

KCWA

COPY

Kent County Water Authority

**STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**THE KENT COUNTY WATER AUTHORITY APPLICATION FOR
BORROWING AUTHORITY**

DOCKET _____

February 27 , 2025



Kent County Water Authority

February 27, 2025

Ms. Stephanie De La Rosa
Clerk of the Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick RI 02888

RE: Application for Kent County Water Authority to Borrow \$25,000,000 from the
Rhode Island Infrastructure Bank (RIIB) Docket D-25-_____

Dear Ms. De La Rosa:

Enclosed for filing are an original and four copies of Kent County Water Authority's request authority to borrow \$25,000,000 from the Rhode Island Infrastructure Bank.

If you have any questions, contact me at (401) 821-9300, or our Attorney Mary Shekarchi, Esq., at (401) 828-5030.

Very truly yours,
Kent County Water Authority

A handwritten signature in black ink, appearing to read "D. Simmons", is written over a horizontal line.

David L. Simmons, P.E.
Executive Director/Chief Engineer

cc: M. Lanfredi
M. Shekarchi, Esq.
M. Blais
K. Grande, Esq.
S. Kiernan, Esq.
N. Vaz, Esq.

TAB 1

Application For Borrowing Authority

**STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

IN RE: KENT COUNTY WATER AUTHORITY :
APPLICATION FOR BORROWING AUTHORITY : **Docket No. D-25-**

APPLICATION FOR BORROWING AUTHORITY

The Kent County Water Authority ("KCWA") hereby applies to the State of Rhode Island Division of Public Utilities and Carriers ("Division") for authority to obtain financing for the construction of a drinking water treatment facility pursuant to R.I.G.L. § 39-3-15, et. seq. In support of this application, KCWA, by its authorized agent, represents that:

1. KCWA, a regulated utility in the State of Rhode Island, seeks to issue evidence of indebtedness, payable more than twelve (12) months from the date of issue to finance the construction of a drinking water treatment facility.

2. KCWA seeks to obtain financing in an aggregate principal amount not to exceed twenty-five million dollars (\$25,000,000) from the Rhode Island Infrastructure Bank to finance the construction of a drinking water treatment facility.

3. The borrowing and bonds issued in connection therewith will be secured by a pledge of KCWA's revenues.

4. In accordance with Section 1.14 of the Division's Rules of Practice and Procedure, the written testimonies of David L. Simmons, P.E., Matthew Blais, and David Bebyn, and supporting exhibits, are attached hereto.

5. In accordance with Section 1.14 of the Division's Rules of Practice and Procedure, KCWA filed a copy of this application with the Rhode Island Office of Attorney General.

Wherefore, the Kent County Water Authority respectfully requests that the State of Rhode Island Division of Public Utilities and Carriers authorize and consent to the borrowing of a principal amount not to exceed twenty-five million dollars (\$25,000,000).

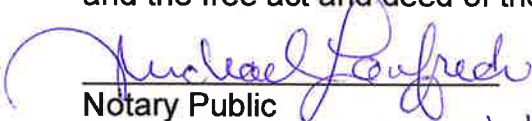
KENT COUNTY
WATER AUTHORITY,



David L. Simmons P.E.
Executive Director/
Chief Engineer
35 Technology Way
West Greenwich, RI 02817

STATE OF RHODE ISLAND
COUNTY OF KENT

In West Greenwich, RI on the 27th day of February 2025, before me personally appeared David L. Simmons to me known and known by me to be the party executing the foregoing instrument, and he acknowledged said Instrument, by him executed, to be his free act and deed and the free act and deed of the Kent County Water Authority.



Notary Public

My Commission Expires: 5/3/26

I undersigned, hereby certify that I mailed a true copy of the within to the Office of Attorney General on the 27th day of February, 2025



TAB 2

Proposed Notice of Filing and Public Hearing

**STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

IN RE: KENT COUNTY WATER AUTHORITY :
APPLICATION FOR BORROWING AUTHORITY : **Docket No. D-25-**

**NOTICE OF FILING AND PUBLIC HEARING
APPLICATION FOR BORROWING AUTHORITY**

Notice is hereby given that on _____, 2025, pursuant to Rhode Island General Laws §39-3-15, §39-3-17, §39-3-18 and Section 1.14 of the State of Rhode Island Division of Public Utilities and Carriers' Rules of Practice and Procedure the Kent County Water Authority ("KCWA"), filed with the State of Rhode Island Division of Public Utilities and Carriers ("Division") an Application For Borrowing Authority to obtain financing, payable more than twelve (12) months from the date of issue, in a principal amount not to exceed twenty-five million dollars (\$25,000,000) to finance the construction of a drinking water treatment facility.

KCWA is seeking a loan from the Rhode Island Infrastructure Bank ("RIIB") in a principal amount not to exceed twenty-five million (\$25,000,000) from the RIIB Safe Drinking Water State Revolving Fund (SDWRF). The proceeds will be used to finance the construction of a drinking water treatment facility. The borrowing will be secured by a pledge of KCWA's revenues.

A hearing on the proposal will be held at the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, Rhode Island on _____, 2025 at _____ a.m. The hearing may continue thereafter from day to day and time to time as required. At this hearing, the Division will consider the propriety of KCWA's Application For Borrowing Authority. Please note that the Division is accessible to the handicapped, and that individuals requesting interpreter services for the hearing impaired must contact the Clerk at **(401)780-2107** seventy-two (**72**) hours in advance of the hearing.

A copy of the application is on file for examination at the Kent County Water Authority main office, 35 Technology Way, West Greenwich Rhode Island, and at the offices of the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, Rhode Island. **The application can also be accessed at <https://ripuc.ri.gov/>_____.** A copy of the filing was also provided to the Rhode Island Office of Attorney General.

Reference is made to Chapters 39-1, 39-3 and 42-35 of the Rhode Island General Laws; specifically, Sections 39-1-7, 39-1-8, 39-1-11, 39-1-12, 39-1-16, 39-1-18, 39-1-20, 39-3-15, 39-3-16, 39-3-17, 39-3-18, 42-35-8, and 42-35-10.

Linda George, Administrator

TAB 3

Statement by Chairman and Secretary

TAB 4
Certificate of Service

Certificate of Service

I hereby certify that a true copy of the Application of the Kent County Water Authority for authority to borrow from the RI Infrastructure Bank a principal amount not to exceed \$25,000,000.00, with all supporting documentation, was mailed by first class mail, postage prepaid, to the Attorney General, State of Rhode Island, 150 South Main Street, Providence, RI 02903, Attention: Mr. Nicolas Faz, Esq. Special Assistant Attorney General, on February 27, 2025.



Michael Lanfredi
Director, Finance and Human
Resources
Kent County Water Authority
35 Technology Way
West Greenwich, RI 02817
401-821-9300
mlanfredi@kentcountywater.org



TAB 5

Pre-Filed Testimony of David L. Simmons

KENT COUNTY WATER AUTHORITY

PRE-FILED DIRECT

TESTIMONY

OF

**DAVID L. SIMMONS P.E.
EXECUTIVE DIRECTOR/CHIEF ENGINEER**

IN SUPPORT OF

**THE KENT COUNTY WATER AUTHORITY APPLICATION FOR
BORROWING AUTHORITY**

BEFORE THE

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

DOCKET NO. D-25 - _____

February 27, 2025

1 **PRE-FILED TESTIMONY**
2 **DAVID L. SIMMONS, P.E.**

3
4 **I. Introduction**

5 **Q: Please state your name and business address.**

6 **A:** My name is David L. Simmons, P.E. My current business address is 35 Technology
7 Way, West Greenwich, Rhode Island 02817.

8
9 **Q: By whom are you employed and in what capacity?**

10 **A:** I am the Executive Director/Chief Engineer for the Kent County Water Authority
11 (KCWA or the Authority).

12
13 **Q: Please describe your qualifications and experience.**

14 **A:** I am a Registered Professional Engineer in the State of Rhode Island. I have a
15 Bachelor of Science degree in Environmental Toxicology and Chemistry from the
16 University of Massachusetts at Amherst and a Master of Science Degree in
17 Environmental Engineering from Worcester Polytechnic Institute. I am certified by
18 the R. I. Department of Health as a Class 4 Drinking Water Distribution Operator
19 and a Class 4 Water Treatment Operator, and a Level 2 Assessor. I am the main
20 licensed operator for KCWA . I am also a certified Grade 2 Wastewater Operator
21 with the Rhode Island Department of Environmental Management and a licensed
22 membrane operator. I have 28 years of multidisciplinary experience working in the
23 water and wastewater fields including extensive field operations, design, and
24 management.

25
26 **Q: How long have you been employed at Kent County Water Authority?**

27 **A:** I have been employed at the Authority for the last twelve years where I have been
28 interfacing with all aspects of the Authority's business, regulatory, and daily
29 operations. I became the Executive Director/Chief Engineer for the Authority in
30 May of 2019. Prior to coming to the Authority, I was the Water Superintendent for
31 the Town of New Shoreham.

1 **Q: Do you belong to any professional organizations or committees?**

2 A: I am member of American Water Works Association, New England Water Works
3 Association, RI Water Works Association, RI Backflow Preventors Association,
4 and I am a member of the American Society of Civil Engineers. I am a committee
5 member of the New England Water Works Association Operator Certification
6 Committee.

7
8 **Q: What are your duties and responsibilities?**

9 A: I am responsible for the administrative, financial, and supervisory oversight for the
10 organization including treatment plant operations, transmission, distribution,
11 pumping, and storage facilities within the KCWA service area servicing
12 approximately 100,000 people within eight cities and towns. I am the overall
13 RIDOH certified licensed Distribution and Treatment drinking water operator for
14 the Authority.

15
16 **Q: Have you previously testified before State Regulatory Commissions
17 concerning the operations matters of Kent County Water Authority?**

18 A: Yes, I provided both written and oral testimony in debt service filing DPUC D-22-
19 03, PUC Dockets 5012 and 5133. I also attended all meetings and hearings
20 regarding PUC Docket 4611 and 4994 and was directly involved in the acquisition
21 of information for many of the data requests under those dockets but did not
22 provide oral and/or written testimony in those proceedings.

23
24 **Q: Please describe your role in this proceeding.**

25 A: I am testifying in support of the Application For Borrowing Authority submitted by
26 the Authority. In this application, KCWA seeks approval to obtain financing not to
27 exceed twenty-five million dollars (\$25,000,000) through revenue bonds issued to
28 Rhode Island Infrastructure Bank (RIIB) Safe Drinking Water State Revolving Fund
29 (DWSRF) to finance the construction of a new drinking water plant that will
30 encompass enhanced filtration capabilities of contaminants to replace our East
31 Greenwich Well facility that does not have filtration.

32

1 **Q: Please describe the project that KCWA will fund with proceeds from this**
2 **borrowing?**

3 A: The project involves demolishing the existing treatment plant building and
4 constructing a new 8,300-square-foot facility on the same footprint. Conceptual
5 designs outline the site layout and interior plant configuration (Appendix H). The
6 new building will provide increased capacity to support future expansions and
7 house advanced treatment systems for per- and poly-fluoroalkyl substances
8 (PFAS) and manganese removal, a below-grade clearwell, and dedicated spaces
9 for mechanical, electrical, office, and laboratory use. Additionally, a backwash
10 holding tank and sewer force main will manage residual waste from the treatment
11 processes. Site improvements will include paved access around the building, an
12 upgraded transformer, an emergency generator, and stormwater detention areas.
13 Additionally, KCWA is also integrating system components to accommodate the
14 capacities of nearby wells owned by neighboring water systems.

15
16 The proposed treatment plant will have a capacity of approximately 4.0 million
17 gallons per day (MGD) and will provide treatment and removal of PFAS, iron and
18 manganese, and provide >4-log treatment of water for fire protection and drinking
19 water to the Kent County service area and surrounding communities connected to
20 the Authority. The planned treatment process includes iron and manganese
21 removal through a pressurized filtration system, followed by PFAS removal using
22 pressurized granular activated carbon (GAC) adsorption vessels configured in a
23 lead-lag arrangement. The specific PFAS treatment media will be selected based
24 on pilot testing results. Chemical injections are expected to include potassium
25 hydroxide for pH adjustment and sodium hypochlorite for regenerative oxidation of
26 media for the iron and manganese removal with a dechlorination step prior to
27 PFAS treatment to maximize the GAC media life. A new submersible well pump
28 will be installed in the existing well to ensure consistent pressure throughout the
29 treatment system. The finished water will be injected with sodium hypochlorite for
30 disinfection and potassium hydroxide for corrosion control before entering baffled
31 clearwell to provide 4-log inactivation before distribution via finished water pumps.

32

1 **Q: What are Per- and polyfluoroalkyl substances and how prevalent is this issue**
2 **in Rhode Island?**

3 A: PFAS are an emerging contaminant of concern in groundwater across the United
4 States. These man-made chemicals are commonly used in firefighting foams and
5 a variety of products designed to resist water, grease, or stains, such as nonstick
6 cookware, carpets, upholstered furniture, clothing, and food packaging. PFAS are
7 highly resistant to environmental degradation and can leach into surface and
8 groundwater from contaminated sites.

9
10 In Rhode Island, PFAS contamination has been detected in groundwater
11 throughout suburban and rural areas. These contaminants originate from a wide
12 array of sources, including industrial materials, on-site wastewater disposal
13 systems, landfills, industrial sites, and fire stations. Unlike many other
14 contaminants, PFAS compounds are not effectively retained by soil particles or
15 absorbed by vegetative root systems. Instead, they easily infiltrate groundwater,
16 traveling through soil and bedrock fractures, ultimately contaminating both public
17 and private water supply wells.

18
19 **Q: Has KCWA applied with the Rhode Island Department of Health to be listed**
20 **on the Project Priority List (PPL) for this project?**

21 A: Yes. KCWA is fully qualified, ranked, and certified on the RIDOH PPL for the
22 design and construction of a new water treatment facility. This certification enables
23 KCWA to be eligible to apply for low interest funding via the Drinking Water State
24 Revolving Fund (DWSRF) as administered through the Rhode Island Infrastructure
25 Bank (RIIB). Furthermore, because the facility is designed to remove PFAS, which
26 is an emerging contaminant with the EPA, it ranks high on the priority listing and
27 qualifies KCWA for principal forgiveness. Both the subsidized rate for borrowing
28 and principal forgiveness are from allocations provided to Rhode Island to address
29 the PFAS issue under the Federal Bipartisan Infrastructure Law (BIL).

30
31 **Q: Has KCWA applied with the Rhode Island Infrastructure Bank to fund this**
32 **project?**

1 A: Yes. The Board of Directors of RIIB approved the application of the Kent County
2 Water Authority at the RIIB December 16, 2024, Board Meeting. KCWA received
3 a commitment letter for the financing from RIIB (Appendix C) that states KCWA is
4 authorized to receive financial aid in the form of a loan on the terms stated in the
5 letter in a principal amount not to exceed \$25,000,000 for a term not to exceed 20
6 years after project completion. Also stated in the commitment letter is that a portion
7 of the principal amount of the loan up to \$5,000,000 shall be forgiven related to
8 upgrades to the East Greenwich Well Treatment Facility to remove PFAS. This
9 principal forgiveness is subject to the terms of the commitment letter and the
10 closing documents. It should be noted that principal forgiveness, and the terms
11 under which it is awarded may be subject to change at the federal level. Based on
12 current levels of uncertainty at the federal level, and to be conservative, if the
13 principal forgiveness is removed from this project, KCWA has sufficient funding
14 within existing rates to proceed with the loan.

15

16 **Q: Where is the current facility located?**

17 A: Kent County Water Authority's (KCWA'S) East Greenwich Well Facility is located
18 at 5870 Post Road in Warwick, RI, on Warwick Tax Assessor's Plat 214, Lot 0028
19 comprising a total area of 5.89 acres. The facility is in the general vicinity of the
20 intersection of Post Road and Franklin Street, along the East Greenwich and
21 Warwick city line within the Hunt River basin which is part of the Hunt-
22 Annaquatucket-Pettaquamscutt (HAP) aquifer.

23

24 **Q: Please describe the current history of operation of the existing EG Well
25 Facility.**

26 A: The East Greenwich Well is a critical water source in the overall hydraulic supply
27 capacity of the Kent County Water Authority district originating back to 1880s. The
28 East Greenwich Well currently supplies water to the southwestern section of the
29 Authority system including the Low Service Pressure Gradient and indirectly to the
30 Potowomut section of Warwick. The well is also providing the additional supply
31 capacity required to meet the needs of the Quonset Development Corporation in
32 furthering economic development within the industrial park. This well is also an
33 intrinsic component to emergency supply capacity should a casualty or malevolent

1 event occur with the Providence Water supply source. This well source represents
2 a critical component to the Authority's supply and emergency strategies.

3
4 The current use of the site is a 1.72 MGD drinking water treatment facility
5 rehabilitated in 2018 to treat water from an onsite well and service KCWA's low
6 service 334-foot gradient. Infrastructure at the existing facility includes a treatment
7 building, well head, pad mounted transformer, emergency generator, and
8 underground electric, gas, sewer, and water utilities. The facility has historically
9 served as a supplemental source to KCWA's primary water source, which is
10 provided by the Providence Water Supply Board. During normal operation, the well
11 serves as the primary source of water that serves the southwestern portion of the
12 KCWA service area. KCWA maintains this supply to bolster its own supply
13 capacity, reduce water age, and to improve the system's resiliency and
14 redundancy. The current treatment process consists of disinfection using sodium
15 hypochlorite, pH adjustment using potassium hydroxide, and manganese
16 sequestration using tetra-potassium pyrophosphate with no filtration.

17
18 **Q: Has KCWA had plans to build a filtration facility at this location in the past**
19 **under its capital program?**

20 **A:** Yes, the project has been part of KCWA's Capital Improvement Plan (CIP) for
21 almost two decades. The Authority has experienced aesthetic water quality
22 problems in this area of the distribution system. Water quality problems have been
23 mainly attributed to the levels of manganese and to a lesser extent iron in the
24 groundwater. These elements precipitate out and cause staining of customer
25 plumbing fixtures which manifest into customer complaints within the distribution
26 reaches of this supply. The Authority currently uses sequestering and a proactive
27 flushing program to help mitigate the staining effect and customer concerns about
28 water quality the staining creates. The first iteration of design that included filtration
29 was piloted and conceived in 2009 and was focused on manganese filtration to
30 mitigate the root cause of customer complaints and water quality issues. More
31 recently, KCWA picked up where this design was left off and an application was
32 made to the Rhode Island Department of Health with an eye on expansion of
33 additional treatment space for emerging contaminants in the future. This design

1 was nearing completion when the PFAS issue came to the forefront and new
2 regulations have forced water systems to evaluate solutions to come into
3 compliance. This required KCWA to adjust the design to accommodate the new
4 regulatory framework and requirements surrounding PFAS.

5
6 **Q: Did the new State and Federal regulations require KCWA to update this well
7 facility to include additional treatment for PFAS?**

8 A: Essentially yes. These are the two main drivers that are required to allow the
9 Authority to use and maintain this critical water source in the future. The first is to
10 filter and remove iron and manganese and the second is the removal of PFAS.
11 Specifically, the well water contains manganese concentrations that have
12 historically exceeded the non-legally enforceable Secondary Maximum
13 Contaminant Limit (SMCL) and PFAS concentrations found in the well water that
14 exceed the new legally enforceable Maximum Contaminant Level (MCL) of four (4)
15 parts per trillion. In April of 2024, the Environmental Protection Agency (EPA)
16 revised the National Primary Drinking Water Regulations (NPDWR) under the Safe
17 Drinking Water Act (SDWA) to establish a new Maximum Contaminant Level
18 (MCL) for PFAS. The plant needs to be built to remove the aesthetic issues of
19 manganese deposition within the distribution system and also provide water that
20 is compliant with the new PFAS regulations. Also, to maximize the longevity of the
21 GAC filter media, the best approach is to filter out iron and manganese first and
22 then filter out the PFAS before delivering water to the distribution system.

23
24 **Q: What is the distinction between SMCL and MCL and why does it matter?**

25 A: A secondary maximum contaminant level (SMCL) refers to a substance in water
26 that may affect its taste, odor, or appearance, causing cosmetic issues, but is not
27 considered a direct health risk. Iron and manganese are secondary contaminants
28 and contribute to many aesthetic water quality issues within the distribution
29 system. A primary maximum contaminant level (MCL) is a substance in water that
30 can directly harm human health if consumed at certain levels, making it a principal
31 concern for water quality standards; essentially, secondary contaminants are
32 aesthetic issues, while primary contaminants are health concerns. The distinction
33 matters because PFAS is a primary contaminant with a legally enforceable MCL

1 under the SDWA. Public water systems have until 2029 to implement solutions that
2 reduce these PFAS if monitoring shows that drinking water levels exceed these
3 MCLs. Beginning in 2029, public water systems that have PFAS in drinking water
4 which violates one or more of these MCLs must take action to reduce levels of
5 these PFAS in their drinking water and must provide notification to the public of the
6 violation. It should also be noted that Manganese, although currently a SMCL, is
7 listed on the EPA's draft Contaminant Candidate List 5 (CCL 5), which includes
8 contaminants that are known, or anticipated, in public water systems which may
9 obtain an MCL under the SDWA in the future.

10
11 **Q: Does the State of Rhode Island also regulate PFAS in drinking water?**

12 **A:** Yes, prior to the EPA setting final standards in April of 2024, the Rhode Island
13 Legislature, working with the Rhode Island Department of Health (RIDOH), passed
14 a law in June of 2022 (*Rhode Island PFAS in Drinking Water, Groundwater, and*
15 *Surface Waters Act R.I. Gen. Laws Chapter 46-32*) to set an interim concentration
16 standard (MCL) for six PFAS chemicals of 20 parts per trillion (ppt). The law
17 requires all Rhode Island public water systems to sample PFAS in their water
18 sources. If sampling results show a system has PFAS levels at or below the 20 ppt
19 interim MCL standard, RIDOH requires that the water system sample for PFAS
20 annually. If sampling results show PFAS levels exceeding the 20 ppt interim
21 standard, RIDOH requires that the system sample quarterly. New regulations
22 promulgated in September of 2024 now require all public water systems to monitor
23 for PFAS quarterly. Public water systems with PFAS levels above 20 ppt are
24 required to take additional action to lower their level of PFAS and enter into consent
25 agreements with RIDOH within 180 days of being notified of their exceedance.
26 RIDOH uses consent agreements to document a system's plan of action to come
27 into compliance by an achievable deadline. The six PFAS chemicals regulated by
28 the State of Rhode Island and the RIDOH are perfluorooctanoic acid (PFOA),
29 perfluorooctane sulfonic acid (PFOS), perfluorohexane sulfonic acid (PFHxS),
30 perfluorononanoic acid (PFNA), perfluoroheptanoic acid (PFHpA) and perfluoro
31 decanoic acid (PFDA). On August 29, 2024, RIDOH filed an amendment to the
32 existing Public Drinking Water Regulations that establishes a final maximum
33 contaminant level (MCL) of 20 ppt for the total of the six PFAS contaminants.

1 **Q: What are the PFAS levels at the EG Well?**

2 A: Testing results for the six regulated PFAS chemicals were 17.4 ppt in 2023 and
3 12.1 ppt in 2024, respectively. The full detailed breakdown of the samples results
4 can be found in Appendix I.

