

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

ANNUAL FINANCIAL STATEMENTS

*YEARS ENDED JUNE 30, 2021 AND 2020*



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Kent County Water Authority

ANNUAL FINANCIAL STATEMENTS

*June 30, 2021 and 2020*

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*Independent Auditor's Report*

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Kent County Water Authority ("the Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority, as of June 30, 2021, 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.

## **Other Matters**

### *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's aggregate remaining fund information. 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, 2020, from which such partial information was derived.

### *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, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2021 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., CPA's, P.C.

Fall River, Massachusetts  
August 30, 2021

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# **KENT COUNTY WATER AUTHORITY**

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

**Years Ended June 30, 2021 and 2020**

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, 2021 and 2020. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

The Kent County Water Authority ("the Authority") is a public benefit corporation created pursuant to existing under Chapter 1740 of the Public Laws of 1946, at Chapter 16 of Title 39 of the Rhode Island General Laws (1956), as amended, and is subject to the supervisory and regulatory powers of the State Public Utilities Commission (PUC).

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

### **FINANCIAL STATEMENTS**

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

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

# KENT COUNTY WATER AUTHORITY

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

Years Ended June 30, 2021 and 2020

### 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 \$7.7 million in fiscal year 2021 compared to \$9 million increase in fiscal year 2020, the difference in increase between years is mainly due to depreciation, the payoff of debt notes and other operating results.
- Total assets and deferred outflow of resources were \$194 million in fiscal year 2021 compared to \$201 million in 2020, which exceeded total liabilities and deferred inflow of resources by \$185 million in fiscal year 2021 and \$177 million in fiscal year 2020.
- The Authority's debt to equity ratio was 3.00% and 9.65 % at June 30, 2021 and 2020, respectively, indicating the continuance of capacity to issue additional debt.

### FINANCIAL ANALYSIS

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

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



# KENT COUNTY WATER AUTHORITY

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

Years Ended June 30, 2021 and 2020

### Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>
Current assets	\$ 8,077,819	\$ 7,947,492
Other noncurrent assets	16,049,692	28,689,588
Capital assets, net	170,084,008	163,823,311
Total assets	<u>194,211,519</u>	<u>200,460,391</u>
Deferred outflows of resources		
Deferred outflows of resources related to pension	601,762	810,829
Deferred outflows of resources related to OPEB	-	2,132
Total deferred outflows of resources	<u>601,762</u>	<u>812,961</u>
Current liabilities	2,681,842	6,463,417
Noncurrent liabilities	3,740,033	16,618,842
Total liabilities	<u>6,421,875</u>	<u>23,082,259</u>
Deferred inflows of resources		
Deferred inflows of resources related to pension	1,209,196	465,915
Deferred inflows of resources related to OPEB	1,924,107	-
Gain on refunding	255,477	491,300
Total deferred inflows of resources	<u>3,388,780</u>	<u>957,215</u>
Net position:		
Net investment in capital assets	170,084,008	163,823,311
Restricted for debt service	-	3,154,000
Restricted for infrastructure replacement	282,626	282,626
Unrestricted net position	<u>14,635,992</u>	<u>9,973,941</u>
Total net position	<u>\$ 185,002,626</u>	<u>\$ 177,233,878</u>

The table above reflects an increase in current assets of \$130,327 from FY 2021 to FY 2020. This increase reflects a decrease in accounts receivable and increase in cash. There is also a significant increase in capital assets (net) of \$6,260,697 from FY 2020 to FY 2021. This increase is the result of the Authority capitalizing completed construction in progress and other project and implementing and capitalizing the meter changeout program.

The largest portion of the Authority's net position, 91.94%, reflects its net investment in capital assets. The Authority uses these capital assets to provide water treatment and collection services to its customers. Consequently, only the unrestricted net assets are available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In FY21, the Authority's net position totaled \$185 million, an increase of \$7.76 million or 4.38% from the previous year. Total assets in FY21 were \$194 million, a decrease of \$6.2 million or 3.12% from the previous year. Total liabilities decreased by \$16.6 million or 72.18%, mainly due to pay off of revenue bonds.

# KENT COUNTY WATER AUTHORITY

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

Years Ended June 30, 2021 and 2020

### CHANGES IN NET POSITION

The Authority ended FY 2021 with an increase in net position of \$7,768,748. The Authority has included a Condensed Statement of Revenues, Expenses and Changes in Net Position as follows.

