

**KENT COUNTY WATER AUTHORITY  
WEST WARWICK, RHODE ISLAND**

ANNUAL FINANCIAL STATEMENTS

*YEARS ENDED JUNE 30, 2023 AND 2022*



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# KENT COUNTY WATER AUTHORITY

Year Ended June 30, 2023

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

## *Independent Auditor's Report*

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and the fiduciary funds of the Kent County Water Authority ("the Authority"), as of and for the year ended June 30, 2023, and the related notes of the financial statements, which collectively comprise of the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

## **Kent County Water Authority**

### *Independent Auditor's Report*

#### *Auditor's Responsibility (continued)*

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

#### *Other Matters*

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Pension Plan information, and Other Post Employment Benefit information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Prior-Year Comparative Information*

The financial statements include partial prior-year comparative information related to the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows for the Authority's business-type activities and the statement of fiduciary net position and the statement of changes in the fiduciary net position for the Authority as well as the notes to the financial statements. Such information does not include all of the information required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2022, from which such partial information was derived.

**Kent County Water Authority**  
*Independent Auditor's Report*

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Hague, Sahady & Co. PC*

Hague, Sahady & Co., CPA's, P.C.

Fall River, Massachusetts  
September 21, 2023

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# KENT COUNTY WATER AUTHORITY

## Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2023*

*With Comparative Totals from the year ended June 30, 2022*

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This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

The Kent County Water Authority ("the Authority") is a public benefit corporation created pursuant to existing under Chapter 1740 of the Public Laws of 1946, at Chapter 16 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.

### FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The financial statements are organized as follows:

- The Statement of Net Position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The Statement of Revenue, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., earned but unbilled revenue and earned but unused vacation leave).
- The Statement of Cash Flows presents information depicting the Authority's cash flow activities for the most recent reporting period and the effect that these activities had on the Authority's cash and cash equivalent balances.
- The Fiduciary Financial Statements provide information about net position restricted or held in trust for benefits under the Authority's employee benefit plan and changes in net position for benefits.
- The Notes to Financial Statements present additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages indicated on the table of contents of this report.



# KENT COUNTY WATER AUTHORITY

## Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2023

*With Comparative Totals from the year ended June 30, 2022*

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### FINANCIAL HIGHLIGHTS

The Authority maintains a relatively strong financial performance. Management continues to carefully evaluate the Authority's finances to ensure optimum performance. In addition to meeting all debt covenants, outstanding debt and cash reserves were kept at levels appropriate for maintaining favorable bond ratings. The following are the key financial highlights:

- Net position is \$4,981,533 in fiscal year 2023 compared to \$5,048,591 in fiscal year 2022, the difference in increase between years is mainly due to a decrease in interest income due to market factors.
- Total assets and deferred outflow of resources were \$227.3 million in fiscal year 2023 compared to \$221.5 million in 2022, which exceeded total liabilities and deferred inflow of resources by \$195 million in fiscal year 2023 and \$190 million in fiscal year 2022.
- The Authority's debt to equity ratio was 3.00% at both June 30, 2023 and 2022, indicating the continuance of capacity to issue additional debt.

### FINANCIAL ANALYSIS

The operations of the Authority are accounted for in a Proprietary Fund Type (Enterprise Fund). 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 Rhode Island Public Utilities Commission (RIPUC).

Condensed financial information from the statements of net position and operations is presented below. The statement of net position provides information on the assets and deferred outflows of resources and liabilities and deferred inflows or resources of the Authority, as well as the net position. Over time, increases and decreases in the Authority's net position is the indicator of whether the financial health of the Authority is improving or deteriorating. The statement of operations of the Authority reflects all revenues earned and all expenses incurred for each fiscal year.

# KENT COUNTY WATER AUTHORITY

## Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2023

With Comparative Totals as of June 30, 2022

### Condensed Statement of Net Position

	<u>2023</u>	<u>2022</u>
Current assets	\$ 6,526,557	\$ 6,136,901
Other noncurrent assets	31,320,251	35,908,944
Capital assets, net	<u>188,381,721</u>	<u>177,800,631</u>
Total assets	<u>226,228,529</u>	<u>219,846,476</u>
Deferred outflows of resources		
Deferred outflows of resources related to pension	1,079,368	1,451,939
Deferred outflows of resources related to OPEB	<u>23,325</u>	<u>46,205.00</u>
Total deferred outflows of resources	<u>1,102,693</u>	<u>1,498,144</u>
Current liabilities	6,268,960	4,421,624
Noncurrent liabilities	<u>24,100,625</u>	<u>24,821,954</u>
Total liabilities	<u>30,369,584</u>	<u>29,243,578</u>
Deferred inflows of resources		
Deferred inflows of resources related to pension	404,161	346,965
Deferred inflows of resources related to OPEB	1,524,727	1,697,208
Gain on refunding	<u>-</u>	<u>19,654</u>
Total deferred inflows of resources	<u>1,928,888</u>	<u>2,063,827</u>
Net position:		
Net investment in capital assets	169,220,721	157,800,631
Restricted for debt service	1,319,466	1,319,466
Restricted for infrastructure replacement	282,626	282,626
Unrestricted net position	<u>24,209,937</u>	<u>30,648,492</u>
Total net position	<u>\$ 195,032,750</u>	<u>\$ 190,051,215</u>

The table above reflects an increase in current assets of \$389,656 from FY 2022 to FY 2023. This increase reflects an increase in accounts receivable and an increase in cash. There is also a significant increase in capital assets (net) of \$10,581,090 from FY 2022 to FY 2023. This increase is the result of the Authority capitalizing completed construction in progress and other projects..

The largest portion of the Authority's net position, 87%, reflects its net investment in capital assets. The Authority uses these capital assets to provide water treatment and collection services to its customers. Consequently, only the unrestricted net assets are available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In FY23, the Authority's net position totaled \$195 million, an increase of \$4.9 million or 2.6% from the previous year. Total assets in FY23 were \$226 million, an increase of \$6.4 million or 2.9% from the previous year. Total liabilities increased by \$1.1 million or 3.9%.

# KENT COUNTY WATER AUTHORITY

## Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2023

With Comparative Totals as of June 30, 2022

### CHANGES IN NET POSITION

The Authority ended fiscal year 2023 with an increase in net position of \$4,981,499. The Authority has included a Condensed Statement of Revenues, Expenses and Changes in Net Position as follows.