5

6 **Q: Are there other public drinking water wells in the Hunt River aquifer?**

7 A: Yes, both the Town of North Kingstown and Quonset Development Corporation
8 (QDC) operate several wells within the Hunt River Basin. Specifically, there are
9 four public wells operated by these entities within 1000 feet of the EG Well. North
10 Kingstown also has Well Six adjacent to the Hunt River three miles to the south.

11

12 **Q: Are these other public wells experiencing the same problem as KCWA?**

13 A: Yes, in varying degrees. QDC is under a consent order with RIDOH because their
14 wells have PFAS levels above the MCL of 20 ppt limit under State law. North
15 Kingstown's Wells Nine and Ten have MCLs of less than 20 ppt, but above the
16 four (4) ppt, established under the SDWA. North Kingstown's Well Six is currently
17 shut off due to PFAS levels that are exceeding the State law limit of 20 ppt.

18

19 **Q: Will this project enable the use of those wells if needed?**

20 A: Yes, the treatment facility is being designed to accommodate up to two additional
21 wells if needed in the future.

22

23 **Q: If these water systems connect to KCWA to help resolve their PFAS issues,
24 all in or in part, how would they be assessed a rate?**

25 A: As part of KCWA's abbreviated rate filing PUC Docket 5012, KCWA requested and
26 received authorization from the Commission, Order 23896, for a wholesale rate to
27 service QDC. QDC entered into an agreement with KCWA and activated the
28 interconnection between the two systems in August of 2022 at 200 gallons per
29 minute at the established wholesale rate under that docket. QDC is part of North
30 Kingstown, and the Town could do the same under a separate interconnection
31 agreement.

32

1 **Q: QDC already has an interconnection with KCWA to provide water. Is there an**
2 **interconnection in place for KCWA to provide water to North Kingstown?**

3 A: North Kingstown has a metered emergency interconnection with the necessary
4 pressure reducing valve in place. However, an updated facility station outfitted
5 with the proper telemetry would be needed, similar to what QDC completed, if a
6 permanent wholesale interconnection was established. This could either occur
7 across the street within existing structures at Post Road within North Kingstown's
8 Well Ten and/or Well Six where KCWA has a water main about one half mile away
9 on Quaker Lane.

10

11 **Q: Does KCWA have sufficient capacity to provide water to both systems?**

12 A: Yes. KCWA can provide as much high quality PFAS free water as either entity may
13 need with the redundancy of Providence Water Supply Board sourced water
14 should a major event were to occur with the wells, treatment facility, or severe
15 drought impacting the aquifer. KCWA has a supply of over 40 million gallons per
16 day (MGD) available and is currently using an average of 9 MGD and peaking at
17 about 16 MGD. There will never be an issue with power failures or lack of water
18 availability or delivery because our system is already at a higher pressure that
19 would be feeding into the wholesale metered interconnections through pressure-
20 reducing valves (PRVs) owned and operated by the respective systems.

21

22 **Q: How much has been expended to date on this project?**

23 A: \$547,598 in professional engineering, architectural, surveying, and other similar
24 costs have been expended to date. (See Appendix G)

25

26 **Q: Will KCWA seek reimbursement for these items?**

27 A: In accordance with IRS regulations, the Authority may reimburse itself with tax-
28 exempt bond proceeds for qualified project expenditures paid by the Authority
29 during the period commencing 60 days prior to the adoption of its reimbursement
30 resolution through the date of issuance of the bonds. The Authority adopted a
31 reimbursement resolution on September 19, 2024, and consequently, the Authority
32 may reimburse itself for qualified project expenditures paid on and after July 21,
33 2024. With respect to payments made prior to July 21, 2024, the IRS regulations

1 make an exception and permit reimbursement of certain "Preliminary
2 Expenditures." Payments that fall within the Preliminary Expenditures exception
3 are architectural, engineering, surveying, soil testing, and similar costs that are
4 incurred prior to commencement of construction, rehabilitation, or acquisition of
5 the project (these Preliminary Expenditures are not subject to the time-limit
6 referenced above). Subject to review by bond counsel, the Authority expects to
7 seek reimbursement from tax-exempt bond proceeds for expenditures totaling
8 approximately \$547,598.

9
10 **Q: What is the anticipated schedule on closing this loan?**

11 A: It is the Authority's goal to lock in the rate in March with a closing in April, but no
12 sooner than the required 30-day appeal period from the date of the DPUC Order.
13

14 **Q: Has the Rhode Island PUC approved rates to service this loan?**

15 A: The anticipated debt service will be fully funded using the existing CIP restricted
16 account without the need to increase rates. These activities are in alignment with
17 the approved settlement agreement between the Authority and DPUC in Docket #
18 5012.

19
20 **Q: What are the current funding levels of KCWA's restricted accounts?**

21 A: Please see Appendix F.
22

23 **Q: Does KCWA have any existing long term debt obligations currently drawing
24 debt service from the restricted accounts?**

25 A: Yes, it does. On April 29, 2022, the Authority issued its \$18,173,087 Revenue
26 Bonds Series A (Taxable) (Drinking Water) and a \$1,826,913 Revenue Bonds
27 2022 Series B (Taxable) (Efficient Building Fund) that were privately placed with
28 RIIB to finance, in part, for the construction of our new office and maintenance
29 facility in West Greenwich. The restricted CIP account is currently being funded at
30 an annual rate of \$2.5 million, as \$1.1 million is being allocated to repay the debt
31 service obligation. The restricted IFR account is being fully funded at \$6 million
32 annually. For more information on rates, please see Mr. Bebyn's testimony.
33

1 **Q: What is the anticipated timeline for this project?**

2 A: The Authority submitted the application for the Certificate of Approval (COA) with
3 the Rhode Island Department of Health and we are currently finalizing the pilot
4 study for PFAS removal media inclusion in the final design. It is KCWA's goal to
5 have all the necessary approvals completed by this summer and have bid ready
6 construction documents for solicitation and award to break ground in the Fall of
7 2025.

8

9 **Q: Does this conclude your testimony?**

10 A: Yes.

TAB 6

Pre-Filed Testimony of Matthew Blais

KENT COUNTY WATER AUTHORITY

PRE-FILED DIRECT

TESTIMONY

OF

**MATTHEW BLAIS
HILLTOP SECURITIES INC.**

IN SUPPORT OF

**THE KENT COUNTY WATER AUTHORITY APPLICATION FOR BORROWING
AUTHORITY**

BEFORE THE

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

DOCKET NO. D-25 - _____

February 27, 2025

PRE-FILED TESTIMONY OF
MATTHEW BLAIS

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Q: Please state your name and business address.

A: My name is Matthew J. Blais, and I am a Vice President at Hilltop Securities Inc. (“Hilltop Securities”) in the Lincoln, Rhode Island office.

Q: Please state your duties at Hilltop Securities.

A: I am a member of the firm’s public finance department serving as financial advisor in Rhode Island providing municipal advisory services to state, local and regional government agencies for infrastructure projects in the water, wastewater, general government, education and transportation sectors among others, primarily in Rhode Island and Maine. I have responsibility for Hilltop Securities’ involvement with borrowings by numerous public agencies and more than 25 Rhode Island agencies and municipalities. On average, our office assists Rhode Island clients with the origination of more than \$500 million in public financing issues annually.

Q: Please describe your qualifications and experience.

A: I have approximately 12 years’ experience in the public finance field and hold a Bachelor of Science degree with concentration in economics and political science from the University of Rhode Island. I am a registered Municipal Advisor with the Municipal Securities Rulemaking Board, holding the following licenses: Series 52, Series 63, as well as the Series 50, Municipal Advisor Representative License.

Q: Have you previously testified before the Public Utilities Commission and Division of Public Utilities and Carriers?

A: No. I have not testified before the Public Utilities Commission (“Commission”) or the Division of Public Utilities and Carriers (“Division”). However, I have assisted with several dockets which required testimony before the Commission and Division.

Q: Please describe your role in this proceeding.

A: I am assisting Kent County Water Authority (“KCWA”) and its financing team with respect to the issuance of debt through a borrowing from Rhode Island Infrastructure

1 Bank (“RIIB”). I have been asked by KCWA to provide information on the debt
2 service requirements for its proposed borrowing, and to respond to related questions.
3

4 **Q: Please discuss KCWA’s financing plans.**

5 A. As set forth in its Application for Approval of Borrowing Authority, KCWA seeks to
6 obtain a loan in a principal amount of up to twenty-five million dollars (\$25,000,000).
7 It is expected that the loan will be funded by RIIB’s Drinking Water State Revolving
8 Fund (“DWSRF”) at below-market rates equal to 25% below KCWA’s market rate
9 at the time of pricing. The proceeds of the loan will be used by KCWA to upgrade
10 the East Greenwich Well Treatment Facility in order to meet new state and federal
11 regulatory guidelines. David Simmons has described the project in his testimony,
12 and I will provide the details of the financing for the project.
13

14 **Q. Can you explain how the financing will work for the \$25,000,000 borrowing?**

15 A. Yes. KCWA has previously borrowed from RIIB through the DWSRF. This loan will
16 be similar to those previously-approved by the Division. In accordance with the Safe
17 Drinking Water Act Amendments of 1996, the State of Rhode Island has created a
18 Drinking Water State Revolving Fund administered by RIIB to provide financial
19 assistance to water suppliers. This fund uses federal capitalization grants and state
20 matching funds to provide subsidized loans to water suppliers for qualifying projects
21 listed on the Project Priority List maintained by the Department of Health. RIIB
22 receives capitalization grants from the federal government, state match and sells
23 bonds in the public market to obtain capital to make loans to its drinking water
24 borrowers pursuant to loan agreements. This project has been identified in KCWA’s
25 capital program and is listed on the Department of Health’s Project Priority List,
26 RIIB’s regulatory partner for the DWSRF program. Therefore, this project qualifies
27 for a subsidized DWSRF loan from RIIB.
28

29 **Q. Will the funds be provided as grants or principal forgiveness loans?**

30 A. RIIB has informed KCWA that this loan will be eligible for \$5,000,000 of principal
31 forgiveness. There are currently many changes occurring at the federal level, which
32 could affect the availability of the principal forgiveness. Even if the principal
33 forgiveness is not available, we would proceed with the loan.

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Q: What is the term of this borrowing and the applicable interest rate?

A. The term is approximately 20 years from the projected date of borrowing. The expected interest cost will reflect a below-market rate of 25% lower than market rates at the time of pricing. Based upon market conditions as of January 10, 2025, it is anticipated that the interest rate on the loan will not exceed a market rate of 4.26%, which would result in a projected subsidized rate of approximately 3.20%. For purposes of Division approval, we would recommend a not-to-exceed market rate of 5.00% and a subsidized rate of 4.00% to allow for market movement. RIIB's program requires that, under certain circumstances, borrowers need to pay the market rate on the loan. For that reason, it is necessary for the Division to approve a not-to-exceed market rate of 5.00%.

Q: How will the funds from this borrowing be disbursed?

A: Approximately \$23,260,000 will be available for project expenditures, approximately \$1,400,000 will be deposited into a debt service reserve fund, and approximately \$340,000 will be allocated to costs of issuance, including rating agency fees, bond counsel, financial advisor and trustee fees, and the origination fee.

Q: What are the applicable schedules and deadlines for this financing?

A: This borrowing is anticipated to take place in mid-June 2025. RIIB generally requires that all borrower approvals be in place and that all appeal periods expire prior to mailing the RIIB Preliminary Official Statement (the offering document sent to investors) and pricing borrower loans.

Q: What is the projected schedule of debt service for the contemplated new borrowing?

A. The projected debt service for the new borrowing is displayed at subsidized rates in Schedule MB-1 and market rates in Schedule MB-2. For the \$25,000,000 loan at subsidized rates, average annual debt service is expected to be approximately \$1,395,000 per year at the projected interest rates, including the RIIB annual fee. This amount is subject to change based upon the actual project costs, draw schedule

1 and prevailing interest rates at the time of borrowing. During the construction period,
2 KCWA will pay interest based on the construction draw schedule.

3

4 **Q: Does this complete your testimony?**

5 **A:** Yes, it does.

**Rhode Island Infrastructure Bank
Drinking Water Loan, Series 2025
Preliminary Numbers as of January 10, 2025 (+50bps)**

Loan Debt Service

KCWA- \$26.0M DW Loan (AA Rated, Revenue Pledge)

| Date | Principal | Loan Rate | (1) Principal Forgiveness | Net Principal | (2) Interest | Net Fees @ 0.300% | Total Fees & Interest | Total Net Debt Service | Annual Net Debt Service & Fees |
|----------|----------------------|-----------|------------------------------|----------------------|---------------------|-------------------|-----------------------|------------------------|--------------------------------|
| 03/19/25 | | | | | | | | | - |
| 09/01/25 | 873,000.00 | 2.480% | (174,600.00) | 698,400.00 | 272,700.00 | 27,000.00 | 299,700.00 | 998,100.00 | - |
| 03/01/26 | - | - | - | - | 294,585.12 | 28,952.40 | 323,537.52 | 323,537.52 | 1,321,637.52 |
| 09/01/26 | 952,000.00 | 2.480% | (190,400.00) | 761,600.00 | 294,585.12 | 28,952.40 | 323,537.52 | 1,085,137.52 | - |
| 03/01/27 | - | - | - | - | 285,141.28 | 27,810.00 | 312,951.28 | 312,951.28 | 1,398,088.80 |
| 09/01/27 | 978,000.00 | 2.530% | (195,600.00) | 782,400.00 | 285,141.28 | 27,810.00 | 312,951.28 | 1,095,351.28 | - |
| 03/01/28 | - | - | - | - | 275,243.92 | 26,636.40 | 301,880.32 | 301,880.32 | 1,397,231.60 |
| 09/01/28 | 1,006,000.00 | 2.610% | (201,200.00) | 804,800.00 | 275,243.92 | 26,636.40 | 301,880.32 | 1,106,680.32 | - |
| 03/01/29 | - | - | - | - | 264,741.28 | 25,429.20 | 290,170.48 | 290,170.48 | 1,396,850.80 |
| 09/01/29 | 1,035,000.00 | 2.650% | (207,000.00) | 828,000.00 | 264,741.28 | 25,429.20 | 290,170.48 | 1,118,170.48 | - |
| 03/01/30 | - | - | - | - | 253,770.28 | 24,187.20 | 277,957.48 | 277,957.48 | 1,396,127.96 |
| 09/01/30 | 1,066,000.00 | 2.650% | (213,200.00) | 852,800.00 | 253,770.28 | 24,187.20 | 277,957.48 | 1,130,757.48 | - |
| 03/01/31 | - | - | - | - | 242,470.68 | 22,908.00 | 265,378.68 | 265,378.68 | 1,396,136.16 |
| 09/01/31 | 1,097,000.00 | 2.700% | (219,400.00) | 877,600.00 | 242,470.68 | 22,908.00 | 265,378.68 | 1,142,978.68 | - |
| 03/01/32 | - | - | - | - | 230,623.08 | 21,591.60 | 252,214.68 | 252,214.68 | 1,395,193.36 |
| 09/01/32 | 1,130,000.00 | 2.760% | (226,000.00) | 904,000.00 | 230,623.08 | 21,591.60 | 252,214.68 | 1,156,214.68 | - |
| 03/01/33 | - | - | - | - | 218,147.88 | 20,235.60 | 238,383.48 | 238,383.48 | 1,394,598.16 |
| 09/01/33 | 1,165,000.00 | 2.830% | (233,000.00) | 932,000.00 | 218,147.88 | 20,235.60 | 238,383.48 | 1,170,383.48 | - |
| 03/01/34 | - | - | - | - | 204,960.08 | 18,837.60 | 223,797.68 | 223,797.68 | 1,394,181.16 |
| 09/01/34 | 1,201,000.00 | 2.890% | (240,200.00) | 960,800.00 | 204,960.08 | 18,837.60 | 223,797.68 | 1,184,597.68 | - |
| 03/01/35 | - | - | - | - | 191,076.52 | 17,396.40 | 208,472.92 | 208,472.92 | 1,393,070.60 |
| 09/01/35 | 1,239,000.00 | 2.870% | (247,800.00) | 991,200.00 | 191,076.52 | 17,396.40 | 208,472.92 | 1,199,672.92 | - |
| 03/01/36 | - | - | - | - | 176,852.80 | 15,909.60 | 192,762.40 | 192,762.40 | 1,392,435.32 |
| 09/01/36 | 1,279,000.00 | 3.020% | (255,800.00) | 1,023,200.00 | 176,852.80 | 15,909.60 | 192,762.40 | 1,215,962.40 | - |
| 03/01/37 | - | - | - | - | 161,402.48 | 14,374.80 | 175,777.28 | 175,777.28 | 1,391,739.68 |
| 09/01/37 | 1,321,000.00 | 3.090% | (264,200.00) | 1,056,800.00 | 161,402.48 | 14,374.80 | 175,777.28 | 1,232,577.28 | - |
| 03/01/38 | - | - | - | - | 145,074.92 | 12,789.60 | 157,864.52 | 157,864.52 | 1,390,441.80 |
| 09/01/38 | 1,366,000.00 | 3.160% | (273,200.00) | 1,092,800.00 | 145,074.92 | 12,789.60 | 157,864.52 | 1,250,664.52 | - |
| 03/01/39 | - | - | - | - | 127,808.68 | 11,150.40 | 138,959.08 | 138,959.08 | 1,389,623.60 |
| 09/01/39 | 1,413,000.00 | 3.230% | (282,600.00) | 1,130,400.00 | 127,808.68 | 11,150.40 | 138,959.08 | 1,269,359.08 | - |
| 03/01/40 | - | - | - | - | 109,552.72 | 9,454.80 | 119,007.52 | 119,007.52 | 1,388,366.60 |
| 09/01/40 | 1,463,000.00 | 3.340% | (292,600.00) | 1,170,400.00 | 109,552.72 | 9,454.80 | 119,007.52 | 1,289,407.52 | - |
| 03/01/41 | - | - | - | - | 90,007.04 | 7,699.20 | 97,706.24 | 97,706.24 | 1,387,113.76 |
| 09/01/41 | 1,516,000.00 | 3.430% | (303,200.00) | 1,212,800.00 | 90,007.04 | 7,699.20 | 97,706.24 | 1,310,506.24 | - |
| 03/01/42 | - | - | - | - | 69,207.52 | 5,880.00 | 75,087.52 | 75,087.52 | 1,385,593.76 |
| 09/01/42 | 1,573,000.00 | 3.490% | (314,600.00) | 1,258,400.00 | 69,207.52 | 5,880.00 | 75,087.52 | 1,333,487.52 | - |
| 03/01/43 | - | - | - | - | 47,248.44 | 3,992.40 | 51,240.84 | 51,240.84 | 1,384,728.36 |
| 09/01/43 | 1,632,000.00 | 3.530% | (326,400.00) | 1,305,600.00 | 47,248.44 | 3,992.40 | 51,240.84 | 1,356,840.84 | - |
| 03/01/44 | - | - | - | - | 24,204.60 | 2,034.00 | 26,238.60 | 26,238.60 | 1,383,079.44 |
| 09/01/44 | 1,695,000.00 | 3.570% | (339,000.00) | 1,356,000.00 | 24,204.60 | 2,034.00 | 26,238.60 | 1,382,238.60 | - |
| 03/01/45 | - | - | - | - | - | - | - | - | 1,382,238.60 |
| | <u>25,000,000.00</u> | | <u>(5,000,000.00)</u> | <u>20,000,000.00</u> | <u>7,096,938.64</u> | <u>661,538.40</u> | <u>7,758,477.04</u> | <u>27,758,477.04</u> | <u>27,758,477.04</u> |

(1) Principal Forgiveness funds have been distributed to borrowers with loan proceeds used to fund Green Projects. See financing documents for details.

(2) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 3.030%.

MB-2

**Rhode Island Infrastructure Bank
Drinking Water Loan, Series 2025
Preliminary Numbers as of January 10, 2025 (+50bps)**

Loan Debt Service - MARKET RATES

KCWA- \$25.0M DW Loan (AA Rated, Revenue Pledge)

