in the following order:

(i) to the payment of the reasonable and proper charges and expenses of the Fiduciaries and of any engineer or firm of engineers selected by the Trustee pursuant to the General Resolution and to the payment of any fees and expenses required to keep any Reserve Deposits or Additional Security in full force and effect;

(ii) to the payment of reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital therefore and of reasonable costs of repair and replacement of the System necessary to prevent loss of Revenues or to provide for the continued operation of the System, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing selected by the Trustee,

(iii) to the payment of the interest and Principal Amount or Redemption Price then due on the Bonds as follows:

(a) unless the Principal Amount of all of the Bonds has been declared due and payable.

FIRST: To the payment of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably without any discrimination or preference; and

SECOND: To the payment of the unpaid Principal Amount or Redemption Price of any Bonds that have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably without any discrimination or preference; and

(b) if the Principal Amount of all of the Bonds shall have become or have been declared due and payable, to the payment of the Principal Amount and interest then due and unpaid on the Bonds without preference or priority of Principal Amount over interest or of interest over Principal Amount, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, without any discrimination or preference.

The proceeds of any Reserve Deposits and Additional Security shall be applied by the Trustee in the manner provided in the applicable series resolution authorizing such Reserve Deposits and Additional Security.

Proceedings Brought by Trustee. Whether or not the principal of all of the Bonds Outstanding and the interest accrued thereon is declared to be due and payable, if an Event of Default occurs and is not remedied, the Trustee may proceed to protect and enforce its rights and the rights of the Bondholders under the General Resolution by a suit or suits in equity or at law, whether for the specific performance of any covenant in the General Resolution, or in aid of the execution of any power granted in the General Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, deems most effectual to enforce any of its rights or to perform any of its duties under the General Resolution.

Restrictions on Bondholders' Actions. No Bondholder has any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the General Resolution or for any remedy under the General Resolution, unless such holder has previously given to the Trustee written notice of the occurrence of an Event of Default and shall have filed a written request with the Trustee and offered it reasonable opportunity to exercise the powers granted in the General Resolution in its own name and unless such Bondholder shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby, and the Trustee shall have refused to comply with such request within a reasonable time.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Authority if no event of default is then in existence, or by the Holders of a majority in Principal Amount of the Bonds then Outstanding or their attorneys in fact duly authorized, excluding any Bonds held by or for the account of the Authority.

Defeasance. If the Authority shall pay or cause to be paid or there shall otherwise be paid to the holders of the Bonds then Outstanding the Principal Amount and interest and Redemption Price, if any, to become due thereon, then the pledge of any Revenues or other moneys, securities, Reserve Deposits and

Additional Security, if any, pledged by the General Resolution and all other rights granted by the General Resolution shall be discharged and satisfied. All Outstanding Bonds of any series shall be deemed to have been paid within the meaning of the foregoing sentence if, among other things, there has been deposited with the Trustee either moneys in an amount sufficient or Government Obligations the principal of and interest on which when due will provide moneys which will be sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof; as the case may be.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Variable Rate Ceiling.

Tender Bonds shall be deemed to have been paid only if, in addition to satisfying the requirements above, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum Principal Amount and Redemption Price of and interest on such Bonds which could become payable to the holders of such Bonds upon the exercise of any options provided to the holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee the options originally exercisable by the holders of Tender Bonds are no longer exercisable, such Bonds shall not be considered Tender Bonds for the purposes of such provision.

Amending the General Resolution. The General Resolution may be amended without the consent of any of the holders of the Bonds: (i) to close the General Resolution against, or provide limitations and restrictions on, the original issuance of Bonds; (ii) to add to the covenants and agreements of the Authority contained in the General Resolution other covenants and agreements thereafter to be observed for the purpose of further securing the Bonds; (iii) to surrender any right, power or privilege reserved to or conferred upon the Authority by the General Resolution; (iv) to authorize Bonds of a Series and, in conjunction therewith, specify and determine any matters and things relative to such Bonds not contrary to or inconsistent with the General Resolution; (v) to exercise any provision in the General Resolution or to make such determinations under the General Resolution as expressly provided in the General Resolution to be exercised or determined in a Series Resolution; (vi) to confirm, as further assurance, any pledge under and the subjection of the Revenues to any lien or pledge created or to be created by the General Resolution; and (vii) to cure any ambiguity or curing, correcting or supplementing any defect or inconsistent provisions contained in the General Resolution or making such provisions in regard to matters or questions arising under the General Resolution as may be necessary or desirable and not contrary or inconsistent with the General Resolution.

Except as provided in the foregoing paragraph, any modification or amendment of the Bonds or of the General Resolution may be made by a supplemental resolution, with the written consent given (i) of the holders of at least sixty-six and two thirds percent (66 2/3%) in aggregate Principal Amount of all Bonds Outstanding at the time such consent is given or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least sixty six and two thirds percent (66 2/3%) in aggregate Principal Amount of the Bonds of each series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Payment, of the holders of at least sixty-six and two thirds percent (66 2/3%) in aggregate Principal Amount of the Bonds of the particular series and maturity entitled to such Sinking Fund Payment Outstanding at the time such consent is given; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like series and maturity remain Outstanding, the vote or consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds; and provided, further, that no such modification or amendment shall

permit a change in the terms of redemption or maturity of the Principal Amount of any Outstanding Bond, except as aforesaid, or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon or the method for determining such rate without the consent of the holder of such Bond.

SUMMARY OF CERTAIN PROVISIONS OF THE 2012 SERIES A RESOLUTION

The 2012 Series A Resolution authorizes the issue of the 2012 Series A Bonds pursuant to the General Resolution and the Certificate of Determination to provide funds to refund, on a current basis, all of the Authority's outstanding 2001 Series A Bonds, to refund, on a current basis, all of the Authority's outstanding 2002 Series A Bonds, for deposit in the Debt Service Reserve Fund, and for deposit in the Project Fund to pay the Cost of Issuance of the 2012 Series A Bonds. The Certificate of Determination also directs the transfer of the 2002 Proceeds to the 2012 Series A Project Fund.

Book-Entry-Only System. Provisions are made for the 2012 Series A Bonds to be held in a book-entry only system.

Upon receipt by the Authority or the Trustee of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, the Authority, the Trustee and the Paying Agent will cooperate with DTC to arrange for a substitute bond depository or to make available Bonds registered in whatever name or names the Bondholders transferring or exchanging 2012 Series A Bonds shall designate, in accordance with the Resolution.

In the event the Authority determines that it is in the best interests of the Beneficial Owners that they be able to obtain 2012 Series A Bond certificates, the Authority may so notify DTC and the Trustee shall issue, transfer, and exchange certificates for the 2012 Series A Bonds.

In the event that the Book-Entry Only System is discontinued, the 2012 Series A Bonds shall be issued as certificates in fully registered form.

Establishment of Accounts. In accordance with the General Resolution, the following funds and accounts are established:

- (i) a 2012 Series A Cost of Issuance Account within the Project Fund;
- (ii) a 2012 Series A Project Account within the Project Fund;
- (iii) a 2012 Series A Account within the Redemption Fund; and
- (iv) a separate account within the Rebate Fund designated "2012 Series A Rebate Account".

Amending the 2012 Series A Resolution. The 2012 Series A Resolution may be amended without the consent of the holders of the 2012 Series A Bonds for any of the purposes set forth in the General Resolution. Except as provided in the foregoing sentence, the 2012 Series A Resolution may be amended in accordance with the procedures set forth in the General Resolution only with the written consent of at least sixty-six and two thirds percent (66 2/3%) in aggregate Principal Amount of the 2012 Series A Bonds Outstanding at the time such consent is given; provided, however, that no amendment to the 2012 Series A Resolution may be made without the unanimous written consent of the affected holders of the 2012 Series A Bonds for any of the following purposes: (a) to extend the maturity of any 2012 Series A Bond; (b) to reduce the principal amount or interest rate of any 2012 Series A Bond; (c) to make any 2012 Series A Bond redeemable other than in accordance with its terms; (d) to create a preference or

priority of any Bond or Bonds over any other Bond or Bonds; or (e) to reduce the percentage of the Principal Amount of Outstanding 2012 Series A Bonds required to be represented by the Bondholders giving their consent to any amendment.

OTHER BONDOWNERS' CONSIDERATIONS

Purchase of the 2012 Series A Bonds involves a degree of risk. Potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the 2012 Series A Bonds are an appropriate investment, to identify risk factors and to make an informed investment decision. The discussion herein of risks that could affect payments to be made by the Authority with respect to the 2012 Series A Bonds is not intended to be comprehensive or definitive, but rather is to summarize certain matters which could affect the ability of the Authority to make such payments.

General. The 2012 Series A Bonds are general obligations of the Authority payable from Revenues. No representation or assurance can be given that the Authority will generate sufficient Revenues to make payments sufficient to pay principal of, redemption premium, if any, and interest on the 2012 Series A Bonds and to make other payments required by the General Resolution and the 2012 Series A Resolution.

Delays in completion of construction of elements of the CIP, the capabilities of management, future legislation, regulatory actions, economic conditions, drought, changes in demand for water and other factors could adversely affect the Authority's ability to pay its obligations under the 2012 Series A Bonds. (See "SECURITY FOR THE 2012 SERIES A BONDS," "THE AUTHORITY" and "THE SERVICE AREA" herein).

Risk of Redemption or Acceleration Prior to Maturity. The 2012 Series A Bonds are subject to redemption or acceleration prior to maturity in certain circumstances (See "THE 2012 SERIES A BONDS"). Bondowners may not realize their anticipated yield on investment to maturity because the 2012 Series A Bonds may be redeemed or accelerated prior to maturity at a redemption price that results in the realization of less than the anticipated yield to maturity.

Default by the Authority. No representation or assurances can be given that the Authority will not default in performing its obligations under the General Resolution and the 2012 Series A Resolution. If an Event of Default occurs under the General Resolution and the 2012 Series A Resolution, the Trustee may accelerate the maturity of the 2012 Series A Bonds and interest will cease to accrue on the date of acceleration, notwithstanding the fact that the Bondowners may not receive notice of such acceleration until after such date.

Event of Taxability. If the Authority does not comply with certain covenants set forth in the Resolutions or certain representations made by the Authority in the Resolutions or certain certificates of the Authority are false or misleading, the interest payable on the 2012 Series A Bonds may become subject to federal income taxation retroactive to the date of issuance of the 2012 Series A Bonds, regardless of the date on which noncompliance or misrepresentation is ascertained. In the event that interest on the 2012 Series A Bonds should become subject to federal income taxation, neither the General Resolution nor the 2012 Series A Resolution provides for the redemption of the 2012 Series A Bonds, or an increase in the interest rates on the 2012 Series A Bonds.

Factors Generally Affecting the Authority. The following factors, which are not all inclusive, may adversely affect the operations of the Authority in the future, to an extent that cannot be determined at this time.

1. The reduced demand for water arising from a change in demographics, or a decline in the economic conditions of the areas which the Authority serves;
2. Cost increases without corresponding increases in revenue could result from, among other factors, increases in the salaries, wages and fringe benefits, of Authority employees and inflation; and
3. Future legislation and regulations relating to water authorities water treatment and water quality requirements.

Certain Matters Relative to Enforceability of the General Resolution and the 2012 Series A Resolution. The enforceability of the obligations of the Authority under the General Resolution and the 2012 Series A Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors' rights generally.

2012 Series A Bonds Not Secured by Real or Personal Property. 2012 Series A Bonds are not secured by a mortgage on or security interest in any real or personal property of the Authority.

Market Factors. The financial condition of the Authority and the market for the 2012 Series A Bonds could be affected by a variety of factors, some of which are beyond the Authority's control. There can be no assurance that an adverse event will not occur which might affect the market price of and the market for the 2012 Series A Bonds. If a significant event should occur in the affairs of the Authority, the market for and market value of the 2012 Series A Bonds could be adversely affected.

Miscellaneous. The Authority may be impacted by the cost and the limited availability and sufficiency of insurance for risks such as property damage and general liability.

The occurrence of natural disasters, including earthquakes and hurricanes, may damage the property of the Authority, interrupt utility service to the facilities, or otherwise impair the operation of the Authority and the generation of Revenues.

ANY NOTES OR BONDS ISSUED BY THE AUTHORITY FOR THE PURPOSES SET FORTH IN THE ACT DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS OR ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR THE INTEREST ON SUCH NOTES OR BONDS. THE AUTHORITY DOES NOT HAVE TAXING POWERS.

RISK MANAGEMENT PROGRAM

In an effort to reduce costs and expand its insurance coverage, the Authority periodically reviews the exposures to fortuitous loss faced by the Authority; develops the appropriate insurance policy structure and language to treat these exposures; and markets the Authority's insurance plan. The Authority currently maintains insurance at levels customary for similarly situated utilities.

TAX MATTERS

In the opinion of Partridge Snow & Hahn LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2012 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the 2012 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, however, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Series A Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2012 Series A Bonds. Failure to comply with these requirements may result in interest on the 2012 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2012 Series A Bonds. The Authority has covenanted to comply with such requirements to ensure that interest on the 2012 Series A Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the 2012 Series A Bonds and any profit on the sale of the 2012 Series A Bonds are exempt from taxation by the State or any political subdivision or other instrumentality of the State. Bond Counsel expresses no opinion regarding any other Rhode Island tax consequences arising with respect to the 2012 Series A Bonds. Prospective Bondowners should be aware, however, that the 2012 Series A Bonds may be included in the measure of Rhode Island estate taxes, and the 2012 Series A Bonds and the interest thereon may be included in the measure of certain Rhode Island corporate and business taxes. Bond Counsel has not opined as to the taxability of the 2012 Series A Bonds or the income thereon under the laws of any state other than Rhode Island. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX B hereto.

To the extent the issue price of any maturity of the 2012 Series A Bonds is less than the amount to be paid at maturity of such 2012 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2012 Series A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2012 Series A Bonds which is excluded from gross income for federal income tax purposes and is exempt from Rhode Island income taxes. For this purpose, the issue price of a particular maturity of the 2012 Series A Bonds is the first price at which a substantial amount of such maturity of the 2012 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2012 Series A Bonds accrues daily over the term to maturity of such 2012 Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2012 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2012 Series A Bonds. Bondowners should consult their own tax advisors with respect to the tax consequences of ownership of 2012 Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2012 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2012 Series A Bonds is sold to the public.

2012 Series A Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such 2012 Series A Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Rhode Island income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondowner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondowner. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondowners should be aware that certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2012 Series A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the 2012 Series A Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2012 Series A Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2012 Series A Bonds. Prospective purchasers of the 2012 Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Although Bond Counsel is of the opinion that interest on the 2012 Series A Bonds is excluded from gross income for federal income tax purposes and is exempt from Rhode Island income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Series A Bonds may otherwise affect a Bondowner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondowner or the Bondowner's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondowners should consult with their own tax advisors with respect to such consequences.

RATINGS

Standard & Poor's Ratings Service, a Division of the McGraw-Hill Companies, Inc. ("S&P") has assigned the 2012 Series A Bonds the rating of "A+" and Moody's Investors Service, Inc. ("Moody's") has assigned the 2012 Series A Bonds the rating of "Aa3."