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

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water	\$ 20,390,211	\$ 18,569,913
Hydrant fees	1,572,214	1,437,232
Other	216,880	373,815
Total operating revenue	<u>22,179,305</u>	<u>20,380,960</u>
Operating expenses:		
Source of supply	6,129,628	5,292,433
Pumping	1,230,300	1,356,256
Transmission and distribution	1,493,027	1,299,623
Water treatment	269,483	539,418
Customer accounts	498,629	513,653
Administrative and general	3,863,031	3,261,511
Depreciation	3,966,951	3,762,725
Taxes other than income	266,367	236,315
Total operating expenses	<u>17,717,416</u>	<u>16,261,934</u>
Operating income	<u>4,461,889</u>	<u>4,119,026</u>
Nonoperating income (expense):		
Capital contributions	209,499	712,258
Interest income	540,446	3,438
Gain on Refunding	19,654	235,823
Amortization Premiums	(646)	(7,746)
Interest Expenses	(249,309)	(14,208)
Net non-operating income (expense)	<u>519,644</u>	<u>929,565</u>
Increase in net position	4,981,533	5,048,591
Net position at beginning of year	<u>190,051,217</u>	<u>185,002,626</u>
Net position at end of year	<u>\$ 195,032,750</u>	<u>\$ 190,051,217</u>

# KENT COUNTY WATER AUTHORITY

## Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2023

With Comparative Totals from June 30, 2022

### REVENUES

Water user fees are the Authority's primary source of revenue, representing approximately 91.9% of total operating revenues. Hydrant fees increased \$134,982 over fiscal year 2022. Fiscal year 2023 water user fee revenue was \$20,390,211 which is \$1,820,298 more than the prior year. Other operating revenue decreased by \$156,935.

The operating income for fiscal year 2023 totaled \$4.5 million, representing an increase of 8.32% from the previous year.

### EXPENSES

Total operating expenses in fiscal year 2023 increased by \$1,455,482 over the prior year. The increase was mainly due to the increase of transmission and distribution expense, supply source fees and pumping expenses.

Net nonoperating income decreased by \$409,921 due to several factors, the most significant is a decrease in the capital contribution of \$502,759, an increase in the interest income of \$537,008, and the decrease in the refunding gain of \$216,169 over the prior year.

### Capital Assets and Debt Administration

#### CAPITAL ASSETS

At the end of fiscal year 2023, the Authority had \$188.4 million invested in capital assets. This amount represents an increase of \$10.6 million, or 6% over last year. This is due to the construction of the new office and maintenance building. The following table summarizes the Authority's capital assets and changes therein, for the years ended June 30, 2023 and June 30, 2022.

	<u>FY 2023</u>	<u>FY 2022</u>
<b>Capital assets</b>		
Land	\$ 3,192,963	\$ 3,041,393
Construction in progress	21,794,522	8,607,580
Buildings and improvements	15,529,081	15,529,081
Infrastructure	179,503,847	179,046,287
Machinery and equipment	7,985,005	7,383,566
Vehicles	954,152	847,100
<b>Total capital assets</b>	<u>228,959,570</u>	<u>214,455,007</u>
Less accumulated depreciation	<u>40,577,849</u>	<u>36,654,375</u>
<b>Capital assets, net</b>	<u>\$ 188,381,721</u>	<u>\$ 177,800,632</u>

For more information relating to capital asset activity refer to Note 3 accompanying the basic financial statements.

# KENT COUNTY WATER AUTHORITY

## Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2023*

*With Comparative Totals from June 30, 2022*

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### **LONG-TERM DEBT**

During FY23, the Authority paid approximately \$839 thousand in principal on outstanding issuances and \$249 thousand 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.

For more information relating to long-term debt activity refer to Note 4 accompanying the basic financial statements.

### **ECONOMIC FACTORS**

Management has evaluated its economic factors for FY2023. During the fiscal FY2023, KCWA maintained standard operations to ensure the continued delivery of safe drinking water to our customers. The Authority is governed by a 7-member appointed Board. The Authority is also regulated by the Rhode Island Public Utilities Commission (RIPUC). Both the Authority's Board and the RIPUC must authorize all adjustments to user charges. There are no rate adjustments authorized for FY2024.

KCWA participated in the RI Public Utility Commission's directive to resume the shut-off of services for non-payment throughout all of FY2023. The mailing of shut-off notices resumed as well as the actual shutting off services for non-payment. The resumption of our shut-off procedures as well as the continued offering of payment plans to all customers experiencing difficulty paying their water bills has been a vital and successful tool in encouraging customers to stay current with their bills. KCWA continues to pay close attention to the financial impact of inflation and cost of living on billings, cash collections and receivables.

When preparing the FY2024 Annual budget, historical data as well as anticipated expenditures were used as contributing factors. Budgeted revenues are estimated to increase 4% from actual revenues from FY2023 and budgeted expenditures for FY2024 are estimated to increase from actual expenses by 4% from FY2023.

#### Regulatory Rate Filings

PUC Docket 5012 Abbreviated Rate Filing:

The wholesale interconnection with Quonset Development Corporation in North Kingstown was activated in October 2022. The new wholesale rate created under Docket 5012 has generated approximately \$565k of additional revenue for the Authority.

#### Water Quality and Resiliency

Our continued priorities have been and will be to comply with all requirements of the Safe Drinking Water Act and their Amendments. This assures our customers that they are receiving safe and healthy water throughout our system, and it is our continued pledge to improve our system and to strive for the highest quality and most efficient, cost-effective system possible. We have established, as our highest priority, improvement programs to facilitate resiliency and enhance water quality into the far reaches of the distribution system.

#### Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any information provided in this report or requests for additional information should be addressed to Kent County Water Authority 1072 Main Street, West Warwick,

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# KENT COUNTY WATER AUTHORITY

## Statement of Net Position

*June 30, 2023*

ASSETS	2023	2022
<i><b>Current assets</b></i>		
Cash and cash equivalents	\$ 1,972,880	\$ 1,934,789
Accounts receivable, less allowance of \$142,407 in 2023 and \$142,121 in 2022	2,643,660	2,367,821
Materials and supplies inventory	590,551	514,825
Restricted cash and cash equivalents held by trustee for current portion of long-term debt	1,319,466	1,319,466
<i><b>Total current assets</b></i>	<b>6,526,557</b>	<b>6,136,901</b>
<i><b>Noncurrent assets</b></i>		
Restricted cash and cash equivalents held by trustee	31,037,625	35,626,318
Restricted cash and cash equivalents held by trust - Infrastructure replacement	282,626	282,626
<i><b>Total noncurrent assets</b></i>	<b>31,320,251</b>	<b>35,908,944</b>
<i><b>Capital assets</b></i>		
Depreciable, net	163,394,236	166,151,659
Nondepreciable	24,987,485	11,648,972
<i><b>Total capital assets</b></i>	<b>188,381,721</b>	<b>177,800,631</b>
<i><b>Total assets</b></i>	<b>226,228,529</b>	<b>219,846,476</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>  		
<i><b>Deferred outflows of resources</b></i>		
Deferred outflows of resources related to OPEB	23,325	46,205
Deferred outflows of resources related to pension	1,079,368	1,451,939
<i><b>Total deferred outflows of resources</b></i>	<b>1,102,693</b>	<b>1,498,144</b>

