

**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

Table of Contents

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	11
Proprietary Funds	11
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	13
Statement of Cash Flows	15
Fiduciary Funds	17
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to the Financial Statements	19
Required Supplementary Information (Unaudited).....	42
Schedule of Changes in Net Position Liability (Asset) and Related Ratios	42
Schedule of Employer Contributions.....	45
Schedule of Investment Returns	46
Schedule of Changes in Net OPEB Liability and Related Ratios	47
Schedule of OPEB Contributions	49
Schedule of OPEB Money-Weighted Rate of Return.....	50
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	51

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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

	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

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>FY 2024</u>	<u>FY 2023</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

ASSETS		2024	2023
<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>		5,429,374	6,526,557
<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>		14,957,186	31,320,251
<i>Capital assets</i>			
Depreciable, net		159,995,791	163,394,236
Nondepreciable		50,226,769	24,987,485
<i>Total capital assets</i>		210,222,560	188,381,721
<i>Total assets</i>		230,609,120	226,228,529
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>		767,248	1,102,693

KENT COUNTY WATER AUTHORITY

Statement of Net Position

June 30, 2024

With Comparative Totals at June 30, 2023

LIABILITIES		
	2024	2023
<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>	8,076,537	6,268,960
<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>	21,569,220	24,100,624
<i>Total liabilities</i>	29,645,757	30,369,584
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>	3,097,512	1,928,888
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>	\$ 198,633,099	\$ 195,032,750

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	<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>

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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*

	2024	2023
<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	(16,897,197)	(15,195,669)
Net cash provided (used) by operating activities	7,568,978	10,264,493
<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	(353,614)	(158,991)
Net cash used by capital and related financing activities	(25,850,207)	(15,355,541)
<i>Cash flows from investing activities</i>		
Interest and dividends received	1,034,854	540,446
Net cash provided by investing activities	1,034,854	540,446
<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>	34,612,597	39,163,199
<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	635,513	282,626
Total cash and cash equivalents, per the statement of net position	\$ 17,366,222	\$ 34,612,597

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
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
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)
<i>Net cash provided by operating activities</i>	<u>\$ 7,568,978</u>	<u>\$ 10,264,493</u>

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	514,307	480,936
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:

	Carrying Value of Deposits
Business-Type Activities	\$ 17,365,922
Petty Cash	300
Total Carrying Value	\$ 17,366,222

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 prices 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).

Investments:	June 30, 2024	Quoted Price in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
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	<u>\$ 188,381,721</u>	<u>\$ 21,840,839</u>	<u>\$ -</u>	<u>\$ 210,222,560</u>

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

Operating expenses:	<u>\$ 4,023,834</u>
Total depreciation expense:	<u>\$ 4,023,834</u>

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	1,720,913	-	108,000	1,612,913	110,000
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:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2024</u>	<u>Amounts due within one year</u>
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:

Kent County Water Authority June 30, 2024 Classifications of Net Position	
	2024
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>
Authoritys' net pension liability	<u>\$ 1,707,994</u>

Plan fiduciary net position as a percentage of the total pension liability	81.94%
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Changes in Net Pension Liability (Asset)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability</u>
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	-	-	-
Net changes	<u>459,997</u>	<u>575,588</u>	<u>(115,591)</u>
Balances at June 30, 2024	<u>\$ 9,459,795</u>	<u>\$ 7,751,801</u>	<u>\$ 1,707,994</u>

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	10%	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:

<u>Fund</u>	<u>Concentration</u>
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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
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	<u>\$ 767,248</u>	<u>\$ (345,069)</u>

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	<u>\$ 422,179</u>

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:

	Inactive or		
	Beneficiaries		
	Active	Receiving	
Description	Employees	Benefits	Total
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:

Description	Assumption
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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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	100%	

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	<u>\$ 2,944,793</u>	<u>\$ 734,508</u>	<u>\$ 2,210,285</u>

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 (4.46%)	Current discount rate (5.46%)	1% Increase (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 rate	1% Increase
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 Outflows	Deferred Inflows
Liability experience	\$ -	\$ (2,094,050)
Assumption change	-	(641,116)
Investment experience	-	(17,277)
Total	<u>\$ -</u>	<u>\$ (2,752,443)</u>

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	<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 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	<u>67,514</u>	<u>71,194</u>	<u>446,793</u>	<u>409,742</u>	<u>514,307</u>	<u>480,936</u>
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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
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	<u>7,176,213</u>	<u>7,176,213</u>	<u>6,693,888</u>	<u>7,940,041</u>	<u>6,502,010</u>
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	<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)	<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**

	<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>
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	<u>(67,514)</u>	<u>(71,194)</u>	<u>(94,751)</u>	<u>(102,449)</u>	<u>(95,054)</u>
Net change in total OPEB liability	<u>(1,342,839)</u>	<u>238,667</u>	<u>200,269</u>	<u>(1,772,274)</u>	<u>306,541</u>
Total OPEB liability - beginning	<u>4,287,632</u>	<u>4,048,965</u>	<u>3,848,696</u>	<u>5,620,970</u>	<u>5,314,429</u>
Total OPEB liability - ending (a)	<u><u>\$ 2,944,793</u></u>	<u><u>\$ 4,287,632</u></u>	<u><u>\$ 4,048,965</u></u>	<u><u>\$ 3,848,696</u></u>	<u><u>\$ 5,620,970</u></u>
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	<u>85,828</u>	<u>50,813</u>	<u>(75,670)</u>	<u>91,438</u>	<u>7,474</u>
Net change in plan fiduciary net position	<u>165,828</u>	<u>130,813</u>	<u>4,330</u>	<u>171,438</u>	<u>87,474</u>
Plan fiduciary net position - beginning	<u>568,680</u>	<u>437,867</u>	<u>433,537</u>	<u>262,099</u>	<u>174,625</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 734,508</u></u>	<u><u>\$ 568,680</u></u>	<u><u>\$ 437,867</u></u>	<u><u>\$ 433,537</u></u>	<u><u>\$ 262,099</u></u>
Plan's net pension liability - ending (a) - (b)	<u><u>\$ 2,210,285</u></u>	<u><u>\$ 3,718,952</u></u>	<u><u>\$ 3,611,098</u></u>	<u><u>\$ 3,415,159</u></u>	<u><u>\$ 5,358,871</u></u>
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><u>\$ 5,314,429</u></u>	<u><u>\$ 5,019,667</u></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><u>\$ 174,625</u></u>	<u><u>\$ 81,170</u></u>
Plan's net pension liability - ending (a) - (b)	<u><u>\$ 5,139,804</u></u>	<u><u>\$ 4,938,497</u></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	<u>147,514</u>	<u>151,194</u>	<u>174,751</u>	<u>182,449</u>	<u>175,054</u>
Contribution deficiency (excess)	<u>\$ 95,564</u>	<u>\$ 198,398</u>	<u>\$ 157,077</u>	<u>\$ 143,644</u>	<u>\$ 258,169</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	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	<u>167,695</u>	<u>164,292</u>
Contribution deficiency (excess)	<u>\$ 301,593</u>	<u>\$ 285,971</u>
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.

CERTIFIED PUBLIC ACCOUNTANTS

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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