| Date | Principal | Loan Market Rate | (1) Principal Forgiveness | Net Principal | (2) Interest | Net Fees @ 0.300% | Total Fees & Interest | Total Net Debt Service | Annual Net Debt Service & Fees |
|----------|----------------------|------------------|------------------------------|----------------------|---------------------|-------------------|-----------------------|------------------------|--------------------------------|
| 03/19/25 | | | | | | | | | - |
| 09/01/25 | 789,000.00 | 3.310% | (157,800.00) | 631,200.00 | 366,490.15 | 27,014.02 | 393,504.17 | 1,024,704.17 | - |
| 03/01/26 | - | - | - | - | 396,521.12 | 29,053.20 | 425,574.32 | 425,574.32 | 1,450,278.49 |
| 09/01/26 | 872,000.00 | 3.310% | (174,400.00) | 697,600.00 | 396,521.12 | 29,053.20 | 425,574.32 | 1,123,174.32 | - |
| 03/01/27 | - | - | - | - | 384,975.84 | 28,006.80 | 412,982.64 | 412,982.64 | 1,536,156.96 |
| 09/01/27 | 903,000.00 | 3.370% | (180,600.00) | 722,400.00 | 384,975.84 | 28,006.80 | 412,982.64 | 1,135,382.64 | - |
| 03/01/28 | - | - | - | - | 372,803.40 | 26,923.20 | 399,726.60 | 399,726.60 | 1,535,109.24 |
| 09/01/28 | 937,000.00 | 3.480% | (187,400.00) | 749,600.00 | 372,803.40 | 26,923.20 | 399,726.60 | 1,149,326.60 | - |
| 03/01/29 | - | - | - | - | 359,760.36 | 25,798.80 | 385,559.16 | 385,559.16 | 1,534,885.76 |
| 09/01/29 | 972,000.00 | 3.540% | (194,400.00) | 777,600.00 | 359,760.36 | 25,798.80 | 385,559.16 | 1,163,159.16 | - |
| 03/01/30 | - | - | - | - | 345,996.84 | 24,632.40 | 370,629.24 | 370,629.24 | 1,533,788.40 |
| 09/01/30 | 1,009,000.00 | 3.540% | (201,800.00) | 807,200.00 | 345,996.84 | 24,632.40 | 370,629.24 | 1,177,829.24 | - |
| 03/01/31 | - | - | - | - | 331,709.40 | 23,421.60 | 355,131.00 | 355,131.00 | 1,532,960.24 |
| 09/01/31 | 1,048,000.00 | 3.600% | (209,600.00) | 838,400.00 | 331,709.40 | 23,421.60 | 355,131.00 | 1,193,531.00 | - |
| 03/01/32 | - | - | - | - | 316,618.20 | 22,164.00 | 338,782.20 | 338,782.20 | 1,532,313.20 |
| 09/01/32 | 1,089,000.00 | 3.680% | (217,800.00) | 871,200.00 | 316,618.20 | 22,164.00 | 338,782.20 | 1,209,982.20 | - |
| 03/01/33 | - | - | - | - | 300,588.12 | 20,857.20 | 321,445.32 | 321,445.32 | 1,531,427.52 |
| 09/01/33 | 1,132,000.00 | 3.770% | (226,400.00) | 905,600.00 | 300,588.12 | 20,857.20 | 321,445.32 | 1,227,045.32 | - |
| 03/01/34 | - | - | - | - | 283,517.56 | 19,498.80 | 303,016.36 | 303,016.36 | 1,530,061.68 |
| 09/01/34 | 1,178,000.00 | 3.850% | (235,600.00) | 942,400.00 | 283,517.56 | 19,498.80 | 303,016.36 | 1,245,416.36 | - |
| 03/01/35 | - | - | - | - | 265,376.36 | 18,085.20 | 283,461.56 | 283,461.56 | 1,528,877.92 |
| 09/01/35 | 1,227,000.00 | 3.830% | (245,400.00) | 981,600.00 | 265,376.36 | 18,085.20 | 283,461.56 | 1,265,061.56 | - |
| 03/01/36 | - | - | - | - | 246,578.72 | 16,612.80 | 263,191.52 | 263,191.52 | 1,528,253.08 |
| 09/01/36 | 1,278,000.00 | 4.030% | (255,600.00) | 1,022,400.00 | 246,578.72 | 16,612.80 | 263,191.52 | 1,285,591.52 | - |
| 03/01/37 | - | - | - | - | 225,977.36 | 15,079.20 | 241,056.56 | 241,056.56 | 1,526,648.08 |
| 09/01/37 | 1,333,000.00 | 4.120% | (266,600.00) | 1,066,400.00 | 225,977.36 | 15,079.20 | 241,056.56 | 1,307,456.56 | - |
| 03/01/38 | - | - | - | - | 204,009.52 | 13,479.60 | 217,489.12 | 217,489.12 | 1,524,945.68 |
| 09/01/38 | 1,392,000.00 | 4.210% | (278,400.00) | 1,113,600.00 | 204,009.52 | 13,479.60 | 217,489.12 | 1,331,089.12 | - |
| 03/01/39 | - | - | - | - | 180,568.24 | 11,809.20 | 192,377.44 | 192,377.44 | 1,523,466.56 |
| 09/01/39 | 1,455,000.00 | 4.310% | (291,000.00) | 1,164,000.00 | 180,568.24 | 11,809.20 | 192,377.44 | 1,356,377.44 | - |
| 03/01/40 | - | - | - | - | 155,484.04 | 10,063.20 | 165,547.24 | 165,547.24 | 1,521,924.68 |
| 09/01/40 | 1,522,000.00 | 4.450% | (304,400.00) | 1,217,600.00 | 155,484.04 | 10,063.20 | 165,547.24 | 1,383,147.24 | - |
| 03/01/41 | - | - | - | - | 128,392.44 | 8,236.80 | 136,629.24 | 136,629.24 | 1,519,776.48 |
| 09/01/41 | 1,594,000.00 | 4.570% | (318,800.00) | 1,275,200.00 | 128,392.44 | 8,236.80 | 136,629.24 | 1,411,829.24 | - |
| 03/01/42 | - | - | - | - | 99,254.12 | 6,324.00 | 105,578.12 | 105,578.12 | 1,517,407.36 |
| 09/01/42 | 1,672,000.00 | 4.650% | (334,400.00) | 1,337,600.00 | 99,254.12 | 6,324.00 | 105,578.12 | 1,443,178.12 | - |
| 03/01/43 | - | - | - | - | 68,154.92 | 4,317.60 | 72,472.52 | 72,472.52 | 1,515,650.64 |
| 09/01/43 | 1,755,000.00 | 4.710% | (351,000.00) | 1,404,000.00 | 68,154.92 | 4,317.60 | 72,472.52 | 1,476,472.52 | - |
| 03/01/44 | - | - | - | - | 35,090.72 | 2,211.60 | 37,302.32 | 37,302.32 | 1,513,774.84 |
| 09/01/44 | 1,843,000.00 | 4.760% | (368,600.00) | 1,474,400.00 | 35,090.72 | 2,211.60 | 37,302.32 | 1,511,702.32 | - |
| 03/01/45 | - | - | - | - | - | - | - | - | 1,511,702.32 |
| | <u>25,000,000.00</u> | | <u>(5,000,000.00)</u> | <u>20,000,000.00</u> | <u>9,769,244.71</u> | <u>680,164.42</u> | <u>10,449,409.13</u> | <u>30,449,409.13</u> | <u>30,449,409.13</u> |

(1) Principal Forgiveness funds have been distributed to borrowers with loan proceeds used to fund Green Projects. See financing documents for details.

(2) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 4.070%.

TAB 7

Pre-Filed Testimony of David Bebyn

KENT COUNTY WATER AUTHORITY

PRE-FILED DIRECT TESTIMONY

OF

DAVID G BEBYN, CPA

FOR

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

DOCKET NO. D-25 - _____

February 27 2025

1 **Q. Please state your name and business address for the record.**

2 A. My name is David G. Bebyn, CPA and my business address is 21 Dryden Lane,
3 Providence, Rhode Island 02904.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am the President of B&E Consulting LLC (B&E). B&E is a CPA firm specializing
7 in utility regulation, expert rate and accounting testimony, tax and accounting services.

8
9 **Q. Mr. Bebyn, have you testified as an expert accounting witness prior to this
10 docket?**

11 A. Yes. I have provided testimony on rate-related matters before utility commissions in
12 Rhode Island and Connecticut. Regarding the Rhode Island Public Utilities Commission
13 (Commission), I have prepared testimony and testified in by Kent County Water
14 Authority's (KCWA or Kent County) last rate filings in Docket #5012 in support of an
15 abbreviated filing, which KCWA was required to submit a compliance filing to address
16 either the terminating funding of the meter program. In addition to KCWA's abbreviated
17 filing, I provided testimony and testified in Dockets #4994 regarding revenue requirement
18 and rate design on behalf of the KCWA in their intervention of the Providence Water
19 Supply Board rate case. In addition to rate filings, I provided testimony in support of
20 financing requests of the Division in Docket #D-22-01 & #D-22-01 for the Block Island
21 Utility District and Docket #D-22-03 for the KCWA.

22
23 **Q. What is your educational background?**

24 A. I received my Bachelor of Science Degree in Accounting (BSA) from Rhode Island
25 College. I became a Certified Public Accountant in 2000 after passing the CPA exam.

26
27 **Q. What is the purpose of your testimony?**

28 A. I will provide background information on new debt for Kent County in the amount of
29 up to \$25,000,000. The borrowing is for the design and construction of a treatment
30 facility, as described in more detail by the testimony of David Simmons. I will address
31 the financial impact of this proposed financing. I will also provide the reasoning behind
32 Kent County's selection of the financing terms for this loan. I will also present the

1 information required by the Rules of the Division so that the Division can review and
2 evaluate this proposed \$25,000,000 financing package. The loan documentation is
3 attached to the Pre-filed Testimony of Matthew J. Blais.

4
5 **Q. How will the proceeds of this borrowing be used?**

6 A. As explained in the Pre-Filed Testimony of Matthew J. Blais, the proceeds of the
7 \$25,000,000 loan for the design and construction of a treatment facility will be used as
8 follows (approximation, based on current interest rates):

9

| | |
|--------------------------------|------------------------|
| Deposit in Construction Fund | \$23,255,590.80 |
| Debt Service Reserve Fund | 1,404,409.20 |
| Loan Origination Fee | 250,000.00 |
| Cost of Issuance – Local Level | <u>90,000.00</u> |
| Total | <u>\$25,000,000.00</u> |

10
11 **Q. Mr. Bebyn, what terms are included in the Rhode Island Infrastructure Bank
12 commitment document for the \$25,000,000 office and maintenance facility loan?**

13 A. Rhode Island Infrastructure Bank ("RIIB") provided an analysis of the loan terms is
14 attached to Mr. Blais's Testimony as MB-1. MB-1 provides the loan amortization of the
15 \$25,000,000 financed from the RIIB Drinking Water State Revolving Fund (DWSRF). The
16 interest rates used in the MB-1 document are rates as of 01/10/2024 (used as a guide to
17 estimate the eventual rates at closing) and show that the loan's interest rates will be
18 calculated using the revenue market rate not to exceed 4.26%, which would result in a
19 projected subsidized rate of approximately 3.20%. This is the cheapest rate available to
20 Kent County.

21
22 Kent County expects that \$5 million of the loan's principal will be subject to Principal
23 Forgiveness by RIIB, resulting in a net cost of \$20,000,000 plus interest cost. There are
24 currently many changes occurring at the federal level which could affect the availability of
25 the principal forgiveness. Even if the principal forgiveness is not available, we would still
26 proceed with the loan. The repayment period will be over 20 years, with a 20-year
27 amortization of the \$25,000,000 financed from RIIB DWSRF. No balloon payment will
28 be due at the end of the 20 years. The debt service on the loan package will be designed to

1 include level annual payments for the first year of less than \$1,322,000 and less than
2 \$1,399,000 afterward.

3

4 **Q. Mr. Bebyn, does Kent County have sufficient rates in place to pay the debt**
5 **service for the \$25,000,000 borrowing?**

6 A. Yes. KCWA has sufficient funds to pay for this borrowing in its Capital Improvement
7 Program (CIP) Account. During the filing of Docket #5012, KCWA reached a settlement
8 agreement with the Division to transfer debt service funding for its retired 2012 Series A
9 bond to the restricted CIP Account. The 2012 Series A bond had monthly funding of
10 \$181,937/month (\$2,183,244 annually) and was paid off during the Docket #5012
11 proceedings. This additional CIP funding resulted in a total annual funding of \$3,637,063.
12 The Docket #5012 Settlement Agreement (item 20) allowed for: "The CIP Account may be
13 used for pay-as-you-go capital projects or debt service payments related to funds borrowed
14 for capital projects."

15

16 After Docket #5012, in Docket #D-22-03, KCWA utilized approximately \$1,100,000 for
17 its 2022 RICWFA issue. The remaining funding of the CIP for approximately \$2,500,000
18 is more than sufficient to cover the debt service and coverage on this \$25,000,000
19 borrowing.

20

21 **Q. What interest rates will be used for the loan?**

22 A. The interest rates used in the MB-1 document are rates as of 01/10/2024 (used as a
23 guide to estimate the eventual rates at closing) and show that the loan's interest rates will
24 be calculated using the revenue market rate not to exceed 4.26%, which would result in a
25 projected subsidized rate of approximately 3.20% Mr. Blais's recommends in his
26 testimony that for the purpose of Division approval that the market rate not-to-exceed
27 5.00% to allow for market fluctuation.

28

29 **Q. What, if any, financial covenants are required per the commitment letter?**

30 A. Kent County is to maintain a Debt Service Coverage (DSC) of 1.25X for open market
31 bonds and 1.35X for RIIB bonds based on the debt service net of any interest rate subsidy.

1 Kent County will be able to make this coverage allowance using the current rates,
2 including the CIP Account funding, as mentioned above.

3

4 **Q. Will this financing impact the ratepayers?**

5 A. No. There will be no rate impact on the ratepayers because current rates will cover the
6 debt service cost. The \$1,399,000 annual debt service will be able to be covered by
7 KCWA's annual \$2,500,000 CIP reserve funding. The CIP reserve funding is available for
8 debt service payments related to funds borrowed for capital projects in accordance with the
9 Settlement agreement in Docket #5012. In addition to the CIP fund, KCWA has a
10 restricted IFR account, which is fully funded at \$6 million annually.

11

12 **Q. Are the terms of the borrowing in the best interest of the ratepayers?**

13 A. Absolutely. KCWA has worked hard to secure this below-market-rate financing,
14 which provides a low interest rate and maximum flexibility in terms of repayment.

15

16 **Q. Is this borrowing impacted by the debt/equity ratio or any of the other
17 information required by the Division's rules?**

18 A. No. This debt will be covered by the current rates in place.

19

20 **Q. Does that conclude your testimony?**

21 A. Yes.

Kent County Water Authority
 Capitalization
 06/30/2025

Attachment DGB-1

| Long Term Debt | Actual Outstanding (1) | Pro-Forma Amount |
|--|-----------------------------------|-----------------------------|
| Drinking Water & Efficient Building Fund - Series 2022 | \$ 18,308,000 | \$ 18,308,000 |
| Drinking Water - Series 2025 | <u>\$ -</u> | <u>25,000,000</u> |
| Total Bonds | \$ 18,308,000 | \$ 43,308,000 |
| Total Captilization | <u>\$ 18,308,000</u> | <u>\$ 43,308,000</u> |
| Total Assets | \$ 230,609,120 | \$ 255,609,120 |
| Debt/Total Assets | 7.94% | 16.94% |
| Net Utility Plant | \$ 210,222,560 | \$ 235,222,560 |
| Debt/Total Assets | 8.71% | 18.41% |

(1) From Audited Balance Sheet as of 06/30/24

Appendix A

***Kent County Water Authority Board Resolution Authorizing the
Reimbursement of Expenditures and Issuance of Debt for the
Construction of a Drinking Water Treatment Facility***

KENT COUNTY WATER AUTHORITY

Adopted: September 19, 2024

RESOLUTION AUTHORIZING THE KENT COUNTY WATER AUTHORITY TO FINANCE UPGRADES TO THE EAST GREENWICH WELL TREATMENT FACILITY IN WARWICK IN ORDER, AMONG OTHER THINGS, TO PROVIDE FOR TREATMENT/REMOVAL OF ELEVATED IRON AND MANGANESE LEVELS IN THE WATER SUPPLY SYSTEM AND FOR TREATMENT/REMOVAL OF PER- AND POLYFLUOROALKYL SUBSTANCES (“PFAS”) TO MEET NEW STATE AND FEDERAL REGULATORY GUIDELINES, INCLUDING, BUT NOT LIMITED TO, ACQUISITION OF REAL PROPERTY, DEMOLITION, DESIGN, ENGINEERING, CONSTRUCTION, PAVING, LANDSCAPING, AND ALL ATTENDANT EXPENSES, CAPITALIZED INTEREST, THE FUNDING OF A DEBT SERVICE RESERVE FUND AND COSTS OF ISSUANCE AND APPROVING THE FINANCING THEREOF BY THE ISSUANCE OF WATER REVENUE BONDS IN AN AMOUNT NOT TO EXCEED \$25,000,000 AND APPROVING THE EXECUTION AND DELIVERY OF ONE OR MORE SUPPLEMENTAL INDENTURES AND OTHER MATTERS IN CONNECTION WITH THE FINANCING

WHEREAS, the Kent County Water Authority (the “Authority”) was created and exists as a body corporate and politic constituting a public benefit corporation of the State of Rhode Island (the “State”) under Chapter 16 of Title 39 of the General Laws of Rhode Island, as amended (the “Act”);

WHEREAS, the Authority intends to issue bonds (defined below) in an amount not to exceed Twenty-Five Million Dollars (\$25,000,000) for the purpose of financing upgrades to the East Greenwich Well Treatment Facility in Warwick in order, among other things, to provide treatment/removal of elevated iron and manganese levels in the water supply system and treatment/removal of PFAS to meet new state and federal regulatory guidelines, including, but not limited to, acquisition of real property, demolition, design, engineering, construction, paving, landscaping, and all attendant expenses (the “Project”), and, in connection with the Project, there shall be financed certain costs of issuance, administrative expenses, capitalized interest, the funding of a debt service reserve fund with respect thereto, if necessary, and other necessary or incidental expenses and undertake any other acts necessary or incidental thereto all pursuant to the Trust Indenture dated April 29, 2022, as previously supplemented (the “Master Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A. (the “Master Trustee”), and one or more Supplemental Indentures of Trust (the “Supplemental Indentures”) between the Authority and a trustee to be named therein (the “Trustee”) to be dated the date or dates of issuance of the Bonds;

WHEREAS, the financing of the Project is authorized under the Act;

WHEREAS, in order to finance the cost of such Project, the Authority intends to issue its Revenue Bonds, in one or more series, in a public offering or private placement or combination of methods of sale in the principal amount not to exceed \$25,000,000 (the "Bonds") pursuant to the Master Indenture and the Supplemental Indentures;

WHEREAS, the Authority is now desirous of proceeding with the financing of the Project;

WHEREAS, The Authority may wish to issue its Bonds to the Rhode Island Infrastructure Bank (the "Bank") in accordance with the Federal Safe Drinking Water Act of 1974, including the Safe Drinking Water Act Amendments of 1996, Title 46-12.2 of the Rhode Island General Laws and Title 46-12.8 of the Rhode Island General Laws to evidence one or more loans from the efficient buildings revolving fund and/or the safe drinking water revolving loan fund administered by the Bank to finance the Project;

WHEREAS, there has been and/or will be prepared and utilized with respect to the Project the following documents (collectively, the "Financing Documents"):

- (a) One or more Supplemental Indentures;
- (b) One or more Loan Agreements (if a private placement);
- (c) Preliminary Official Statement (if a public offering);
- (d) Official Statement (if a public offering);
- (e) Continuing Disclosure Certificate;
- (f) Bond Purchase Agreement;
- (g) Private Placement Agreement (if a private placement).

NOW, THEREFORE, BE IT RESOLVED BY THE KENT COUNTY WATER AUTHORITY AS FOLLOWS:

SECTION 1. In accordance with the Act, it is appropriate that certain matters be determined by a member or officer of the Authority or a combination thereof subsequent to the adoption of this Resolution and, for such reason, the Chairperson or Vice Chairperson of the Board and the Secretary or Assistant Secretary of the Authority are hereby designated as Authorized Officers for the purposes described in this Resolution.

SECTION 2. To accomplish the purposes of the Act and to provide for the financing of the cost of the Project, the issuance of the Bonds is hereby authorized, subject to the provisions of this Resolution, the Master Indenture and the Supplemental Indentures. The Bonds shall be dated as provided in the Supplemental Indentures, shall be in an aggregate principal amount not to exceed \$25,000,000, plus any original issue premium, and shall be issued as fully registered bonds. The Bonds shall mature, bear interest (not to exceed 8%), be subject to redemption prior to maturity and bear such other terms as set forth in the Master Indenture and the Supplemental Indentures. The Bonds may be sold by means of a public offering or a private placement, or a combination of both methods of sale to the Bank or to such other purchaser as shall be designated by the Authorized Officers. The forms of the Bonds and the provisions for method of sale, signatures, authentication, payment, prepayment and number shall be as set forth in the Master Indenture and the Supplemental Indentures. The Bonds may be issued in one or more series and the interest on the Bonds of any series may be exempt from federal income taxation or included in federal income

taxes.

SECTION 3. The Bonds shall be special obligations of the Authority payable solely from the revenues or other receipts, funds or moneys of the Authority pledged therefor under the Master Indenture and the Supplemental Indentures and the Authority's faith and credit is pledged only to such extent. Neither the State, nor any political subdivision of the State, nor the Authority shall be obligated to pay the principal of, premium, if any, or interest on the Bonds except from the Trust Estate pledged under the Master Indenture. Neither the faith and credit nor the taxing power of the State, or any political subdivision of the State shall be pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

SECTION 4. The execution and delivery of the Financing Documents and all related and ancillary documents deemed necessary and appropriate and in the best interest of the Authority by the Authorized Officers are hereby authorized. The Authorized Officers of the Authority are each, acting singly, hereby authorized to execute, acknowledge and deliver one or more Supplemental Indentures substantially in the form presented at this meeting, with such changes, insertions, additions, alterations and omissions as may be approved by said Authorized Officers and the other Financing Documents in such form as shall be approved by the Authorized Officers, and the Secretary or Assistant Secretary of the Authority is hereby authorized to affix the seal of the Authority on the Financing Documents and to attest the same. The execution of the Financing Documents by said Authorized Officers shall be conclusive evidence that such actions are in the best interest of the Authority and of such approval.

SECTION 5. The Authorized Officers are each, acting singly, hereby authorized to reduce the principal amount of the Bonds to be sold and to alter the maturity dates and prepayment provisions and to alter terms of the Bonds to make the Bonds conform to the Master Indenture and the Supplemental Indentures as the same may be amended by the parties thereto and to alter amounts of the Bonds for individual maturities of serial Bonds or term Bonds without exceeding the \$25,000,000 principal amount in the aggregate, plus original issue premium.

SECTION 6. The Bonds shall be executed in the manner provided in the Master Indenture as supplemented by the Supplemental Indentures and the same shall be delivered to the Trustee for proper authentication and delivery to the purchaser upon instructions to that effect.

SECTION 7. All covenants, stipulations, obligations and agreements of the Authority contained in this Resolution and the Financing Documents shall be deemed to be the covenants, stipulations, obligations and agreements of the Authority to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon any board or body to which any powers or duties affecting such covenants, stipulations, obligations and agreements shall be transferred by and in accordance with the law. Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the Authority or the members thereof by the provisions of this Resolution and the Financing Documents shall be exercised or performed by the Authority or by such members, officers, board or body as may be required by law to exercise such powers and to perform such duties.

SECTION 8. The proper officers of the Authority are hereby further directed to proceed

to cause the proceeds of the sale of the Bonds to be disbursed as provided in the Financing Documents for the Project.

SECTION 9. In the case of a public offering, the Authority hereby consents to the use and distribution of a Preliminary Official Statement in standard form and the use and distribution of the final Official Statement in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be necessary for use by the Underwriter for sale of the Bonds to be publicly offered. The Authorized Officers are hereby authorized to deem the Preliminary Official Statement “final” for purposes of Securities and Exchange Commission Rule 15c2-12.

SECTION 10. This Resolution is an affirmative action of the Authority toward the issuance of the Obligations in accordance with the purposes of the laws of the State. This Resolution constitutes the Authority’s declaration of official intent pursuant to Treasury Regulation Section 1.150-2 to reimburse the Authority’s Operation and Maintenance Fund or other funds and accounts for certain capital expenditures for the Project paid on or after the date which is sixty (60) days prior to the date this Resolution is adopted, but prior to the issuance of the Bonds. Such amounts to be reimbursed shall not exceed \$25,000,000 and shall be reimbursed not later than eighteen (18) months after the later of (a) the date on which the expenditure is paid, or (b) the date the Project is placed in service or abandoned but in no event later than three (3) years after the date the expenditure is paid.

SECTION 11. The Authority hereby consents to the execution and delivery of such other documents and instruments necessary or desirable for the implementation of the purposes of this Resolution and the Authorized Officers and other proper officers, directors, agents and employees of the Authority are hereby authorized, empowered and directed to do all acts and things to carry out, comply with and implement this Resolution and the Financing Documents. The Authority hereby consents to revisions to such additional documents to the extent such do not substantially alter the intent of this Resolution and would not be adverse to the interests of the Authority and provided further that the Authorized Officers, acting singly, be and each hereby is authorized and empowered to execute and deliver such documents or instruments in accordance with this Section.

SECTION 12. This Resolution shall take effect immediately.