*The accompanying notes are an integral part of the financial statements*

# KENT COUNTY WATER AUTHORITY

## Statement of Net Position

June 30, 2023

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES</b>		
<b><i>Current liabilities</i></b>		
Accounts payable	5,180,603	3,292,413
Accrued interest expense	105,172	14,208
Accrued liabilities	108,438	46,910
Compensated Absences	21,747	14,929
Long-term debt due within one year	853,000	838,354
<b><i>Total current liabilities</i></b>	<u>6,268,960</u>	<u>4,206,814</u>
<b><i>Noncurrent liabilities</i></b>		
Long-term debt, net	18,308,000	19,161,000
Compensated Absences	250,088	200,810
Net pension liability	1,823,585	2,049,856
Net OPEB liability	3,718,952	3,611,098
<b><i>Total noncurrent liabilities</i></b>	<u>24,100,625</u>	<u>25,022,764</u>
<b><i>Total liabilities</i></b>	<u>30,369,584</u>	<u>29,229,578</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
<b><i>Deferred inflows of resources</i></b>		
Deferred inflows of resources related to pension	404,161	346,965
Deferred inflows of resources related to OPEB	1,524,727	1,697,208
Gain on refunding	-	19,654
<b><i>Total deferred inflows of resources</i></b>	<u>1,928,888</u>	<u>2,063,827</u>
<b>NET POSITION</b>		
<b><i>Net position</i></b>		
Net investment in capital assets	169,220,721	157,800,631
Restricted for debt service	1,319,466	1,319,466
Restricted for infrastructure replacement	282,626	282,626
Unrestricted net position	24,209,937	30,648,492
<b><i>Total net position</i></b>	<u>\$ 195,032,750</u>	<u>\$ 190,051,215</u>

The accompany notes are an integral part of the financial statements



# KENT COUNTY WATER AUTHORITY

## Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2023

With Comparative Totals as of June 30, 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water	\$ 20,390,211	\$ 18,569,913
Hydrant fees	1,572,214	1,437,232
Other	216,880	373,815
Total operating revenue	<u>22,179,305</u>	<u>20,380,960</u>
Operating expenses:		
Source of supply	6,129,628	5,292,433
Pumping	1,230,300	1,356,256
Transmission and distribution	1,493,027	1,299,623
Water treatment	269,483	539,418
Customer accounts	498,629	513,653
Administrative and general	3,863,031	3,261,511
Depreciation	3,966,951	3,762,725
Taxes other than income	266,367	236,315
Total operating expenses	<u>17,717,416</u>	<u>16,261,934</u>
Operating income	<u>4,461,889</u>	<u>4,119,026</u>
Nonoperating income (expense):		
Capital contributions	209,499	712,258
Interest income	540,446	3,438
Gain on Refunding	19,654	235,823
Amortization Premiums	(646)	(7,746)
Interest Expenses	(249,309)	(14,208)
Net non-operating income (expense)	<u>519,644</u>	<u>929,565</u>
Increase in net position	4,981,533	5,048,591
Net position at beginning of year	<u>190,051,217</u>	<u>185,002,626</u>
Net position at end of year	<u>\$ 195,032,750</u>	<u>\$ 190,051,217</u>

The accompany notes are an integral part of the financial statements

# KENT COUNTY WATER AUTHORITY

## Statement of Cash Flows

*Year Ended June 30, 2023*

*With Comparative Totals as of June 30, 2022*

	<b>2023</b>	<b>2022</b>
<b><i>Cash flows from operating activities</i></b>		
Cash received from customers	\$ 21,903,466	\$ 21,167,569
Payments to employees	3,556,696	(3,142,682)
Payments to suppliers and services	(15,195,669)	(8,659,220)
Net cash provided (used) by operating activities	10,264,493	9,365,667
<b><i>Cash flows from capital and related financial activities</i></b>		
Capital additions	(14,548,041)	(11,479,348)
Capital contributions	209,499	712,257
Principal paid in debt	(858,008)	19,771,923
Interest expense	(158,991)	228,073
Net cash used by capital and related financing activities	(15,355,541)	9,232,905
<b><i>Cash flows from investing activities</i></b>		
Interest and dividends received	540,446	3,438
Net cash provided by investing activities	540,446	3,438
<b><i>Net increase (decrease) in cash and cash equivalents</i></b>	(4,550,602)	18,602,010
<b><i>Cash and cash equivalents, beginning of year</i></b>	39,163,199	20,561,189
<b><i>Cash and cash equivalents, end of year</i></b>	34,612,597	39,163,199
Cash and cash equivalents, per the statement of net position	1,972,880	1,934,789
Restricted cash and cash equivalents held by trustee		
for current portion of long term debt	1,319,466	1,319,466
Restricted cash and cash equivalents held by trustee (Note 2)	31,037,625	35,626,318
Restricted cash and cash equivalents held by trustee-Infrastructure replacement (Note 2)	282,626	282,626
Total cash and cash equivalents, per the statement of net position	\$ 34,612,597	\$ 39,163,199

# KENT COUNTY WATER AUTHORITY

## Statement of Cash Flows

Year Ended June 30, 2023

With Comparative Totals as of June 30, 2022

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

Operating income	\$ 4,461,889	\$ 4,119,027
<b><i>Adjustments to reconcile operating income to net cash provided by operating activities</i></b>		
Depreciation expense	3,966,951	3,762,725
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(275,839)	(736,956)
(Increase) decrease in unbilled water revenue	-	1,523,565
(Increase) decrease in material, supplies and inventory	(75,726)	(102,933)
(Increase) decrease in NPL deferred outflows	395,451	(896,382)
Increase (decrease) in accounts payable	1,888,190	836,271
Increase (decrease) in accrued liabilities	(154,209)	29,205
Increase (decrease) in compensated absences	271,835	-
Increase (decrease) in gain on refunding of debt	19,654	-
Increase (decrease) in net pension liability (NPL)	(226,271)	1,724,336
Increase (decrease) in net OPEB liability (NOL)	107,854	195,939
Increase (decrease) in deferred inflows	(115,285)	(1,089,130)
<b><i>Net cash provided by operating activities</i></b>	<b><u>\$ 10,264,493</u></b>	<b><u>\$ 9,365,667</u></b>

*The accompanying notes are an integral part of the financial statements*

# KENT COUNTY WATER AUTHORITY

## Statement of Fiduciary Net Position

Year Ended June 30, 2023

With Comparative Totals as of June 30, 2022

	OPEB and Pension Trust Fund	
	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Investments, at fair value		
Fixed income	2,840,756	2,946,629
Equities	4,717,633	4,024,162
Real Estate	186,504	160,964
<b>Total assets</b>	<b>7,744,893</b>	<b>7,131,755</b>
<b>LIABILITIES</b>		
None	-	-
<b>NET POSITION</b>		
Held in trust for other post-employment benefits	568,680	437,867
Restricted for pension	7,176,213	6,693,888
<b>TOTAL NET POSITION</b>	<b>\$ 7,744,893</b>	<b>\$ 7,131,755</b>

The accompanying notes are an integral part of the financial statements

# KENT COUNTY WATER AUTHORITY

## Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

With Comparative Totals as of June 30, 2022

	OPEB and Pension Trust Fund	
	2023	2022
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer contributions	\$ 427,985	\$ 452,583
<b>Total contributions</b>	<u>427,985</u>	<u>452,583</u>
<b>Investment income</b>		
Net investment income	666,089	(1,183,431)
<b>Total investment income</b>	<u>666,089</u>	<u>(1,183,431)</u>
<b>Total additions</b>	<u>1,094,074</u>	<u>(730,848)</u>
<b>DEDUCTIONS</b>		
Actual and service benefits payments	480,936	510,975
<b>Total deductions</b>	<u>480,936</u>	<u>510,975</u>
<b>Change in net position</b>	613,138	(1,241,823)
<b>Net Position - Beginning</b>	<u>7,131,755</u>	<u>8,373,578</u>
<b>Net Position - Ending</b>	<u>\$ 7,744,893</u>	<u>\$ 7,131,755</u>

The accompanying notes are an integral part of the financial statements

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Reporting Entity***

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 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 of the State of Rhode Island (RIPUC).