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

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water	\$ 21,283,372	\$ 20,571,461
Hydrant fees	1,482,161	1,805,483
Other	192,320	294,372
Total operating revenue	<u>22,957,853</u>	<u>22,671,316</u>
Operating expenses:		
Source of supply	5,233,615	4,263,130
Pumping	1,052,151	890,596
Transmission and distribution	1,086,164	1,028,279
Water treatment	540,106	613,052
Customer accounts	463,934	508,821
Administrative and general	3,053,992	3,262,138
Depreciation	3,431,784	3,109,197
Taxes other than income	216,956	208,755
Total operating expenses	<u>15,078,702</u>	<u>13,883,968</u>
Operating income	<u>7,879,151</u>	<u>8,787,348</u>
Nonoperating income (expense):		
Capital contributions	96,464	3,999
Loss on defeasance	(349,040)	-
Interest income	4,921	449,517
Interest expense	137,252	(257,090)
Net non-operating income (expense)	<u>(110,403)</u>	<u>196,426</u>
Increase in net position	7,768,748	8,983,774
Net position at beginning of year	<u>177,233,878</u>	<u>168,250,104</u>
Net position at end of year	<u>\$ 185,002,626</u>	<u>\$ 177,233,878</u>

# KENT COUNTY WATER AUTHORITY

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

Years Ended June 30, 2021 and 2020

### REVENUES

Water user fees are the Authority's primary source of revenue, representing approximately 92.7% of total operating revenues. Fiscal Year 2021 water user fee revenue was \$21,283,372 which is \$711,911 more than the prior year. Other operating revenue decreased by \$102,052.

The operating income for FY21 totaled \$7.8 million, representing a decrease of 10.34% from the previous year, which is mainly due to the increase in delinquent and shut off accounts due to COVID-19.

### EXPENSES

Total operating expenses in FY 2021 increased by \$1.1 million over the prior year. The increase was mainly due to the increase of transmission and distribution expense, supply source fees and pumping expenses.

Net nonoperating expense of \$110,403 is primarily related the loss on defeasance in the amount of \$349,040.

### Capital Assets and Debt Administration

#### CAPITAL ASSETS

At the end of FY 2021, the Authority had \$170 million invested in capital assets. This amount represents an increase of \$6.2 million, or 3.82% over last year. The following table summarizes the Authority's capital assets and changes therein, for the years ended June 30, 2021 and June 30, 2020.

	<u>FY 2021</u>	<u>FY 2020</u>
<b>Capital assets</b>		
Land	\$ 1,836,045	\$ 1,836,045
Construction in progress	11,547,709	8,737,157
Buildings and improvements	15,522,581	15,513,181
Infrastructure	167,756,794	163,848,792
Machinery and equipment	5,545,569	2,796,002
Vehicles	863,558	790,416
<b>Total capital assets</b>	<u>203,072,256</u>	<u>193,521,593</u>
Less accumulated depreciation	<u>32,988,248</u>	<u>29,698,282</u>
<b>Capital assets, net</b>	<u>\$ 170,084,008</u>	<u>\$ 163,823,311</u>

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

# KENT COUNTY WATER AUTHORITY

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

Years Ended June 30, 2021 and 2020

### LONG-TERM DEBT

During FY21, the Authority paid approximately \$8.9 million in principal on outstanding issuances and \$303 thousand of interest on outstanding issuances. The Authority completed payment on both outstanding debt issuances. The Series A 2012 Bonds payoff of \$4.5 million is being kept in escrow until FY2022.

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 FY2021. During the fiscal year of FY2021, Kent County Water Authority (KCWA) staffed 100% of the workforce in the office and in the field. KCWA maintained standard operations during these challenging times to ensure the continued delivery of safe drinking water to our customers.

KCWA participated in the RI Public Utility Commission's directive to halt the shut-off of services for non-payment throughout most of FY2021. The mailing of shut-off notices resumed in May as well as the actual shutting off services for non-payment in June. The resumption of our shut-off procedures as well as the continued offering of payment plans to all customers experiencing difficulty paying their water bills has been a vital and successful tool in encouraging customers to stay current with their bills. KCWA continues to pay close attention to the financial impact of COVID-19 on billings, cash collections and receivables.

When preparing the FY2022 Annual budget, historical data as well as anticipated expenditures were used as contributing factors. Budgeted revenues are estimated to decrease 8% from actual revenues from FY2021 based upon the Public Utility Commission revenue requirement. Budgeted expenditures for FY2022 are estimated to increase about 16% as compared to actual expenses from FY2021.