An explanation of the significance of the rating given by S&P or Moody's may be obtained from the rating agency furnishing the same. A credit rating is not a recommendation to buy, sell or hold the

2012 Series A Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in their judgment, circumstances so warrant. The Underwriter has taken no responsibility either to bring to the attention of the Bondowners any proposed revision or withdrawal of the ratings of the 2012 Series A Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of such ratings could have an adverse effect on the market price of the 2012 Series A Bonds.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2012 Series A Bonds or in any way contesting or affecting the validity of the 2012 Series A Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2012 Series A Bonds or the existence or powers of the Authority, and there is no litigation or proceeding pending against the Authority which is not fully covered by liability insurance or which in the aggregate could have a material adverse effect on the financial condition or the operations of the Authority.

PLEDGE OF THE STATE

Under Section 15 of the Act, the State has pledged to and agreed with the holders of the bonds, notes, and other evidences of indebtedness of the Authority that the State will not limit or alter rights vested in the Authority by the Act until the bonds, notes or other evidences of indebtedness, together with interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any actions or proceedings by or on behalf of the bondholders, are fully met and discharged.

LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 2012 Series A Bonds are subject to the approval of Partridge Snow & Hahn LLP, Providence, Rhode Island, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its counsel, Petarca & McGair, Inc. Certain legal matters will be passed upon for the Underwriter by its counsel, K. Joseph Shekarchi, Esq., Providence, Rhode Island.

UNDERWRITING

The 2012 Series A Bonds are being purchased for reoffering by Barclays Capital Inc. The Underwriter has agreed to purchase the 2012 Series A Bonds at a price equal to \$[_____], which represents the principal amount of the Bonds plus a net original issue premium of \$[_____] and less an underwriting discount of \$[_____]. The Underwriter has agreed to accept delivery and pay for all of the 2012 Series A Bonds if any are delivered. The obligations of the Underwriter is subject to certain terms and conditions set forth in the Bond Purchase Agreement between the Authority and the Underwriter. The Authority has agreed to indemnify the Underwriter against certain liabilities, including certain liabilities arising under federal and state securities laws. The Underwriter may allow concessions from the public offering yields to certain dealers, banks and others. After the initial public offering at the offering yields set forth on the inside cover of this Official Statement, the public offering yields may be varied from time to time by the Underwriter.

The Underwriter intends to make a bona fide initial public offering of all 2012 Series A Bonds at prices no higher than, or yields not lower than, those shown in the Official Statement. The Underwriter

reserves the right to lower such initial offering prices as they deem necessary in connection with the marketing of the 2012 Series A Bonds. The Underwriter may offer and sell the 2012 Series A Bonds to certain dealers (including dealers depositing the 2012 Series A Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter also reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the 2012 Series A Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

FINANCIAL ADVISOR

The Authority has retained FirstSouthwest to serve as its financial advisor in connection with the issuance of the 2012 Series A Bonds (the "Financial Advisor"). The Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Authority may engage the Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of the 2012 Series A Bond proceeds.

FINANCIAL STATEMENTS

The audited financial statements of the Authority as of June 30, 2011 and 2012 and for the years then ended are included in APPENDIX A hereto have been audited by Braver PC, independent auditors, as stated in their reports appearing therein. Braver PC, the Authority's independent auditor, has not been engaged to perform and has not performed since the date of its reports included in APPENDIX A, any procedures on the financial statements addressed in those reports. Braver PC also has not performed any procedures relating to the Official Statement.

CONTINUING DISCLOSURE

The Authority has agreed for the benefit of the Bondowners and any beneficial owners in the Continuing Disclosure Agreement between the Authority and the Trustee to provide certain financial information and operating data relating to the Authority by no later than one hundred fifty (150) days of the end of each Fiscal Year of the Authority (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, pursuant to the requirements of Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The Annual Information and notices of enumerated events will be filed on behalf of the Authority with the Municipal Securities Rulemaking Board as described in the Continuing Disclosure Agreement. The nature of the information to be included in the Annual Information and the notices of enumerated events is set forth in APPENDIX D.

A failure by the Authority to comply with the provisions of the Continuing Disclosure Agreement will not constitute an Event of Default under the Continuing Disclosure Agreement (although Bondowners or beneficial owners of Bonds will have any available remedy at law or in equity). Nevertheless, such a failure of the Authority to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

The Authority became obligated to make annual disclosure of certain financial information by filing with the national recognized municipal securities information repository ("NRMSIR") in an offering that took place in 2001. Due to an ambiguity in the documentation pertaining to the 2004 Series A Bonds as to whether the Authority's annual disclosure was to be filed within one hundred fifty (150) days or one hundred eighty (180) days from the Authority's Fiscal Year end, for its Fiscal Years ending

June 30, 2007 and June 30, 2008 the Authority filed its required financial information and its audited financial statements within one hundred eighty (180) days of its Fiscal Year end, but greater than one hundred fifty (150) days from its Fiscal Year end. The Authority understands that such ambiguity should be resolved in favor of filing such information within one hundred fifty (150) days of its Fiscal Year end. The Authority has filed a notice of late filing and it has implemented procedures to ensure timely filing of all future financial information.

MISCELLANEOUS

The summaries or descriptions herein of provisions of the Act, the 2012 Series A Bonds and the Resolutions and all reference to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all the provisions thereof. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

Information relating to DTC and the book-entry only system described under the heading "THE 2012 SERIES A BONDS – Book-Entry Only System" has been furnished by DTC and is believed to be reliable. However, none of the Authority, the Underwriters or the Financial Advisor makes any guarantees whatsoever with respect to the information contained therein.

The Authority has reviewed the portions of this Official Statement under the headings "INTRODUCTION," "ESTIMATED SOURCES AND USES OF 2012 SERIES A BOND PROCEEDS," "THE AUTHORITY," "THE SERVICE AREA," "DEBT SERVICE REQUIREMENTS," "THE SYSTEM," "OPERATIONS," "CAPITAL IMPROVEMENT PROGRAM," "GOVERNMENT REGULATION," "OTHER BONDOWNERS' CONSIDERATIONS," "RISK MANAGEMENT PROGRAM," "LITIGATION," "CONTINUING DISCLOSURE" and APPENDIX A. At the closing, the Authority will certify that such portions of this Official Statement and APPENDIX A do not contain an untrue statement of a material fact or omit a statement of material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

[Signatures appear on the following page]

The execution and delivery of this Official Statement have been duly authorized by the Authority.

KENT COUNTY WATER AUTHORITY

BY: _____
General Manager

Dated: [_____], 2012

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KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

6. PENSION PLAN

a) Plan Description

The Authority maintains a single employer, noncontributory defined benefit pension plan (the Plan) covering substantially all employees. To participate in the Plan, employees must be at least twenty-one years of age and be employed by the Authority for a minimum of 12 months. The Plan provides retirement, disability, and death benefits to plan members based upon the average of the highest consecutive five years of compensation of the last 10 years of participation. The Authority is responsible for making all contributions to the Plan. The benefits provisions and all other requirements under the Plan are established by the Authority's board of directors. A copy of the Plan statements may be obtained by contacting the Authority.

At June 30, 2011 and 2010, the Plan membership consisted of the following:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Retirees and beneficiaries receiving benefits	24	23
Terminated vested participants	8	8
Active with vested benefits	32	31
Total membership	<u>64</u>	<u>62</u>

b) Funding Status and Funding Progress

The funded status of the Plan as of January 1, 2011, the most recent actuarial valuation, is as follows:

Actuarially accrued liability (AAL)	\$ 5,061,493
Actuarial value of plan assets	<u>3,976,358</u>
Unfunded actuarial accrued liabilities (UAAL)	<u>\$ 1,085,135</u>
Funded ratio (actuarial value of plan assets/AAL)	78.6%
Covered payroll (active plan members)	\$ 1,750,853
UAAL as a percentage of covered payroll	62.0%

In the January 1, 2011 actuarial valuation, the Authority utilized the aggregate actuarial method to determine the annual required employer contributions. This method does not identify or separately amortize unfunded actuarial liabilities. Therefore, the entry age method was used to prepare the funded status of the Plan. The actuarial assumptions included 7.25% investment rate of return, projected salary increases of 3.0%, and no cost-of-living adjustments. The actuarial value of assets was determined using the fair value of investments. The Plan's unfunded actuarial accrued liability is being amortized to approximate the level percent of aggregate compensation.

The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

5. LONG-TERM OBLIGATIONS (Continued)

Description	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts due within one year
Revenue bonds:					
July 2001 Series A bearing interest at 3.5%-5% and maturing in 2022	\$ 7,475,000	\$ -	\$ (430,000)	\$ 7,045,000	\$ 445,000
December 2002 Series A bearing interest at 2%-5% and maturing in 2024	19,655,000	-	(955,000)	18,700,000	990,000
April 2004 Series A bearing interest at 2%-4% and maturing in 2014	6,585,000	-	(1,030,000)	5,555,000	1,065,000
	<u>33,715,000</u>	<u>-</u>	<u>(2,415,000)</u>	<u>31,300,000</u>	<u>2,500,000</u>
Add (less):					
Unamortized discount	(14,463)	-	1,205	(13,258)	-
Unamortized premium	446,480	-	(56,905)	389,575	-
Unamortized loss on refunding	(377,290)	-	79,437	(297,853)	-
	<u>54,727</u>	<u>-</u>	<u>23,737</u>	<u>78,464</u>	<u>-</u>
	<u>\$ 33,769,727</u>	<u>\$ -</u>	<u>\$ (2,391,263)</u>	<u>\$ 31,378,464</u>	<u>\$ 2,500,000</u>

The annual debt service requirements of the general long-term bonds payable as of June 30, 2011 are as follows:

Fiscal year ended June 30:	Principal	Interest	Total
2012	\$ 2,595,000	\$ 1,285,885	\$ 3,880,885
2013	2,700,000	1,177,889	3,877,889
2014	2,800,000	1,069,686	3,869,686
2015	2,760,000	961,310	3,721,310
2016-2020	9,790,000	3,334,632	13,124,632
2021-2024	8,155,000	759,544	8,914,544
	<u>\$ 28,800,000</u>	<u>\$ 8,586,946</u>	<u>\$ 37,386,946</u>

Borrowings are secured by the Authority's pledge of all revenues, monies, securities, receivables, and other funds of the Authority as well as the proceeds of the sale of the Authority's real property pursuant to a mortgage on its water supply, treatment and distribution facilities, exclusive of monies collected as water quality protection charges.

The Authority must meet certain financial covenants. The Authority was in compliance with all such covenants at June 30, 2011 and 2010.

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

4. CAPITAL ASSETS (Continued)

Interest costs of \$499,442 and \$418,605, offset by interest income of \$38,970 and \$18,783, were capitalized in 2011 and 2010, respectively.

5. LONG-TERM OBLIGATIONS

The Authority issues revenue bonds to support various projects. The following is a summary of the bond activity for the years ended June 30, 2011 and 2010:

Description	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts due within one year
Revenue bonds					
July 2001 Series A bearing interest at 3.5%-5% and maturing in 2022	\$ 7,045,000	\$ -	\$ (445,000)	\$ 6,600,000	\$ 465,000
December 2002 Series A bearing interest at 2%-5% and maturing in 2024	18,700,000	-	(990,000)	17,710,000	1,030,000
April 2004 Series A bearing interest at 2%-4% and maturing in 2014	5,555,000	-	(1,065,000)	4,490,000	1,100,000
	<u>31,300,000</u>	<u>-</u>	<u>(2,500,000)</u>	<u>28,800,000</u>	<u>2,595,000</u>
Add (less):					
Unamortized discount	(18,258)	-	1,205	(12,053)	-
Unamortized premium	989,675	-	(56,905)	332,670	-
Unamortized loss on refunding	(297,853)	-	79,437	(218,416)	-
	<u>78,484</u>	<u>-</u>	<u>23,737</u>	<u>102,201</u>	<u>-</u>
	<u>\$ 31,378,464</u>	<u>\$ -</u>	<u>\$ (2,476,263)</u>	<u>\$ 28,902,201</u>	<u>\$ 2,595,000</u>

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

4. CAPITAL ASSETS

The cost and activity of water capital assets in service and related accumulated depreciation for the year ended June 30, 2011 is as follows:

	Balance at June 30, 2010	Increases	Decreases	Balance at June 30, 2011
Capital assets, not being depreciated:				
Construction in progress	\$ 14,085,091	\$ 2,257,171	\$ 7,051,658	\$ 9,290,604
Land	1,836,045	-	-	1,836,045
Total capital assets, not being depreciated	15,921,136	2,257,171	7,051,658	11,126,649
Capital assets, being depreciated:				
Buildings and improvements	2,817,123	-	-	2,817,123
Machinery and equipment	15,776,518	28,540	-	15,805,058
Infrastructure	82,137,518	7,051,658	-	89,189,176
Total capital assets, being depreciated	100,731,159	7,080,198	-	107,811,357
Less accumulated depreciation	14,938,425	1,617,173	-	16,555,598
Total capital assets, being depreciated, net	85,792,734	5,463,025	-	91,255,759
Capital assets, net	\$ 101,713,870	\$ 7,720,196	\$ 7,051,658	\$ 102,382,408

The cost and activity of water capital assets in service and related accumulated depreciation for the year ended June 30, 2010 is as follows:

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
Capital assets, not being depreciated:				
Construction in progress	\$ 14,498,139	\$ 7,466,949	\$ 7,879,997	\$ 14,085,091
Land	1,836,045	-	-	1,836,045
Total capital assets, not being depreciated	16,334,184	7,466,949	7,879,997	15,921,136
Capital assets, being depreciated:				
Buildings and improvements	2,817,123	-	-	2,817,123
Machinery and equipment	7,856,840	7,919,678	-	15,776,518
Infrastructure	82,137,518	-	-	82,137,518
Total capital assets, being depreciated	92,811,481	7,919,678	-	100,731,159
Less accumulated depreciation	13,427,458	1,510,967	-	14,938,425
Total capital assets, being depreciated, net	79,384,023	6,408,711	-	85,792,734
Capital assets, net	\$ 95,718,207	\$ 13,875,660	\$ 7,879,997	\$ 101,713,870

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Essential risk information regarding the Authority's deposits and investments is presented below.

a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. As of June 30, 2011 and 2010, bank balances totaling \$544,869 and \$291,491, respectively, are fully FDIC insured, and \$0 and \$83,549 are uninsured and uncollateralized.

b) Interest Rate Risk

In connection with the issuances of \$10 million general revenue bonds in July 2001, \$24.4 million of general revenue bonds in December 2002, and \$10.4 million of general revenue in April 2004, the proceeds from the bonds along with subsequent debt payments by the Authority and unspent operating income are maintained in cash accounts held in trust by the trustee.

The Authority's investment policy is governed by the general bond resolution and the series resolution for all transactions covered by bond funding of the Authority. All investments are managed through the trustee of the Authority and invested as allowed.

Investments are valued at fair value. All of the Authority's debt investments have maturities of less than one year from the end of the reporting period. The components and fair values of the Authority's investments are presented below:

Investment type	Fair value	
	2011	2010
Money Market Treasury Obligation Fund	\$ 35,920,329	\$ 30,285,681
U.S. Treasuries	1,302,987	1,279,797
Total investments	<u>\$ 37,223,316</u>	<u>\$ 31,565,478</u>

The Authority established an "Infrastructure Replacement Fund" in conformity with all applicable provisions of state and federal laws including the federal Safe Drinking Water Act (42 USC Section 300f et seq.); Chapter 46-13 of the General Laws of Rhode Island, Public Drinking Water Supply. The dedicated fund for infrastructure replacement was \$8,734,218 and \$3,679,857 as of June 30, 2011 and 2010, respectively.

c) Credit Risk

The Authority has not adopted a formal policy related to credit risk. The Authority's investments are as follows:

	<u>Credit Rating</u>
Money Market Treasury obligation fund	Aaa (Moody's)
U.S. Treasuries	Aaa (Moody's)

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Reclassifications

Certain accounts from 2010 have been reclassified to conform to the 2011 presentation.

k) Recently Issued Accounting Standards

The Authority has implemented the following new accounting pronouncements:

- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Authority's fiscal year ending June 30, 2011. The adoption of this Statement did not have an impact on the Authority's financial position or results of operation.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the Authority's fiscal year ending June 30, 2011. The adoption of this Statement did not have an impact on the Authority's financial position or results of operation.