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.

#### ***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: proprietary and fiduciary.

The funds of the financial reporting entity are described below:

#### **Proprietary Funds**

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. 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 or 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 uses. The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority's Proprietary Fund are accounted for on a flow of economic resources management focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. The statement of net position presents information on the Authority's assets, deferred outflows, liabilities, and deferred inflows. Differences between these amounts are reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position is segregated into three components: net investment in capital assets, restricted, and unrestricted net position.

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. When restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Fund Financial Statements (Continued)*

##### Fiduciary Fund

Other Post-Employment Benefit Trust (OPEB) and Pension Trust funds are used to account for resources legally held in trust for the payment of benefits other than pensions. The OPEB Trust Fund accumulates resources for future retiree health and insurance benefits for eligible retirees.

OPEB and Pension trust fund financial statements are prepared on the accrual basis of accounting. Contributions are recognized when due. Investment income is recognized when earned and expenses (benefits and administration) are recognized when they are due and payable in accordance with the terms of the plan.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the Authority's policy to use restricted resources first.

##### *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.

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

**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.

**Marketable Securities** - Marketable securities included in funds held by trustee are stated at fair value.

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

The allowance for doubtful accounts for June 30, 2023 was \$142,407 This estimate is based off of 5% of the most recent 90 days receivable and 10% of any receivable older than 90 days.

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

**Capital Assets** - Depreciation is computed on the straight-line method over the estimated remaining useful lives of the applicable assets. The capitalization threshold is any individual item with a total cost equal to or greater than \$5,000. Maintenance and repairs are charged to expenses as incurred. Estimated useful lives are as follows:

	Years
Infrastructure	75
Building & Improvement	20
Machinery & Equipment	10
Vehicles	5

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**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.

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

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

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position can report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that later date.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2023 and 2022, there were \$1,102,693 and \$1,498,144 in deferred outflows relating to pensions and OPEB, and \$1,928,888 and \$2,063,827 deferred inflows related to pension, gains on refunding, and OPEB.

**Operating Revenues and Expenses** - Operating revenues and expenses for the Authority are those that result from providing water and collection service and related activities.

**Income Taxes** - The Authority is exempt from Federal and State income taxes.

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

**Use of Estimates** - The preparation of financial statements in conformity with GAAP 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.

**Summarized Financial Information** - The financial information for the year June 30, 2022, presented for comparative purposes is not intended to be a complete financial statement presentation. Certain amounts in the prior year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.



# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Recently Issued Accounting Standards** – For the year ending June 30, 2023, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 93, Replacement of Interbank Offered Rates was originally effective for reporting periods beginning after June 15, 2020, however it was postponed an additional year by GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The Statement is now effective for reporting periods beginning after June 15, 2021. The objective of this statement is to address those and other accounting and financial implications that result from the replacement of an IBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR, most notably the London Interbank Offered Rate (LIBOR.)) There was no effect on the District's financial statements for fiscal year 2023.
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements is effective for fiscal years beginning after June 15, 2022. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP's.) A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying the control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APA's.) There was no effect on the District's financial statements for fiscal year 2023.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements is now effective for fiscal years beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA's) for government end users (governments.) This Statement (1) defines an SBITA, (2) establishes that an SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, (3) provides that capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA, and (4) requires note disclosures regarding an SBITA. There was no effect on the District's financial statements for fiscal year 2023.
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32 is effective for fiscal years beginning after June 30, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. There was no effect on the District's financial statements for fiscal year 2023.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

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***Accounting standards that the Authority is currently reviewing for applicability and potential impacts in future financial statements include:***

- GASB Statement No. 99, *Omnibus 2022*, the requirements of this Statement are effective as follows: The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pleading governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements relate to leases, PPS, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The impact of this standard will be evaluated by the District's management for fiscal year 2024.
- GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No.62*, This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting— understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The impact of this standard will be evaluated by the District's management for fiscal year 2024.
- GASB Statement No. 101, *Compensated Absences*, This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The impact of this standard will be evaluated by the District's management for fiscal year 2024.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

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### NOTE 2. CASH AND CASH EQUIVALENTS

**Cash Deposits** – The Authority’s cash deposits are held at one Federal Deposit Insurance Corporation (“FDIC”) financial institution. The carrying amount of deposits is separately displayed on the Statement of Net Position and Statement of Fiduciary Net Position as “cash and cash equivalents.”

The carrying value of deposits and petty cash funds reported on the Statement of Net Position and Statement of Fiduciary Net Position as “cash and cash equivalents” are as follows:

	<u>Carrying Value of Deposits</u>
Business-Type Activities	34,612,297
Petty Cash	<u>300</u>
<b>Total Carrying Value</b>	<b><u>\$ 34,612,597</u></b>

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

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

The carrying amount of the Authority’s deposits at June 30, 2023 was \$34,612,597 and the bank balance was \$34,783,746.

**Custodial Credit Risk** - Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2023, \$34,533,746 of the Authority’s bank balance of \$34,783,746 was exposed to custodial credit risk as follows:

Cash deposits	\$ 2,144,028
Cash and short term	<u>32,639,718</u>
<b>Total Bank Balance</b>	<b><u>\$ 34,783,746</u></b>
Insured (FDIC)	\$ 250,000
Uninsured	<u>\$ 34,533,746</u>
	<u>\$ 34,783,746</u>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 3. INVESTMENTS

**Investments** – Investments are stated at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority follows the guidance for fair value measurements and disclosures in accordance with GASB Statement No. 72, “Fair Value Measurement and Application”.

GASB Statement No. 72 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1- Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2- Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3- Unobservable inputs for the asset or liability (supported by little or no market activity). Inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risks).