Appendix B

Kent County Water Authority Draft Supplemental Indenture

SECOND SUPPLEMENTAL INDENTURE

between

KENT COUNTY WATER AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

Governing the Issuance of

[\$25,000,000]

Kent County Water Authority
Revenue Bonds, 2025 Series A

Dated _____, 2025

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EXHIBIT A - 2025 Series A Bonds – Debt Service Schedule

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE (the “Second Supplemental Indenture”) dated _____, 2025 is made by and between the KENT COUNTY WATER AUTHORITY (the “Authority”), a body politic and corporate and a public benefit corporation and political subdivision organized and existing under the laws of the State of Rhode Island, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the “Trustee”), a national banking association duly organized and validly existing under the laws of the United States of America authorized to exercise corporate trust powers:

WITNESSETH

WHEREAS, the Authority and The Bank of New York Mellon Trust Company, N.A. entered into a Trust Indenture dated April 29, 2022 (the “Indenture”); and

WHEREAS, within the limitations of and in compliance with Articles II and IX of the Indenture, the Authority is authorized to issue one or more Series of Bonds; and

WHEREAS, the Authority has determined to issue a Series of Bonds in the aggregate principal amount of \$[25,000,000], the proceeds of which shall be used to provide a portion of the moneys necessary to finance the 2025 Series A Project (defined below); and

WHEREAS, the Indenture provides at Section 205 that, in connection with the issuance of a Series of Bonds, the Authority and the Trustee shall execute a Supplemental Indenture governing the issuance of the Series of Bonds and setting forth the provisions thereof; and

WHEREAS, the Authority has taken all necessary action to make the 2025 Series A Bonds (defined below), when authenticated by the Authenticating Agent and issued by the Authority, valid and binding obligations of the Authority and to constitute this Second Supplemental Indenture a valid and binding instrument for the authorization of and security for the 2025 Series A Bonds;

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE FURTHER WITNESSETH: That the Authority does hereby covenant and agree with the Trustee and with the respective Holders, from time to time, of the Outstanding 2025 Series A Bonds, as follows:

ARTICLE I
DEFINITIONS AND AUTHORITY

Section 1.01 Definitions. (1) Except as provided in subsection (2) of this Section, all terms used herein shall have the same meanings in this Second Supplemental Indenture as are given such terms in Section 1.01 of the Indenture.

(2) In this Second Supplemental Indenture unless a different meaning clearly appears from the context:

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

“Debt Service Reserve Fund Requirement” with respect to the 2025 Series A Bonds shall be \$_____.

“Interest Payment Date” shall have the meaning set forth in Section 2.01(4).

“Operation and Maintenance Reserve Fund Requirement” shall mean the amount, if any, required by Section 608(2) of the Indenture.

“Record Date” shall have the meaning specified in Section 2.01(5) of this Second Supplemental Indenture.

“Renewal and Replacement Reserve Fund Requirement” shall mean the amount, if any, required by Section 609(4) of the Indenture.

“Required Debt Service Deposits” shall mean the payments on the dates and in the amounts set forth on Exhibit A hereto as such Exhibit may be revised from time to time by operation of Article III or Article IV of the 2025 Series A Loan Agreement and which may take into account amounts held by the RIIB Trustee in a capitalized interest account established for the Issuer pursuant to the RIIB Indenture of Trust which, notwithstanding Section 504(2)(ii) of the Indenture, shall be made on a semi-annual basis and not a monthly basis.

“RIIB” means the Rhode Island Infrastructure Bank established pursuant to Chapter 12.2 of Title 46 of the General Laws of Rhode Island (1956) as amended.

“RIIB Depository” shall mean the Depository under the RIIB Depository Agreement, defined herein.

“RIIB Depository Agreement” shall mean, [the Depository and Administrative Payment Agreement between the Bank and U.S. Bank National Association dated July 8, 2014, as amended and supplemented in accordance with its terms][the Depository and Administrative Payment Agreement between the Bank and U.S. Bank National Association dated December 8, 2017, as amended and supplemented in accordance with its terms].

“RIIB Indenture of Trust” shall mean, [the Master Trust Indenture dated as of May 1, 2021 between the Bank and U.S. Bank National Association as amended and supplemented in accordance with its terms][the Master Trust Indenture dated as of November 1, 2018 between the Bank and U.S. Bank National Association as amended and supplemented in accordance with its terms].

“RIIB Trustee” shall mean the trustee under the RIIB Indenture of Trust, defined herein.

“2025 Series A Bonds” shall mean the 2025 Series A Bonds authorized by Section 2.01 of this Second Supplemental Indenture.

“2025 Series A Loan Agreement” shall mean the Loan Agreement by and between the RIIB and the Authority dated _____, 2025 relating to the 2025 Series A Bonds.

“2025 Series A Project” shall mean the financing of a new water treatment facility, in order, among other things, to provide treatment/removal of elevated iron and manganese levels in the water supply system and treatment/removal of PFAS to meet new state and federal regulatory guidelines, including, but not limited to, acquisition of real property, demolition, design, engineering, paving, landscaping, and all attendant expenses.

Section 1.02 Authority. This Second Supplemental Indenture is authorized pursuant to the Indenture.

ARTICLE II DETAILS AND FORM OF 2025 SERIES A BONDS

Section 2.01 2025 Series A Bonds. (1) A Series of Fixed Rate Bonds, designated “Revenue Bonds, 2025 Series A” and constituting a Series of Bonds under the Indenture, is hereby authorized to be issued pursuant to Section 205 of the Indenture in the aggregate Principal Amount of \$[25,000,000].

(2) The purposes for which the 2025 Series A Bonds are issued are (a) to provide funds to pay all or a portion of the Cost of the 2025 Series A Project, (b) to provide funds for deposit in the Debt Service Reserve Fund, and (c) to provide for all or a portion of the Cost of Issuance of the 2025 Series A Bonds, subject in all cases to the limitations and provisions provided in Article V of the Indenture and in the amounts determined by or pursuant to Article III hereof. [NTD: include capitalized interest if applicable]

(3) The 2025 Series A Bonds shall be issued in denominations of \$100,000 or any integral multiple of \$1.00 in excess thereof, and shall be lettered and numbered separately from one (1) consecutively upwards preceded by the letter “RA” and with such further or alternate designation as the Trustee shall determine with the approval of the Authority. In accordance with Section 303 of the Indenture, the 2025 Series A Bonds shall be authenticated prior to delivery by the Trustee, who is hereby appointed Authenticating Agent for the 2025 Series A Bonds. The Trustee is also hereby appointed registrar for the 2025 Series A Bonds.

(4) All 2025 Series A Bonds shall be dated _____, 2025 and shall bear interest on amounts drawn or deemed drawn pursuant to the 2025 Series A Loan Agreement and as set forth in Exhibit A attached hereto. Interest shall be payable September 1, 20__ and each March 1 and September 1 thereafter until the full Principal Amount has been repaid and is no longer Outstanding (each herein referred to as an “Interest Payment Date”). If any Interest Payment Date or Principal Payment Date is not a Business Day, interest or principal shall be paid on the next succeeding Business Day with no additional interest accruing. [Principal of or sinking fund installments on the 2025 Series A Bonds shall be payable on the dates, in the amounts, at the stated rate, which is the Authority’s market interest rate (the “Market Rate”) but with a subsidized interest rate which is __% of the respective Market Rate (the “__% Subsidized Interest Rate”) shown below.]

| <u>Maturity Date</u> | <u>Principal Due</u> | <u>Market Rate</u> | <u>[__% Subsidized Interest Rate]</u> |
|----------------------|----------------------|--------------------|---------------------------------------|
| | \$ | % | % |

Interest on the 2025 Series A Bonds shall be calculated on the basis of a numerator using 30 days and a denominator using a 360-day year.

(5) The Principal Amount of, Redemption Price of and interest on the 2025 Series A Bonds shall be payable by the Paying Agent for the 2025 Series A Bonds by check or draft drawn upon the Trustee and mailed to the address of the registered owner thereof as it appears on the registry books of the Authority determined as of the close of business on the applicable record date, provided, however, that payments of interest to any registered owner of \$1,000,000 or more aggregate principal amount of 2025 Series A Bonds may be paid at the election of the registered owner by wire transfer to the account number of such registered owner on file with the Trustee or to another account number of which the registered owner shall give notice to the Trustee in writing at least five days prior to the Interest Payment Date. The record date for payment of interest on the 2025 Series A Bonds shall be the fifteenth day preceding the date on which the interest is to be paid, or, if such day is not a Business Day, the next preceding Business Day, provided that, with respect to overdue interest or interest payable on redemption of such 2025 Series A Bonds other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than twenty (20) days before the date set for payment. The Trustee shall give notice of a special record date by mailing a copy of such notice to the registered owners of all 2025 Series A Bonds Outstanding in the manner provided in Section 1001 of the Indenture at least ten (10) days before the special record date or in such other time and manner as the Trustee may deem appropriate. The Principal Amount and Redemption Price of, and interest on the 2025 Series A Bonds shall

also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Indenture.

Section 2.02 Prepayment. 2025 Series A Bonds are subject to prepayment at any time, with the consent of the RIIB.

Section 2.04 Form of 2025 Series A Bonds. Subject to the provisions of the Indenture, the form and tenor of the 2025 Series A Bonds shall be substantially as follows, with such insertions, omissions, and variations as may be required or permitted by the Indenture.

UNITED STATES OF AMERICA
STATE OF RHODE ISLAND
KENT COUNTY WATER AUTHORITY
REVENUE BONDS, 2025 SERIES A

No. RA-

PRINCIPAL AMOUNT:

ORIGINAL ISSUE DATE: _____, 2025

REGISTRATION DATE: _____, 2025

REGISTERED OWNER: RHODE ISLAND INFRASTRUCTURE BANK

The Kent County Water Authority (herein called the “Authority”), for value received, hereby promises to pay to the Registered Owner, or registered assigns, the Principal Amount under and pursuant to a Loan Agreement by and between the Authority and the Rhode Island Infrastructure Bank (the “RIIB”) relating to the Loan (the “2025 Series A Loan Agreement”), as defined therein, which this Bond represents, in installments on September 1 of each year as set forth below with interest meantime, payable on amounts drawn or deemed drawn pursuant to the 2025 Series A Loan Agreement. Interest shall be payable on September 1, 20__ and each March 1 and September 1 (each an “Interest Payment Date”) thereafter until the full Principal Amount has been repaid and is no longer Outstanding. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. If any Interest Payment Date or Principal Payment Date is not a Business Day, interest or principal shall be paid on the next succeeding Business Day as defined in the Indenture hereinafter mentioned, with no additional interest accruing.

| <u>Maturity Date</u> | <u>Principal Due</u> | <u>Market Rate</u> | [__% Subsidized <u>Interest Rate</u>] |
|----------------------|----------------------|--------------------|---|
| | \$ | % | % |

The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal of and redemption premium, if any, on this Bond shall be payable by check or draft to the Registered Owner at the maturity or redemption date hereof upon presentation and surrender of this Bond at the Principal Office of the Trustee. The interest payable on this Bond on any Interest Payment Date shall be paid by the Trustee to the Registered Owner appearing on the registration books of the Authority (the "Bond Register") maintained by the Trustee, as Bond Registrar, at the close of business on the Record Date for such interest next preceding such Interest Payment Date and shall be paid (1) by check or draft of the Trustee mailed on the applicable Interest Payment Date to such Registered Owner at his address as it appears on such Bond Register or at such other address furnished in writing by such Registered Owner to the Trustee or (2) by electronic transfer in immediately available funds, at the written request addressed to the Trustee by any Holder of Bonds in the aggregate principal amount of at least \$1,000,000 such request to be signed by such Holder, containing the name of the bank (which shall be in the continental United States), its address, its ABA routing number, the name and account number to which credit shall be made and an acknowledgment that an electronic transfer fee is payable, and to be filed with the Trustee no later than ten Business Days before the applicable Record Date preceding such Interest Payment Date.

THE PRINCIPAL OF OR REDEMPTION PRICE AND INTEREST ON THE BONDS ARE PAYABLE ONLY FROM THE REVENUES OR ASSETS OF THE AUTHORITY PLEDGED THEREFOR AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE SHALL BE OBLIGATED TO PAY THIS BOND. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND.

This bond is one of a duly authorized issue of bonds of the Authority (herein called the "Bonds"), issued and to be issued pursuant to Chapter 16 of Title 39 of the General Laws of Rhode Island (1956), as amended (the "Act") and under and pursuant to a Trust Indenture by and between the Authority and the Trustee dated April 29, 2022 (the "Trust Indenture", as amended and supplemented, including by this Second Supplemental Indenture dated _____, 2025, are collectively referred to herein as the "Indenture"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"). As provided in the Indenture, Bonds may be issued from time to time in one or more series in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Indenture. Except as provided in the Indenture, the aggregate principal amount of Bonds which may be issued thereunder is not limited and all Bonds issued and to be issued under said Indenture are and will be equally secured by the pledge and covenants provided therein.

This bond is a general obligation of the Authority, to which its full faith and credit are pledged. The Authority has also pledged to the payment of the principal and redemption price of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the proceeds of the Bonds, all Revenues of the Authority (as defined in the Indenture), and all moneys,

securities and other amounts in all funds and accounts established by or pursuant to the Indenture, except the Operation and Maintenance Fund, the Rebate Fund, the Purchase Fund, if any, and the General Fund of the Authority.

This bond is one of a series of Bonds designated as “[Revenue Bonds, 2025 Series A]” (herein called the “2025 Series A Bonds”), issued under the Indenture, and limited to the aggregate principal amount of \$[25,000,000]. Copies of the Indenture are on file at the office of the Authority and at the principal corporate trust office of the Trustee and reference to the Indenture and any supplements thereto and to the Act is made for a description of the pledge securing the Bonds and covenants relating thereto, the manner of enforcement of the pledge, the rights and remedies of the Registered Owners of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and may be issued thereunder, the conditions upon which the Indenture may be amended with or without the consent of the Registered Owners of the Bonds, and the terms upon which Bonds may no longer be secured by the Indenture.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein to take any action with respect to an Event of Default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Bonds are subject to prepayment at any time with the consent of the RIIB, subject to the terms of the 2025 Series A Loan Agreement.

This bond is transferable, as provided in the Indenture, only upon the books of the Authority at the Principal Office of the Trustee by the Registered Owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his duly authorized attorney, and thereupon the Authority shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate principal amount, interest rate and maturity as the surrendered Bond, as provided in the Indenture, and upon the payment of the charges therein prescribed. This Bond may also be exchanged, alone or with other Bonds of the same series, interest rate and maturity, at the Principal Office of the Trustee, for a new Bond or Bonds of the same aggregate principal amount, interest rate and maturity, without transfer to a new registered owner, as provided in the Indenture and upon the payment of the charges therein prescribed.

The 2025 Series A Bonds shall be issued in denominations of \$100,000 or any integral multiple of \$1.00 in excess thereof.

The Authority shall not be obligated to make any transfer or exchange of this bond between a record date and an Interest Payment Date.

No recourse shall be had for the payment of the principal or redemption price of or the interest on the Bonds or for any claim based thereon or on the Indenture against any member, officer or employee of the Authority or any person executing the Bonds.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State or the Indenture to exist, to have happened or to have been

performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

This Bond shall not be entitled to any security, right or benefit under the Indenture or be valid or obligatory for any purpose, unless the certificate of authentication hereon has been duly executed by the Trustee.

IN WITNESS WHEREOF, the Kent County Water Authority has caused this bond to be executed in its name by the manual or facsimile signature of an authorized officer of the Authority and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and countersigned by the manual or facsimile signature of another authorized officer of the Authority.

(Seal)

KENT COUNTY WATER AUTHORITY

By: _____
Authorized Officer

Attested:

By: _____
Authorized Officer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2025 Series A Bonds described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Signatory

CERTIFICATE OF ASSIGNMENT

The Rhode Island Infrastructure Bank, for value received, does assign and pledge the above Bond to U.S. Bank National Association, as RIIB Trustee under the [RIIB Indenture of Trust, dated as of May 1, 2021][RIIB Indenture of Trust, dated as of November 1, 2018], as amended, between the RIIB and such trustee, to be held as provided therein as security for the performance of the obligations of the RIIB thereunder.

IN WITNESS WHEREOF, the Rhode Island Infrastructure Bank has caused this assignment to be signed in its name and behalf by its duly authorized officer, as of the 29th day of _____, 2025.

RHODE ISLAND INFRASTRUCTURE
BANK

By: _____
Title: Executive Director

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers this bond to

(Name and Address of Assignee)

(Social Security or other Identifying Number of Assignee)

and irrevocably appoints _____

attorney-in-fact to transfer it on the books kept for registration of this bond with full power of substitution.

Dated: _____

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration, enlargement or other change.

Signature Guaranteed:

Participant in a Recognized Signature

Guaranty Medallion Program

By: _____
Authorized Signature

ARTICLE III
[RESERVED]

ARTICLE IV
APPLICATION OF PROCEEDS AND OTHER FUNDS

Section 4.01 Establishment of Accounts. In accordance with Section 502 of the Indenture, a 2025 Series A Payment Account is hereby established within the Debt Service Fund and the Debt Service Reserve Fund. Such accounts shall be established and held by the Trustee in accordance with Article V of the Indenture.

Section 4.02 Application of 2025 Series A Bond Proceeds. The net proceeds of the sale of the 2025 Series A Bonds, net of the loan origination fee in the amount of \$_____ paid to the RIIB, shall be applied or caused to be applied by the Issuer simultaneously with their delivery, as follows:

(1) An amount equal to the Debt Service Reserve Fund Requirement with respect to the 2025 Series A Bonds of \$_____ shall be deposited in the 2025 Series A Account of the Debt Service Reserve Fund;

(2) An amount equal to \$_____, the estimated costs of issuance which may be paid from the proceeds of the 2025 Series A Bonds, shall be held by the RIIB Depository in a cost of issuance account established for the Authority pursuant to the RIIB Depository Agreement for the 2025 Series A Bonds; and

(3) The balance of the proceeds of the 2025 Series A Bonds, \$_____, shall be held by the RIIB Depository in an account of the construction proceeds fund established for the Authority pursuant to the RIIB Depository Agreement for the 2025 Series A Bonds for application to the Cost of the 2025 Series A Project.

ARTICLE V
[RESERVED]

ARTICLE VI
MISCELLANEOUS

Section 6.01 Authorization of Officers. The Chairperson or Vice Chairperson and Secretary or Assistant Secretary of the Authority, acting singly, are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Second Supplemental Indenture and the Indenture.

Section 6.02 Annual Operating Budget. Prior to an Event of Default, the Authority and the Authorized Officers shall not be required to file its Annual Budget and other reports required by Section 608 of the Indenture with the Trustee, but shall nonetheless prepare its Annual Budget

and other reports required by Section 608 and provide such items to the RIIB to the extent required by the 2025 Series A Loan Agreement.

Section 6.03 Notices. Unless otherwise expressly provided, all notices to the Authority, the Trustee, the Paying Agent, shall be in writing and shall be sent by registered or certified mail, postage prepaid, or delivered during business hours as follows: (i) to the Authority at its office at 35 Technology Way, West Greenwich, Rhode Island 02817, attention of Executive Director, (ii) to the Trustee and Paying Agent, The Bank of New York Mellon Trust Company, N.A., 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania 15262, Attention: Corporate Trust Services, and (iii) to the Rhode Island Infrastructure Bank, 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, or, as to all of the foregoing, to such other address as the addressees shall have indicated by prior written notice to the one giving notice. If mailed, any notice given under this section shall be deemed given upon mailing, and if delivered, such notice shall be deemed given upon receipt by the party for whom it was intended.

Notice hereunder may be waived prospectively or retrospectively by the person entitled to the notice, but no waiver shall affect any notice requirement as to other persons.

Section 6.04 Severability. In the event that any provision of this Second Supplemental Indenture shall be held to be invalid under any circumstances, such invalidity shall not affect any other provisions or circumstances.

Section 6.05 Captions. The captions and table of contents, if any, of this Second Supplemental Indenture are for convenience only and shall not affect the construction hereof.

Signatures on Next Page

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Second Supplemental Indenture to be executed in their respective corporate names by their duly authorized officers, all as of the date first above written.

KENT COUNTY WATER AUTHORITY

By: _____
Chairperson

By: _____
Secretary

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

[Second Supplemental Indenture]

EXHIBIT A

2025 A Bonds

[Attach Debt Service Schedule]

Appendix C

Rhode Island Infrastructure Bank Commitment Letter



December 17, 2024

David L. Simmons
Executive Director and Chief Engineer
Kent County Water Authority
35 Technology Way
West Greenwich, RI 02817

RE: Kent County Water Authority - up to \$25,000,000 for Drinking Water State Revolving Fund Loan for East Greenwich Well Treatment Facility

Dear Mr. Simmons,

I am pleased to inform you that the Board of Directors of Rhode Island Infrastructure Bank (the "Bank"), pursuant to policies and procedures adopted in accordance with the Safe Drinking Water Act Amendments of 1996 and Chapter 46-12.8 of the Rhode Island General Laws, has approved the September 23, 2024 application of the Kent County Water Authority (the "Borrower") at the Bank's December 16, 2024 Board Meeting. The Bank will provide financial aid in the form of a loan on the terms stated below, in an amount not to exceed \$25,000,000 for a term not to exceed 20 years after project completion (the "Loan"). Subject to the terms of this letter and the closing documents, the Bank shall forgive a portion of the Loan amount related to upgrades to the East Greenwich Well Treatment Facility to treat or remove iron, manganese, and per- and polyfluoroalkyl substances (PFAS) up to \$5,000,000.

This approval is subject to the Borrower meeting the following terms, that:

- 1) all projects to be funded appear on the Rhode Island Department of Health's ("RIDOH") Project Priority List and have Certificates of Approval ("COA") issued;
- 2) the Loan complies with all applicable Federal, State, RIDOH and Bank laws, rules and regulations;
- 3) the loan and debt service requirements be approved by any applicable regulatory agency;
- 4) a satisfactory loan agreement be signed by all parties to the transaction (the "Agreement");
- 5) the loan will be made subject to availability of funds as related to the Bank's capacity; and,
- 6) that the loan will be made subject to ranking on RIDOH's Project Priority List.

TERMS AND CONDITIONS

1) Division of Public Utilities and Carriers

Prior to entering into the Agreement, the Borrower must receive approval from the Division of Public Utilities and Carriers to enter into long-term financing with the Bank, if such approval is required by law, rule, or regulation.

2) Certificate of Approval

Prior to disbursement of funds by the Bank, the Bank must be in receipt of COA by RIDOH



(d) **Prepayments**

A Loan may be prepaid by the Borrower at any time but may be subject to a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Bank, or any other negative financial impact to the Bank.

(c) **Security**

The Loan will (a) have a pledge of general revenues, (b) have a pledge of water system user fee revenues, and/or (c) may be secured by any assets and upon such other terms and conditions the Bank and Borrower deem appropriate to protect the interests of the other participants in the loan programs of the Bank, bondholders, other creditors of the Bank, or the finances of the Bank.

4) **Construction Progress Payments**

Progress payments for each construction project will be made through the Construction Proceeds Fund ("CPF"). Loan proceeds will be transferred to the CPF for the benefit of the Borrower based upon approved requisition forms submitted to the Bank. Upon receipt of the requisition form, the Bank will verify: a) that a COA has been issued by RIDOH; b) that the vendor is identified in the contract; and c) that there is sufficient availability in the CPF to make the payment. Payments will be made directly to the vendor and/or the Borrower for reimbursements by the Bank, and a "paid" stamped copy of the requisition form will be sent to the Borrower and RIDOH.

The Borrower acknowledges that RIDOH may perform periodic project inspections to a) monitor construction progress; b) verify eligibility of construction costs under the program; and c) ensure that construction is in conformity with plans and specifications as submitted by the Borrower. RIDOH will perform periodic inspections to a) monitor construction progress; b) verify eligibility of construction costs under the program and c) ensure that construction is in conformity with Plans and Specifications. RIDOH will provide a copy of the inspection report to the Bank. Any adverse conditions will be reported to the Bank who will suspend further payments until the adverse conditions have been rectified. RIDOH will perform a final project inspection before the final payment is made by the Bank.

5) **Reporting Requirements**

The Borrower shall provide the following information to the Bank during the life of the Loan:



The Bank and the Borrower may waive or modify any provisions herein or agree to additional requirements as appropriate.