The Authority will adopt the following new accounting pronouncement in future years:

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement, effective for the Authority's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the Authority's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the Authority's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the Authority's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53, effective for the Authority's fiscal year ending June 30, 2012.

The impact of these pronouncements on the Authority's financial statements has yet to be determined.

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Operating and Nonoperating Revenue

Revenues include amounts billed to all customers. All billed charges are based on rates approved by the PUC. Revenues for unbilled amounts to general customers are estimated based on billing amounts subsequent to year-end. The Authority distinguishes operating revenues and expenses from non-operating. Operating revenues result from charges to customers for water and related services. Operating expenses include the cost of operations, maintenance, sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating or capital contributions.

c) Utility Plant

Property, plant, and equipment is stated at cost. The Authority provides for depreciation of capital assets based on a composite rate of 1.5% of depreciable capital assets as required by the Public Utility Commission. Depreciation expense is not reflected for construction in progress until it is placed in service. The Authority capitalizes interest costs as part of the cost of constructing transmission and distribution facilities.

d) Capital Contributions

Capital contributions consist of property, plant, and equipment paid for by customers for water installations. Once the installation is complete, the property, plant, and equipment transfer to the Authority.

e) Materials and Supplies Inventory

Materials and supplies inventory is stated at the lower of cost (average cost method) or market.

f) Proprietary Activity Accounting and Financial Reporting

The Authority has elected to apply accounting standards applicable to the private sector issued on or before November 30, 1989 unless those standards conflict with or contradict pronouncements of GASB.

g) Cash and Cash Equivalents

Cash and cash equivalents and restricted cash (held by trustee) include highly liquid investments with a maturity of three months or less when purchased. Restricted cash has been classified as noncurrent as it primarily represents unspent bond proceeds restricted for future capital spending.

h) Use of Estimates

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

i) Bond Issue Costs

Expenses related to the issuance of Bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method.

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

1. ORGANIZATION

a) Primary Government

The Kent County Water Authority (the Authority) was created by General Assembly of the State of Rhode Island on April 24, 1946, and was organized on July 8, 1946. The Authority is a body corporate and politic and serves as the governing body of the Kent County Water District, a political subdivision of the State of Rhode Island. The Authority is subject to the regulations of the Public Utility Commission (PUC) of the State of Rhode Island.

The Authority provides water supply services through metered sales in the communities of Warwick, West Warwick, Coventry, East Greenwich, North Kingstown, Cranston, Scituate and West Greenwich. The Authority is also responsible for acquiring, constructing, improving, operating, and maintaining the water supply system. The Authority's source of water supply is principally through purchases of water from the Providence Water Supply Board and Warwick Water Department with the remaining amount produced from its own wells.

b) Component Units

Component Units are included in the Authority's reporting entity if their operational and financial relationships with the Authority are significant. Pursuant to the criteria established by the Governmental Accounting Standards Board (GASB), no component units were identified for inclusion in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies followed by the Authority:

a) Basis of Presentation

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 21,062,889	\$ 17,437,226
Cash paid to employees for services	(1,141,176)	(1,280,545)
Cash paid to suppliers for goods and services	(8,276,155)	(7,532,116)
Net cash provided by operating activities	<u>11,645,552</u>	<u>8,624,565</u>
Cash flows from Investing activities:		
Interest income received	36,597	6,915
Net cash provided by Investing activities	<u>36,597</u>	<u>6,915</u>
Cash flows from capital and related financing activities:		
Payments on debt	(2,500,000)	(2,415,000)
Capital additions	(2,207,234)	(7,205,331)
Interest expense	(888,439)	(1,058,606)
Net cash used for capital and related financing activities	<u>(5,595,673)</u>	<u>(10,678,937)</u>
Net increase (decrease) in cash and cash equivalents	6,086,476	(2,047,457)
Cash and cash equivalents, beginning of year	<u>31,640,598</u>	<u>33,688,055</u>
Cash and cash equivalents, end of year	<u>\$ 37,727,074</u>	<u>\$ 31,640,598</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,886,223	\$ 7,109,150
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization of bond issuance costs	1,737,545	1,631,342
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	342,668	(358,963)
(Increase) decrease in material, supplies and inventory	(14,480)	32,773
(Increase) decrease in other assets	(52,878)	12,062
Increase (decrease) in accounts payable	313,804	(173,800)
Increase (decrease) in accrued liabilities	24,097	3,930
Increase (decrease) in water quality protection charges payable	(10,827)	(26,777)
Increase (decrease) in other liabilities	419,400	394,848
Net cash provided by operating activities	<u>\$ 11,645,552</u>	<u>\$ 8,624,565</u>

Noncash capital and related financing activities:

Noncash acquisition of capital assets totaled \$0 and \$4,356 in 2011 and 2010, respectively.

SEE NOTES TO FINANCIAL STATEMENTS

KENT COUNTY WATER AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Water	\$ 19,097,536	\$ 16,270,620
Hydrant rentals	1,300,267	1,225,471
Other	322,411	300,097
Total operating revenues	<u>20,720,214</u>	<u>17,796,188</u>
Operating expenses:		
Source of supply	4,882,196	4,125,914
Pumping	537,850	555,989
Transmission and distribution lines	1,831,725	1,047,954
Water treatment	296,326	282,042
Customer accounts and salaries and supplies	407,909	319,573
Administrative and general	2,458,279	2,577,943
Depreciation	1,617,170	1,510,967
Taxes other than income	182,161	146,881
Amortization	120,375	120,375
Total operating expenses	<u>11,833,991</u>	<u>10,687,038</u>
Operating income	<u>8,886,223</u>	<u>7,109,150</u>
Non-operating income (expenses):		
Capital contributions	-	4,356
Interest income	36,597	6,915
Interest expense	(787,615)	(902,922)
Net non-operating income (expense)	<u>(751,018)</u>	<u>(891,651)</u>
Increase in net assets	<u>8,135,205</u>	<u>6,217,499</u>
Net assets at beginning of year	<u>102,658,252</u>	<u>96,440,753</u>
Net assets at end of year	<u>\$ 110,793,457</u>	<u>\$ 102,658,252</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KENT COUNTY WATER AUTHORITY

**STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

ASSETS

	2011	2010
Current assets:		
Cash and cash equivalents	\$ 503,758	\$ 75,120
Accounts receivable, less allowance of \$147,365 in 2011 and \$103,683 in 2010	2,575,878	2,918,546
Materials and supplies inventory	407,991	693,511
Other assets	52,878	-
Total current assets	<u>3,540,505</u>	<u>3,387,177</u>
Noncurrent assets:		
Restricted cash and cash equivalents held by trustee (Note 3)	28,489,098	27,885,621
Restricted investment held by trustee-Infrastructure replacement (Note 3)	8,734,218	3,679,857
Capital assets:		
Depreciable, net (Note 4)	91,255,759	85,792,734
Nondepreciable (Note 4)	11,126,649	15,921,136
Deferred bond issuance costs, net	319,934	360,872
Total noncurrent assets	<u>139,925,658</u>	<u>133,640,220</u>
TOTAL ASSETS	<u>\$ 143,466,163</u>	<u>\$ 137,027,397</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 881,648	\$ 567,844
Accrued interest expense	613,551	658,675
Accrued liabilities	992,273	889,702
Water quality protection charges payable (Note 8)	58,527	70,354
Long-term debt due within one year (Note 5)	2,595,000	2,500,000
Total current liabilities	<u>5,141,999</u>	<u>4,688,575</u>
Noncurrent liabilities:		
Long-term debt, net (Note 5)	26,307,201	28,878,464
OPEB obligation, net (Note 7)	1,223,506	804,106
Total long-term liabilities	<u>27,530,707</u>	<u>29,682,570</u>
Total liabilities	<u>32,672,706</u>	<u>34,369,145</u>
Net assets:		
Invested in capital assets, net of related debt	93,098,199	93,844,901
Restricted for debt service	3,701,637	3,701,637
Restricted for infrastructure replacement	8,734,218	3,679,857
Unrestricted net assets	5,259,403	1,431,857
Total net assets	<u>110,793,457</u>	<u>102,658,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 143,466,163</u>	<u>\$ 137,027,397</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**KENT COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED
JUNE 30, 2011 AND 2010**

During FY11, the Authority paid approximately \$2.5 million in principal on outstanding issuances and \$1.3 million of interest on outstanding issuances.

The Authority is required to establish and maintain rates and charges at levels sufficient so that total net revenues in each year during which bonds are outstanding will equal at least 125% of the bond debt service requirement during such year less the amount, if any, of bond proceeds available to pay interest becoming due in such year on bonds outstanding as of the first day of such year. The Authority has exceeded the 125% debt service coverage requirement of the Resolution in each year since the 2001 issue.

FY12 Budget and Rates

For FY12, the budget for operating revenues will decrease by 6.1%. A 9% decrease is projected for operation and maintenance expenses.

Request for Information

This financial report is intended to provide an overview of the financial picture of the Kent County Water Authority. Any further questions regarding any of the information contained within this report may be directed to the General Manager or the Treasurer at P.O. Box 192, West Warwick, RI 02893.

**KENT COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2011 AND 2010**

Total operating expenses for FY11 totaled \$11.8 million, which was \$1.1 million or 11% more than the operating expenses for the previous year. The increase is the result of a increase in water purchases compared to prior year. Total operating expenses for FY10 totaled \$10.7 million, which was \$87 thousand or .8% less than the operating expenses for the previous year. The decrease is the result of a decrease in water purchases compared to prior year.

The operating income for FY11 totaled \$8.9 million, representing an increase of 25% from the previous year. This increase is a result of the changes discussed above.

Capital Assets

In FY11, the Authority's project additions financed with bond proceeds totaled approximately \$6.6 million and included a primary pump station upgrade, wellfield storage treatment, and additional transmission lines. Infrastructure projects funded by rates totaled \$450 thousand, which was used primarily for water main installation.

In FY10, the Authority's project additions financed with bond proceeds totaled approximately \$600 thousand and included a primary pump station upgrade, wellfield storage treatment, and additional transmission lines. Infrastructure projects funded by rates totaled \$6.1 million, which was used primarily for water main installation.

The Authority's capital budget includes projected expenditures of \$22.2 million. Infrastructure projects under a state-mandated plan to replace old plant in service includes projected expenditures of \$22.6 million over the same period.

Debt Plan

Currently the Authority has three series of General Revenue Bonds outstanding at the end of FY11, totaling \$28.8 million at par value.

2001 Series "A"	\$ 6,600,000
2002 Series "A"	17,710,000
2004 Series "A"	4,490,000

**KENT COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2011 AND 2010**

	2011	2010	2009
Operating revenue:			
Water sales	\$ 19,097,536	\$ 16,270,620	\$ 16,280,667
Hydrant rentals	1,300,267	1,225,471	1,179,267
Other	322,411	300,097	252,252
Total operating revenue	20,720,214	17,796,188	17,712,186
Operating expenses:			
Source of supply	4,882,196	4,125,314	4,263,881
Pumping	537,850	555,989	652,455
Transmission and distribution	1,331,725	1,047,954	1,020,207
Water Treatment	296,326	282,042	232,176
Customer accounting	407,909	319,573	327,975
Administrative and general	2,458,279	2,577,943	2,606,718
Depreciation	1,617,170	1,510,967	1,392,172
Taxes other than income	182,161	146,881	158,379
Amortization	120,375	120,375	120,376
Total operating expenses	11,833,991	10,687,038	10,774,339
Operating income	8,886,223	7,109,150	6,937,847
Nonoperating income:			
Capital contributions	-	4,356	1,108,259
Interest income (expense)	(751,018)	(896,007)	(710,304)
Change in net assets	\$ 8,135,205	\$ 6,217,499	\$ 7,335,802

In FY11, the Authority's net assets totaled \$110.8 million, an increase of \$8.1 million or 8% from the previous year. Total assets in FY11 were \$143 million, an increase of \$6.4 million or 4.7% from last year. Total liabilities decreased by \$1.7 million or 5% as a result of continuing debt service payments. The Authority's major capital expenditures included Capital Improvement Projects (funded by revenue bonds) and Infrastructure Projects (funded by water rates). In FY10, the Authority's net assets totaled \$102.6 million, an increase of \$6.2 million or 6% from the previous year. Total assets in FY10 were \$137 million, an increase of \$4.2 million or 3% from last year. Total liabilities decreased by \$1.9 million or 5.5% as a result of continuing debt service payments.

Water and fire protection charges for FY11 represented 98.4% of operating revenues. The remaining 1.6% includes inspection and turn-on fees, and late payment penalties. The operating revenue totaled \$20.7 million or 1.6% more than the prior year's revenue. This increase can be attributed to pass through rate increases approved by the PUC. Water and fire protection charges for FY10 represented 98.3% of operating revenues. The remaining 1.7% includes inspection and turn-on fees, and late payment penalties. The operating revenue totaled \$17.8 million or 5% more than prior year's revenue. This increase can be attributed to pass through rate increases approved by the PUC.

**KENT COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2011 AND 2010**

The Kent County Water Authority (the Authority) is a public benefit corporation created pursuant to and existing under Chapter 1740 of the Public Laws of 1946, at Chapter 15 of Title 39 of the Rhode Island General Laws (1956), as amended, and is subject to the supervisory and regulatory powers of the State Public Utilities Commission (PUC).

The Authority provides water supply services through metered sales in the communities of Coventry, Warwick, West Warwick, East Greenwich, West Greenwich, and in smaller sections of Cranston, Scituate, and North Kingstown. The Authority is responsible for operating and maintaining the water supply system.

The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis. The Authority operates in a manner similar to private business enterprises where the costs of providing goods or services to the general public, support of a Capital Improvement Program, and funding of an Infrastructure Replacement Program are financed or recovered through user charges approved by the PUC.

Condensed financial information from the statements of net assets and operations is presented below. The statement of net assets provides information on the assets and liabilities of the Authority, with net assets reported as the difference between assets and liabilities. The statement of operations of the Authority reflects all revenues earned and all expenses incurred for each fiscal year.