<u>Investments:</u>	<u>June 30, 2023</u>	<u>Quoted Price in Active Market for Identical Assets (Level 1)*</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Money Market Fund</b>	\$32,640,018	\$ -	\$ -	\$32,640,018
<b>Pension Fund:</b>				
Specialty	143,853	143,853	-	-
International Stocks	860,325	860,325	-	-
Small-Cap Stocks	300,364	300,364	-	-
Mid-Cap Stocks	828,342	828,342	-	-
Large-Cap Stocks	2,340,195	2,340,195	-	-
Bonds	2,101,617	2,101,617	-	-
Other - Fixed	601,518	601,518	-	-
<b>OPEB Fund:</b>				
Vanguard	568,680	568,680	-	-
<b>Total investments</b>	<u>\$ 40,384,911</u>	<u>\$ 7,744,893</u>	<u>\$ -</u>	<u>\$ 32,640,018</u>

### **Interest Rate Risk**

Funds held by the Authority are invested in accordance with the Authority’s investment policy. This investment policy does not limit investment maturities as a means of limiting its exposure to fair value losses arising from interest rates.

In connection with the issuances of \$18.2 million of general revenue bonds in April 2022, \$1.8 million of general revenue bonds in April 2022, 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.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

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### NOTE 3. INVESTMENTS (CONTINUED)

#### *Interest Rate Risk (Continued)*

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.

The Authority established an "Infrastructure Replacement Fund" in conformity with all applicable provisions of state laws; Chapter 46-13 of the General Laws of Rhode Island, Public Drinking Water Supply. The dedicated fund for infrastructure replacement was \$282,626 for June 30, 2023 and 2022.

**Credit Risk** - The Authority's investment policy objective states that all financial assets held by the Authority shall be invested in a manner that will preserve the value and safety of capital. The Authority shall invest funds in order to maximize earnings and minimize risk during the period of availability of the funds. The Authority's investment policy limits investments to U.S. Treasury securities, securities of the U.S. government agencies and instrumentalities that are backed by the full faith and credit or guarantee of the U.S. government, which have a liquid market with a readily determinable market value, investment-grade obligations of the State of Rhode Island, or any municipality or political subdivision of the State of Rhode Island, repurchase agreements backed by collateral, certificate of deposits, money market mutual funds whose portfolios consist of U.S. Treasury securities, U.S. agency obligations and repurchase agreements fully collateralized by such securities and governmental investment products backed by collateral consisting of U.S. Treasury and U.S. Agency securities.

The Authority follows the credit risk policy associated with the Authority's general bond resolutions. The Authority's credit ratings for cash equivalents are as follows:

	<u>Credit Rating</u>
Money Market Treasury Obligation Fund	AAA (Moody's)

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

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 4. CAPITAL ASSETS

The cost and activity of water capital assets in service and related accumulated depreciation for the year ended June 30, 2023 is as follows:

	Balance at 6/30/2022	Increases	Decreases	Balance at 6/30/2023
<b>Capital assets, not being depreciated:</b>				
Land	\$ 3,041,392	\$ 151,571	\$ -	\$ 3,192,963
Construction in progress	8,607,580	13,186,942	-	21,794,522
Total capital assets, not being depreciated	11,648,972	13,338,513	-	24,987,485
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	15,529,081	-	-	15,529,081
Infrastructure	179,046,287	457,524	-	179,503,811
Machinery and equipment	7,383,566	601,439	-	7,985,005
Vehicles	847,100	150,565	43,513	954,152
Total capital assets, being depreciated	202,806,034	1,209,528	43,513	203,972,049
<b>Accumulated depreciation</b>				
Buildings and improvements	8,084,489	709,578	-	8,794,067
Infrastructure	26,554,054	2,390,334	-	28,944,388
Machinery and equipment	1,441,806	753,870	-	2,195,676
Vehicles	574,026	113,169	43,513	643,682
<b>Total accumulated depreciation</b>	36,654,375	3,966,951	43,513	40,577,813
Total capital assets, being depreciated, net	166,151,659	(2,757,423)	-	163,394,236
<b>Capital assets, net</b>	<b>\$ 177,800,631</b>	<b>\$ 10,581,090</b>	<b>\$ -</b>	<b>\$ 188,381,721</b>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 5. LONG-TERM OBLIGATIONS

The Authority issues revenue bonds to support various projects. The following is a summary of the bond activity for the year ended June 30, 2023:

Description	Balance June 30, 2022	Additions	Reductions	Defeasance	Balance June 30, 2023	Amounts due within one year
Revenue bonds:						
April 2022 Series A bearing interest at 1.37%-2.74% and maturing in 2042	\$ 18,173,087	\$ -	\$ 733,000	\$ -	\$ 17,440,087	\$ 745,000
April 2022 Series B bearing interest at 1.23%-2.190% and maturing in 2037	1,826,913	-	106,000	-	1,720,913	108,000
	<u>20,000,000</u>	<u>-</u>	<u>839,000</u>	<u>-</u>	<u>19,161,000</u>	<u>853,000</u>
Add (less):						
Unamortized discount	-	646	646	-	-	-
Total long-term liabilities	<u>\$20,000,000</u>	<u>\$ (646)</u>	<u>\$ 838,354</u>	<u>-</u>	<u>\$ 19,161,000</u>	<u>\$ 853,000</u>

In June 30, 2023, The Authority's outstanding bonds from *direct borrowings* related to business type activities of \$20,000,000 are secured by the Authority's pledge of all revenues, monies, securities, receivables, and other funds 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, 2023 and 2022.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 6. COMPENSATED ABSENCES

The Authority's employees are granted vacation and sick leave in varying amounts based on years of service with the Authority. At the termination of service, an employee is paid for accumulated unused vacation leave. The Authority has determined that the dollar value of accumulated accrued vacation leave, valued at the current rate of pay, at June 30, 2023 to be \$271,835.

The changes in compensated absences for the year ended June 30, 2023 were as follows:

	June 30, 2022	Additions	Payments	June 30, 2023	Amounts Due Within One Year
Compensated absences	\$ 186,611	\$ 85,224	\$ -	\$ 271,835	\$ 21,747

### NOTE 7. NET POSITION

KCWA's net position is presented in the following categories:

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

**Restricted** – This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** – This category represents the residual amount of net position not included in the net investment in capital assets or the restricted category.

Net position represents the difference between assets and liabilities. The net position amounts as of June 30, 2023 and 2022 were as follows:

	2023	2022
Net investment in capital assets		
Capital assets	188,381,721	177,800,631
Bond, ST	-	-
Bond, LT	(19,161,000)	(20,000,000)
Total	169,220,721	157,800,631
Restricted for debt services	1,319,466	1,319,466
Restricted for infrastructure replacement	282,626	282,626
Unrestricted net assets	24,209,937	30,648,492
	\$ 195,032,750	\$ 190,051,215



# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 8. DEFINED BENEFIT PENSION PLAN

#### Net Pension Liability of the Authority

The components of the net pension liability of the Authority at June 30, 2023, were as follows:

Total pension liability	\$ 8,999,798
Plan fiduciary net position	<u>(7,176,213)</u>
Authorities' net pension liability	<u>\$ 1,823,585</u>
Plan fiduciary net position as a percentage of the total pension liability	79.74%

#### Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at June 30, 2022	\$ 8,743,744	\$ 6,693,888	\$ 2,049,856
Service cost	179,160	-	179,160
Interest on total pension liability	593,484	-	593,484
Differences between expected and actual experience	(126,959)	-	(126,959)
Changes in assumptions	20,111	-	20,111
Contributions - employer	-	276,791	(276,791)
Contributions - employee	-	-	-
Net investment income	-	615,276	(615,276)
Benefit payments	(409,742)	(409,742)	-
Administrative expenses	-	-	-
Other changes	-	-	-
	256,054	482,325	(226,271)
Net changes	256,054	482,325	(226,271)
Balances at June 30, 2023	\$ 8,999,797	\$ 7,176,213	\$ 1,823,585

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	7.00% (7.25% prior to June 30, 2017)
Compensation increase	Salary is assumed to increase 3.00% annually
Social security wage base	The taxable wage base is assumed to increase 2.5% annually
Mortality	Mortality rates are assumed in accordance with the Sex-Distinct IRS 2023 combined static mortality table
Retirement	All participants are assumed to retire at age 62 or current age, if older
Disability	None assumed
Form of payment	Participants are assumed to elect the normal form of annuity
Marriage	75% of participants are assumed to be married; husbands are assumed to be three years older than wives
Employees	No new or rehired employees are assumed for valuation purposes
Termination	Termination of employment is assumed according to Scale T-1 from the Pension Actuary's Handbook. Representative termination rates are listed below and are the same for both males and females.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2022–June 30, 2023.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Re: Rate of Retur</u>
Domestic equity	45%	5.00%
International equity	13%	5.25%
Fixed income	30%	2.75%
Real estate	2%	4.75%
Cash	<u>10%</u>	2.00%
Total	<u>100%</u>	

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Investment policy*

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

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets.

#### *Concentrations*

As of June 30, 2023, 5% or more of Plan assets were held in the following individual funds:

Fund	Concentration
American Funds American Mutual	10.00%
LeggMason Core Bond Fund	9.80%
Prudential Total Return Bond Fund	9.70%
Vanguard Mid-Cap Index	9.40%
Vanguard Growth Index	9.00%
American Fund AMCAP	8.60%
Nationwide Fixed Fund	8.40%
Vanguard Value Index	5.00%

#### *Discount rate*

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Authority's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability of the Authority, calculated using the discount rate of 7 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's net pension liability	\$ 2,749,329	\$ 1,823,585	\$ 1,031,035

**KENT COUNTY WATER AUTHORITY**

Notes to the Financial Statements

*June 30, 2023*

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**NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Pension expense and deferred outflows and deferred inflows of resources related to pension*

For the year ended June 30, 2023, the Authority recognize pension expense of \$1,211,755. At June 30, 2023, the Authority reported deferred outflows or resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Liability experience	\$ 366,254	\$ (398,056)
Assumption changes	232,301	(6,105)
Investment experience	480,813	-
<b>Total</b>	<b>\$ 1,079,368</b>	<b>\$ (404,161)</b>

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

<b>Fiscal Year End</b>	<b>Expense Recognition</b>
2024	157,134
2025	100,407
2026	326,118
2027	1,907
2028	40,509
After 2028	49,132
<b>Total</b>	<b>675,207</b>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

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### NOTE 9. OTHER POST EMPLOYMENT BENEFITS

#### *General Information about the OPEB Plan*

##### *Plan Description*

The Authority's 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.

##### *Benefits Provided*

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 Prescription Coverage (Part D) 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.

##### *Employees Covered by Benefit Terms*

At June 30, 2023 (the measurement date), the following employees were covered by the benefit terms:

<u>Description</u>	<u>Active Employees</u>	<u>Inactive or Beneficiaries Receiving Benefits</u>	<u>Total</u>
Number	33	14	47

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

### NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

#### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<b>Description</b>	<b>Assumption</b>
<b>Measurement Date</b>	July 1, 2022
<b>Reporting Date</b>	June 30, 2023
<b>Liability Interest Rate</b>	4.66%
<b>Plan Election</b>	All eligible retirees are assumed to elect available coverage at age 62, switching coverage to Plan 65 at age 65, as applicable.
<b>Health Care Trend Rates</b>	Medical coverage costs are assumed to increase 5.0% per year in fiscal 2023 and beyond. Dental coverage costs are assumed to increase 3.5% in fiscal 2022 and beyond
<b>Cost Method</b>	Projected Unit Credit method. Benefits are accrued on service from date of hire to date of first eligibility.
<b>Changes in Assumptions</b>	The mortality assumption has been updated from the 2018 IRS static mortality table to Sex-Distinct IRS 2021 Combined Static Mortality Table.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic Equity	48%	5.25%
International Equity	21%	5.50%
Fixed Income	23%	3.00%
Real Estate	8%	5.00%
Cash	0%	2.00%
<b>Total</b>	<b>100%</b>	

#### *Discount Rate*

The single equivalent discount rate used to measure the total OPEB liability was 4.66 percent. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### **Changes in the Net OPEB Liability**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at June 30, 2022</b>	\$ 4,048,965	\$ 437,867	\$ 3,611,098
Service cost	123,710	-	123,710
Interest	186,151	-	186,151
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Benefit payments, including refunds	(71,194)	(71,194)	-
Administrative expenses	-	-	-
Contributions - employer	-	151,194	(151,194)
Contributions - active employees	-	-	-
Net investment income	-	50,813	(50,813)
	238,667	130,813	107,854
<b>Net changes</b>			
<b>Balances at June 30, 2023</b>	<b>\$ 4,287,632</b>	<b>\$ 568,680</b>	<b>\$ 3,718,952</b>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

### NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates.*

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.66 percent) or 1-percentage-point higher (5.66 percent) than the current discount rate:

	<b>Impact of 1% Change in Discount Rate</b>		
	<b>1%</b>	<b>Current</b>	<b>1%</b>
	<b>Decrease (3.66%)</b>	<b>discount rate (4.66%)</b>	<b>Increase (5.66%)</b>
Total OPEB liability	4,499,941	3,718,952	3,116,758

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates.*

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>Impact of 1% Change in Healthcare Trend Rate</b>		
	<b>1%</b>	<b>Current trend</b>	<b>1%</b>
	<b>Decrease (4.00%)</b>	<b>rate ( 5.00%)</b>	<b>Increase (6.00%)</b>
Total OPEB liability	3,011,048	3,718,952	4,630,975

#### *OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB plan's fiduciary net position is available in this report on the "Fiduciary Fund" pages.

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$38,253. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Liability experience	\$ -	\$(1,203,634)
Assumption change	-	(321,093)
Investment experience	23,325	-
Total	\$ 23,325	\$(1,524,727)



# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2023

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### NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

Year ended June 30:	
2024	\$ (167,184)
2025	(168,650)
2026	(154,549)
2027	(176,216)
2028	(172,481)
After 2028	<u>(662,322)</u>
Total	<u>\$ (1,501,402)</u>

#### Payable to the OPEB Plan

At June 30, 2023, the Authority reported a payable of \$0 for the outstanding amount of contributions to the OPEB Trust required for the year ended June 30, 2023.

### NOTE 10. 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, 2023 water quality protection charges payable of \$0.