9) Merger

Once the Agreement, the Bond and all other closing documents, in form and substance satisfactory to the Bank, associated with the making of the Loan (collectively, the "Closing Documents") are executed, the terms of this letter shall be merged with those of the Closing Documents. The terms of the Closing Documents shall govern the extension of the Loan to the Borrower. To the extent that any provisions contained in this letter are inconsistent with the definitive provisions contained in the Closing Documents, the terms of the Closing Documents shall control.

10) Beneficiaries

This letter shall constitute a binding commitment between the Bank and the Borrower. No third party shall have any rights arising hereunder. The Borrower shall indemnify and hold the Bank harmless from all claims arising from or in connection with this letter, the Loan or the project financed thereby. In any case, the Bank's liability under this letter shall be limited to the amount held in the Borrower's CPF from time to time.


Please sign and return one original copy of this letter to the Bank at 275 Promenade Street, Suite 301, Providence, RI 02908 or via email.

I would like to take this opportunity to thank you for your participation in the Bank's loan program. Please be assured that every effort will be made to get the lowest total cost for your long-term capital needs. If you have any questions, please do not hesitate to call me.


Very truly yours,

RHODE ISLAND INFRASTRUCTURE BANK

By: _____


William J. Fazioli
Executive Director

Accepted this 30 day of December, 2024

By: 

Title: Chairman
Authorized Official

Appendix D

Draft RIB Loan Agreement for DWSRF

RHODE ISLAND INFRASTRUCTURE BANK

LOAN AGREEMENT

DRINKING WATER STATE REVOLVING FUND

This AGREEMENT is entered into as of the ___ day of _____, 2025, between the Rhode Island Infrastructure Bank (the "Bank") and the Kent County Water Authority, (the "Borrower") in accordance with the Safe Drinking Water Act Amendments of 1996, an act or acts of the Borrower (the "Local Bond Act"), more fully described in Exhibit A hereto, and Chapters 46-12.2 and 46-12.8 of the Rhode Island General Laws (the "Act") in order to finance, to the extent of the aggregate amount of the loans made hereunder, an approved project (the "Project") now being undertaken by the Borrower. The Project is described in Exhibit B.

ARTICLE I THE LOAN

1.1. In accordance with Chapters 46-12.2 and 46-12.8 of the Rhode Island General Laws, the Bank agrees to and does hereby loan to the Borrower, and the Borrower agrees to and does hereby borrow from the Bank, in accordance with the terms of this Agreement, the principal sum of Twenty-Five Million Dollars (\$25,000,000), (the "Loan" which term shall include such lesser amount as shall equal the aggregate principal amount of all sums disbursed or deemed disbursed by the Bank to the Borrower hereunder from time to time), and the Borrower shall repay the Loan, with interest thereon, in annual installments as provided in this Agreement and in the form of the Revenue Bond, described below. Subject to Section 6.3 herein, _____ Dollars (\$ _____) of the Loan will be forgiven in accordance with the schedule set forth in Exhibit I attached hereto (the "Principal Forgiveness Subsidy"), using a portion of the proceeds of Drinking Water State Revolving Fund Capitalization Grants (collectively, the "Capitalization Grant") awarded to the State of Rhode Island. The proceeds of the Loan shall be disbursed hereunder by the Bank to the Borrower, or on its order, on a periodic basis, as requested by the Borrower, but not more frequently than monthly, subject to the approval of the amount of each disbursement by the Bank and based on the Rhode Island Department of Health's ("DOH") periodic inspection and approval of completed construction.

1.2. The Loan shall be represented by a bond or bonds of the Borrower (in either case, referred to herein as the "Revenue Bonds") issued under and in accordance with the applicable provisions of the Rhode Island General Laws, the applicable Local Bond Act, and the Act and each disbursement shall be noted thereon or otherwise recorded in the records of the Bank. The Revenue Bonds shall be issued in accordance with the Trust Indenture between the Kent County Water Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Borrower Trustee"), dated April 29, 2022, a First Supplemental Indenture thereto, dated April 29, 2022, and a Third Supplemental Indenture

thereto dated _____, 2025 (collectively, the “KCWA Trust Indenture”), which is incorporated herein and attached as Exhibit C hereto. The Revenue Bonds shall be substantially in the form of Exhibit D hereto.

1.3. To fund other loans made to other borrowers, the Bank has issued its State Revolving Fund Revenue Bonds, (the “Bank Bonds”) under and pursuant to an Indenture of Trust (the “Indenture of Trust”), dated as of May 1, 2021, between the Bank and U.S. Bank, National Association, as Trustee (the “Trustee”) as supplemented by a Series 2021A Bond Indenture dated as of September 1, 2021, a Series 2023A Bond Indenture dated as of June 1, 2023, a Series 2024A Bond Indenture dated as of May 1, 2024, and a Series 2025A Bond Indenture dated as of March __, 2025 (the Indenture of Trust as supplemented is hereinafter referred to as the “Indenture”). The Revenue Bonds and this Agreement may be pledged and assigned to the Trustee as security for the Bank Bonds.

1.4. Funds of the Bank equal to the principal amount of the Loan, less, in each case, a loan closing fee (the “Loan Closing Fee”) equal to (i) the Borrower’s cost of issuance with respect to the issuance of the Revenue Bonds plus (ii) one percent of the Loan, will be deposited in an account or accounts for the benefit of the Borrower in the Borrower’s Construction Proceeds Account (the “Borrower Construction Proceeds Account”) held by U.S. Bank National Association, as Depository (the “Depository”), under the terms of the Depository and Administrative Payment Agreement dated July 8, 2014 between the Bank and US Bank National Association (the “Depository Agreement”). Such deposit or deposits, together with the Loan Closing Fee, shall constitute the Loan. Such deposit or deposits, together with the Loan Closing Fee, shall constitute the Loan. The Bank, in its sole discretion, shall determine which funds available to the Bank shall be allocated to the Loan.

ARTICLE II THE REVENUE BONDS

2.1. Payment of principal and interest shall be made by the Borrower as stated in Exhibit I attached hereto. The stated interest rate on the Revenue Bonds, which is the Borrower’s Market Rate (the “Market Rate”), is the prevailing market interest rate for issuers of comparable creditworthiness to the Borrower. The Subsidized Interest Rate is calculated based on a 25% interest subsidy from the Borrower’s Market Rate. The Borrower will be obligated by the Revenue Bonds to pay the Market Rate stated thereon but will be billed only for the Subsidized Interest Rate. The Borrower shall also pay to the Bank a loan servicing fee (the “Loan Servicing Fee”) in the amount of three-tenths of one percent (0.003%) of the aggregate amounts disbursed prior to such date less aggregate prior principal payments by the Borrower (the “Outstanding Disbursements”) as stated in Exhibit I, but excluding any amounts disbursed as the Principal Forgiveness Subsidy.

2.2 Interest is to be calculated on the basis of a 360-day year of twelve thirty-day months. The Loan proceeds will be deemed drawn in accordance with the draw schedule set

forth in Exhibit I. The Bank shall furnish to the Borrower a monthly statement of Loan activity showing all amounts which have been actually disbursed pursuant to the terms of this Agreement.

2.3. Annual payments by the Borrower of the principal of the Loan will be made in accordance with the terms of the Revenue Bonds. Principal payments will begin prior to or within one year after the estimated date of completion of construction of the Project as identified in the Project description in Exhibit B or in the case of a project completed prior to the issuance of the Revenue Bonds, within one year after the Revenue Bonds are issued. Principal payments will be made annually on September 1 and the schedule of payments will be as shown in the form of the Revenue Bonds. The initial scheduled completion date for the Project is stated in Exhibit B. In no event shall such annual payments commence later than five (5) years from the time that a disbursement to the Borrower is first made.

2.4. Interest shall be paid by the Borrower on amounts drawn or deemed drawn semi-annually each March 1 and September 1 in accordance with Exhibit I commencing not later than September 1, 2025.

2.5. The annual installments of principal and interest on the Loan shall be arranged so that the last payment of principal and interest is no later than twenty (20) years from the scheduled completion date of the Project as estimated at the time the Loan is made.

2.6. A Loan may be prepaid by the Borrower at any time with the reasonable consent of the Bank but as a condition to giving such consent the Bank may require a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Bank or any other reasonable negative financial impact to the Bank, provided, however, such prepayment penalty shall not exceed the amount that would have been paid by the Borrower had the Borrower Bonds been paid through the end of the original term of the Borrower Bond at the Market Rate plus any administrative expenses incurred by the Bank in connection with the prepayment, such administrative expenses in an amount not to exceed one hundred and five percent (105%) of the outstanding principal amount of the Revenue Bonds.

2.7. The Revenue Bonds, when delivered to the Bank shall be in fully marketable form accompanied by documentation in form and substance satisfactory to the Bank including an opinion acceptable in form to the Bank of nationally recognized bond counsel as to the valid authorization, execution, delivery and enforceability of the Revenue Bonds and this Agreement. The Bank agrees that it will comply with Rule 15c2-12 of the Securities and Exchange Commission and any other applicable securities laws.

ARTICLE III
PLEDGE AND DEFAULT

3.1. The Revenue Bonds shall constitute a general obligation of the Borrower, payable only from Revenues, as that term is defined in the KCWA Trust Indenture.

3.2. At any time, any Bank funds payable to the Borrower may be set off against and applied in payment of any obligations that are due hereunder. In the event of a default in the prompt and full payment when due of any installment of principal of or interest on a Revenue Bond issued under this Agreement, any Bank funds payable to the Borrower for the Project may be held and treated as collateral security for the payment of the obligations hereunder. Any such funds applied or held shall be treated as additional principal advances under the Loan. In the event of set off, the Bank shall notify the Borrower of said set off and said funds will be applied to the annual payment due.

3.3. No delay or omission on the part of the Bank in exercising any right under the Revenue Bonds or hereunder shall operate as a waiver of such right or of any other right under the Revenue Bonds or hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

3.4. The Borrower will pay all costs of collection, legal expenses, and reasonable attorney's fees incurred or paid by the Bank in collecting or enforcing the Revenue Bonds, this Agreement or any Loan made hereunder on default, except to the extent that a court of competent jurisdiction has determined that such costs, expenses and fees were not reasonably incurred.

3.5. If any payment due from the Borrower to the Bank shall not be paid in full when and as due, and provided that the Bank shall have given written notice of or a bill for such payment not earlier than 45 days and not later than 30 days before the same is due, additional interest charges shall be made as a late payment fee which will be charged to the Borrower and due to the Bank. The late payment fee shall be five percent (5%) of the amount of the payment or portion thereof, which is late and will be charged every fifteen days, until the payment in question is received, or such lesser amount as shall be the maximum additional interest permitted by state law. The late payment fee shall not constitute a penalty or liquidated damages but shall constitute interest due on the Revenue Bonds and is intended to compensate the Bank for the costs and expenses incurred by it on account of each late payment, including but not limited to interest costs and accounting expenses.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

4.1. The Borrower, as consideration for the making of the Loan by the Bank represents and warrants as follows:

- (i) it is a political subdivision of the State of Rhode Island;
- (ii) it is authorized to enter into this Agreement, to make the Loan, to issue the Revenue Bond and to undertake the Project;
- (iii) at the time of or prior to the first disbursement hereunder, the Revenue Bond has been approved by the division of public utilities, as required by Rhode Island General Laws § 39-3-15;
- (iv) the public utilities commission has approved user fees, charges, rates, or assessments which will be sufficient to meet the rate covenant contained in the KCWA Trust Indenture, attached as Exhibit C herein;
- (v) the Loan, the Revenue Bonds, this Agreement, and the KCWA Trust Indenture have each been duly authorized by the Borrower and, when delivered at or prior to the time the Loan is made, will constitute valid and binding obligations, enforceable in accordance with their terms;
- (vi) there is no fact that the Borrower has not disclosed to the Bank in its application for the Loan or otherwise that materially adversely affects the properties, activities, financial condition or economic outlook of the Borrower or its ability to undertake the Project or repay the Loan;
- (vii) except as to matters detailed in Exhibit H attached hereto, there is no litigation or other proceedings, pending or threatened, against or affecting the Borrower, in any court or before any government agency that, if decided adversely to the Borrower, would materially adversely affect the properties, activities, financial condition or economic outlook of the Borrower or its ability to undertake the Project or repay the Loan; and
- (viii) the Borrower agrees that neither it nor any related party (as defined in Treas. Reg. § 1.150-1(b)) to the Borrower will purchase any of the Bank Bonds.

4.2. The Borrower shall confirm, as of the date of each construction disbursement made hereunder, the representations and warranties contained in Section 4.1 and in addition at the time of each construction disbursement shall represent and warrant as follows:

- (i) it is in compliance in all material respects, with all laws, ordinances, rules and regulations affecting or relating to the Project;
- (ii) it has used all previously disbursed Loan proceeds and will use all Loan proceeds to be disbursed to pay a portion of the costs of the Project or to

reimburse itself for costs of the Project which it has paid and which have not been the subject of any prior disbursement;

(iii) it is not in material default hereunder, or under the Revenue Bonds;

(iv) the extent, if any, to which the representations and warranties made in Section 4.1 are no longer true and correct in all material respects; and

(v) the extent, if any, to which all representations and covenants made in any certificate furnished in connection with the delivery of the Revenue Bonds are no longer true and correct.

ARTICLE V DISBURSEMENT

5.1. After the Loan is made pursuant to Section 1.4 of this Agreement, construction progress payments and reimbursements will be made to the Borrower or on its order from the Borrower Construction Proceeds Account held under the Depository Agreement. Payments and reimbursements will be made only on account of those portions of the Project, as identified in Exhibit B, for which the Borrower has received and filed with the Bank a Certificate of Approval from DOH.

5.2. No more frequently than monthly, the Borrower may submit to the Bank a requisition for payment, in the form set forth in Exhibit J, from the Borrower Construction Proceeds Account held under the Depository Agreement. Such requisition shall be accompanied by vendor, contractor or supplier invoices, or such other documentation as the Bank shall require, showing that the payee, the purpose and the aggregate amount of payments is within the project definition, all applicable DOH approvals and the total amount of the Loan. In the case of a requisition for the reimbursement of project costs paid in the first instance by the Borrower, the requisition shall additionally state that such costs have not been the subject of any prior requisition and are within all applicable guidelines for reimbursement financing. All payments for approved requisitions shall be made by the Bank via the Automated Clearing House network (ACH).

5.3 Except as provided below, when the Bank and the DOH has reviewed any requisition and found it to be complete and proper, or has, in its sole discretion, waived any non-compliance, the Bank shall pay such requisition. The Bank review of any requisition shall be completed within ten (10) business days of its receipt from the DOH. If at the time of any requisition any of the follow shall be true:

(i) there shall then be a continuing Event of Default hereunder;

(ii) the Bank shall have been notified by DOH that disbursement of the Loan should be suspended as a result of conditions found during a DOH review or inspection of the Project, or any components thereof; or

(iii) if the representations and warranties contained in Section 4.1 or Section 4.2 shall not be true and correct in all material respects as of the date of the requisition;

then the Bank shall have sole discretion as to whether to pay such requisition, as aforesaid. If the Bank has not previously been furnished with a copy of the DOH Certificate of Approval for the portion of the Project to which the requisition relates and for such portion's inclusion in the Bank's loan program, no requisition shall be approved.

ARTICLE VI EVENTS OF DEFAULT

6.1 In the event that: (i) the Borrower shall fail to make any payment of the principal of, the premium, if any, and interest on all or a portion of the Loan when and as the same shall become due and payable, in accordance with the terms hereof; or (ii) an Event of Default occurs under the terms of the KCWA Trust Indenture, such failure or such occurrence shall constitute an Event of Default under this Agreement, without notice or demand of any kind whatsoever.

6.2 In the event that the Borrower shall fail to observe or comply with any other obligation or covenant under this Agreement, or if any other representation or warranty of the Borrower under this Agreement shall at any time prove to have been false or misleading in any material respect when made or given, such failure or such occurrence shall constitute an Event of Default if the same shall continue for a period of thirty (30) days after written notice thereof given to the Borrower by or on behalf of the Bank; provided, however, that if (a) the failure is not one which may be cured by the payment of money, (b) the curing of such failure cannot be accomplished with due diligence within said thirty days, (c) Borrower commences to cure such failure within said thirty days and thereafter diligently and continuously prosecutes the cure of such failure, and (d) the extension of the period for effecting a cure will not result in any material adverse effect of the interests of the holders of the Bank Bonds or the undertaking of the Bank's programs, then such period of thirty days shall be extended for such period, not in excess of six months, as is reasonably necessary for Borrower so acting to cure such failure.

6.3 Upon the occurrence and continuation of an Event of Default, the Bank may take any and all action, at law or in equity, as it may deem appropriate to enforce this Agreement and the Borrower Bond. In addition and not in limitation of all other rights which it may from time to time have, including, but not limited to, the rights set forth in Section 3.5 of this Agreement, the Bank may, if an Event of Default under Section 6.1 or Section 6.2 of this Agreement has occurred, to the extent permitted by law, declare the entire principal of the

Revenue Bonds, or such portion thereof constituting the Principal Forgiveness Subsidy, immediately due and payable, suspend all further construction progress payments . In the event that all or any portion of the Principal Forgiveness Subsidy is declared immediately due and payable, the Bank shall recalculate the Borrower's Debt Service Schedule, attached hereto as Exhibit I, to reflect such repayment among the remaining principal payments due on the Loan.

ARTICLE VII COMPLIANCE AND REPORTS

7.1. The Borrower agrees to comply with all State and Federal Requirements with respect to carrying out the Project, including those requirements contained in:

- (i) Federal Safe Drinking Water Act of 1974, including the Safe Drinking Water Act Amendments of 1996, as amended and supplemented from time to time;
- (ii) 33 U.S.C. 1372, which requires, inter alia, providing in all contracts with contractors and subcontractors funded directly by or assisted in whole or in part with the funding provided under a federal capitalization grant shall pay laborers and mechanics at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of the United States Department of Labor ("DOL") in accordance with subchapter IV of Chapter 31 of Title 40, United States Code, and as further stated in Exhibit K attached hereto. The Borrower shall include such terms and conditions in any subcontract and lower-tiered transactions, requiring that contractors and subcontractors obtain wage determinations from DOL and comply with DOL guidance and regulations implementing these wage rate requirements;
- (iii) To the extent applicable, requirements regarding the use of American iron and steel under the Consolidated Appropriations Act 2018;
- (iv) Title 40, CFR Part 34, New Restrictions on Lobbying, including the submission of certification and disclosure forms accordingly;
- (v) To the extent applicable, in accordance with 2 CFR 200.501(a), the Borrower agrees to obtain a single audit from an independent auditor, if the Borrower expends \$1,000,000 or more in total Federal funds in their fiscal year. The Borrower must submit the form SF-SAC and a Single Audit Report Package within 9 months of the end of the Borrower's fiscal year or 30 days after receiving the report from an independent auditor. The SF-SAC and a Single Audit Report Package must be submitted using the Federal Audit Clearinghouse's Internet Data Entry System. See Exhibit E for the amount of federal funds allocated to the Loan;

(vi) other Federal legislation or administrative rules applying to activities supported with Federal funds, including those listed in Exhibit F;

(vii) the Act; and

(viii) Chapters 37-14.4 and 37-14.3 of the Rhode Island General Laws and related regulations relating to Minority Business Enterprises, Women's Business Enterprises and Veteran Business Enterprises and with the requirements of EPA's Disadvantaged Business Enterprise (DBE) Program contained in 40 CFR, Part 23; and to the extent applicable, the reporting requirements set forth in the Federal Funding Accountability and Transparency Act;

(ix) if the Borrower's network or information system is connected to EPA networks to transfer data to EPA using systems other than the Environmental Information Exchange Network or EPA's Central Data Exchange, the Borrower agrees that when collecting and managing environmental data, it will protect the data by following all applicable State cybersecurity requirements;

(x) if any portion of the Project involves lead service line replacement, the Borrower must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source, all in accordance with the Certificate of Approval attached as Exhibit L;

(xi) the Infrastructure Investment and Jobs Act ("IIJA"), Pub. L. No. 117-58, which includes the Build America, Buy America Act ("the Act"). Pub. L. No. 117-58, §§ 70901-52; and

(xii) The Borrower shall obtain and provide to the Bank a Unique Entity Identifier from the U.S. General Services Administration via www.sam.gov.

The Borrower shall, for as long as is required by applicable law, submit to the Bank on a timely basis, such reports and other information as the Bank may reasonably require to show that the Borrower is in compliance with all such requirements.

7.2. The Borrower will provide the following information to the Bank during the life of the Loan:

- (i) a copy of the annual audited financial statements of the Borrower's water system in accordance with Generally Accepted Government Accounting Standards, annually within 9 months of end of fiscal year;
- (ii) unless included as a part of the annual budget furnished pursuant to item (iii) or the audited financial statements furnished pursuant to item (i), an analysis of operating revenues and expenses, including without limitation, a description of the status of all revenues securing the Revenue Bond and of any operating expenses in excess of budget, annually within 9 months of the end of fiscal year;
- (iii) a copy of the annual budget of the Borrower's water system, within fifteen days of its adoption;
- (iv) unless included as a part of the annual budget furnished pursuant to item (iii) or the audited financial statements furnished pursuant to item (i), a schedule of current and projected short-term and long-term debt service secured by water system revenues, annually with the aforesaid budget;
- (v) a copy of the certificate required to be filed with the Borrower's Trustee pursuant to Section 603(4) of the Borrower's Trust Indenture concurrent with filing with the Borrower Trustee.
- (vi) copies of reports submitted to DOH, the federal Environmental Protection Agency ("EPA") and any other regulatory agency relating to any project financed by the Bank or the operation thereof, simultaneously with such submission; and
- (vii) such other information or reports as and when the Bank may reasonably require.

7.3. To the extent permitted by law, during such time as the Borrower shall constitute an obligated person within the meaning of S.E.C. Rule 15c2-12 (the "Rule") as in effect from time to time with respect to any bonds issued by the Bank, the Borrower agrees to furnish to the Bank (1) such financial information and operating data with respect to the Borrower at such times and in such forms as the Bank shall reasonably request in order to comply with the provisions of the Rule, together with audited financial statements of the Borrower; provided, however, that its audited financial statements are not then available, unaudited financial statements shall be provided, (2) if not submitted as part of the annual financial information, then when and if available, the Borrower agrees promptly to provide the Bank with its audited financial statements for each fiscal year and (3) the Borrower agrees to provide or cause to be provided to the Bank, within ten (10) business days after the occurrence thereof, notice of the occurrence of any of the following events with respect to the Revenue Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TE3) or other material notices or determinations with respect to the tax status of the Revenue Bonds or other material events affecting the tax-exempt status of the Revenue Bonds;
- (g) modifications to rights of holders of the Revenue Bonds, if material;
- (h) Revenue Bonds calls, if material, and tender offers;
- (i) Revenue Bonds defeasances;
- (j) release, substitution, or sale of property securing repayment of the Revenue Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Borrower*,
- (m) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

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

- (o) Incurrence of a financial obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borrower, any of which affects the owners of the Revenue Bonds, if material,¹ and
- (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borrower, any of which reflect financial difficulties.¹

The Borrower will provide, in a timely manner, to the Bank, notice of a failure to satisfy the requirements of this Section. As of the date of this Agreement, the Borrower is not an obligated person under the Rule.