Condensed Financial Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current Assets	\$ 3,540,505	\$ 3,387,177	\$ 3,094,146
Capital assets, net	102,382,408	101,713,870	95,718,207
Other noncurrent assets	37,543,250	31,926,350	33,993,649
Total assets	<u>143,466,163</u>	<u>137,027,397</u>	<u>132,806,002</u>
Current liabilities	5,141,999	4,686,575	4,619,726
Noncurrent liabilities	27,530,707	29,682,570	31,745,523
Total liabilities	<u>32,672,706</u>	<u>34,369,145</u>	<u>36,365,249</u>
Net assets:			
Invested in capital assets, net of related debt	93,098,199	93,844,901	86,890,478
Restricted for debt service	3,701,637	3,701,637	3,332,545
Restricted for infrastructure replacement	8,734,218	3,679,857	-
Unrestricted net assets	5,259,403	1,431,857	6,217,730
Total net assets	<u>110,793,457</u>	<u>102,658,252</u>	<u>96,440,753</u>
Total liabilities and net assets	<u>\$ 143,466,163</u>	<u>\$ 137,027,397</u>	<u>\$ 132,806,002</u>

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Kent County Water Authority
West Warwick, Rhode Island

We have audited the accompanying financial statements of the Kent County Water Authority (the Authority) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits in Government Auditing Standards, issued by the Comptroller General to the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2011 and 2010 and the respective changes in its financial position and, where applicable, cash flows therefore for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress for pension plan and other post-employment benefits on pages 2 through 5 and page 20 are a required part of the basic financial statements but are supplementary information required by accounting principles general accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Providence, Rhode Island
September 22, 2011

Braver PC

KENT COUNTY WATER AUTHORITY

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KENT COUNTY WATER AUTHORITY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2011 AND 2010
WITH
REPORT OF INDEPENDENT AUDITORS**

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APPENDIX A

FINANCIAL STATEMENTS OF AUTHORITY

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

6. PENSION PLAN (Continued)

c) Funding Policy

The Authority's funding policy provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. The Authority's contributions to the Plan for the years ended June 30, 2011, 2010, and 2009 were \$214,026, \$260,000, and \$193,619, respectively. The required contributions for the plan years June 30, 2011, 2010, and 2009 were \$214,026, \$258,392, and \$193,619, respectively. The contribution requirements of the Authority are established and may be amended by the Authority's board of directors.

7. POST-RETIREMENT BENEFITS

a) Plan Description

The Authority Post-Employment Medical Benefit Plan is a single-employer defined benefit postretirement health and life insurance program. All full-time employees are eligible to receive health and life insurance coverage after retirement. Retirement eligibility for continued health insurance coverage is age 62 with at least 20 years of service. Employees are eligible for life insurance coverage if they retire on or after age 62. Spousal and / or family health coverage is not provided for under the postretirement program. The Authority will provide eligible retirees continued individual health and dental insurance comparable to the active employee plans. Retirees age 65 and older are eligible for an individual Medicare Supplement Plan as well as continued dental coverage. The full cost of postretirement medical and dental coverage is provided by the Authority. Eligible retirees receive term life insurance in the amount of \$2,000. The Authority provides the full cost of this insurance. Prior to the adoption of GASB 45, the Authority funded these post retirement benefits as a pay as you go basis.

b) Funding Policy

The Authority funding policy provides for actuarially determined periodic contributions to the plans at rates that increase gradually over time so that sufficient assets will be available to pay benefits when due.

The following is summary of the actuarial assumptions and cost methods used to determine plan liabilities:

Fiscal Year Beginning	<u>7/1/10</u>	<u>7/1/09</u>
Discount rate	4.00%	4.00%
Census Date	7/1/2008	7/1/2008
Mortality	IRS-2008	IRS-2008

The initial health and dental care trend rate have been set at a 10.0% increase for the current fiscal year, decreasing 0.5% annually to an ultimate rate 5.0% per year for the health plans and a 6.0% increase for the current fiscal year, decreasing 0.25 annually to an ultimate rate of 3.5% per year for the dental plan.

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

7. POST RETIREMENT BENEFITS (Continued)

b) Funding Policy (Continued)

Three - Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Actual Plan Contributions</u>	<u>Percentage of OPEB cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 517,595	\$ 98,195	18.97%	\$ 1,223,506
June 30, 2010	\$ 501,063	\$ 87,753	17.51%	\$ 804,106
June 30, 2009	\$ 485,431	\$ 94,635	19.50%	\$ 390,796

The Authority's annual OPEB cost and net OPEB obligation for the year ended June 30, 2011 and 2010 was as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Annual required contribution	\$ 530,144	\$ 507,162
Interest on net OPEB obligation	32,164	16,632
Adjustment to annual required contribution	(44,713)	(21,731)
Annual OPEB cost(expense)	<u>517,595</u>	<u>501,063</u>
Contributions made	<u>(98,195)</u>	<u>(87,753)</u>
Increase in net OPEB obligation	419,400	413,310
Net OPEB obligation-beginning of year	804,106	390,796
Net OPEB obligation-end of year	<u>\$ 1,223,506</u>	<u>\$ 804,106</u>

c) Schedule of Funding Progress

The unfunded actuarial accrued liability was determined using the level-dollar thirty-year open amortization basis.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Unfunded AAL (UAAL) (2)-(1) (3)</u>	<u>AVA as a percent of AAL (1)/(2) (4)</u>	<u>Covered Payroll (5)</u>	<u>UAAL as a Percent of Covered payroll (3)/(5) (6)</u>
7/1/08	N/A	\$5,094,895	\$5,094,895	N/A	\$ 1,669,117	305.24%

(CONTINUED)

KENT COUNTY WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

8. WATER QUALITY PROTECTION CHARGES PAYABLE

Pursuant to the rules and procedures of the Public Drinking Water Protection Program as promulgated by the Rhode Island Water Resources Board, the Authority has imposed a water quality protection charge on its customers. Prior to June 30, 1992, the Authority accounted for all water quality protection charges imposed as a liability due to the Authority's position that the rules and procedures regarding the imposition of the water quality protection charge did not adequately address the Authority's status as both a purchaser and supplier of water. The law governing the implementation of the water quality protection charge was amended on July 1, 1992. At June 30, 2011 and 2010, water quality protection charges payable of \$59,527 and \$70,354, respectively, represented funds collected from customers that are required to be paid to the Rhode Island Water Resources Board.

9. COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operations, the Authority is a party to various claims, legal actions and complaints, and adequately provides for losses and accrues liabilities for losses when they are both probable and can be reasonably estimated.

10. REGULATORY MATTERS

The Authority periodically submits rate and compliance filings with the PUC to receive rate relief for amounts equal to rate increases awarded by the PUC to the Providence Water Supply Board, the Authority's supplier.

11. RISK MANAGEMENT

Insurance Held

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. Directors, officers, and Board members are insured for a maximum of \$5,000,000 per occurrence and annual aggregate.

The Authority is a member of the Rhode Island Workers' Compensation Association public entity risk pool (the pool) currently operating as a common risk management and insurance program for workers' compensation benefits for all employees. The Pool assesses premiums which are paid by the Authority.

The Pool is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance.

The Authority has a third-party insured health care program for its employees for which the Authority pays 100% of the premium costs.

Long-term disability is covered by the State's temporary disability insurance for the first 26 weeks of medical coverage and lost wages. Thereafter, the Authority maintains a third-party insured employee disability program that provides for longer-term disability.

(CONCLUDED)

REQUIRED SUPPLEMENTARY INFORMATION

KENT COUNTY WATER AUTHORITY
SCHEDULING OF FUNDING PROGRESS
JUNE 30, 2011

Required supplementary information

Kent County Water Authority's Schedule of Funding Progress for the Pension Plan is as follows:

<u>Plan Year Ended December 31</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Under (over) AAL (UAAL) (b) - (a) (c)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (d)</u>	<u>UAAL as % of Covered Payroll ((b-a)/d)</u>
2009	\$ 3,528,601	\$ 5,073,463	\$ 1,544,862	69.6%	\$ 1,719,191	89.9%
2010	\$ 3,928,333	\$ 4,998,203	\$ 1,069,870	78.6%	\$ 1,663,231	64.3%
2011	\$ 3,976,358	\$ 5,061,493	\$ 1,085,135	78.6%	\$ 1,750,853	62.0%

Schedule of Contributions from Employer:

<u>Plan Year Ended December 31</u>	<u>Minimum Required Contribution</u>	<u>Actual Annual Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 193,619	\$ 193,619	100.0%
2010	\$ 258,392	\$ 260,000	100.6%
2011	\$ 214,026	\$ 214,026	100.0%

Kent County Water Authority's Schedule of Funding Progress for the Other Post Employment Benefits is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Unfunded AAL (UAAL) (2)-(1) (3)</u>	<u>AVA as a percent of AAL (1)/(2) (4)</u>	<u>Covered Payroll (5)</u>	<u>UAAL as a Percent of Covered payroll (3)/(5) (6)</u>
7/1/08	N/A	\$5,094,895	\$5,094,895	N/A	\$ 1,669,117	305.24%

SEE REPORT OF INDEPENDENT AUDITORS



**REPORT OF INDEPENDENT AUDITORS 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**

Board of Directors
Kent County Water Authority
West Warwick, Rhode Island

We have audited the basic financial statements of the Kent County Water Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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



Board of Directors
Kent County Water Authority
West Warwick, Rhode Island

We noted certain matters that we reported to Board of Directors and management of Kent County Water Authority, in a separate letter dated September 22, 2011.

This report is intended solely for the information and use of the Board of Directors and management of Kent County Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

Bram PC

Providence, Rhode Island

September 22, 2011

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APPENDIX B

FORM OF BOND COUNSEL OPINION

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[Date of Delivery]

Kent County Water Authority
1072 Main Street
West Warwick, Rhode Island 02893

Re: \$17,490,000* Kent County Water Authority General Revenue
Refunding Bonds, 2012 Series A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Kent County Water Authority (the "Authority") in connection with the issuance by the Authority of its \$17,490,000* Kent County Water Authority General Revenue Refunding Bonds, 2012 Series A, dated as of their date of delivery (the "Bonds"). The Bonds are being issued pursuant to Chapter 16 of Title 39 of the General Laws of Rhode Island, 1956, as amended and supplemented (the "Act"), and a General Bond Resolution adopted by the Authority on July 6, 1994, as amended and supplemented by the First Supplemental Resolution amending General Bond Resolution adopted on June 20, 2001, and a Series Resolution adopted by the Authority on May 17, 2012 (together, the "Resolution"). We have examined the Constitution and the statutes of the State of Rhode Island and Providence Plantations (the "State"), certified copies of the proceedings of the Authority, and other proofs submitted to us relative to the issuance and sale of the Bonds by the Authority as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Reference is made to an opinion of Petrarca & McGair, Inc., general counsel to the Authority of even date herewith, on which we have relied with respect to, among other matters, the corporate status and existence and due organization of the Authority.

Based upon our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Authority is duly created and validly existing as a body corporate and politic constituting a public benefit corporation pursuant to the Act with the corporate power to adopt and perform its obligations under the Resolution and to issue the Bonds.

2. The Resolution has been duly adopted by the Authority, is in full force and effect and is valid and binding and enforceable upon the Authority in accordance with its terms.
3. The Resolution creates the valid pledge which it purposes to create of (i) the Revenues (all as provided and defined in the Resolution) and (ii) all funds and accounts established by the Resolution, including the investments, if any, thereof, to the extent permitted by law, except the Rebate Fund and the General Fund.
4. The Bonds have been duly and validly authorized, executed and delivered by the Authority and constitute valid, binding and enforceable obligations of the Authority as provided in the Resolution, entitled to the benefits of the Act and the Resolution.
5. Under existing statutes and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, interest on the Bonds will not be treated as a preference item in calculating the alternative minimum taxable income of individuals or corporations but will be includable in the adjusted current earnings of a corporation for purposes of calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bond be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on such obligations to become includable in gross income for purposes of federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained.

On the date of delivery of the Bonds, the Authority will execute an Certificate (the "Tax Compliance Certificate") wherein the Authority will covenant that the Authority will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will not be included in gross income under the Code in accordance with the Tax Compliance Certificate.

In rendering the opinions contained herein, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Compliance Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Authority with the procedures and covenants set forth in the Resolution and the Tax Compliance Certificate as to such tax matters.

6. Interest on the Bonds and any profit on the sale thereof are exempt from taxation by the State or any political subdivision or other instrumentality of the State, although the income thereon may be included in the measure of Rhode Island estate taxes and of certain Rhode Island corporate and business taxes.

No opinion is expressed herein as to the enforceability of the Bonds or the Resolution in accordance with their respective terms to the extent that the enforcement of any provisions thereof may be subject to the exercise of judicial discretion in accordance with general equitable principles and to applicable bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in appropriate cases.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein.

Very truly yours,

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS

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APPENDIX C

Definitions of Certain Terms

The following are definitions of certain words and terms used in this Official Statement and in the summaries of the General Resolution and the 2012 Series A Resolution. The summaries do not purport to set forth all of the provisions of said documents to which reference is made for the complete and actual terms thereof. Words and terms used herein that are not defined herein shall have the same meanings as set forth in the General Resolution and the 2012 Series A Resolution, as the case may be.

“Act” shall mean the Kent County Water District Act, being Chapter 16 of Title 39 of the General Laws of Rhode Island, 1956, as amended.

“Additional Security” shall have the meaning given such term in Section 208 of the General Resolution.

“Annual Budget” shall have the meaning given such term in Section 608 of the General Resolution.

“Authority” shall mean the Kent County Water Authority, a body corporate and politic constituting a public benefit corporation, created pursuant to and existing under the Act, and any successor to its powers and functions.

“Authorized Officer” shall mean the Chairperson, the Vice Chairperson or the Treasurer of the Authority and, when used in reference to an act or document, shall also mean any other person duly authorized by resolution of the Authority to perform such act or sign such document.

“Authenticating Agent” shall mean the Fiduciary appointed by the applicable Series Resolution to authenticate a Series of Bonds pursuant to Section 303 of the General Resolution.

“Bond” or “Bonds” shall mean any bond or issue of bonds of the Authority, authenticated and delivered under the General Resolution and a Series Resolution.

“Bondholder” or “Holder” or “Holders of Bonds” or any similar term, when used with reference to a Bond, shall mean the registered owner of any Bond.

“Business Day” shall mean any day of the week other than Saturday, Sunday or a day which shall be, in the State, the State of New York or in the jurisdiction in which the corporate trust office of the Trustee or the principal office of the Registrar is located, a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

“Capital Improvements” shall mean extensions, improvements, enlargements, betterments, alterations, renewals and replacements of the System (including real and personal property and any combination thereof), which (a) are used or useful in connection with the System or any part thereof, (b) are constructed, acquired, or made by or on behalf of the

Authority and (c) are properly chargeable (whether or not so charged by the Authority), according to generally accepted accounting principles, as additions to utility plant accounts.

“Capital Improvements Budget” shall have the meaning given such term in Section 609 of the General Resolution.

“Capitalized Interest Account” shall mean the account, if any, in the Debt Service Fund so designated created pursuant to Section 506 of the General Resolution.

“Certificate of Determination” shall mean the Certificate of Determination to be delivered by the Chairperson or the Treasurer of the Authority pursuant to Section 205(2) of the 2012 Series A Resolution.

“Certified Public Accountant” shall mean an independent certified public accountant or firm of accountants selected by the Authority and satisfactory to the Trustee.

“Code” shall mean the Internal Revenue Code of 1986 as amended from time to time and the regulations thereunder and under the Internal Revenue Code of 1954 to the extent applicable.

“Compound Interest Bonds” shall have the meaning given such term in Section 203(5) of the General Resolution.

“Consulting Engineer” shall mean an independent engineer or firm of engineers having a national reputation for expertise with respect to properties similar to those of the Authority, selected by the Authority and satisfactory to the Trustee; provided that, for purposes of Section 503(3) and Section 504(2)(viii) of the General Resolution, the Consulting Engineer may be an engineer regularly in the employ of the Authority.