#### *Abbreviated Rate Filing (PUC Docket 5012)*

KCWA filed an abbreviated rate filing for a rate reduction in an application submitted January 31, 2020 to the Rhode Island Public Utilities Commission (PUC) Docket 5012. A Settlement Agreement was executed between the Kent County Water Authority and the Division of Public Utilities and Carriers (collectively, the Parties) resolving the issues in the docket. The PUC approved the settlement agreement on September 1, 2020. The primary issues addressed were to reduce the rates by termination of restricted meter replacement funding, absorption of pass-through wholesale rate increase (Step 1 of 3) from Providence Water Supply Board (PWSB), include large meter right-sizing program survey and replacement, establish a new wholesale rate for water sent to supply Quonset Development Corporation, reduce fire subsidy to align public and private fire service into closer alignment, and pay off and/or defease all existing long term debt obligations. There were no intervenors in this docket. The Parties agreed that KCWA will reduce operating revenue in the amount of \$2,310,427 to support total operating revenue in the amount of \$21,634,379.

The effective date of the new rates was September 1, 2020. The bill impact for an average residential customer using 10,000 cubic feet of water per year is a decrease of \$93.86 per year from \$677.74 to \$583.88, or -13.8%.

#### *Monthly Billing on all Customers (PUC Docket 5133)*

On March 3, 2021, The Kent County Water Authority (KCWA) filed a Tariff Advice and Petition for Relief filing (Docket No. 5133) to the Public Utilities Commission (PUC). During these proceedings, KCWA entered into a settlement agreement with the Division of Public Utilities and Carriers (DPUC) requesting authorization for a revised tariff for

# **KENT COUNTY WATER AUTHORITY**

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

Years Ended June 30, 2021 and 2020

### **ECONOMIC FACTORS (Continued)**

monthly billing for all remaining customers with meters sized 2-inches and less and to adjust charge methodology for all private fire protection appliances owned and maintained by the customer based upon the service size of the connection to the property. The parties agreed that KCWA will implement one tariff change effective July 1, 2021 and that remaining customers with meters sized 2-inches and less will see the transition of their bills from quarterly to monthly in either their August 2021, September 2021, or October 2021 bill based on their respective reading cycle. The PUC unanimously approved the settlement agreement between DPUC and KCWA on June 29, 2021.

#### *Change in Rate- PWSB Pass through (PUC Docket 5161)*

Providence Water Supply Board ("PWSB") filed a multiyear step increase to its rates on December 2, 2019, which was approved by the RI Public Utilities Commission ("PUC") in Docket No.4994. Kent County Water Authority ("KCWA") purchases water at a wholesale rate from PWSB. Pursuant to Rhode Island General Laws ("RIGL"), § 39-3-38.1, KCWA may impose a retail rate adjustment as long as the PUC has approved the wholesale rate increase. KCWA must pass through wholesale rate costs to cover the increased expenses from PWSB. Pursuant to RIGL and the Rules of Practice and Procedure of the Rhode Island Public Utilities Commission, KCWA gave notice of a change in rates as a result of increase wholesale water charges by PWSB.

PWSB's first approved step increase of wholesale water costs was 16.34% effective September 1, 2020. This cost did not affect KCWA customers as it was absorbed as part of a settlement agreement under PUC Docket No. 5012 that decreased rates to KCWA customers.

PWSB's second step increase for wholesale water costs of was slated to be 4.02%, effective July 1, 2021. In an open meeting on June 29, 2021, the PUC ruled to further reduce revenue requirements to meet PWSB expenses on this step. This reduced the wholesale rate increase to 2.82%. This ruling will increase retail customers rates by 0.83%. The average retail customer that uses 2000 cubic feet (15,000 gallons) will see a yearly billing increase of \$0.87 over the current rates for the same amount of water consumed. The KCWA wholesale rate to Quonset Development Corporation is increasing by 0.83%.

### **REQUESTS FOR INFORMATION**

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

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# KENT COUNTY WATER AUTHORITY

## Statement of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b><i>Current assets</i></b>		
Cash and cash equivalents	\$ 4,511,497	\$ 431,935
Accounts receivable, less allowance of \$91,533 in 2021 and \$156,883 in 2020	1,630,865	2,821,445
Unbilled water revenue	1,523,565	1,154,827
Materials and supplies inventory	411,892	385,285
Restricted cash and cash equivalents held by trustee for current portion of long-term debt	-	3,154,000
<b><i>Total current assets</i></b>	<u>8,077,819</u>	<u>7,947,492</u>
<b><i>Noncurrent assets</i></b>		
Restricted cash and cash equivalents held by trustee	15,767,066	28,406,962
Restricted cash and cash equivalents held by trust - Infrastructure replacement	282,626	282,626
<b><i>Total noncurrent assets</i></b>	<u>16,049,692</u>	<u>28,689,588</u>
<b><i>Capital assets</i></b>		
Depreciable, net	156,700,254	153,250,109
Nondepreciable	13,383,754	10,573,202
<b><i>Total capital assets</i></b>	<u>170,084,008</u>	<u>163,823,311</u>
<b><i>Total assets</i></b>	<u>194,211,519</u>	<u>200,460,391</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
<b><i>Deferred outflows of resources</i></b>		
Deferred outflows of resources related to OPEB	-	2,132
Deferred outflows of resources related to pension	601,762	810,829
<b><i>Total deferred outflows of resources</i></b>	<u>601,762</u>	<u>812,961</u>