The intent of the Borrower undertaking pursuant to this Section is to facilitate the Bank's ability to comply with the requirements of the Rule. Accordingly, the Borrower agrees to provide the Bank with any additional information the Bank may reasonably require in order to comply with the requirements of Rule, as in effect from time to time.

ARTICLE VIII MISCELLANEOUS

8.1 The Borrower shall, subject to local zoning ordinances, erect or cause there to be erected at the Project site, or at each principal component thereof if more than one physical site is involved, and shall maintain during the construction of the Project, a sign approved by the Bank and DOH, as more completely described in Exhibit G having minimum dimensions of four feet by eight feet, identifying the State Revolving Loan Fund as a principal source of funding for the Project.

8.2 This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Bank.

8.3 This Agreement shall be construed in accordance with the laws of the State of Rhode Island, and is binding upon and inures to the benefit of the parties and their respective successors.

8.4 To the extent that a court of competent jurisdiction would enforce such agreement as not contrary to law or public policy, the Borrower shall indemnify the Bank against and hold the Bank harmless from any and all claims arising from or in connection with this Agreement, the loan and the project financed thereby, except for such claims as may arise

¹ For purposes of events listed as (o) and (p), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged a security or a source of payment for, an existing or planned debt obligation; or (ii) guarantee of (i) or (ii). The term "financial obligation" excludes municipal securities for which an official statement has been provided to the MSRB consistent with the Rule.

from the gross negligence or willful misconduct of the Bank or its officers and except for claims arising from the issuance and marketing of the Bank Bonds unless, and only to the extent, based on information furnished by the Borrower for use in connection therewith.

8.5 Except that this Agreement, the Loan and any Revenue Bonds may be assigned by the Bank for the benefit and security of the holders of bonds of the Bank, the parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

8.6 This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire agreement and understanding between the parties, and supersedes all prior agreements and understandings relating hereto.

RHODE ISLAND
INFRASTRUCTURE BANK

KENT COUNTY WATER
AUTHORITY

By: _____
William Fazioli
Executive Director

By: _____
Name: Robert B. Boyer
Title: Chairperson

|
Kortz

By: _____
Name: ~~Russell S. Crossman~~Brian E.
Title: Secretary

EXHIBIT A
List of Local Bond Acts

| <u>Title</u> | <u>Authorized Amount</u> |
|--|--------------------------|
| Chapter 39-16 of the Rhode Island General Laws | |
| Chapters 46-12.2 and 46-12.8 of the Rhode Island General Laws | |
| Authorizing Resolution of the KCWA passed on _____ | \$ |

EXHIBIT B

DESCRIPTION OF THE PROJECT

I. NARRATIVE STATEMENT DESCRIBING THE PROJECT

II. COSTS TO BE PAID FROM LOAN FOR EACH SEPARATELY IDENTIFIED PORTION OF THE PROJECT

1. Construction Costs: \$
2. Debt Service Reserve Fund: \$
3. Costs of Issuance: \$
4. Loan Origination Fee: \$

III. ESTIMATED COMPLETION DATE FOR THE PROJECT

EXHIBIT C
KCWA TRUST INDENTURE

EXHIBIT D
FORM OF REVENUE BOND

EXHIBIT E

SOURCE OF LOAN

1. Amount of Direct Loan: \$
2. Amount of Bonded Loan: \$
3. Amount of Federal Funds: \$

SECURITY

The following shall constitute security for the prompt performance of the Borrower's obligation under the Agreement, the Borrower Bonds and an account of the Loans:

Revenue Pledge.

EXHIBIT F

FEDERAL LAWS AND ADMINISTRATIVE REQUIREMENTS

I. Statutes and Regulations

Age Discrimination Act, Public Law 94-135

Archeological and Historical Preservation Act of 1974, Public Law 93-291

Civil Rights Act of 1964, Public Law 88-352, as amended

Clean Air Act, 42 U.S.C. Sections 306 and 7506(c)

Clean Air Conformity Act

Clean Water Act, 33 U.S.C. 1250, et seq.

Costal Barrier Resources Act, 16 U.S.C. 3501, et seq.

Coastal Zone Management Act of 1972, Public Law 92-583, as amended

Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, as amended

Endangered Species Act, 16 U.S.C. 1531, et seq.

Farmland Protection Policy Act, 7 U.S.C. 4201, et seq.

Federal Water Pollution Control Act, Public Law 92-500, as amended

Fish and Wildlife Coordination Act, Public Law 85-624, as amended

Magnuson-Stevens Fisheries Conservation and Management Act

National Environmental Policy Act, including regulations at 40 CFR, Part 6

National Historic Preservation Act of 1986, Public Law 89-665, as amended

Rehabilitation Act of 1973, Public Law 93-112, as amended

Safe Drinking Water Act, Public Law 92-523, as amended

Subpart C of 2 CFR Part 180 and 2 CFR Part 1532, entitled "Responsibilities of Participants

Regarding Transactions (Doing Business with Other Persons)"

Title IX of the Education Amendments of 1972

Uniform Relocation and Real Property Acquisition Policies Act of 1970, Public Law 91-646, as amended

Wild and Scenic Rivers Act, Public Law 90-542, as amended

Disadvantaged Business Enterprises in U.S. EPA Programs, 40 CFR, Part 33

II. Executive Orders

E.O. #11246 (Equal Employment Opportunity)

E.O. #11250 (Rehabilitation)

E.O. #11593 (Protection and Enhancement of the Cultural Environment)

E.O. #11625 (Women's and Minority Business Enterprise)

E.O. #11738 (Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants or Loans)

E.O. #11914 (Rehabilitation)

E.O. #11988 (Floodplain Management)

E.O. #11990 (Protection of Wetlands)

E.O. #12138 (Women's and Minority Business Enterprise)

E.O. #12549 (Debarment and Suspension)

E.O. #12898 (Environmental Justice)

EXHIBIT G
Specification for Sign

EXHIBIT H

Disclosure of Potential Liability
and Possibility of Litigation or Other Claims

EXHIBIT I

BORROWER DEBT SERVICE AND FEE SCHEDULE

EXHIBIT J
FORM OF REQUISITION

EXHIBIT K
WAGE RATE REQUIREMENTS

EXHIBIT L
RIDOH CERTIFICATE OF APPROVAL

Appendix E
FYE 2024 Audited Financial Statements

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

ANNUAL FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023



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KENT COUNTY WATER AUTHORITY

Year Ended June 30, 2024

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HAGUE, SAHADY & CO., P.C.

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Fall River, MA 02720
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INDEPENDENT AUDITOR'S REPORT

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

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, 2024, and the related notes of the financial statements, which collectively comprise 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 fiduciary funds of the Authority, as of June 30, 2024, 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 is 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Kent County Water Authority
Independent Auditor's Report

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.

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.

Kent County Water Authority
Independent Auditor's Report

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, 2023, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024 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., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.
Fall River, Massachusetts
October 17, 2024

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KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis (Unaudited)

For The Year Ended June 30, 2024

With Comparative Totals For The Year Ended June 30, 2023

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, 2024 and 2023. 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 (Unaudited)

For The Year Ended June 30, 2024

With Comparative Totals For The Year Ended June 30, 2023

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 increased \$3,600,349 in fiscal year 2024 compared to \$4,981,533 in fiscal year 2023, the difference in increase between years is mainly due to a decrease in metered sales in fiscal year 2024, as much greater rainfall than previous years reduced water usage and irrigation.
- Total assets and deferred outflow of resources were \$231.4 million in fiscal year 2024 compared to \$227.3 million in 2023, which exceeded total liabilities and deferred inflow of resources by \$198.7 million in fiscal year 2024 and \$195 million in fiscal year 2023.
- The Authority's debt to equity ratio was 14.9% at both June 30, 2024 and 15.6% in 2023, 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 (Unaudited)

*For The Year Ended June 30, 2024
With Comparative Totals For The Year Ended June 30, 2023*

Condensed Statement of Net Position

| | 2024 | 2023 |
|---|----------------|----------------|
| Current assets | \$ 5,429,374 | \$ 6,526,557 |
| Other noncurrent assets | 14,957,186 | 31,320,251 |
| Capital assets, net | 210,222,560 | 188,381,721 |
| Total assets | 230,609,120 | 226,228,529 |
| | | |
| Deferred outflows of resources | | |
| Deferred outflows of resources related to pension | 767,248 | 1,079,368 |
| Deferred outflows of resources related to OPEB | - | 23,325 |
| Total deferred outflows of resources | 767,248 | 1,102,693 |
| | | |
| Current liabilities | 8,076,537 | 6,268,960 |
| Noncurrent liabilities | 21,569,220 | 24,100,624 |
| Total liabilities | 29,645,757 | 30,369,584 |
| | | |
| Deferred inflows of resources | | |
| Deferred inflows of resources related to pension | 345,069 | 404,161 |
| Deferred inflows of resources related to OPEB | 2,752,443 | 1,524,727 |
| Total deferred inflows of resources | 3,097,512 | 1,928,888 |
| | | |
| Net position: | | |
| Net investment in capital assets | 191,914,559 | 169,220,721 |
| Restricted net position | 15,641,139 | 32,639,718 |
| Unrestricted net position | (8,922,599) | (6,827,689) |
| Total net position | \$ 198,633,099 | \$ 195,032,750 |

The table above reflects a decrease in current assets of \$1,097,183 from FY 2023 to FY 2024. There is also a significant increase in capital assets (net) of \$21,840,839 from FY 2023 to FY 2024. This increase is largely attributed to the work in process in relation to the Authority's ongoing infrastructure replacement and other projects.

The largest portion of the Authority's net position, 96.6%, reflects its net investment in capital assets. The Authority uses these capital assets to provide water treatment and collection services to its customers. 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 FY24, the Authority's net position totaled \$198.6 million, an increase of \$3.6 million or 1.9% from the previous year. Total assets in FY24 were \$230.6 million, an increase of \$4.4 million or 1.9% from the previous year. Total liabilities decreased by \$724 thousand or 2.4%.

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis (Unaudited)

For The Year Ended June 30, 2024

With Comparative Totals For The Year Ended June 30, 2023

CHANGES IN NET POSITION

The Authority ended fiscal year 2024 with an increase in net position of \$3,600,349. 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>2024</u> | <u>2023</u> |
|------------------------------------|-----------------------|-----------------------|
| Operating revenues: | | |
| Water | \$ 18,997,452 | \$ 20,390,211 |
| Hydrant fees | 1,575,276 | 1,572,214 |
| Other | 182,340 | 216,880 |
| Total operating revenue | <u>20,755,068</u> | <u>22,179,305</u> |
| Operating expenses: | | |
| Source of supply | 6,130,677 | 6,129,628 |
| Pumping | 1,571,273 | 1,230,300 |
| Transmission and distribution | 1,625,167 | 1,493,027 |
| Water treatment | 651,206 | 269,483 |
| Customer accounts | 412,446 | 498,629 |
| Administrative and general | 3,754,678 | 3,863,031 |
| Depreciation | 4,023,834 | 3,966,951 |
| Taxes other than income | 271,882 | 266,367 |
| Total operating expenses | <u>18,441,163</u> | <u>17,717,416</u> |
| Operating income | <u>2,313,905</u> | <u>4,461,889</u> |
| Nonoperating income (expense): | | |
| Capital contributions | 635,232 | - |
| Miscellaneous income | 112,354 | 209,499 |
| Interest income | 922,500 | 540,446 |
| Gain on refunding | - | 19,654 |
| Amortization premiums | - | (646) |
| Interest expenses | (383,642) | (249,309) |
| Net non-operating income (expense) | <u>1,286,444</u> | <u>519,644</u> |
| Increase in net position | 3,600,349 | 4,981,533 |
| Net position at beginning of year | <u>195,032,750</u> | <u>190,051,217</u> |
| Net position at end of year | <u>\$ 198,633,099</u> | <u>\$ 195,032,750</u> |

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis (Unaudited)

For The Year Ended June 30, 2024

With Comparative Totals For The Year Ended June 30, 2023

REVENUES

Water user fees are the Authority's primary source of revenue, representing approximately 91.5% of total operating revenues. Fiscal year 2024 water user fee revenue was \$19.0 million, which is \$1.4 million less than fiscal year 2023. A significant contributing factor to this decrease was the rainfall during the year, which was much more than anticipated and atypical compared to prior years.

The operating income for fiscal year 2024 totaled \$2.3 million, representing a decrease of 48.1% from the previous year, primarily due to the decrease in water usage.

EXPENSES

Total operating expenses in fiscal year 2024 increased by \$723 thousand over the prior year. The increase was mainly due to the increase of both pumping and water treatment expenses.

Net nonoperating income increased \$767 thousand, primarily due to the portion of monies deposited by 1276 Bald Hill Rd, LLC in escrow applicable to the current year portion of work completed on the infrastructure replacement project located at 1276 Bald Hill Road in Warwick, Rhode Island. The remainder of the monies deposited by 1276 Bald Hill Rd, LLC are considered deferred revenue until the remaining funds are recognized as income in accordance with project milestones.

Capital Assets and Debt Administration

CAPITAL ASSETS

At the end of fiscal year 2024, the Authority had \$210.2 million invested in capital assets. This amount represents an increase of \$21.8 million, or 11.6% over last year. This increase is largely attributed to the work in process in relation to the Authority's ongoing infrastructure replacement and other projects. The following table summarizes the Authority's capital assets and changes therein, for the years ended June 30, 2024 and June 30, 2023.

| | <u>FY2024</u> | <u>FY2023</u> |
|-------------------------------|-----------------------|-----------------------|
| Capital assets | | |
| Land | \$ 3,192,963 | \$ 3,192,963 |
| Construction in progress | 47,033,806 | 21,794,522 |
| Buildings and improvements | 15,784,612 | 15,529,081 |
| Infrastructure | 179,507,223 | 179,503,847 |
| Machinery and equipment | 8,257,127 | 7,985,005 |
| Vehicles | 981,801 | 954,152 |
| Total capital assets | <u>254,757,532</u> | <u>228,959,570</u> |
| Less accumulated depreciation | <u>44,534,972</u> | <u>40,577,849</u> |
| Capital assets, net | <u>\$ 210,222,560</u> | <u>\$ 188,381,721</u> |

For more information relating to capital asset activity, please refer to Note 3.

KENT COUNTY WATER AUTHORITY

Management's Discussion and Analysis (Unaudited)

For The Year Ended June 30, 2024

With Comparative Totals For The Year Ended June 30, 2023

LONG-TERM DEBT

During FY24, the Authority paid approximately \$853 thousand in principal on outstanding issuances and \$354 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 FY2024. During the fiscal FY2024, 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.

When preparing the FY2025 Annual budget, historical data as well as anticipated expenditures were used as contributing factors. Budgeted revenues are estimated to decrease 2% from actual revenues from FY2024 and budgeted expenditures for FY2025 are estimated to increase from actual expenses by 1% from FY2024.

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, 35 Technology Way, West Greenwich, RI.

KENT COUNTY WATER AUTHORITY

Statement of Net Position

June 30, 2024

With Comparative Totals at June 30, 2023

| | <u>2024</u> | <u>2023</u> |
|---|--------------------|--------------------|
| ASSETS | | |
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 1,089,570 | \$ 1,972,880 |
| Accounts receivable, less allowance of \$124,732 in 2024 and \$142,407 in 2023 | 2,331,632 | 2,643,660 |
| Materials and supplies inventory | 688,706 | 590,551 |
| Restricted cash and cash equivalents held by trustee for current portion of long-term debt | 1,319,466 | 1,319,466 |
| <i>Total current assets</i> | <u>5,429,374</u> | <u>6,526,557</u> |
| <i>Noncurrent assets</i> | | |
| Restricted cash and cash equivalents held by trustee | 14,321,673 | 31,037,625 |
| Restricted cash and cash equivalents held by trust - infrastructure replacement | 635,513 | 282,626 |
| <i>Total noncurrent assets</i> | <u>14,957,186</u> | <u>31,320,251</u> |
| <i>Capital assets</i> | | |
| Depreciable, net | 159,995,791 | 163,394,236 |
| Nondepreciable | 50,226,769 | 24,987,485 |
| <i>Total capital assets</i> | <u>210,222,560</u> | <u>188,381,721</u> |
| <i>Total assets</i> | <u>230,609,120</u> | <u>226,228,529</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| <i>Deferred outflows of resources</i> | | |
| Deferred outflows of resources related to OPEB | - | 23,325 |
| Deferred outflows of resources related to pension | 767,248 | 1,079,368 |
| <i>Total deferred outflows of resources</i> | <u>767,248</u> | <u>1,102,693</u> |

KENT COUNTY WATER AUTHORITY

Statement of Net Position

June 30, 2024

With Comparative Totals at June 30, 2023

| | <u>2024</u> | <u>2023</u> |
|---|-----------------------|-----------------------|
| LIABILITIES | | |
| <i>Current liabilities</i> | | |
| Accounts payable | 6,353,808 | 5,180,603 |
| Accrued interest expense | 135,200 | 105,172 |
| Accrued liabilities | 116,208 | 108,438 |
| Unearned revenue | 585,847 | - |
| Compensated absences | 17,474 | 21,747 |
| Long-term debt due within one year | 868,000 | 853,000 |
| <i>Total current liabilities</i> | <u>8,076,537</u> | <u>6,268,960</u> |
| <i>Noncurrent liabilities</i> | | |
| Long-term debt, net | 17,440,000 | 18,308,000 |
| Compensated Absences | 210,941 | 250,088 |
| Net pension liability | 1,707,994 | 1,823,584 |
| Net OPEB liability | 2,210,285 | 3,718,952 |
| <i>Total noncurrent liabilities</i> | <u>21,569,220</u> | <u>24,100,624</u> |
| <i>Total liabilities</i> | <u>29,645,757</u> | <u>30,369,584</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| <i>Deferred inflows of resources</i> | | |
| Deferred inflows of resources related to pension | 345,069 | 404,161 |
| Deferred inflows of resources related to OPEB | 2,752,443 | 1,524,727 |
| <i>Total deferred inflows of resources</i> | <u>3,097,512</u> | <u>1,928,888</u> |
| NET POSITION | | |
| <i>Net position</i> | | |
| Net investment in capital assets | 191,914,559 | 169,220,721 |
| Restricted net position (restated for FY2023) | 15,641,139 | 32,639,718 |
| Unrestricted net position (restated for FY2023) | (8,922,599) | (6,827,689) |
| <i>Total net position</i> | <u>\$ 198,633,099</u> | <u>\$ 195,032,750</u> |

KENT COUNTY WATER AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Position

*For The Year Ended June 30, 2024
With Comparative Totals as of June 30, 2023*

| | 2024 | 2023 |
|---------------------------------------|----------------|----------------|
| Operating revenues: | | |
| Water | \$ 18,997,452 | \$ 20,390,211 |
| Hydrant fees | 1,575,276 | 1,572,214 |
| Other | 182,340 | 216,880 |
| Total operating revenue | 20,755,068 | 22,179,305 |
| Operating expenses: | | |
| Source of supply | 6,130,677 | 6,129,628 |
| Pumping | 1,571,273 | 1,230,300 |
| Transmission and distribution | 1,625,167 | 1,493,027 |
| Water treatment | 651,206 | 269,483 |
| Customer accounts | 412,446 | 498,629 |
| Administrative and general | 3,754,678 | 3,863,031 |
| Depreciation | 4,023,834 | 3,966,951 |
| Taxes other than income | 271,882 | 266,367 |
| Total operating expenses | 18,441,163 | 17,717,416 |
| Operating income | 2,313,905 | 4,461,889 |
| Nonoperating income (expense): | | |
| Capital contributions | 635,232 | - |
| Miscellaneous income | 112,354 | 209,499 |
| Interest income | 922,500 | 540,446 |
| Gain on refunding | - | 19,654 |
| Amortization premiums | - | (646) |
| Interest expenses | (383,642) | (249,309) |
| Net non-operating income (expense) | 1,286,444 | 519,644 |
| Increase in net position | 3,600,349 | 4,981,533 |
| Net position at beginning of year | 195,032,750 | 190,051,217 |
| Net position at end of year | \$ 198,633,099 | \$ 195,032,750 |

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KENT COUNTY WATER AUTHORITY

Statement of Cash Flows

For The Year Ended June 30, 2024
With Comparative Totals as of June 30, 2023

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| <i>Cash flows from operating activities</i> | | |
| Cash received from customers | \$ 21,067,096 | \$ 21,903,466 |
| Payments to employees | 3,399,079 | 3,556,696 |
| Payments to suppliers and services | <u>(16,897,197)</u> | <u>(15,195,669)</u> |
| Net cash provided (used) by operating activities | <u>7,568,978</u> | <u>10,264,493</u> |
| <i>Cash flows from capital and related financial activities</i> | | |
| Capital additions | (25,864,672) | (14,548,041) |
| Capital contributions | 1,221,079 | 209,499 |
| Principal paid in debt | (853,000) | (858,008) |
| Interest expense | <u>(353,614)</u> | <u>(158,991)</u> |
| Net cash used by capital and related financing activities | <u>(25,850,207)</u> | <u>(15,355,541)</u> |
| <i>Cash flows from investing activities</i> | | |
| Interest and dividends received | <u>1,034,854</u> | <u>540,446</u> |
| Net cash provided by investing activities | <u>1,034,854</u> | <u>540,446</u> |
| <i>Net increase (decrease) in cash and cash equivalents</i> | (17,246,375) | (4,550,602) |
| <i>Cash and cash equivalents, beginning of year</i> | <u>34,612,597</u> | <u>39,163,199</u> |
| <i>Cash and cash equivalents, end of year</i> | 17,366,222 | 34,612,597 |
| Cash and cash equivalents, per the statement of net position | 1,089,570 | 1,972,880 |
| 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 | 14,321,673 | 31,037,625 |
| Restricted cash and cash equivalents held by trustee-Infrastructure replacement | <u>635,513</u> | <u>282,626</u> |
| Total cash and cash equivalents, per the statement of net position | <u>\$ 17,366,222</u> | <u>\$ 34,612,597</u> |

KENT COUNTY WATER AUTHORITY

Statement of Cash Flows

For The Year Ended June 30, 2024
With Comparative Totals as of June 30, 2023

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

| | | |
|---|---------------------|----------------------|
| Operating income | \$ 2,313,905 | \$ 4,461,889 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation expense | 4,023,834 | 3,966,951 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable, net | 312,028 | (275,839) |
| (Increase) decrease in unbilled water revenue | - | - |
| (Increase) decrease in material, supplies and inventory | (98,155) | (75,726) |
| (Increase) decrease in NPL deferred outflows | 335,445 | 395,451 |
| Increase (decrease) in accounts payable | 1,173,205 | 1,888,190 |
| Increase (decrease) in accrued liabilities | 7,769 | (154,209) |
| Increase (decrease) in compensated absences | (43,420) | 271,835 |
| Increase (decrease) in gain on refunding of debt | - | 19,654 |
| Increase (decrease) in net pension liability (NPL) | (115,590) | (226,271) |
| Increase (decrease) in net OPEB liability (NOL) | (1,508,667) | 107,854 |
| Increase (decrease) in deferred inflows | 1,168,624 | (115,286) |
| Net cash provided by operating activities | \$ 7,568,978 | \$ 10,264,493 |

KENT COUNTY WATER AUTHORITY

Statement of Fiduciary Net Position

June 30, 2024

With Comparative Totals at June 30, 2023

| | OPEB and Pension Trust Fund | |
|--|-----------------------------|---------------------|
| | 2024 | 2023 |
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ - |
| Investments, at fair value | | |
| Fixed income | 3,198,868 | 2,840,756 |
| Equities | 5,075,689 | 4,717,633 |
| Real Estate | 211,752 | 186,504 |
| Total assets | 8,486,309 | 7,744,893 |
| LIABILITIES | | |
| None | - | - |
| NET POSITION | | |
| Held in trust for other post-employment benefits | 734,508 | 568,680 |
| Restricted for pension | 7,751,801 | 7,176,213 |
| TOTAL NET POSITION | \$ 8,486,309 | \$ 7,744,893 |

KENT COUNTY WATER AUTHORITY

Statement of Changes in Fiduciary Net Position

For The Year Ended June 30, 2024
With Comparative Totals as of June 30, 2023

| | OPEB and Pension Trust Fund | |
|--------------------------------------|-----------------------------|---------------------|
| | 2024 | 2023 |
| ADDITIONS | | |
| Contributions | | |
| Employer contributions | \$ 412,375 | \$ 427,985 |
| Total contributions | <u>412,375</u> | <u>427,985</u> |
| Investment income | | |
| Net investment income | 843,348 | 666,089 |
| Total investment income | <u>843,348</u> | <u>666,089</u> |
| Total additions | <u>1,255,723</u> | <u>1,094,074</u> |
| DEDUCTIONS | | |
| Actual and service benefits payments | <u>514,307</u> | <u>480,936</u> |
| Total deductions | <u>514,307</u> | <u>480,936</u> |
| Change in net position | 741,416 | 613,138 |
| Net Position - Beginning | <u>7,744,893</u> | <u>7,131,755</u> |
| Net Position - Ending | <u>\$ 8,486,309</u> | <u>\$ 7,744,893</u> |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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 in 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, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Fiduciary Funds

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, 2024 was \$124,732. 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, 2024

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. It also represents current year contributions to infrastructure replacement from outside sources.