“Continuing Disclosure Certificate” means a certificate of the Authority, in form and substance satisfactory to an Authorized Officer of the Authority, dated the date of authentication and delivery of the 2012 Series A Bonds, as originally executed and as it may be amended from time to time, under which the Authority agrees for the benefit of the owners of the 2012 Series A Bonds to provide annual reports and notices of certain events in order to assist the underwriter of the 2012 Series A Bonds to comply with the provisions of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

“Cost”, as applied to any Capital Improvement to be constructed or acquired by or on behalf of the Authority shall mean all or any part of the cost, paid by or on behalf of or reimbursable by or to the Authority of construction, acquisition, alteration, reconstruction and remodeling of such Capital Improvement, all lands, real and personal property, rights-of-way, water rights, air rights, franchises, easements and interest necessary or convenient therefor, the cost of any demolitions or relocations necessary in connection therewith, the cost of all machinery and equipment, financing charges, including Costs of Issuance not funded from the proceeds of Bonds, interest on Bonds and Notes issued in whole or in part to finance such construction prior to, during and for such period as the Authority shall determine after the period of construction of such Capital Improvement, architectural, engineering, financial and legal services, plans, specifications, appraisals, surveys, inspections, estimates of costs and revenues, and other expenses necessary or incident to determining the feasibility or practicality of such

work, organizational, administrative, Operating Expenses and other expenses prior to the commencement of and during such work, advance training of operating personnel and other expense, including initial working capital, of completing such work and placing the same in operation, and any other item of "Cost" attributable to the construction, acquisition, alteration, reconstruction and remodeling of such Capital Improvement and placing the same in operation; the word "Cost" as applied to any Capital Improvement which the Authority may be authorized to acquire shall also mean the amount of the purchase price or the amount of a condemnation award in connection with the acquisition of such Capital Improvement, and shall include the cost of acquiring all of the capital stock and of discharging any liabilities of a corporation owning such Capital Improvement, if such be the case, in order to vest title to such Capital Improvement in the Authority.

"Cost of Issuance" shall mean all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, sale and issuance of Bonds and Notes, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Fiduciaries, legal fees and charges, fees and disbursements of consultants and professionals, fees of the Rhode Island Public Finance Management Board, if any, costs and expenses of refunding, accrued interest and other costs payable upon or with respect to the initial investment of the proceeds of Bonds or Notes, premiums for the insurance of the payment of Bonds or Notes, fees and expenses payable in connection with any Additional Security or Reserve Deposits, unless designated as an Operating Expense, fees and expenses payable in connection with any remarketing agreements or interest rate indexing agreements and any other cost, charge or fee in connection with the original issuance of Bonds or Notes.

"Cost of Issuance Account" shall mean one of the accounts, if any, in the Project Fund so designated created pursuant to Section 503 of the General Resolution.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys selected by the Authority and satisfactory to the Trustee.

"Debt Service Fund" shall mean the fund so designated and created by Section 502 of the General Resolution.

"Debt Service Fund Requirement" shall mean, as of any particular date of computation, the amount of money obtained by aggregating the several sums, computed separately with respect to each Series of Bonds Outstanding, of (i) any unpaid interest due on such Bonds at or before said date and all interest on such Bonds accrued but not due at said date, (ii) the Principal Amount of any such Bonds matured and unpaid at or before said date, and (iii) with respect to any Principal Installment of any Bonds not included in (ii) above, but payable on the next succeeding Principal Payment Date other than by reason of acceleration or redemption at the option of the Authority or the Holder of any Bonds, that portion of such Principal Installment determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal Payment Date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to the date of such calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Payment Date, or if there be no such date with

respect to such Bonds, the date of issuance thereof, to such next succeeding Principal Payment Date.

“Debt Service Requirement” shall mean, for any applicable period of calculation, the aggregate of (1) all interest payable on all Bonds Outstanding during such period (other than interest, if any, included in the Principal Installments of such Bonds payable during such period) plus (2) the Principal Installment or Installments payable on such Bonds during such period. The interest and Principal Installments for each Series shall be calculated on the assumption that no Bonds of such Series Outstanding on any date during such period of calculation shall cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. Except for any historical period for which the actual interest payment is determinable, Variable Rate Bonds shall be deemed to bear interest at the rates used to prepare the Pro Forma Bond Issue with respect to such series of Variable Rate Bonds.

“Debt Service Reserve Fund” shall mean the fund so designated and created by Section 502 of the General Resolution.

“Debt Service Reserve Fund Requirement” shall mean, as of any particular date of computation the lesser of (i) ten percent of the stated principal amount of all Bonds Outstanding, (ii) the maximum annual Debt Service Requirement in the current or any future Fiscal Year on all Bonds Outstanding, or (iii) one hundred twenty five-percent (125%) of the average annual Debt Service Requirement for all Bonds Outstanding. With respect to each series of Variable Rate Bonds Outstanding the Debt Service Requirement shall be based on the Pro Forma Bond Issue for each such series.

The provisions regarding Variable Rate Bonds shall apply to any Bonds initially issued as Variable Rate Bonds for so long as such Bonds bear a variable rate of interest, or, if converted to Fixed Rate Bonds, if such Bonds may be reconverted to Variable Rate Bonds, and to any Reimbursement Obligation issued in connection with Variable Rate Bonds deemed to be Bonds pursuant to Section 208 of the General Resolution.

In no event shall the Debt Service Reserve Requirement exceed the amounts permitted by the Code for reasonably required reserve or replacement funds.

“Defeasance Obligations” for purposes of the 2012 Series A Bonds shall mean any of the following, if and to the extent the same are legal for defeasance of Authority Bonds:

1. Cash.
2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGs”).
3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.
4. Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

5. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S & P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-funded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

a. U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

b. Farmers Home Administration (FmHA)

Certificates of beneficial ownership

c. Federal Financing Bank

d. General Services Administration

Participation certificates

e. U.S. Maritime Administration

Guaranteed Title XI financing

f. U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

"Depository" shall mean each bank or trust company appointed pursuant to Section 502, Section 504 or Section 514 of the General Resolution to act as depository, and each successor or successors and any bank or trust company at any time substituted in its place.

"Discount Bonds" shall have the meaning given such term in Section 203(5) of the General Resolution.

"Event of Default" shall have the meaning given such term in Section 701 of the General Resolution.

“Fiduciary” shall mean the Trustee, any Depository, any Paying Agent, or any Authenticating Agent.

“Fiscal Year” shall mean the period beginning on July 1 of any calendar year and ending on the last day of June of the succeeding calendar year or such other period of twelve calendar months as may be provided by the Act or authorized by the Authority pursuant to a resolution of the Authority.

“Fixed Rate Bonds” shall have the meaning given such term in Section 203(2) of the General Resolution.

“Funded Debt Service Reserve Fund Requirement” shall mean, as of any particular date of computation, an amount equal to the Debt Service Reserve Fund Requirement less the stated and unpaid amounts of all Reserve Deposits held for the account of the Debt Service Reserve Fund.

“General Fund” shall mean the fund so designated and created by Section 502 of the General Resolution.

“Government Obligations” shall mean (i) direct general obligations of the United States of America and bonds, notes or other obligations which as to both principal and interest are unconditionally guaranteed by the United States of America and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the books or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate.

“Interest Payment Date” shall mean the date for any Series of Bonds Outstanding upon which a payment of interest is due, as more particularly set out in the applicable Series Resolution.

“Local Governing Body” shall mean any town or city council, commission, or other elective governing body, now or hereafter vested by State statute, charter, or other law with the jurisdiction to initiate and adopt local ordinances, whether or not such local ordinances require the approval of the elected or appointed chief executive officer or other official or body to become effective.

“Maximum Annual Debt Service” shall mean the maximum Debt Service Requirement with respect to any specified indebtedness for any Fiscal Year or other specified computation period during the term of such indebtedness.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns.

“Net Revenues” shall mean, for any period of computation (i) all Revenues (excluding proceeds of property-loss insurance, condemnation, or the sale or other disposition of any part of the System) received by the Authority during such period and deposited in the Revenue Fund, plus (ii) monies withdrawn from the Stabilization Account and transferred from the Stabilization Account in accordance with Section 506 of the General Resolution less (iii) all amounts withdrawn from the Revenue Fund during such period and deposited in the Operation and Maintenance Fund, the Rebate Fund and the Stabilization Account.

“Notes” shall mean any obligations (other than Bonds) issued or incurred by the Authority to finance the Costs of Capital Improvements or Operating Expenses.

“Operating Expenses” shall mean any expenses incurred by or for the account of the Authority or reimbursable to the Authority for operation, maintenance, renewal and repair of the System including, without limiting the generality of the foregoing, cost to purchase water from other water supply systems, administrative expenses, financial, legal and auditing expenses, insurance premiums, payments on insurance claims to the extent moneys are unavailable therefor in the Insurance Reserve Fund or to the extent such claims shall fall within such reasonable deductible limits as may be determined by the Authority, if any, payments in lieu of taxes, taxes, if any, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization and sick leave benefits, and any other similar expenses required to be paid by the Authority, all to the extent properly and directly attributable to the System, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Resolution or any Series Resolution, but does not include the Cost of any Capital Improvement, or any provision for interest, depreciation, amortization or similar charges on any indebtedness except for interest paid on Notes, and renewals thereof, issued in accordance with Section 607(2) of the General Resolution (to the extent not included in the Cost of any Project paid or to be paid from amounts on deposit in any Project Account) and except for payments made with respect to any indebtedness represented by leases, mortgages, security interests and other encumbrances permitted by Section 604(3) of the General Resolution.

“Operation and Maintenance Fund” shall mean the fund so designated and created by Section 502 of the General Resolution.

“Operation and Maintenance Reserve Fund” shall mean the fund so designated and created by Section 502 of the General Resolution.

“Operation and Maintenance Reserve Fund Requirement” shall mean the amount required by Section 608(2) of the General Resolution.

“Outstanding”, when used with reference to Bonds, shall mean as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond

cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Authority or by any other Fiduciary, at or before said date, (2) any Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest to the maturity or redemption date (or any alternate applicable date established pursuant to Section 702(3) of the General Resolution), shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, for which notice of redemption shall have been given or provided for in accordance with Article IV of the General Resolution, (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to Article III of the General Resolution, Section 406 or Section 1006, and (4) any Bond deemed to have been paid as provided in Section 1101 of the General Resolution.

“Paying Agent” shall mean any paying agent or co paying agent for Bonds of any Series appointed pursuant to the General Resolution or an applicable Series Resolution and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the General Resolution.

“Permitted Investments” for purposes of the 2012 Series A Bonds shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been shipped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or “Ginnie Mae”)

- GNMA - guaranteed mortgage-backed bonds
- GNMA - guaranteed pass-through obligations
- 7. U.S. Maritime Administration
Guaranteed Title XI financing
- 8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
Participation Certificates
Senior debt obligations
3. Federal National Mortgage Association (FNMA or “Fannie Mae”)
Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or “Sallie Mae”)
Senior debt obligations
5. Resolution Funding Corp. (REFCORP) obligations
6. Farm Credit System
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF).

G. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's ("S&P").

H. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

I. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

J. Repurchase Agreements ("Repos") must be acceptable for 30 days or less meeting the follow the following criteria:

Repos provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Authority (buyer/lender), and the transfer of cash from the Authority to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Authority in exchange for the securities at a specified date.

1. Repos must be between the Authority and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by S&P and Moody's, or
 - b. Banks rated "A" or above by S&P and Moody's
2. The written Repo contract must include the following:
 - a. Securities which are acceptable for transfer are:
 - (1) Direct U.S. governments, or
 - (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
 - b. The term of the Repo may be up to 30 days

c. The collateral must be delivered to the Authority, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral. Notwithstanding Section 514(3) of the General Resolution, investments shall be valued as follows:

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the Authority to the dealer bank or security firm under the Repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Authority, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the Authority:

Repo meets guidelines under state law for legal investment of public funds.

K. Any state administered pool investment fund in which the Authority is statutorily permitted or required to invest will be deemed a Permitted Investment.

L. Debt Service Reserve Fund investments should be valued at fair market value and marked to market at least once per year. Debt Service Reserve Fund investments may not have maturities extending beyond 5 years.

“Principal Amount,” with respect to any Bond, shall mean the stated principal thereon or such other amount payable on any Compound Interest Bond or Discount Bond designated as the Principal Amount thereof pursuant to the applicable Series Resolution.

“Principal Installment” shall mean, as of any particular date of computation and with respect to Bonds of a particular Series, an amount of money equal to the aggregate of (i) the Principal Amount of Outstanding Bonds of said Series which mature on such date, reduced by the aggregate Principal Amount of such Outstanding Bonds which would at or before said date be retired by reason of the payment when due and application in accordance with the applicable Series Resolution of Sinking Fund Payments payable at or before said date for the retirement of such Outstanding Bonds, plus (ii) the amount of any Sinking Fund Payment payable on said date for the retirement of any Outstanding Bonds of said Series.

“Principal Office,” when used with respect to a Fiduciary, shall mean the office where such Fiduciary maintains its principal office or, where different, its principal corporate trust office.

“Principal Payment Date” shall mean the date for any Series of Bonds Outstanding upon which a Principal Installment is due, as more particularly set out in the applicable Series Resolution

“Pro Forma Bond Issue” shall have the meaning given such term in Section 203(3) of the General Resolution.

“Project” shall mean a Capital Improvement, all or a portion of the Cost of which is financed by Bonds.

“Project Account” shall mean one of the accounts so designated in the Project Fund and created by Section 503 of the General Resolution.

“Project Fund” shall mean the fund so designated and created by Section 502 of the General Resolution

“Purchase Contract” shall mean the Bond Purchase Agreement by and between the Authority and the Underwriter named therein, and providing for the terms and conditions of sale of the 2012 Series A Bonds, substantially in the form presented at the meeting at which the 2012 Series A Resolution is being adopted and included in the minutes thereof, as the same shall be supplemented pursuant to the Certificate of Determination.

“Rates and Charges” shall mean, except as otherwise expressly provided in the General Resolution, all fees, rates, rents, assessments and other charges established by or on behalf of the Authority for the services, facilities and commodities furnished or supplied by it from the operation of the System.

“Rate Order” shall mean, any applicable order of the State Public Utilities Commission or any successor State governmental entity authorized by law to determine the rates which may be charged by the Authority.

“Rebate Fund” shall mean the fund so designated created by any Series Resolution.

“Rebate Requirement” shall mean the aggregate of the amounts, if any, designated as such for each Series of Bonds in the Series Resolution therefor, and with respect to the 2012 Series A Bonds, shall have the meaning given such term in the Tax Compliance Certificate.

“Record Date” shall have the meaning specified in Section 201(5) of the 2012 Series A Resolution.

“Redemption Fund” shall mean the fund so designated and created by Section 502 of the General Resolution.

“Redemption Price” shall mean, with respect to any Bond or portion thereof, the Principal Amount thereof or of such portion, or such other amount as may be provided in the applicable Series Resolution, plus the premium, if any, payable upon redemption thereof.

“Refunding Bonds” shall mean any of the Bonds authorized by Section 206 of the General Resolution.

“Reimbursement Obligation” shall have the meaning given such term in Section 208 of the General Resolution.

“Remarketing Agent” shall mean any agent appointed pursuant to the applicable Series Resolution to Remarket Tender Bonds.