### NOTE 11. 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.

As of June 30, 2023, the Authority had no pending contingencies to report.

### NOTE 12. REGULATORY MATTERS

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

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

### NOTE 13. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS (OPEB)

GAAP requires that all pension and Other Postemployment Trust Funds (OPEB) be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Postemployment Benefits Trust Funds, comparatively.

	OPEB Trust Fund		Pension Trust Fund	
	2023	2022	2023	2022
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments, at fair value	568,680	433,537	7,176,213	6,693,888
<b>Total Assets</b>	<b>568,680</b>	<b>433,537</b>	<b>7,176,213</b>	<b>6,693,888</b>
<b>Deferred outflows of resources</b>				
None	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>568,680</b>	<b>433,537</b>	<b>7,176,213</b>	<b>6,693,888</b>
<b>Liabilities</b>				
None	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
None	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>				
Held in trust for other post-employment benefits	568,680	433,537	-	-
Restricted for pension	-	-	7,176,213	6,693,888
<b>Total net position</b>	<b>568,680</b>	<b>433,537</b>	<b>7,176,213</b>	<b>6,693,888</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 568,680</b>	<b>\$ 433,537</b>	<b>\$ 7,176,213</b>	<b>\$ 6,693,888</b>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

**NOTE 14. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS (OPEB) (CONTINUED)**

	OPEB Trust Fund		Pension Trust Fund	
	2023	2022	2023	2022
<b>Additions</b>				
<b>Contributions</b>				
Employer contributions	\$ 151,194	\$ 174,751	\$ 276,791	\$ 277,832
<b>Total contributions</b>	151,194	174,751	276,791	277,832
<b>Investment income</b>				
Net investment income	50,813	(75,670)	615,276	(1,107,761)
<b>Total investment income</b>	50,813	(75,670)	615,276	(1,107,761)
<b>Total additions</b>	202,007	99,081	892,067	(829,929)
<b>DEDUCTIONS</b>				
Actual and service benefits payments	71,194	94,751	409,742	416,224
<b>Total deductions</b>	71,194	94,751	409,742	416,224
<b>Change in net position</b>	130,813	4,330	482,325	(1,246,153)
<b>Net Position - Beginning</b>	437,867	433,537	6,693,888	7,940,041
<b>Net Position - Ending</b>	\$ 568,680	\$ 437,867	\$ 7,176,213	\$ 6,693,888

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

*June 30, 2023*

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### **NOTE 15. 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 takes part in a voluntary workers compensation marketplace with an A.M. Best's A+ rate insurance carrier (The Hartford).

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.

### **NOTE 13. SUBSEQUENT EVENTS**

For the purposes of determining the effects of subsequent events of these financial statements, management has evaluated subsequent events which have occurred after June 30, 2023 and through September 21, 2023, the date which the financial statements were available to be issued.

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

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

*Last Ten Fiscal Years\**

	2023	2022	2021	2020	2019	2018	2017
<b>Total pension liability</b>							
Normal cost	\$ 179,160	\$ 168,910	\$ 159,470	\$ 145,857	\$ 136,977	\$ 131,181	\$ 126,528
Interest	593,484	562,382	538,295	503,298	498,457	454,815	444,406
Experience (gain) or loss	(126,959)	144,104	60,945	219,926	(252,079)	134,135	(113,280)
Assumption changes	20,111	19,011	15,831	14,824	(10,960)	176,864	179,224
Benefit payments	(409,742)	(416,224)	(424,353)	(380,719)	(266,738)	(264,564)	(266,989)
<b>Net change in total pension liability</b>	<u>256,054</u>	<u>478,183</u>	<u>350,188</u>	<u>503,186</u>	<u>105,657</u>	<u>632,431</u>	<u>369,889</u>
<b>Total pension liability - beginning</b>	<u>8,743,744</u>	<u>8,265,561</u>	<u>7,915,373</u>	<u>7,412,187</u>	<u>7,306,530</u>	<u>6,674,099</u>	<u>6,304,210</u>
<b>Total pension liability - ending (a)</b>	<u>\$8,999,798</u>	<u>\$8,743,744</u>	<u>\$8,265,561</u>	<u>\$7,915,373</u>	<u>\$7,412,187</u>	<u>\$7,306,530</u>	<u>\$6,674,099</u>
<b>Pension fiduciary net position</b>							
Employer contributions	\$ 276,791	\$ 277,832	\$ 280,948	\$ 249,230	\$ 262,152	\$ 222,207	\$ 243,161
Expected investment return	465,070	551,691	452,884	450,404	429,037	400,034	375,678
Additional investment return	150,206	(1,659,452)	1,128,552	(283,640)	(77,890)	59,714	211,884
Other	(409,742)	(416,224)	(424,353)	(380,719)	(266,738)	(264,564)	(266,989)
<b>Net change in plan fiduciary net position</b>	<u>482,325</u>	<u>(1,246,153)</u>	<u>1,438,031</u>	<u>35,275</u>	<u>346,561</u>	<u>417,391</u>	<u>563,734</u>
<b>Plan fiduciary net position - beginning</b>	<u>6,693,888</u>	<u>7,940,041</u>	<u>6,502,010</u>	<u>6,466,735</u>	<u>6,120,174</u>	<u>5,702,783</u>	<u>5,139,049</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>7,176,213</u>	<u>6,693,888</u>	<u>7,940,041</u>	<u>6,502,010</u>	<u>6,466,735</u>	<u>6,120,174</u>	<u>5,702,783</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 1,823,585</u>	<u>\$2,049,856</u>	<u>\$ 325,520</u>	<u>\$ 1,413,363</u>	<u>\$ 945,452</u>	<u>\$ 1,186,356</u>	<u>\$ 971,316</u>

\* Only seven years out of the required ten were made available in the actuarial report.

See accompanying notes to the required supplementary information.

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

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

#### *Last Ten Fiscal Years\**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 8,999,798	\$ 8,743,743	\$ 8,265,561	\$ 7,915,373	\$ 7,412,187	\$ 7,306,530	\$ 6,674,098
Plan fiduciary net position	7,176,213	6,693,888	7,940,041	6,502,010	6,466,735	6,120,174	5,702,783
Net pension liability (asset)	<u>\$ 1,823,585</u>	<u>\$ 2,049,856</u>	<u>\$ 325,520</u>	<u>\$ 1,413,363</u>	<u>\$ 945,452</u>	<u>\$ 1,186,356</u>	<u>\$ 971,315</u>
End of year funding percentage	79.74%	76.56%	96.06%	82.14%	87.24%	83.76%	85.45%
Covered payroll**	2,581,010	2,529,836	2,345,125	2,286,296	2,248,514	2,063,078	1,996,345
Net pension liability as a percentage of covered payroll	70.65%	81.03%	13.88%	61.82%	42.05%	57.50%	48.65%

\* Only seven years out of the required ten were made available in the actuarial report.

\*\* Reflects revised definition per GASB 82.