Unearned Revenue - Unearned revenue represents amounts billed in the current fiscal year for pretreatment fees relating to the subsequent fiscal year and cash received from outside sources for infrastructure replacement expenses relating to subsequent fiscal years.

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

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, 2023, 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, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards – For the year ending June 30, 2024, the Authority implemented GASB Statement Nos. 99 and 100, which had no material reporting impact on these financial statements.

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

- GASB Statement No. 101, *Compensated Absences*, which is required to be implemented in fiscal year 2025. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 102, *Certain Risk Disclosures*, which is required to be implemented in fiscal year 2025. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, which is required to be implemented in fiscal year 2025. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.

Earlier application of these statements is encouraged. For the original pronouncements and the related implementation guides, please visit the GASB's website, www.gasb.org.

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

NOTE 2. CASH AND CASH EQUIVALENTS

Cash Deposits – 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 | \$ 17,365,922 |
| Petty Cash | <u>300</u> |
| Total Carrying Value | <u>\$ 17,366,222</u> |

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, 2024 was \$17,366,222 and the bank balance was \$17,124,704.

Restricted cash at June 30, 2024 was \$16,276,652, of which \$6,026,284 was required to be held for debt service by Rhode Island Public Utilities Commission (RIPUC), \$5,756,836 was required to be held for infrastructure replacement by RIPUC, \$635,513 was required to be held by 1276 Bald Hill Rd, LLC to finance future infrastructure replacement related to the work performed at 1276 Bald Hill Road, Warwick, RI, \$1,918,809 was required to be held for capital project expenses by RIPUC, \$70,091 was required to be held by Rhode Island Infrastructure Bank (RIIB) for capital projects expenses, \$1,751,828 was required to be held for stabilization by RIPUC, and the remaining \$117,291 was required to be held for the purchase of capital equipment by RIPUC.

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, 2024, of the Authority's bank balance of \$17,124,704, \$500,000 was insured by the FDIC and the remaining \$16,624,704 was uninsured.

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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, 2024</u> | <u>Quoted Price in Active Market for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable (Level 3)</u> |
|--------------------------|----------------------|---|--|---|
| Pension Fund: | | | | |
| Specialty | 156,664 | 156,664 | - | - |
| International Stocks | 929,981 | 929,981 | - | - |
| Small-Cap Stocks | 450,197 | 450,197 | - | - |
| Mid-Cap Stocks | 689,373 | 689,373 | - | - |
| Large-Cap Stocks | 2,510,382 | 2,510,382 | - | - |
| Bonds | 2,357,844 | 2,357,844 | - | - |
| Other - Fixed | 657,360 | 657,360 | - | - |
| OPEB Fund: | | | | |
| Vanguard | 734,508 | 734,508 | - | - |
| Total investments | \$ 8,486,309 | \$ 8,486,309 | \$ - | \$ - |

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 2023, \$1.8 million of general revenue bonds in April 2023, 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, 2024

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.

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 instruments 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, 2024

NOTE 4. CAPITAL ASSETS

The cost and activity of water capital assets in service and related accumulated depreciation for the year ended June 30, 2024 is as follows:

| | Balance at 6/30/2023 | Increases | Decreases | Balance at 6/30/2024 |
|---|-------------------------|---------------|-----------|-------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,192,963 | \$ - | \$ - | \$ 3,192,963 |
| Construction in progress | 21,794,522 | 25,239,284 | - | 47,033,806 |
| Total capital assets, not being depreciated | 24,987,485 | 25,239,284 | - | 50,226,769 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 15,529,081 | 255,531 | - | 15,784,612 |
| Infrastructure | 179,503,811 | 3,412 | - | 179,507,223 |
| Machinery and equipment | 7,985,005 | 272,122 | - | 8,257,127 |
| Vehicles | 954,152 | 94,324 | 66,675 | 981,801 |
| Total capital assets, being depreciated | 203,972,049 | 625,389 | 66,675 | 204,530,763 |
| Accumulated depreciation | | | | |
| Buildings and improvements | 8,794,067 | 714,352 | - | 9,508,419 |
| Infrastructure | 28,944,388 | 2,393,568 | - | 31,337,956 |
| Machinery and equipment | 2,195,676 | 796,357 | - | 2,992,033 |
| Vehicles | 643,682 | 119,557 | 66,675 | 696,564 |
| Total accumulated depreciation | 40,577,813 | 4,023,834 | 66,675 | 44,534,972 |
| Total capital assets, being depreciated, net | 163,394,236 | (3,398,445) | - | 159,995,791 |
| Capital assets, net | \$ 188,381,721 | \$ 21,840,839 | \$ - | \$ 210,222,560 |

For the year ended June 30, 2024, depreciation was charged to the following functions as follows:

| | |
|-----------------------------|--------------|
| Operating expenses: | \$ 4,023,834 |
| Total depreciation expense: | \$ 4,023,834 |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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, 2024:

| Description | Balance 6/30/2023 | Additions | Reductions | Balance 6/30/2024 | Amounts due within one year |
|--|----------------------|-------------|-------------------|----------------------|-----------------------------------|
| Revenue bonds: | | | | | |
| April 2022 Series A bearing interest at 1.37%-2.74% and maturing in 2042 | \$ 17,440,087 | \$ - | \$ 745,000 | \$ 16,695,087 | \$ 758,000 |
| April 2022 Series B bearing interest at 1.23%-2.190% and maturing in 2037 | <u>1,720,913</u> | <u>-</u> | <u>108,000</u> | <u>1,612,913</u> | <u>110,000</u> |
| Total long-term liabilities | <u>\$ 19,161,000</u> | <u>\$ -</u> | <u>\$ 853,000</u> | <u>\$ 18,308,000</u> | <u>\$ 868,000</u> |

In June 30, 2024, The Authority's outstanding bonds from *direct borrowings* related to business type activities 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, 2024 and 2023.

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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, 2024 to be \$228,415.

The changes in compensated absences for the year ended June 30, 2024 were as follows:

| | June 30, 2023 | Additions | Payments | June 30, 2024 | Amounts due within one year |
|----------------------|-------------------|-------------|------------------|-------------------|-----------------------------------|
| Compensated absences | <u>\$ 271,835</u> | <u>\$ -</u> | <u>\$ 43,420</u> | <u>\$ 228,415</u> | <u>\$ 17,474</u> |

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.

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.

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

NOTE 7. NET POSITION (CONTINUED)

Net position represents the difference between assets and liabilities. The net position amounts as of June 30, 2024 was as follows:

| | <u>2024</u> |
|--|-----------------------|
| Net investment in capital assets | |
| Capital assets | 210,222,559 |
| Bonds | <u>(18,308,000)</u> |
| Total net investment in capital assets | <u>191,914,559</u> |
| Restricted for capital equipment purchases | 117,291 |
| Restricted for capital projects | 1,988,900 |
| Restricted for debt service | 6,026,284 |
| Restricted for infrastructure replacement | 5,756,836 |
| Restricted for stabilization | <u>1,751,828</u> |
| Total restricted net position | <u>15,641,139</u> |
| Total unrestricted net position | <u>(8,922,599)</u> |
| Total net position, June 30, 2024 | <u>\$ 198,633,099</u> |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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, 2024, were as follows:

| | |
|---|---------------------|
| Total pension liability | \$ 9,459,795 |
| Plan fiduciary net position | <u>(7,751,801)</u> |
| Authority's net pension liability | <u>\$ 1,707,994</u> |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 81.94% |

Changes in Net Pension Liability (Asset)

| | Total Pension Liability | Plan Fiduciary Net Position | Net Position Liability |
|--|------------------------------------|--|-----------------------------------|
| Balance at June 30, 2023 | \$ 8,999,798 | \$ 7,176,213 | \$ 1,823,585 |
| Service cost | 173,468 | - | 173,468 |
| Interest on total pension liability | 608,704 | - | 608,704 |
| Differences between expected and actual experience | 136,318 | - | 136,318 |
| Changes in assumptions | (11,700) | - | (11,700) |
| Contributions - employer | - | 264,861 | (264,861) |
| Contributions - employee | - | - | - |
| Net investment income | - | 757,520 | (757,520) |
| Benefit payments | (446,793) | (446,793) | - |
| Administrative expenses | - | - | - |
| Other changes | - | - | - |
| | 459,997 | 575,588 | (115,591) |
| Net changes | 459,997 | 575,588 | (115,591) |
| Balances at June 30, 2024 | \$ 9,459,795 | \$ 7,751,801 | \$ 1,707,994 |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2024 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 2024 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 |

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 weighing 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, 2024 (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 Real Rate of Return</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, 2024

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, 2024, 5% or more of Plan assets were held in the following individual funds:

| Fund | Concentration |
|--|---------------|
| American Funds American Mutual | 10.2% |
| Prudential Total Return Bond Fund | 10.2% |
| Fidelity Advisor Total Bond Fund | 10.1% |
| Vanguard Mid-Cap Index | 8.9% |
| Vanguard Growth Index | 8.7% |
| Nationwide Fixed Fund | 8.5% |
| JPMorgan Large Cap Growth Fund | 8.4% |
| Vanguard High-Yield Corporate Bond Index | 5.1% |
| Vanguard Inflation Protected Securities | 5.1% |
| Vanguard Value Index | 5.0% |

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 | \$ 2,666,200 | \$ 1,707,994 | \$ 886,088 |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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, 2024, the Authority recognized pension expense of \$402,298. At June 30, 2024, the Authority reported deferred outflows or resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows | Deferred Inflows |
|-----------------------|------------------------------|-----------------------------|
| Liability experience | \$ 441,015 | \$ (329,264) |
| Assumption changes | 187,838 | (15,805) |
| Investment experience | 138,395 | - |
| Total | \$ 767,248 | \$ (345,069) |

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

| Fiscal Year End | Expense Recognition |
|----------------------------|--------------------------------|
| 2025 | \$ 58,979 |
| 2026 | 284,690 |
| 2027 | (39,521) |
| 2028 | (919) |
| 2029 | 20,975 |
| After 2029 | 97,975 |
| Total | \$ 422,179 |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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 under the post-retirement program. The Authority will provide eligible retirees with continued individual health and dental insurance comparable to the active employee plans. Retirees aged 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, 2024 (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> |
|--------------------|-----------------------------|---|--------------|
| Covered Members | 33 | 14 | 47 |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability on the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| <u>Description</u> | <u>Assumption</u> |
|--------------------------------|---|
| Valuation Date | July 1, 2023 |
| Measurement Date | June 30, 2024 |
| Reporting Date | June 30, 2024 |
| Discount Rate | 5.46% |
| Plan Election | All eligible retirees are assumed to elect available coverage at age 62, switching coverage to Plan 65 at age 65, as applicable. |
| Health Care Trend Rates | Medical coverage costs are assumed to increase 5.0% per year in fiscal 2024 and beyond. Dental coverage costs are assumed to increase 3.5% in fiscal 2024 and beyond. |
| Cost Method | Projected Unit Credit method. Benefits are accrued on service from date of hire to date of first eligibility. |
| Changes in Assumptions | The mortality assumption has been updated from the 2021 IRS 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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 45% | 4.75% |
| International Equity | 22% | 5.00% |
| Fixed Income | 25% | 2.75% |
| Real Estate | 8% | 4.50% |
| Cash | 0% | 2.00% |
| Total | <u>100%</u> | |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The single equivalent discount rate used to measure the total OPEB liability was 5.46 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

| | Increase (Decrease) | | |
|--|---------------------------------|--|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2023 | \$ 4,287,632 | \$ 568,680 | \$ 3,718,952 |
| Service cost | 92,191 | - | 92,191 |
| Interest | 148,762 | - | 148,762 |
| Differences between actual and expected experience | (1,125,569) | - | (1,125,569) |
| Changes in assumptions | (390,709) | - | (390,709) |
| Benefit payments, including refunds | (67,514) | (67,514) | - |
| Administrative expenses | - | - | - |
| Contributions - employer | - | 147,514 | (147,514) |
| Contributions - active employees | - | - | - |
| Net investment income | - | 85,828 | (85,828) |
| Net changes | (1,342,839) | 165,828 | (1,508,667) |
| Balances at June 30, 2024 | \$ 2,944,793 | \$ 734,508 | \$ 2,210,285 |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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 (4.46 percent) or 1-percentage-point higher (6.46 percent) than the current discount rate:

| | Impact of 1% Change in Discount Rate | | |
|----------------------|---|----------------------|--------------------|
| | 1% Decrease | Current | 1% Increase |
| | (4.46%) | discount rate | (6.46%) |
| Total OPEB liability | \$ 2,726,290 | \$ 2,210,285 | \$ 1,808,926 |

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:

| | Impact of 1% Change in Healthcare Trend Rate | | |
|----------------------|---|----------------------|--------------------|
| | 1% Decrease | Current trend | 1% Increase |
| | rate | rate | rate |
| Total OPEB liability | \$ 1,783,538 | \$ 2,210,285 | \$ 2,751,492 |

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, 2024, the Authority recognized OPEB expense of \$(110,112). At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred | Deferred |
|-----------------------|-----------------|-----------------------|
| | Outflows | Inflows |
| Liability experience | \$ - | \$ (2,094,050) |
| Assumption change | - | (641,116) |
| Investment experience | - | (17,277) |
| Total | \$ - | \$ (2,752,443) |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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: | |
|---------------------|-----------------------|
| 2025 | \$ (310,834) |
| 2026 | (296,733) |
| 2027 | (318,400) |
| 2028 | (314,666) |
| 2029 | (305,839) |
| After 2029 | <u>(1,205,971)</u> |
| Total | <u>\$ (2,752,443)</u> |

Payable to the OPEB Plan

At June 30, 2024, the Authority reported a payable of \$0 for the outstanding amount of contributions to the OPEB Trust required for the year ended June 30, 2024.

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, 2024, there were 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, 2024, 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, 2024

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 | | Total Fiduciary Funds | |
|--|-------------------|-------------------|---------------------|---------------------|-----------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Assets | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investments, at fair value | 734,508 | 568,680 | 7,751,801 | 7,176,213 | 8,486,309 | 7,744,893 |
| Total Assets | <u>734,508</u> | <u>568,680</u> | <u>7,751,801</u> | <u>7,176,213</u> | <u>8,486,309</u> | <u>7,744,893</u> |
| Deferred outflows of resources | | | | | | |
| None | - | - | - | - | - | - |
| Total deferred outflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>734,508</u> | <u>568,680</u> | <u>7,751,801</u> | <u>7,176,213</u> | <u>\$ 8,486,309</u> | <u>\$ 7,744,893</u> |
| Liabilities | | | | | | |
| None | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources | | | | | | |
| None | - | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Position | | | | | | |
| Held in trust for other post-employment benefits | 734,508 | 568,680 | - | - | 734,508 | 568,680 |
| Restricted for pension | - | - | 7,751,801 | 7,176,213 | 7,751,801 | 7,176,213 |
| Total net position | <u>734,508</u> | <u>568,680</u> | <u>7,751,801</u> | <u>7,176,213</u> | <u>8,486,309</u> | <u>7,744,893</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 734,508</u> | <u>\$ 568,680</u> | <u>\$ 7,751,801</u> | <u>\$ 7,176,213</u> | <u>\$ 8,486,309</u> | <u>\$ 7,744,893</u> |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

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

| | OPEB Trust Fund | | Pension Trust Fund | | Total Fiduciary Funds | |
|--------------------------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Additions | | | | | | |
| Contributions | | | | | | |
| Employer contributions | \$ 147,514 | \$ 151,194 | \$ 264,861 | \$ 276,791 | \$ 412,375 | \$ 427,985 |
| Total contributions | <u>147,514</u> | <u>151,194</u> | <u>264,861</u> | <u>276,791</u> | <u>412,375</u> | <u>427,985</u> |
| Investment income | | | | | | |
| Net investment income | 85,828 | 50,813 | 757,520 | 615,276 | 843,348 | 666,089 |
| Total investment income | <u>85,828</u> | <u>50,813</u> | <u>757,520</u> | <u>615,276</u> | <u>843,348</u> | <u>666,089</u> |
| Total additions | <u>233,342</u> | <u>202,007</u> | <u>1,022,381</u> | <u>892,067</u> | <u>1,255,723</u> | <u>1,094,074</u> |
| DEDUCTIONS | | | | | | |
| Actual and service benefits payments | 67,514 | 71,194 | 446,793 | 409,742 | 514,307 | 480,936 |
| Total deductions | <u>67,514</u> | <u>71,194</u> | <u>446,793</u> | <u>409,742</u> | <u>514,307</u> | <u>480,936</u> |
| Change in net position | 165,828 | 130,813 | 575,588 | 482,325 | 741,416 | 613,138 |
| Net Position - Beginning | <u>568,680</u> | <u>437,867</u> | <u>7,176,213</u> | <u>6,693,888</u> | <u>7,744,893</u> | <u>7,131,755</u> |
| Net Position - Ending | <u>\$ 734,508</u> | <u>\$ 568,680</u> | <u>\$ 7,751,801</u> | <u>\$ 7,176,213</u> | <u>8,486,309</u> | <u>7,744,893</u> |

KENT COUNTY WATER AUTHORITY

Notes to the Financial Statements

June 30, 2024

NOTE 14. 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 15. 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, 2024 and through October 17, 2024, the date which the financial statements were available to be issued. There were no subsequent events to disclose.

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

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

Last Ten Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Normal cost | \$ 173,468 | \$ 179,160 | \$ 168,910 | \$ 159,470 | \$ 145,857 |
| Interest | 608,704 | 593,484 | 562,382 | 538,295 | 503,298 |
| Experience (gain) or loss | 136,318 | (126,959) | 144,104 | 60,946 | 219,926 |
| Assumption changes | (11,700) | 20,111 | 19,011 | 15,830 | 14,824 |
| Benefit payments | (446,793) | (409,742) | (416,224) | (424,353) | (380,719) |
| Net change in total pension liability | 459,997 | 256,054 | 478,183 | 350,188 | 503,186 |
| Total pension liability - beginning | 8,999,798 | 8,743,744 | 8,265,561 | 7,915,373 | 7,412,187 |
| Total pension liability - ending (a) | \$ 9,459,795 | \$ 8,999,798 | \$ 8,743,744 | \$ 8,265,561 | \$ 7,915,373 |
| Pension fiduciary net position | | | | | |
| Employer contributions | \$ 264,861 | \$ 276,791 | \$ 277,832 | \$ 280,948 | \$ 249,230 |
| Expected investment return | 495,580 | 465,070 | 551,691 | 452,884 | 450,404 |
| Additional investment return | 261,940 | 150,206 | (1,659,452) | 1,128,552 | (283,640) |
| Benefit payments | (446,793) | (409,742) | (416,224) | (424,353) | (380,719) |
| Net change in plan fiduciary net position | 575,588 | 482,325 | (1,246,153) | 1,438,031 | 35,275 |
| Plan fiduciary net position - beginning | 7,176,213 | 6,693,888 | 7,940,041 | 6,502,010 | 6,466,735 |
| Plan fiduciary net position - ending (b) | \$ 7,751,801 | \$ 7,176,213 | \$ 6,693,888 | \$ 7,940,041 | \$ 6,502,010 |
| Net pension liability (asset) - ending (a) - (b) | \$ 1,707,994 | \$ 1,823,585 | \$ 2,049,856 | \$ 325,520 | \$ 1,413,363 |

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

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

Last Ten Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Normal cost | \$ 136,977 | \$ 131,181 | \$ 126,528 | \$ 114,734 | \$ 144,147 |
| Interest | 498,457 | 454,815 | 444,406 | 431,804 | 419,030 |
| Experience (gain) or loss | (252,079) | 134,135 | (113,280) | (120,312) | (203,680) |
| Assumption changes | (10,960) | 176,864 | 179,224 | 12,993 | 74,562 |
| Benefit payments | (266,738) | (264,564) | (266,989) | (263,800) | (260,720) |
| Net change in total pension liability | <u>105,657</u> | <u>632,431</u> | <u>369,889</u> | <u>175,419</u> | <u>173,339</u> |
| Total pension liability - beginning | <u>7,306,530</u> | <u>6,674,099</u> | <u>6,304,210</u> | <u>6,128,791</u> | <u>5,955,452</u> |
| Total pension liability - ending (a) | <u>\$ 7,412,187</u> | <u>\$ 7,306,530</u> | <u>\$ 6,674,099</u> | <u>\$ 6,304,210</u> | <u>\$ 6,128,791</u> |
| Pension fiduciary net position | | | | | |
| Employer contributions | \$ 262,152 | \$ 222,207 | \$ 243,161 | \$ 246,738 | \$ 277,560 |
| Expected investment return | 429,037 | 400,034 | 375,678 | 379,448 | 369,051 |
| Additional investment return | (77,890) | 59,714 | 211,884 | (393,374) | (222,627) |
| Benefit payments | (266,738) | (264,564) | (266,989) | (263,800) | (260,720) |
| Net change in plan fiduciary net position | <u>346,561</u> | <u>417,391</u> | <u>563,734</u> | <u>(30,988)</u> | <u>163,264</u> |
| Plan fiduciary net position - beginning | <u>6,120,174</u> | <u>5,702,783</u> | <u>5,139,049</u> | <u>5,170,037</u> | <u>5,006,773</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 6,466,735</u> | <u>\$ 6,120,174</u> | <u>\$ 5,702,783</u> | <u>\$ 5,139,049</u> | <u>\$ 5,170,037</u> |
| Net pension liability (asset) - ending (a) - (b) | <u>\$ 945,452</u> | <u>\$ 1,186,356</u> | <u>\$ 971,316</u> | <u>\$ 1,165,161</u> | <u>\$ 958,754</u> |