“Renewal and Replacement Account” shall mean the accounts so designated in the Project Fund and created in accordance with Section 503 of the General Resolution.

“Renewal and Replacement Reserve Fund” shall mean the fund so designated and created by Section 502 of the General Resolution.

“Renewal and Replacement Reserve Fund Requirement” shall mean the amount, if any, required by, Section 609(3) of the General Resolution.

“Reserve Deposits” shall mean one or more of the following:

(i) irrevocable, unexpired letters of credit issued by banking institutions, the senior long-term debt obligations of which (or of the holding company of such banking institution) have (at the time of issue of such letter of credit) a rating of at least “Aa” by Moody’s Investors Service, Inc or “AA” by Standard & Poor’s; or

(ii) irrevocable and unconditional policies of insurance in full force and effect issued by municipal bond insurers, the obligations insured by which are eligible for a rating of “Aaa” by Moody’s Investors Service, Inc. or “AAA” by Standard & Poor’s in each case providing for the payment of sums to the Trustee for the payment of Principal Installments and interest on Bonds in the manner provided under Section 509 of the General Resolution.

“Resolution” shall mean the General Bond Resolution of the Authority adopted on July 6, 1994, as amended by the First Supplemental Resolution amending General Bond Resolution adopted on June 20, 2001, as the same may be amended from time to time.

“Revenue Fund” shall mean the fund so designated and created in accordance with Section 502 of the General Resolution.

“Revenues” shall mean and include (except as otherwise expressly provided in the General Resolution) all income, fees, revenues, rates, receipts, assessments, rents, charges and other moneys derived by or on behalf of the Authority from its ownership and operation of the System (including collections by or on behalf of the Authority on account of services and commodities furnished or supplied by the System prior to the effective date of the General Resolution) and all accounts, general intangibles and contract or other rights to receive the same, whether existing at the effective date of the General Resolution or thereafter coming into existence and whether held by the Authority at the effective date of the General Resolution or thereafter acquired, and the proceeds thereof, including, without limiting the generality of the foregoing, receipts from Rates and Charges and from the earnings on the investment of any

moneys held under the General Resolution by the Trustee or the Authority, (other than from moneys held in the Rebate Fund and General Fund or otherwise specifically excluded by a Series Resolution creating such fund or account), receipts from fees, rates, assessments and other charges to any political subdivision of the State for services or commodities furnished or supplied by the System, proceeds of any grant or appropriation for or on account of Operating Expenses received by the Authority from the United States or the State or from any agency, instrumentality or political subdivision of either thereof, and except to the extent otherwise provided in the General Resolution, proceeds of the sale or other disposition of all or any part of the System and of insurance and condemnation awards received by the Authority with respect to the System or any part thereof, but not including any amounts not deemed "Revenues" pursuant to Section 515 of the General Resolution.

"Series" when used with respect to less than all of the Bonds, shall mean or refer to all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions.

"Series Resolution" shall mean a resolution of the Authority authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution.

"2004 Series A Bonds" shall mean the Authority's \$10,430,000 Kent County Water Authority General Revenue Refunding Bonds, 2004 Series A, dated April 1, 2004, issued by the Authority pursuant to the General Resolution and a Series Resolution dated February 18, 2004.

"2012 Series A Bonds" shall mean the Bonds authorized by Section 201 of the 2012 Series A Resolution.

"2012 Series A Cost of Issuance Account" shall mean the account in the Project Fund so designated and created by Section 301 of the 2012 Series A Resolution.

"2012 Series A Project" shall mean any Capital Improvements for which the Authority has obtained approval for bond financing from the State Public Utilities Commission.

"2012 Series A Project Account" shall mean the account in the Project Fund so designated and created by Section 301 of the 2012 Series A Resolution.

"2012 Series A Rebate Account" shall mean the Account in the Rebate Fund so designated and created by Section 301 of the 2012 Series A Resolution.

"Sinking Fund Payment" shall mean, as of any particular date of computation and with respect to Bonds of a particular Series, the amount of money required by a Series Resolution to be paid by the Authority on such date for the retirement of any Outstanding Bonds of said Series which mature after said date, but does not include any amount payable by the Authority by reason of the redemption of Bonds at the election of the Authority or the Holders of such Bonds.

"Stabilization Account" shall mean the account in the Debt Service Fund established pursuant to Section 502 of the General Resolution.

“Standard & Poor’s” means Standard & Poor’s Rating Group, a division of McGraw Hill, Inc. and its successors and assigns, except that if such Group shall cease to perform the functions of a securities rating agency, then any other similar nationally recognized securities rating agency.

“State” shall mean the State of Rhode Island and Providence Plantations.

“Supplemental Resolution” shall mean any resolution of the Authority amending or supplementing the General Resolution adopted and becoming effective in accordance with the terms of Article IX of the General Resolution.

“System” shall mean the system of water supply, treatment, and distribution facilities of the Authority, together with any Capital Improvements or other additions thereto and substitutions for any part thereof, heretofore or hereafter acquired or made by or on behalf of the Authority, and all other water supply facilities (as such term are defined in the Act) of the Authority used in, or necessary or desirable for, the operation of such system, including, but not limited to artesian wells, reservoirs, dams, pipelines, treatment plants, and related equipment.

“Tax Compliance Certificate” shall mean the Tax Compliance Certificate of the Authority delivered in connection with the 2012 Series A Bonds.

“Tender Bonds” shall have the meaning given such term in Section 203(4) of the General Resolution

“Trustee” means the trustee appointed in accordance with Section 801 of the General Resolution, and its successor and any other corporation which may at any time be substituted in its place pursuant to the General Resolution.

“Variable Rate Bonds” shall have the meaning given such term in Section 203(3) of the General Resolution.

“Variable Rate Ceiling” shall have the meaning given such term in Section 203(3)(i) of the General Resolution.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Kent County Water Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), in connection with the issuance by the Authority of its \$[] Kent County Water Authority General Revenue Refunding Bonds, 2012 Series A (the "Bonds"). The Bonds are being issued pursuant to a General Resolution adopted by the Authority on July 6, 1994, as amended by the First Supplemental Resolution on June 20, 2001 (the "General Resolution") and a Series Resolution of the Authority adopted on May 17, 2012 (the "2012 Series Resolution"). The Authority and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the Bondowners (as defined in the Agreement) and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Trustee, except as provided in Section 3(c) hereof, has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3(c) hereof.

SECTION 2. Definitions. In addition to the definitions set forth in the General Resolution, which apply to any capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority and the Trustee written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. The initial Dissemination Agent shall be the Trustee. In the absence of a third-party Dissemination Agent, the Authority shall serve as Dissemination Agent.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“SID” shall mean any public or private repository or entity designated by the State of Rhode Island as a state repository for the purpose of Rule. As of the date of this Agreement, there is no SID.

SECTION 3. Provision of Annual Reports:

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the Authority’s Fiscal Year, commencing with the Fiscal Year ending June 30, 2012, provide to MSRB and the SID an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than five (5) Business Days prior to said one hundred eightieth (180th) day, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). The Authority shall submit the audited financial statements to the Dissemination Agent as soon as practicable after they become available. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If the Authority submitted its audited financial statements at a later date, it shall provide unaudited financial statements by the above-specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB and the SID, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify from the Authority that an Annual Report has been provided to the MSRB and the SID by the date required in subsection (a), the Trustee on behalf of the Authority shall send a notice of such failure to file the Annual Report by the date required in subsection (a) to MSRB and the SID in the form of Exhibit A attached hereto.

(d) The Dissemination Agent shall:

(i) determine each year within five (5) Business Days of the date for providing the Annual Report the name and address of the SID, if any (insofar as determinations regarding repositories are concerned, the

Dissemination Agent may conclusively rely on the list of repositories published by the United States Securities and Exchange Commission); and

- (ii) file a Report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided (the "Compliance Certificate"); such report shall include a certificate from the Authority that the Annual Report complies with the requirements of this Disclosure Agreement.

(e) If the Trustee is not the Dissemination Agent, the Authority will provide a copy of all reports required hereunder to the Trustee.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding Fiscal Year of the Authority of the type presented in the Authority's Official Statement for the Bonds (the "Official Statement") including: (i) a summary table and listing of water sales to major customers; and (ii) summary of operations and changes in accumulated funds;

(b) quantitative information for the current fiscal year of the type presented in the Official Statement, including a table of current water rates and charges; and

(c) the most recently available audited financial statements of the Authority, prepared in accordance with generally accepted accounting principles.

Any or all of the items listed above may be incorporated by reference from other documents, including the official statements of debt issues of the Authority, which have been submitted to the MSRB and the SID or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference. Neither the Trustee nor the Dissemination Agent shall be under any obligation to verify the content or correctness of, and shall not be responsible for the sufficiency of, the Annual Report for compliance of the contents of any Annual Report with the Rule or with this Disclosure Agreement.

SECTION 5. Reporting of Significant Event. This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. tender offers;
13. bankruptcy, insolvency, receivership or similar event of the Authority;¹
14. the consummation of a merger, consolidation, or acquisition of the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
15. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

Whenever the Authority obtains knowledge of the occurrence of a Listed Event, the Authority shall, in a timely manner, but not in excess of ten (10) business days after the occurrence thereof, file or cause the Dissemination Agent to file a notice of such occurrence with the MSRB and the SID. The Authority shall provide a copy of each such notice to the Trustee. The Dissemination Agent, if other than the Authority, shall have no duty to file a notice of a Listed Event described hereunder unless it is directed to do so by the Authority, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

SECTION 5. Transmission of Information and Notices.

¹For purposes of the event identified in Section 5(13) above, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by indentifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation.

The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Authority and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Authority's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Authority and the original Authority shall have no further responsibility hereunder.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the Trustee or for the underwriters of the Bonds, any registered owner or beneficial owner of Bonds, any municipal securities broker or dealer, any potential purchaser of Bonds, the SEC or any other person, other than as specifically provided in this Disclosure Agreement.

SECTION 7. Dissemination Agent. The Authority may, from time to time, with written notice to the Trustee appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge with notice to the Trustee any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Authority) may resign upon thirty (30) days' written notice to the Authority and the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Authority provided that the Trustee may but shall not be required to agree to any amendment that affects the Trustee's rights, duties or immunities hereunder) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Authority and the Trustee to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Authority and the Trustee may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the Authority or of the type of business conducted by the Authority; (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c)(i) the Trustee receives an opinion of counsel expert in federal securities laws and acceptable and addressed to the Trustee to the effect that, the amendment does not materially impair the interest of the Bondowners, or (ii) the amendment is consented to by the Bondowners as though it were an amendment to the Agreement as permitted by Section 1101 of the Agreement. The annual financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an

amendment is made to an undertaking specifying the accounting principles to be followed in preparing the financial statements, the annual financial information for the year in which the change is made should present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee, at the request of any Participating Underwriter or Bondowners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Authority or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Authority or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. In no event shall the Authority or the Dissemination Agent be liable for actual or consequential monetary damages in the event of a default under this Disclosure Agreement.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Trustee, in its capacity as Dissemination Agent (if other than the Authority), shall have only such duties as are specifically set forth in this Disclosure Agreement. The Authority hereby agrees to indemnify and hold the Trustee, its directors, or officers, employees and agents (collectively, the "Indemnitees") harmless from and against any and all claims, liabilities, losses damages, fines, penalties, and expenses, including out-of-pocket, incidental expenses, legal fees and expenses ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Trustee is authorized to rely pursuant to the terms of the Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, the Authority also agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Trustee's performance under the Agreement, except to the extent such Losses shall have been finally determined by a court

of competent jurisdiction to have been caused by the Trustee's gross negligence or willful misconduct. Notwithstanding anything to the contrary herein, the Trustee, whether acting as Trustee or Dissemination Agent, shall have the rights, indemnities, privileges and protections in the discharge of its obligations hereunder as it would have in discharging any of its obligations under the General Resolution. These provisions shall survive the payment of the Bonds and the resignation or removal of the Trustee for any reason. Anything in the Disclosure Agreement to the contrary notwithstanding, in no event shall the Trustee or Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee or Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, and the Bondowners or beneficial owners of the Bonds from time to time, and shall create no rights in any other person or entity.

SECTION 13. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Authority under this Disclosure Agreement shall obligate the Authority to file any information regarding matters other than those specifically described in Section 3 and Section 4 hereof, nor shall any such filing constitute a representation by the Authority or raise any inference that no other material events have occurred with respect to the Authority or the Bonds or that all material information regarding the Authority or the Bonds has been disclosed. The Authority shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 14. Fees and Expenses of Dissemination Agent. The Authority agrees (1) to pay to the Dissemination Agent from time to time reasonable compensation for services rendered hereunder and (2) to reimburse the Dissemination Agent for all reasonable expenses and disbursements, including reasonable compensation, expenses and disbursements of its agents and counsel.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Governing Law. This Disclosure Agreement shall be governed by the internal laws of the State of Rhode Island and Providence Plantations.

SECTION 17. Notices. Unless otherwise expressly provided, all notices to the Authority, the Trustee and the Dissemination Agent shall be in writing and be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or e-mail, or delivered during business hours to such parties at the address specified in the 2012 Series Resolution or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice.

Date: [_____], 2012

KENT COUNTY WATER AUTHORITY

By: _____
Authorized Officer

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee and Dissemination
Agent**

By: _____
Authorized Officer

EXHIBIT A
NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Kent County Water Authority
Name of Bond Issue: Kent County Water Authority General Revenue Refunding
Bonds, 2012 Series A
Name of Obligated Persons: Kent County Water Authority
Date of Issuance: _____, 2012

NOTICE IS HEREBY GIVEN that Kent County Water Authority (the "Authority") has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated _____, 2012 between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee.