*See accompanying notes to the required supplementary information.*

**KENT COUNTY WATER AUTHORITY**

Required Supplementary Information

Schedule of Employer Contributions

*Last Ten Fiscal Years\**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 264,861	\$ 276,791	\$ 277,832	\$ 280,948	\$ 249,230	\$ 262,152	\$ 222,207
Contributions in relation to the actuarially determined contribution	<u>264,861</u>	<u>276,791</u>	<u>277,832</u>	<u>280,948</u>	<u>249,230</u>	<u>262,152</u>	<u>222,207</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	2,581,010	2,529,836	2,345,125	2,286,296	2,248,514	2,063,078	1,996,345
Contributions as a percentage of covered payroll	10.26%	10.94%	11.85%	12.29%	11.08%	12.71%	11.13%

\* Only seven years out of the required ten were made available in the actuarial report.

\*\* Reflects revised definition per GASB 82.

*See accompanying notes to the required supplementary information.*

**KENT COUNTY WATER AUTHORITY**

Required Supplementary Information

Schedule of Investment Returns

*Last Ten Fiscal Years\**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return net of investment expense	9.28%	-14.07%	24.59%	2.61%	5.74%	8.09%	11.46%

\* Only seven years out of the required ten were made available in the actuarial report.

*See accompanying notes to the required supplementary information.*



# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

### Notes to the Required Supplementary Information – Net Pension Liability

*For the Year Ended June 30, 2023*

Discount rate	7.00% (7.25% prior to June 30, 2017)
Compensation increase	Salary is assumed to increase 3.00% annually
Social security wage base	The taxable wage base is assumed to increase 2.5% annually
Mortality	Mortality rates are assumed in accordance with the Sex-Distinct IRS 2023 combined static mortality table
Retirement	All participants are assumed to retire at age 62 or current age, if older
Disability	None assumed
Form of payment	Participants are assumed to elect the normal form of annuity
Marriage	75% of participants are assumed to be married; husbands are assumed to be three years older than wives
Employees	No new or rehired employees are assumed for valuation purposes
Termination	Termination of employment is assumed according to Scale T-1 from the Pension Actuary's Handbook. Representative termination rates are listed below and are the same for both males and females.

Age	Rate	Age	Rate	Age	Rate
20	5.44%	35	2.35%	50+	0.00%
25	4.89%	40	1.13%		
30	3.70%	45	0.27%		

*See accompanying notes to the required supplementary information.*

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

### Schedule of Changes in Net OPEB Liability and Related Ratios

#### Last Ten Fiscal Years\*

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Total OPEB liability</b>				
Service cost	\$ 123,710	\$ 118,202	\$ 112,939	\$ 191,042
Interest on net OPEB liability and service cost	186,151	176,818	259,406	210,553
Differences between actual and expected experience	-	-	(1,612,108)	-
Changes of assumptions	-	-	(430,062)	-
Benefit payments, including refunds	<u>(71,194)</u>	<u>(94,751)</u>	<u>(102,449)</u>	<u>(95,054)</u>
<b>Net change in total OPEB liability</b>	238,667	200,269	(1,772,274)	306,541
Total OPEB liability - beginning	4,048,965	3,848,696	5,620,970	5,314,429
<b>Total OPEB liability - ending (a)</b>	<u>\$ 4,287,632</u>	<u>\$ 4,048,965</u>	<u>\$ 3,848,696</u>	<u>\$ 5,620,970</u>
<b>OPEB fiduciary net position</b>				
Benefit payments, including refunds	\$ (71,194)	\$ (94,751)	\$ (102,449)	\$ (95,054)
Trust administrative expenses	-	-	-	-
Contributions - employer	151,194	174,751	182,449	175,054
Contribution - Active employees	-	-	-	-
Net investment income	<u>50,813</u>	<u>(75,670)</u>	<u>91,438</u>	<u>7,474</u>
<b>Net change in plan fiduciary net position</b>	130,813	4,330	171,438	87,474
Plan fiduciary net position - beginning	437,867	433,537	262,099	174,625
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 568,680</u>	<u>\$ 437,867</u>	<u>\$ 433,537</u>	<u>\$ 262,099</u>
<b>Plan's net pension liability - ending (a) - (b)</b>	<u>\$ 3,718,952</u>	<u>\$ 3,611,098</u>	<u>\$ 3,415,159</u>	<u>\$ 5,358,871</u>
<b>End of year funding percentage</b>	13.26%	10.81%	11.26%	4.66%
<b>Covered payroll</b>	\$ 2,581,010	\$ 2,529,836	\$ 2,345,125	\$ 2,286,296
<b>Net pension liability divided by covered payroll</b>	144.09%	142.74%	145.63%	234.39%

\*- This schedule is presented to illustrate the requirements to show information for 10 years. However, until a 10-year trend is compiled, OPEB plans should present information for those year for which information available.

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

### Schedule of OPEB Contributions and Schedule of Money-weighted Rate of Return

*Last Ten Fiscal Years\**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Actuarial determined contribution	\$ 349,592	\$ 331,828	\$ 326,093	\$ 433,223
Contributions in relation to the actuarially determined contribution	<u>151,194</u>	<u>174,751</u>	<u>182,449</u>	<u>175,054</u>
Contribution deficiency (excess)	<u>\$ 198,398</u>	<u>\$ 157,077</u>	<u>\$ 143,644</u>	<u>\$ 258,169</u>
Covered payroll	\$ 2,581,010	\$ 2,529,836	\$ 2,345,125	\$ 2,286,296
Contributions as a percentage of covered payroll	5.86%	6.91%	7.78%	7.66%

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Annual money-weighted rate of return, net of investment expense	10.63%	-15.98%	30.27%	3.48%

\*- This schedule is presented to illustrate the requirements to show information for 10 years. However, until a 10-year trend is compiled, OPEB plans should present information for those year for which information available.

*See accompanying notes to the required supplementary information.*

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

### Notes to the Required Supplementary Information OPEB

*For the Year Ended June 30, 2023*

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<b>Description</b>	<b>Assumption</b>
<b>Measurement Date</b>	July 1, 2022
<b>Reporting Date</b>	June 30, 2023
<b>Liability Interest Rate</b>	4.66%
<b>Plan Election</b>	All eligible retirees are assumed to elect available coverage at age 62, switching coverage to Plan 65 at age 65, as applicable.
<b>Health Care Trend Rates</b>	Medical coverage costs are assumed to increase 5.0% per year in fiscal 2023 and beyond. Dental coverage costs are assumed to increase 3.5% in fiscal 2022 and beyond
<b>Cost Method</b>	Projected Unit Credit method. Benefits are accrued on service from date of hire to date of first eligibility.
<b>Changes in Assumptions</b>	The mortality assumption has been updated from the 2018 IRS static mortality table to Sex-Distinct IRS 2021 Combined Static Mortality Table.

*See accompanying notes to the required supplementary information.*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kent County Water Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated September 21, 2023.

### Report on Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kent County Water 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*.

Purpose of this Report

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

*Hague, Sahady & Co. PC*

Hague, Sahady & Co., CPA's, P.C.

Fall River, Massachusetts  
September 21, 2023