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

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

Last Ten Fiscal Years

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | \$ 8,999,798 | \$ 8,999,798 | \$ 8,743,744 | \$ 8,265,561 | \$ 7,915,373 |
| Plan fiduciary net position | 7,176,213 | 7,176,213 | 6,693,888 | 7,940,041 | 6,502,010 |
| Net pension liability (asset) | <u>\$ 1,823,585</u> | <u>\$ 1,823,585</u> | <u>\$ 2,049,856</u> | <u>\$ 325,520</u> | <u>\$ 1,413,363</u> |
| End of year funding percentage | 79.74% | 79.74% | 76.56% | 96.06% | 82.14% |
| Covered payroll** | 2,581,010 | 2,581,010 | 2,529,836 | 2,345,125 | 2,286,296 |
| Net pension liability as a percentage of covered payroll | 70.65% | 70.65% | 81.03% | 13.88% | 61.82% |
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Total pension liability | \$ 7,412,187 | \$ 7,306,530 | \$ 6,674,099 | \$ 6,304,210 | \$ 6,128,791 |
| Plan fiduciary net position | 6,466,735 | 6,120,174 | 5,702,783 | 5,139,049 | 5,170,037 |
| Net pension liability (asset) | <u>\$ 945,452</u> | <u>\$ 1,186,356</u> | <u>\$ 971,316</u> | <u>\$ 1,165,161</u> | <u>\$ 958,754</u> |
| End of year funding percentage | 87.24% | 83.76% | 85.45% | 81.52% | 84.36% |
| Covered payroll** | 2,248,514 | 2,063,078 | 1,996,345 | 1,963,460 | 1,798,468 |
| Net pension liability as a percentage of covered payroll | 42.05% | 57.50% | 48.65% | 59.34% | 53.31% |

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

Last Ten Fiscal Years

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 289,283 | \$ 264,861 | \$ 276,791 | \$ 277,832 | \$ 280,948 |
| Contributions in relation to the actuarially determined contribution | <u>289,283</u> | <u>264,861</u> | <u>276,791</u> | <u>277,832</u> | <u>280,948</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | 2,768,635 | 2,581,010 | 2,529,836 | 2,345,125 | 2,286,296 |
| Contributions as a percentage of covered payroll | 10.45% | 10.26% | 10.94% | 11.85% | 12.29% |

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 249,230 | \$ 262,152 | \$ 222,207 | \$ 243,161 | \$ 246,738 |
| Contributions in relation to the actuarially determined contribution | <u>249,230</u> | <u>262,152</u> | <u>222,207</u> | <u>243,161</u> | <u>246,738</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | 2,248,514 | 2,063,078 | 1,996,345 | 1,963,460 | 1,798,468 |
| Contributions as a percentage of covered payroll | 11.08% | 12.71% | 11.13% | 12.38% | 13.72% |

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Last Ten Fiscal Years

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return net of investment expense | 10.69% | 9.28% | -14.07% | 24.59% | 2.61% |

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return net of investment expense | 5.74% | 8.09% | 11.46% | -0.27% | 2.92% |

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Changes in Net OPEB Liability and Related Ratios

*Last Ten Fiscal Years**

| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 92,191 | \$ 123,710 | \$ 118,202 | \$ 112,939 | \$ 191,042 |
| Interest on net OPEB liability and service cost | 148,762 | 186,151 | 176,818 | 259,406 | 210,553 |
| Differences between actual and expected experience | (1,125,569) | - | - | (1,612,108) | - |
| Changes of assumptions | (390,709) | - | - | (430,062) | - |
| Benefit payments, including refunds | (67,514) | (71,194) | (94,751) | (102,449) | (95,054) |
| Net change in total OPEB liability | (1,342,839) | 238,667 | 200,269 | (1,772,274) | 306,541 |
| Total OPEB liability - beginning | 4,287,632 | 4,048,965 | 3,848,696 | 5,620,970 | 5,314,429 |
| Total OPEB liability - ending (a) | \$ 2,944,793 | \$ 4,287,632 | \$ 4,048,965 | \$ 3,848,696 | \$ 5,620,970 |
| OPEB fiduciary net position | | | | | |
| Benefit payments, including refunds | \$ (67,514) | \$ (71,194) | \$ (94,751) | \$ (102,449) | \$ (95,054) |
| Trust administrative expenses | - | - | - | - | - |
| Contributions - employer | 147,514 | 151,194 | 174,751 | 182,449 | 175,054 |
| Contribution - Active employees | - | - | - | - | - |
| Net investment income | 85,828 | 50,813 | (75,670) | 91,438 | 7,474 |
| Net change in plan fiduciary net position | 165,828 | 130,813 | 4,330 | 171,438 | 87,474 |
| Plan fiduciary net position - beginning | 568,680 | 437,867 | 433,537 | 262,099 | 174,625 |
| Plan fiduciary net position - ending (b) | \$ 734,508 | \$ 568,680 | \$ 437,867 | \$ 433,537 | \$ 262,099 |
| Plan's net pension liability - ending (a) - (b) | \$ 2,210,285 | \$ 3,718,952 | \$ 3,611,098 | \$ 3,415,159 | \$ 5,358,871 |
| End of year funding percentage | 24.94% | 13.26% | 10.81% | 11.26% | 4.66% |
| Covered payroll | \$ 2,768,635 | \$ 2,581,010 | \$ 2,529,836 | \$ 2,345,125 | \$ 2,286,296 |
| Net pension liability divided by covered payroll | 79.83% | 144.09% | 142.74% | 145.63% | 234.39% |

* - This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Changes in Net OPEB Liability and Related Ratios

*Last Ten Fiscal Years**

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------------|----------------------------|
| Total OPEB liability | | |
| Service cost | \$ 183,694 | \$ 176,629 |
| Interest on net OPEB liability and service cost | 198,763 | 187,567 |
| Differences between actual and expected experience | - | - |
| Changes of assumptions | - | - |
| Benefit payments, including refunds | <u>(87,695)</u> | <u>(84,292)</u> |
| Net change in total OPEB liability | 294,762 | 279,904 |
| Total OPEB liability - beginning | <u>5,019,667</u> | <u>4,739,763</u> |
| Total OPEB liability - ending (a) | <u>\$ 5,314,429</u> | <u>\$ 5,019,667</u> |
| OPEB fiduciary net position | | |
| Benefit payments, including refunds | \$ (87,695) | \$ (84,292) |
| Trust administrative expenses | - | - |
| Contributions - employer | 167,695 | 164,292 |
| Contribution - Active employees | - | - |
| Net investment income | <u>13,455</u> | <u>1,170</u> |
| Net change in plan fiduciary net position | 93,455 | 81,170 |
| Plan fiduciary net position - beginning | <u>81,170</u> | <u>-</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 174,625</u> | <u>\$ 81,170</u> |
| Plan's net pension liability - ending (a) - (b) | <u>\$ 5,139,804</u> | <u>\$ 4,938,497</u> |
| End of year funding percentage | 3.29% | 1.62% |
| Covered payroll | \$ 2,248,514 | \$ 2,063,078 |
| Net pension liability divided by covered payroll | 228.59% | 239.38% |

• - This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of OPEB Contributions

*Last Ten Fiscal Years**

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ 243,078 | \$ 349,592 | \$ 331,828 | \$ 326,093 | \$ 433,223 |
| Contributions in relation to the actuarially determined contribution | 147,514 | 151,194 | 174,751 | 182,449 | 175,054 |
| Contribution deficiency (excess) | \$ 95,564 | \$ 198,398 | \$ 157,077 | \$ 143,644 | \$ 258,169 |
| Covered payroll | \$ 2,768,635 | \$ 2,581,010 | \$ 2,529,836 | \$ 2,345,125 | \$ 2,286,296 |
| Contributions as a percentage of covered payroll | 5.33% | 5.86% | 6.91% | 7.78% | 7.66% |
| | | | | | |
| | | <u>June 30, 2019</u> | <u>June 30, 2018</u> | | |
| Actuarially determined contribution | | \$ 469,288 | \$ 450,263 | | |
| Contributions in relation to the actuarially determined contribution | | 167,695 | 164,292 | | |
| Contribution deficiency (excess) | | \$ 301,593 | \$ 285,971 | | |
| Covered payroll | | \$ 2,248,514 | \$ 2,063,078 | | |
| Contributions as a percentage of covered payroll | | 7.46% | 7.96% | | |

*- This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

KENT COUNTY WATER AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of OPEB Money-Weighted Rate of Return

*Last Ten Fiscal Years**

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 14.10% | 10.63% | -15.98% | 30.27% | 3.48% |

| | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 11.10% | 2.93% |

*- This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary funds of the Kent County Water Authority (the "Authority"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 17, 2024.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Hague, Sahady & Co., CPAs, P.C.

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

Fall River, Massachusetts
October 17, 2024

Appendix F
Restricted Accounts

Kent County Water Authority
The Bank of New York Mellon Account Reconciliation

6/30/24

| Account Name | Account No. | Beginning Balance | Interest Earned | Reimburse Rev / Acct Xfers | Transfer from WT Dep Acct | Transfer To Checking Acct | Jun Monthly Waterfall Xfer | Ending Balance |
|--------------------------------------|-------------|------------------------|--------------------|----------------------------|---------------------------|---------------------------|----------------------------|------------------------|
| KCWA 2022B Debt Service Fund (EBF) | 112326 | \$96,783.03 | \$369.39 | | | | \$12,083.33 | \$109,235.75 |
| KCWA 2022B Debt Svc Reserve Fund | 112328 | \$152,925.90 | \$640.37 | | | | | \$153,566.27 |
| KCWA Capital Projects Acct | 112541 | \$3,170,644.41 | \$13,789.51 | (\$144,972.08) | (\$1,296,408.95) | | \$175,755.75 | \$1,918,808.64 |
| KCWA Infrastructure Replacement Acct | 112542 | \$6,384,539.76 | \$25,582.61 | (\$2,553,507.47) | | | \$1,000,000.00 | \$4,856,614.90 |
| KCWA Revenue Fund | 112549 | \$310,524.80 | \$2,639.21 | \$2,198,479.55 | (\$700,000.00) | | (\$911,422.41) | \$900,221.15 |
| KCWA O&M Fund | 112551 | \$0.00 | | | | | | \$0.00 |
| KCWA Capital Equip Acct | 112552 | \$108,528.01 | \$429.68 | | | | \$8,333.33 | \$117,291.02 |
| KCWA 2022A Debt Service Fund (SDW) | 112553 | \$986,700.24 | \$3,789.52 | | | | \$115,250.00 | \$1,105,739.76 |
| KCWA O&M Reserve Fund | 112554 | \$3,099,980.22 | \$12,684.03 | | | | \$100,000.00 | \$3,212,664.25 |
| KCWA R&R Reserve Fund | 112590 | \$170,748.31 | \$715.01 | | | | | \$171,463.32 |
| KCWA Operating Rev Allowance Acct | 112591 | \$1,744,522.37 | \$7,305.13 | | | | | \$1,751,827.50 |
| KCWA 2022A Debt Svc Reserve Fund | 112597 | \$1,268,303.77 | \$5,310.98 | | | | | \$1,273,614.75 |
| Totals | | \$17,494,200.82 | \$73,255.44 | (\$500,000.00) | \$0.00 | (\$1,996,408.95) | \$500,000.00 | \$15,571,047.31 |

| | | Rhode Island Infrastructure Bank | | |
|-------------------------------------|---------|----------------------------------|---------------|--------------------|
| Safe Drinking Water 2022A Bond | KCWA-DW | \$33,120.25 | | \$33,120.25 |
| Efficient Buildings Fund 2022B Bond | KCWA-EB | \$36,971.06 | | \$36,971.06 |
| Totals | | \$70,091.31 | \$0.00 | \$70,091.31 |

Kent County Water Authority

The Bank of New York Mellon Account Reconciliation

12/31/24

| Account Name | Account No. | Beginning Balance | Interest Earned | Reimburse Rev/ Acct Xfers | Transfer from WT Dep Acct | Transfer To Checking Acct | Dec Monthly Waterfall Xfer | Ending Balance |
|--------------------------------------|-------------|-----------------------|--------------------|---------------------------|---------------------------|---------------------------|----------------------------|-----------------------|
| KCWA 2022B Debt Service Fund (EBF) | 112326 | \$43,922.46 | \$119.72 | | | | \$12,083.33 | \$56,125.51 |
| KCWA 2022B Debt Svc Reserve Fund | 112328 | \$156,679.70 | \$554.47 | | | | | \$157,234.17 |
| KCWA Capital Projects Acct | 112541 | \$390,731.66 | \$1,747.09 | (\$39,687.48) | | | \$212,672.42 | \$505,463.69 |
| KCWA Infrastructure Replacement Acct | 112542 | \$1,599,783.13 | \$6,333.98 | (\$569,014.88) | | | \$500,000.00 | \$1,537,102.23 |
| KCWA Revenue Fund | 112549 | \$21,485.98 | \$240.85 | \$608,702.36 | \$225,000.00 | | (\$836,422.41) | \$19,006.78 |
| KCWA O&M Fund | 112551 | \$0.00 | | | | | | \$0.00 |
| KCWA Capital Equip Acct | 112552 | \$20,936.76 | \$233.89 | | | | \$8,333.33 | \$29,503.98 |
| KCWA 2022A Debt Service Fund (SDW) | 112553 | \$501,662.82 | \$1,543.85 | | | | \$78,333.33 | \$581,540.00 |
| KCWA O&M Reserve Fund | 112554 | \$3,528,786.97 | \$12,340.13 | | | | \$25,000.00 | \$3,566,127.10 |
| KCWA R&R Reserve Fund | 112590 | \$174,939.53 | \$619.08 | | | | | \$175,558.61 |
| KCWA Operating Rev Allowance Acct | 112591 | \$1,787,343.90 | \$6,325.15 | | | | | \$1,793,669.05 |
| KCWA 2022A Debt Svc Reserve Fund | 112597 | \$1,299,435.89 | \$4,598.53 | | | | | \$1,304,034.42 |
| Totals | | \$9,465,708.80 | \$34,656.74 | \$0.00 | \$225,000.00 | \$0.00 | (\$0.00) | \$9,725,365.54 |

Appendix G
Preliminary Expenditures

**KENT COUNTY WATER AUTHORITY
EAST GREENWICH WELL PROJECT**

| | | | | | | | |
|-------|------|-----|----|---------------|-----------|----|------|
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 16,803.30 | 02 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 34,400.92 | 03 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 24,152.52 | 04 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 7,763.31 | 05 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 6,109.32 | 06 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 7,515.33 | 06 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 4,484.40 | 08 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 8,401.29 | 09 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 2,261.61 | 10 | 2020 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 2,261.61 | 03 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 9,800.31 | 04 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 6,784.83 | 05 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 9,046.44 | 06 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 9,046.44 | 06 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 8,292.57 | 07 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 3,015.48 | 08 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 6,784.83 | 09 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 13,611.73 | 10 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 12,815.79 | 11 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 15,077.40 | 12 | 2021 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 16,606.20 | 01 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 6,030.96 | 02 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 11,165.88 | 04 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 4,523.22 | 05 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 3,015.48 | 05 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 9,046.44 | 06 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 11,663.55 | 07 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 4,665.42 | 08 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 5,442.99 | 09 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 3,110.28 | 10 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 2,721.50 | 11 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 9,330.84 | 12 | 2022 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 13,607.47 | 01 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 7,775.70 | 02 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 12,817.46 | 03 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 9,486.31 | 04 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 4,485.00 | 05 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 7,970.14 | 06 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 3,207.50 | 07 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 10,002.95 | 09 | 2023 |

| | | | | | | | |
|-------|------|-----|----|---------------|-----------|----|------|
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 11,884.66 | 09 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 5,810.08 | 10 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 10,956.10 | 11 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 8,958.16 | 12 | 2023 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 2,531.72 | 01 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 7,658.07 | 02 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 6,371.86 | 03 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 1,588.00 | 04 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 10,304.00 | 05 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 4,958.00 | 06 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 2,976.00 | 07 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 7,140.00 | 08 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 12,492.00 | 09 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 12,692.00 | 10 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 26,778.00 | 11 | 2024 |
| 11070 | 0873 | 299 | VR | PARE ENGI 299 | 49,394.85 | 12 | 2024 |

Total as of 1/9/2025

547,598.22

Appendix H

Conceptual design site layout and interior plant configuration

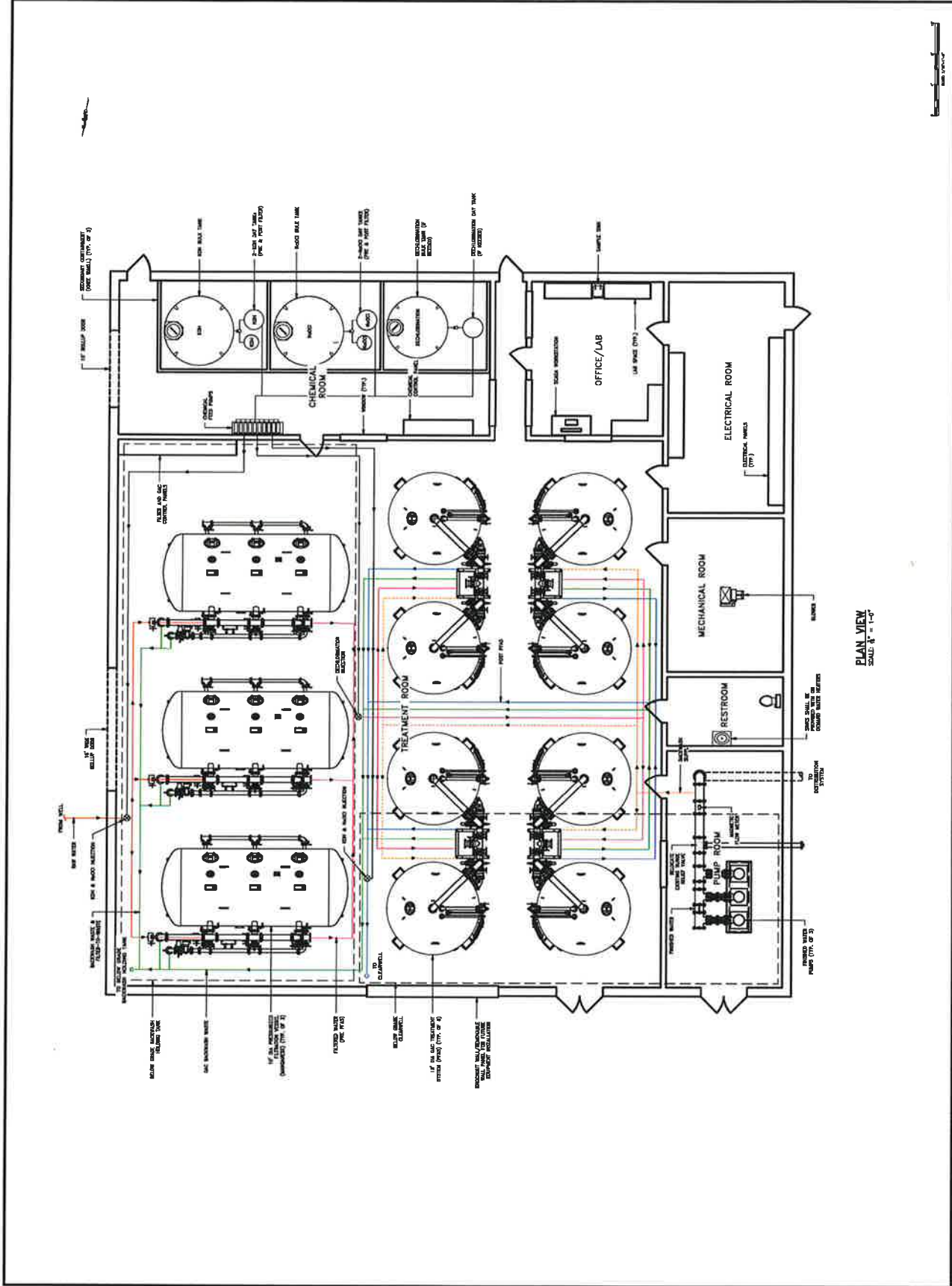


FULL ALIGNMENT LOCATED
 FOR THE PROPOSED
 EAST GREENWICH WELL TREATMENT FACILITY

East Greenwich Well Treatment Facility

| | |
|---|----------------|
| PROJECT NO. | 171821 |
| DATE | SEPTEMBER 2004 |
| DESIGNED BY | AS NOTED |
| CHECKED BY | SPS |
| DRAWN BY | AK |
| APPROVED BY | TT |
| DATE APPROVED | 11/15/04 |
| COMBINED PLANT CONCEPTUAL LAYOUT PLAN | |

DRAWING NO.
CONCEPT-2
 SHEET NO. 3 OF 2



PLAN VIEW
 SCALE: 8" = 1'-0"



Appendix I
Testing results for the six regulated PFAS chemicals

June 2023 PFAS Sampling Results vs. EPA and RI Standards

| PFAS Compounds | EPA Standard | RI State MCL (ppt) | East Greenwich Well | | |
|---------------------------|---|--------------------|---------------------|--------------------------|---------------------|
| | | | PWS Result | PWS Meets EPA Standards | PWS Meets State MCL |
| | | | | Regulated PFAS Compounds | |
| PFOA | 4 ppt | 20 | 8.96 | NO | YES |
| PFOS | 4 ppt | 20 | 2.22 | YES | YES |
| PFNA | 10 ppt / Included in Hazard Index Calculation | 20 | < 1.00 | YES | YES |
| PFHxS | 10 ppt / Included in Hazard Index Calculation | 20 | 2.1 | YES | YES |
| PFHpA | No EPA Standard | 20 | 4.08 | N/A | YES |
| PFDA | No EPA Standard | 20 | < 1.00 | N/A | YES |
| PFBS | Included in Hazard Index Calculation | N/A | 1.88 | N/A | N/A |
| Gen X Chemicals (HFPO-DA) | 10 ppt / Included in Hazard Index Calculation | N/A | < 4.00 | YES | N/A |
| Hazard Index | 1 | N/A | 0.21 | YES | N/A |
| PFAS6 | No EPA Standard | 20 | 17.4 | N/A | YES |

June 2024 PFAS Sampling Results vs. EPA and RI Standards

| PFAS Compounds | EPA Standard | RI State MCL (ppt) | East Greenwich Well | | |
|---------------------------|---|--------------------|---------------------|--------------------------|---------------------|
| | | | PWS Result | PWS Meets EPA Standards | PWS Meets State MCL |
| | | | | Regulated PFAS Compounds | |
| PFOA | 4 ppt | 20 | 6.02 | NO | YES |
| PFOS | 4 ppt | 20 | 2.05 | YES | YES |
| PFNA | 10 ppt / Included in Hazard Index Calculation | 20 | < 0.84 | YES | YES |
| PFHxS | 10 ppt / Included in Hazard Index Calculation | 20 | 1.88 | YES | YES |
| PFHpA | No EPA Standard | 20 | 2.19 | N/A | YES |
| PFDA | No EPA Standard | 20 | < 0.84 | N/A | YES |
| PFBS | Included in Hazard Index Calculation | N/A | 3.06 | N/A | N/A |
| Gen X Chemicals (HFPO-DA) | 10 ppt / Included in Hazard Index Calculation | N/A | < 0.84 | YES | N/A |
| Hazard Index | 1 | N/A | 0.19 | | |
| PFAS6 | No EPA Standard | 20 | 12.1 | N/A | YES |