Dated: _____

The Bank of New York Mellon Trust Company,
N.A., as Trustee

By: _____
Name: _____
Title: _____

cc: Kent County Water Authority

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EXHIBIT D

Kent County Water Board Meeting

June 21, 2012

APPROVED
June 21, 2012

CONFIDENTIAL EMPLOYEE DATA

EMPLOYEES	DATE OF EMPLOYMENT	CLASSIFICATION	CURRENT SALARY		AS OF JULY 2012		PAY GRADE ADJUSTMENT
			HOURLY	ANNUAL	HOURLY	ANNUAL	
		: OPERATOR	\$18.58	\$38,646.40	\$19.14	\$39,811.20	
		: LABORER 2	\$23.64	\$49,171.20	\$24.35	\$50,646.34	
		: LABORER 2	\$20.74	\$43,139.20	\$21.37	\$44,449.60	
		: LABORER 2	\$16.86	\$35,068.80	\$17.34	\$36,067.20	9/12(\$19.14)
		: METERMAN 2	\$23.05	\$47,944.00	\$23.74	\$49,382.32	
		: LABORER	\$23.73	\$49,358.40	\$24.44	\$50,839.15	PG 5
		: METERMAN 2	\$21.39	\$44,491.20	\$22.03	\$45,825.94	
		: CHIEF OPERATOR	\$24.73	\$51,438.40	\$25.92	\$53,913.60	
		: LABORER 2	\$23.05	\$47,944.00	\$23.74	\$49,382.32	
		: PIPER	\$24.73	\$51,438.40	\$25.48	\$52,998.40	
		: CONST ADMINIST.	\$24.73	\$51,438.40	\$25.92	\$53,913.60	
		: LABORER	\$23.53	\$48,942.40	\$24.24	\$50,410.67	
		: PIPER/DIGSAFE	\$25.60	\$53,248.00	\$26.37	\$54,849.60	
		: LABORER	\$23.27	\$48,401.60	\$23.98	\$49,878.40	
		: METERMAN 2	\$15.86	\$32,988.80	\$16.34	\$33,978.46	12/12(\$17.34)
		: METERMAN 2	\$18.58	\$38,646.40	\$19.43	\$40,414.40	
		: PIPER/DIGSAFE	\$25.38	\$52,790.40	\$26.15	\$54,392.00	
		: METERMAN 2	\$19.14	\$39,811.20	\$19.72	\$41,017.60	
		: METERMAN 2	\$18.86	\$39,228.80	\$19.43	\$40,414.40	
TOTAL				\$864,136.00		\$892,585.20	
		: CREW CHIEF		\$70,000.00		\$70,000.00	Plant Operator
		: DIRECTOR OPERATIC		\$80,000.00		\$82,400.00	
		: CREW CHIEF		\$75,950.00		\$78,228.50	
		: CREW CHIEF		\$70,000.00		\$70,000.00	
		: CHIEF METERMAN		\$61,900.00		\$63,757.00	
		: LABORER/INV.		\$64,600.00		\$66,538.00	
		: CUST SERVICE MGR		\$65,000.00		\$66,950.00	
TOTAL				\$487,450.00		\$497,873.50	
		: CUST. SER. REP.	\$19.14	\$39,811.20	\$19.72	\$41,017.60	
		: CUST. SER. REP.	\$18.86	\$39,228.80	\$19.43	\$40,414.40	
		: CUST. SER. REP.	\$19.14	\$39,811.20	\$20.01	\$41,620.80	
		: GIS OPERATOR		\$45,700.00		\$50,000.00	ADJ SALARY
TOTAL				\$164,551.20		\$173,052.80	
		: DIR. TECH. SER.		\$81,000.00		\$83,430.00	
		: DIR. F & A		\$88,600.00		\$91,258.00	
		: ENGINEER PLT OPS		\$80,000.00		\$80,000.00	
TOTAL				\$249,600.00		\$254,688.00	
GRAND TOTAL				\$1,765,737.20		\$1,818,199.50	
% OVER PREVIOUS FY11						3.0%	

EXHIBIT E

Kent County Water Board Meeting

June 21, 2012

BUDGET MEMO

To: Board Members
From: Timothy Brown
Subject: Fiscal Year 2013 Budget
Date: June 21, 2012

GENERAL:

This year's budget was prepared in a similar fashion as last year's budget due to the Supreme Court decision and our rate case Docket # 4142. The limitation to the cost of service established will govern the setting of this budget. We remain guarded with the rate case revenues being realized because of the continued downturn in sales and the expected future weather pattern. We have not reached the point of notice for use of the restricted operating revenue stabilization fund and continue the required deposits. There is no doubt that conservation, closed businesses, foreclosed homes and customer's awareness of the cost of water is having an effect. We will fill all open positions with emphasis on the labor needs at the Mishnock Treatment Facility. We will utilize all funds for the infrastructure program through 2013 as outlined in the budget. Our capital funding will be limited to the existing bond approval for both Mishnock projects. The required Demand Management Strategy will be submitted by the deadline this fiscal year including our revised Water Supply System Management Plan. A rate case filing will be necessary this year in some form to adjust the cost of service to fully incorporate the treatment cost of operation and a review of the known and measureable changes to budget expenditures. Whether we will incorporate bonded Capital, Infrastructure Cash Capital and meter replacements will need to be discussed during the rate case preparation. The establishment of a trust fund to address the "OPEB" obligation is a question that must be addressed as to its application to the next rate case filing.

FIXED ALLOTMENTS:

Fixed allotments or allocations are required within this budget as ordered. They are bond related capital, infrastructure-restricted accounts and the restricted operating revenue allowance. The trustee funds the restricted accounts as required from the revenue on a month-by-month basis. The restricted infrastructure fund is underfunded based on our approved plan. We are funding it to the approved PUC allocation supported by the decision from the Supreme Court.

SUMMARY OF BUDGET HIGHLIGHTS:

1. Employee salary increases are included, funded by the operating revenue allowance.
2. Employee health insurance contributions remain at 10% reimbursement as directed by the PUC approved rate filing.
3. Workers' Compensation insurance premium has increased slightly.
4. Conservation Program is being carried but reduced to \$5,000.
5. This year requires a minimum pension contribution of \$256,566.
6. Cash capital is budgeted for 2 vehicle replacements and truck refurbishments along with miscellaneous equipment.

CURRENT BUDGET POLICY:

The current budget policy in effect, unless modified, will control the outside budget expenses. The five aspects of the policy are:

1. Line item shifts of "excess" money will not occur during the budget year without board approval.
2. All emergency uses of funds, as approved by the Board in advance, will be assigned to the proper line item of the budget year if funds are not available.
3. Emergency use of funds caused by failure of the system will be determined by the General Manager with concurrence of the Chairman and brought to the next regular scheduled Board meeting for review and approval.
4. It is the intention of the Board to review the budget monthly in regards to the monthly estimated budget and the yearly budget total.
5. The Board reserves the right to amend this policy at any time by majority vote.

QUESTIONS AND ACTIONS BY BOARD:

Supply as in previous budgets has been a difficult issue for the Board to resolve but is still present even with the wet weather patterns of the last few years. It has also become extremely difficult for the State as a whole to understand future needs and consideration of securing all possible water for public use. We are moving forward with our supply initiatives to secure whatever supply is available to us. There is no doubt the weather pattern will change and there is no doubt the economy will ultimately rebound. We must be prepared for that and we must have the facilities available to supply our customers. The dynamics in determining supply, need for supply and securing supply remain difficult but essential. An updated demand study will be needed in the future as we believe permanent changes to our customer base have been realized. It is not budgeted in this fiscal year.

DIRECTION:

The direction of the company this year will be:

1. Complete construction of the Mishnock Treatment Facility and bring it into operation.
2. Bid/Award 2010B IFR for construction.

3. Complete the remaining IFR projects and Quaker Booster Station refurbishment.
4. Submit the revised Water Supply System Management Plan and the Demand Management Strategy for approval.
5. Continue to operate and service our customers with courtesy, professionalism and a quality product. We will continue our emphasis on implementing customer service and customer communication strategies.
6. Continue our "invest and invigorate" employee program. This enhancement in the company will provide for better communication, staff training and result in efficiency of operations.

It is with pleasure to present a balanced budget to the Board. Our review was thorough and comprehensive in analyzing all line items. Revenue and expenditures were compared to the past few years for consistency. This budget will direct us through the fiscal year with an efficiency minded operating diligence. Our programs will certainly continue in the aggressive implementation fashion that they have been. We will whether the economic downturn, the detrimental effects that it has upon our operations and in the long term we will be poised for continued quality service to our customers. The Board deserves congratulations for all of your work in supporting these programs for the betterment of our customers. We will continue to address the most critical issues first. I urge approval of this budget by the Board. Everyday we commit to continue to strive for the ideals of Kent County Water Authority for quality of service, quality of product and our dedication to the customers. The Board members should be proud of the staff and the actions that they perform each and every day as it is a reflection on the board and your support that makes this possible. The staff thanks the Board for their continued support and direction for this budget year.

KENT COUNT WATER AUTHORITY
FISCAL YEAR 2012 / 2013
ANNUAL BUDGET

Approved June 21, 2012

OPERATING:

PROJECTED TOTAL REVENUES	\$20,142,000
PROJECTED TOTAL OPERATING EXPENSES	\$10,108,927
NET INCOME BEFORE FUNDING RESTRICTED ACCOUNTS	<u>\$10,033,073</u>

RESTRICTED ACCOUNT ALLOCATION FY 2012-2013:

OPERATING REVENUE ALLOWANCE RESTRICTED	\$291,656
RESTRICTED DEBT SERVICE REQUIRED	\$3,877,889
IFR RESTRICTED	\$5,400,000
CASH CAPITAL RESTRICTED	\$100,000
ESTIMATED O&M RESERVE(25% BUDGETED EXPENSES)	\$148,416
ESTIMATED R&R RESERVE (1% AUDITED N.U.P.)	\$20,000
TOTAL RESTRICTED REQUIRED	<u>\$9,837,961</u>

SURPLUS/(DEFICIT)	<u>\$195,112</u>
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BUDGETED REVENUE AND EXPENSES FY 2012-2013

ACCT. #	OPERATING REVENUE	FY	FY	FY	FY	%
		09-10 Actual	10-11 Actual	11-12 10+2	12-13 Budget	
461A	METERED SALES RESIDENTIAL	\$12,192,173	\$14,601,783	\$14,270,736	\$14,000,000	-1.9%
461B	METERED SALES COMM / IND	\$3,081,579	\$3,410,992	\$3,246,383	\$3,481,000	6.7%
462	PRIVATE FIRE PROTECTION	\$177,945	\$186,046	\$165,020	\$180,000	8.3%
463	PUBLIC FIRE PROTECTION	\$1,225,471	\$1,300,267	\$1,171,494	\$1,300,000	9.9%
464	SALES TO PUBLIC AUTHORITIES	\$703,828	\$773,807	\$750,348	\$750,000	0.0%
466	SALES FOR RESALE	\$115,096	\$124,907	\$141,343	\$125,000	-13.1%
471	MISC. SERVICE REVENUE (Interest)	\$226,611	\$238,106	\$168,577	\$171,000	1.4%
474	OTHER WATER REVENUES (WP Admin Fe	\$46,180	\$49,136	\$42,907	\$45,000	4.7%
415	PROFIT ON METER SALES	\$2,936	\$1,475	\$5,480	\$5,500	0.4%
416	PROFIT FOR MATERIAL & LABOR	\$21,466	\$9,434	\$13,295	\$13,500	1.5%
	SUBTOTAL	\$17,793,285	\$20,695,955	\$19,975,581	\$20,071,000	0.5%
NON OPERATING INCOME						
419	INTEREST ON INVESTMENTS	\$6,915	\$36,597	\$44,435	\$50,000	11.1%
421	DISCOUNT ON PURCHASES/MISC	\$2,904	\$24,259	\$21,013	\$21,000	-0.1%
434	MISC. CREDIT TO SURPLUS					
	SUBTOTAL	\$9,819	\$60,856	\$65,449	\$71,000	7.8%
	TOTAL REVENUE	\$17,803,103	\$20,756,811	\$20,041,030	\$20,142,000	0.5%
OPERATING EXPENSES						
SOURCE OF SUPPLY						
601	OPERATION & LABOR					
602	PURCHASED WATER	\$4,123,544	\$4,881,999	\$4,667,727	\$4,331,727	-7.8%
614	MAINTENANCE/WELLS	\$1,769	\$197	\$588	\$600	2.0%
	SUBTOTAL	\$4,125,314	\$4,882,196	\$4,668,315	\$4,332,327	-7.8%
PUMPING						
621	FUEL FOR PUMPING	\$956	\$3,822	\$4,991	\$5,000	0.2%
623	POWER PURCHASED	\$429,121	\$425,459	\$335,583	\$340,000	1.3%
624A	PUMPING LABOR	\$55,998	\$33,480	\$60,546	\$65,300	7.3%
624B	PUMPING EXPENSE	\$4,437	\$4,082	\$4,759	\$4,800	0.9%
631	MAINTENANCE/STRUCT/IMP.	\$29,486	\$34,403	\$58,977	\$60,000	1.7%
633	MAINTENANCE PUMPING EQUIP.	\$36,242	\$36,604	\$34,611	\$35,000	1.1%
	SUBTOTAL	\$556,239	\$537,850	\$499,466	\$510,100	2.1%
WATER TREATMENT						
641	CHEMICALS	\$169,431	\$173,141	\$134,958	\$135,000	0.0%
642A	OPERATION LABOR	\$75,718	\$74,004	\$74,395	\$79,100	5.9%
642B	OPERATION EXPENSE (TESTING SAMPLE	\$32,751	\$46,791	\$40,177	\$45,000	10.7%
643	MISCELLANEOUS (MISHNOCK)				\$500,000	100.0%
651	MAINTENANCE STRUCTURES AND IMPR					
652	MAINTENANCE OF WATER TREATMENT	\$4,437	\$2,389	\$4,669	\$5,000	6.6%
	SUBTOTAL	\$282,336	\$296,326	\$254,199	\$764,100	66.7%
TRANSMISSION & DISTRIB.						
661	STORAGE FACILITIES		\$2,790			
662A	LABOR	\$14,370	\$21,105	\$25,239	\$25,200	-0.2%
662B	SUPPLIES EXPENSE	\$38,597	\$68,815	\$83,389	\$84,000	0.7%
663A	METER EXPENSE LABOR	\$32,008	\$41,935	\$38,788	\$38,600	-0.5%
663B	METER EXPENSE MATERIAL	\$17,642	\$16,584	\$21,637	\$22,000	1.6%
665	MISCELLANEOUS	\$11,922	\$10,239	\$3,035	\$3,000	-1.2%
671	MAINT. STRUCTURES & IMP.	\$7,410	\$5,818	\$5,999	\$36,000	83.3%
672	MAINT. RESV. & STAND PIPES	\$13,245	\$18,286	\$15,925	\$16,000	0.5%
673	MAINTENANCE MAINS	\$583,645	\$701,373	\$746,388	\$817,000	8.6%
675	MAINTENANCE SERVICES	\$181,907	\$263,692	\$243,328	\$243,000	0.3%
676	MAINTENANCE METERS	\$100,371	\$91,171	\$125,773	\$126,000	0.2%
677	MAINTENANCE HYDRANTS	\$76,727	\$101,666	\$107,812	\$108,000	0.2%
679	TRAN. TO CONST. & CUST	(\$32,926)	(\$11,749)	(\$639)	(\$10,000)	93.6%
	SUBTOTAL	\$1,044,919	\$1,331,725	\$1,415,674	\$1,508,800	6.2%

	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 10+2	FY 12-13 Budget	%	
CUSTOMER ACCOUNTING						
902A	METER READING LABOR	\$77,207	\$107,458	\$94,808	\$94,500	-0.3%
902B	METER READING SUPPLIES	(\$200)	\$1,862	\$260	\$275	5.4%
903A	CUSTOMER RECORDS LABOR	\$185,078	\$157,351	\$191,406	\$192,000	0.3%
903B	CUSTOMER RECORDS SUPPLIES	\$57,488	\$74,933	\$54,476	\$55,000	1.0%
9040	UNCOLLECTIBLE ACCOUNTS		\$66,304			
	SUBTOTAL	\$319,573	\$407,909	\$340,950	\$341,775	0.2%
ADMINISTRATIVE & GENERAL						
920	ADMINISTRATIVE SALARIES	\$298,991	\$287,189	\$316,888	\$390,700	18.9%
921	OFFICE SUPPLIES & EXPENSE	\$124,221	\$122,853	\$165,609	\$166,000	0.2%
923	OUTSIDE SERVICES	\$131,528	\$88,071	\$102,243	\$230,000	55.5%
924	PROPERTY INSURANCE & WC	\$145,782	\$174,287	\$177,276	\$188,000	5.7%
925	INJURIES & DAMAGES		\$507	\$123	\$125	1.7%
926	EMPLOYEE PENSION & BENEFITS	\$893,341	\$803,469	\$918,310	\$966,000	4.9%
927	OPEB	\$413,310	\$419,400			
928	REGULATORY COMMISSION	\$74,882	\$49,643	\$63,815	\$141,000	54.7%
930	MISC. GENERAL EXPENSE-	\$34,326	\$40,585			
930A	MISC. GENERAL EXPENSE (WATER MGM.	(\$682)				
930B	MISC. GENERAL EXPENSE(BOARD OF DIF	\$21,696	\$15,014	\$15,068	\$15,000	-0.5%
930C	CONSERVATION PROGRAM	\$5,000			\$5,000	100.0%
932A	MAINTENANCE GENERAL PLANT	\$115,225	\$103,347	\$126,919	\$128,000	0.8%
932B	MAINTENANCE VEHICLES	\$93,535	\$141,862	\$168,486	\$170,000	0.9%
933	UNASSIGNED TIME VAC. HOL. SICK	\$231,578	\$221,490	\$251,648	\$252,000	0.1%
	SUBTOTAL	\$2,582,732	\$2,467,717	\$2,306,386	\$2,651,825	13.0%
	TOTAL O&M EXPENSES	\$8,911,113	\$9,923,722	\$9,484,989	\$10,108,927	6.2%
403	DEPRECIATION	\$1,510,967	\$1,617,170	\$1,160,000	\$1,160,000	0.0%
408	TAXES OTHER THAN INCOME	\$146,880	\$182,160	\$285,648	\$286,000	0.1%
427	INTEREST LONG TERM DEBT	\$902,923	\$787,616	\$1,285,884	\$1,285,884	0.0%
428	AMORTIZATION OF DEBT DISC	\$120,375	\$120,375	\$70,000	\$70,000	0.0%
	SUBTOTAL	\$2,681,146	\$2,707,320	\$2,801,532	\$2,801,884	0.0%
	TOTAL EXPENSES	\$11,592,259	\$12,631,042	\$12,286,521	\$12,910,811	4.8%
	INCOME (LOSS)	\$6,210,844	\$8,125,769	\$7,754,509	\$7,231,189	-7.2%
DEBT SERVICE:						
	PRINCIPAL	\$2,415,000	\$2,500,000	\$2,595,000	\$2,700,000	
	INTEREST	\$1,477,213	\$1,387,881	\$1,285,885	\$1,177,889	
		\$3,892,213	\$3,887,881	\$3,880,885	\$3,877,889	

CAPITAL BUDGET FY 2012 - 2013

RESTRICTED CASH CAPITAL

VEHICLES:			
ITEM #	DESCRIPTION	EST. COST	NOTES
1	Replace Van #12	\$25,000	
2	Replace Truck #9	\$25,000	
	Allowance Trade-in's	(\$5,000)	
	SUBTOTAL	\$45,000	
OFFICE EQUIPMENT:			
ITEM #	DESCRIPTION	EST. COST	NOTES
1	New PC's Office Upgrade	\$5,000	Replace Aging Equipment
2	PC Computer Field Laptops	\$9,000	Add to System Field Use
3	Software cross connection control	\$5,000	New System State Law
4	Software large meter testing	\$5,000	New System Division Rules & Regulations
5	Wide Format Copier	\$14,000	KIP 700 G.S.A. Pricing
	SUBTOTAL	\$38,000	
MISCELLANEOUS CAPITAL:			
ITEM #	DESCRIPTION	EST. COST	NOTES
1	Misc. Hand / Power Tools	\$10,000	
2	Dump Body Refurbishments	\$40,000	New or In House Refurbishment
3	Utility Body/Replacement #5	\$40,000	New Body Same Truck
4	Re-keying Facilities	\$5,000	Securing System Vulnerability
	SUBTOTAL	\$95,000	
	TOTAL PROPOSED EXPENDITURES	\$178,000	
	Remaining FY 11-12 Funds	\$155,985	Balance as of 4/30/2012
	FY 12-13 Funds	\$100,000	Fund Account 8,333.34 Monthly
	TOTAL FUNDS	\$255,985	
	BALANCE	\$77,985	

IFR FUNDING
CURRENT AND PROPOSED PROGRAM FY 2013

FUNDING:

BALANCE AS OF MAY 1, 2012	\$9,524,912
MAY & JUNE 2012 DEPOSITS	\$900,000
FY 12-13 DEPOSITS	\$5,400,000
TOTAL AVAILABLE AS OF JUNE 30, 2013	<u>\$15,824,912</u>

ESTIMATED ALLOCATED ONGOING EXPENDITURES:

	<u>BALANCE</u>	<u>ENGINEERING</u>	<u>TOTAL</u>	<u>CY 2012</u>	<u>CY2013</u>
2009B	\$2,667,148	\$250,000	\$2,917,148	\$2,200,000	\$717,148
2010A (BID)	\$3,887,826	\$300,000	\$4,187,826	\$3,200,000	\$987,826
WATER STREET	\$172,490	\$30,000	\$202,490	\$202,490	\$0
QUAKER P.S. (BID)	\$2,807,000	\$300,000	\$3,107,000	\$2,000,000	\$1,107,000
2010B (EST)	\$8,000,000	\$500,000	\$8,500,000	\$2,000,000	\$6,500,000
	<u>\$17,534,464</u>	<u>\$1,380,000</u>	<u>\$18,914,464</u>	<u>\$9,602,490</u>	<u>\$9,311,974</u>

FUNDING THRU JUNE, 2013	\$15,824,912
CALENDAR YEAR 2012 EXPENDITURES	(\$9,602,490)
CARRY OVER TO 2013	<u>\$6,222,422</u>
CALENDAR YEAR 2013 EXPENDITURES	(\$9,311,974)
FUNDING JULY, 2013-DECEMBER, 2013	\$2,700,000
BALANCE	<u>(\$389,552)</u>

TOTAL CUSTOMERS FY 2012-2013

	FY 2011	AS OF 4/30/2012	EST. GROWTH	TOTAL CUSTOMERS
RESIDENTIAL	24,969	24,962		24,962
COMMERCIAL/INDUSTRIAL	1,577	1,574		1,574
PRIVATE FIRE	282	273		273
PUBLIC FIRE	2,336	2,337		2,337
PUBLIC AUTHORITIES	343	326		326
SALES FOR RESALE	1	1		1
# PRIVATE FIRE HYDRANTS				
HYDRANTS	138	132		132
FIRE LINES	144	141		141

REVENUE FY 2012-2013

	FY 11-12 10+2	BASE REVENUE	NEW CUSTOMERS	BUDGET FY 12-13
461A RESIDENTIAL	\$14,270,736	\$14,000,000		\$14,000,000
461B COMMERCIAL/INDUSTRIAL	\$3,246,383	\$3,481,000		\$3,481,000
462 PRIVATE FIRE	\$165,020	\$185,000		\$180,000
463 PUBLIC FIRE	\$1,171,494	\$1,300,000		\$1,300,000
464 PUBLIC AUTHORITIES	\$750,348	\$750,000		\$750,000
466 SALES FOR RESALE	\$141,343	\$141,300		\$125,000
471 MISC SERVICE REVENUE	\$168,577	\$171,000		\$171,000
474 OTHER WATER REVENUE	\$42,907	\$45,000		\$45,000
415 PROFIT ON METERS	\$5,480	\$5,500		\$5,500
416 PROFIT ON SERVICE	\$13,295	\$13,500		\$13,500
TOTAL	\$19,975,583	\$20,092,300		\$20,071,000

ADMINISTRATIVE & GENERAL
OUTSIDE SERVICES FY 2012-2013

	11-12 10+2	ESTIMATE
LEGAL COUNSEL	\$40,000	\$80,000
AMTEC	\$1,800	\$1,800
STENOGRAPHER (MINUTES)		\$4,000
BRAVER PC (AUDIT)	\$33,600	\$26,000
SUMMIT FINANCIAL (PENSION ADMINISTRATION)	\$7,300	\$10,000
NATGUN PAINTING WARWICK TANK 31.7% OF COST		\$57,000
BANK OF NEW YORK MELLON (TRUSTEES FEES)	\$6,000	\$6,000
NEW WEBSITE		\$20,000
TOTAL OUTSIDE SERVICES	<u>\$88,700</u>	<u>\$204,800</u>
IFR, WSSMP & CIP 5 YEAR PLANS PUC ALLOCATION		\$25,000
TOTAL		<u>\$229,800</u>
BUDGET		<u>\$230,000</u>

EMPLOYEE BENEFITS FY 2012-2013

ESTIMATE

MEDICAL - BLUE CROSS: (34 EMPLOYEES)

\$48,917/MO. X 12	\$587,006	
Employee 10% Contribution	(\$58,701)	\$529,000

DENTAL - DELTA:

\$3,707/MO. X 12	\$44,484	\$45,000
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GROUP P-65 RETIREES:

\$9,115/MO.X12	\$109,380	\$110,000
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LIFE INSURANCE - MUTUAL OF OMAHA:

\$527/MO.X12	\$6,324	\$6,500
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LONG TERM DISABILITY - MUTUAL OF OMAHA:

\$576/MO. X 12	\$6,912	\$7,100
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COASTLINE EMPLOYEE ASSISTANCE PROGRAM

\$1,300

EDUCATION

\$5,000

PENSION CONTRIBUTION - NATIONWIDE

\$256,566

XMAS BONUS:

\$150.00 X 34	\$5,100	\$5,100
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TOTAL

\$965,566

BUDGET

\$966,000

ADMINISTRATIVE & GENERAL
REGULATORY COMMISSION EXPENSE FY 2012-2013

	ACTUAL	ESTIMATE
LEGAL COUNSEL		\$40,000
WOODCOCK & ASSOCIATES		\$30,000
DIVISION OF PUBLIC UTILITIES		\$10,000
COURT REPORTERS		\$200
DIVISION OF PUBLIC UTILITIES ASSESSMENT	\$53,179	\$60,000
TOTAL	\$53,179	\$140,200
BUDGET		\$141,000

PAYROLL BUDGET FY 2012-2013

	BASE PAY	OT	OT	TOTAL	BUDGET	10+2	%	
	Includes 3% Increase	SCHEDULED	UNSCHEDULED					
184A	MERCHANDISE AND JOB	5,209		5,209	5,300	5,257	0.3%	
624A	PUMPING - LABOR	59,990	\$5,000	64,990	65,300	60,546	3.3%	
631	MAINTENANCE - STRUCTURES	34,106		34,106	34,300	34,422	1.9%	
633	MAINTENANCE - PUMPING EC	18,904		18,904	19,000	19,080	1.0%	
642A	OPERATION - LABOR	73,711	\$5,000	78,711	79,100	74,395	4.1%	
662A	TRANS & DIST - LABOR	25,006		25,006	25,200	25,239	1.4%	
663A	METER - LABOR	38,432		38,432	38,600	38,788	2.1%	
672	MAINTENANCE - TANKS	14,834		14,834	15,000	14,972	0.8%	
673	MAINTENANCE - MAINS	343,462		363,462	365,000	276,000	15.1%	
675	MAINTENANCE - SERVICES	182,713		192,713	189,700	180,382	9.8%	
676	MAINTENANCE - METERS	46,226		46,226	46,500	46,655	2.5%	
677	MAINTENANCE - HYDRANTS	64,680		74,680	75,000	65,281	3.6%	
902	METER READING	93,937		93,937	94,500	94,808	5.2%	
920	ADMINISTRATIVE SALARIES	393,974		393,974	390,700	316,888	17.3%	
903	CUSTOMER ACCOUNTING	189,646		189,646	190,700	191,406	10.4%	
932A	MAINTENANCE - PLANT	95,365	\$10,000	105,365	106,000	96,250	5.3%	
932B	MAINTENANCE - VEHICLES	40,646		40,646	40,900	41,023	2.2%	
933	NON-PRODUCTIVE - LABOR	248,768		248,768	250,200	251,077	13.7%	
TOTAL		\$1,969,609	\$20,000	\$40,000	\$2,029,609	\$2,031,000	\$1,832,469	100%

Notes:

Total salaries per 2011 schedule	\$1,912,737	
less chief	(\$70,000)	
less engineer	(\$80,000)	
Subtotal	\$1,762,737	
3% increase	1.03	
Subtotal	\$1,815,619	
add chief	\$70,000	
add engineer	\$80,000	
adjustments	\$3,990	
Budgeted Payroll 2012	\$1,969,609	allocated to accounts based on 2012 10+2

CIP PROJECTED EXPENSES FY 2012-2013

MISHNOCK TREATMENT FACILITY (CIP 1a & 1c)	(EST. WITH ENG. SERVICES)	\$9,000,000
MISHNOCK TRANSMISSION (CIP 1b)	(EST. WITH ENG. SERVICES)	\$2,300,000
TOTAL		<u>\$11,300,000</u>
CAPITAL ACCOUNT AS OF MAY 1, 2012		<u>\$12,516,861</u>
BALANCE		<u>(\$1,216,861)</u>

Kent County Water Authority
Operating Revenue Allowance
Docket 4142

Unrestricted Operating Revenue Allowance 1.5%:

Annual Allowance FY 12/13 (24,305 per month)	\$	291,657.00
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Unrestricted Funds Expended:

Salary Increase Effective July 1, 2008 (Actual 3.2% Allowed 2%) 1.2%=	\$	24,884.20
Salary Increase Effective July 1, 2009 3.2%		57,309.60
Salary Increase Effective July 1, 2010 (employees eligible for step only)		7,404.80
Salary Increase July 1, 2011 4.3%		79,040.71
Salary Increase July 1, 2012 3%		56,872.00
Total Expended	\$	225,511.31

EXHIBIT F

Kent County Water Board Meeting

June 21, 2012

PLANNING DOCUMENT \$25,000/YEAR ALLOCATION

PROJECT	STATUS
Water Supply System Management Plan WSSMP	Approved
Hunt River Interim Management & Action Plan	Approved
2008 CIP Program Plan	Approved
Clean Water Infrastructure Plan 2008	Approved

UPDATED CIP PROJECTS BOND FUNDING

PROJECT	STATUS
Mishnock Well Field (new wells) CIP - 1A	Construction Ongoing
Mishnock Transmission Mains CIP - 1B	Construction Start-up
Mishnock Treatment Plant CIP - 1C	Construction Ongoing
East Greenwich Well Treatment Plant - CIP-2	Preliminary Design Report Completed/Future Bond Project
Clinton Avenue Pump Station Rehabilitation CIP - 7A	Completed
Read School House Road Tank CIP - 7B	Completed
Read School House Road Main CIP 7c, 7d, 8a	Completed

IFR FUNDED PROJECTS

PROJECT	STATUS
IFR 2005	Completed C. O. # 1 Asphalt Adjustment
IFR 2006 A	Closed out, Paying Issue West Warwick, Need Resolution
IFR 2006 B / IFR 2007	Closed Out
IFR 2009 A	2009 A - Closed Out
2009 B	Construction Status, Ongoing
IFR 2010A	Construction Status, Ongoing
IFR 2010B	Finalization of Design - Selection Bid Date
Prospect Street	Completed
PWSB 78" / Johnson Blvd. P.S. Modification	Completed
Greenwich Avenue Replacement	Completed
Hydraulic Tank Evaluation	Completed
Quaker P. S. Design	Construction Status, Ongoing
Tech Park Tank Recoating	Legal Action Proceeding, Mediation
Tiogue Tank Re-Service	Completed
Hydrant Painting	On-going
SCADA Upgrade	Added to Quaker P. S. Construction
Water Street Replacement	Construction Status, Ongoing Fall 2012