The accompany notes are an integral part of the financial statements

# KENT COUNTY WATER AUTHORITY

## Statement of Net Position

June 30, 2021 and 2020

### LIABILITIES

	<u>2021</u>	<u>2020</u>
<b><i>Current liabilities</i></b>		
Accounts payable	2,456,142	2,383,814
Accrued interest expense	-	212,236
Accrued liabilities	233,446	300,113
Long-term debt due within one year	(7,746)	3,567,254
<b><i>Total current liabilities</i></b>	<u>2,681,842</u>	<u>6,463,417</u>
<b><i>Noncurrent liabilities</i></b>		
Long-term debt, net	(646)	9,846,608
Net pension liability	325,520	1,413,363
Net OPEB liability	3,415,159	5,358,871
<b><i>Total noncurrent liabilities</i></b>	<u>3,740,033</u>	<u>16,618,842</u>
<b><i>Total liabilities</i></b>	<u>6,421,875</u>	<u>23,082,259</u>

### DEFERRED INFLOWS OF RESOURCES

<b><i>Deferred inflows of resources</i></b>		
Deferred inflows of resources related to pension	1,209,196	465,915
Deferred inflows of resources related to OPEB	1,924,107	-
Gain on refunding	255,477	491,300
<b><i>Total deferred inflows of resources</i></b>	<u>3,388,780</u>	<u>957,215</u>

### NET POSITION

<b><i>Net position</i></b>		
Net investment in capital assets	170,084,008	163,823,311
Restricted for debt service	-	3,154,000
Restricted for infrastructure replacement	282,626	282,626
Unrestricted net position	14,635,992	9,973,941
<b><i>Total net position</i></b>	<u>\$ 185,002,626</u>	<u>\$ 177,233,878</u>



# KENT COUNTY WATER AUTHORITY

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

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><i>Operating revenues</i></b>		
Water	\$ 21,283,372	\$ 20,571,461
Hydrant fees	1,482,161	1,805,483
Other	192,320	294,372
<b><i>Total operating revenue</i></b>	<u>22,957,853</u>	<u>22,671,316</u>
<b><i>Operating expenses</i></b>		
Source of supply	5,233,615	4,263,130
Pumping	1,052,151	890,596
Transmission and distribution	1,086,164	1,028,279
Water treatment	540,106	613,052
Customer accounts	463,934	508,821
Administrative and general	3,053,992	3,262,138
Depreciation	3,431,784	3,109,197
Taxes other than income	216,956	208,755
<b><i>Total operating expenses</i></b>	<u>15,078,702</u>	<u>13,883,968</u>
<b><i>Operating income</i></b>	<u>7,879,151</u>	<u>8,787,348</u>
<b><i>Nonoperating income (expense)</i></b>		
Capital contributions	96,464	3,999
Loss on defeasance	(349,040)	-
Interest income	4,921	449,517
Interest expense	137,252	(257,090)
<b><i>Net non-operating income (expense)</i></b>	<u>(110,403)</u>	<u>196,426</u>
<b><i>Increase in net position</i></b>	7,768,748	8,983,774
<b><i>Net position at beginning of year</i></b>	<u>177,233,878</u>	<u>168,250,104</u>
<b><i>Net position at end of year</i></b>	<u>\$ 185,002,626</u>	<u>\$ 177,233,878</u>

The accompany notes are an integral part of the financial statements

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# KENT COUNTY WATER AUTHORITY

## Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 23,779,695	\$ 22,733,118
Payments to employees	(3,076,758)	(1,996,152)
Payments to suppliers and services	(8,744,074)	(7,705,481)
Net cash provided (used) by operating activities	11,958,863	13,031,485
<b>Cash flows from capital and related financial activities</b>		
Capital additions	(9,692,481)	(8,901,182)
Capital contributions	96,464	3,999
Principal paid in debt	(13,658,077)	(3,673,077)
Interest paid on capital related debt	(211,788)	(257,090)
Interest expense	(212,236)	(56,253)
Net cash used by capital and related financing activities	(23,678,118)	(12,883,603)
<b>Cash flows from investing activities</b>		
Interest and dividends received	4,921	447,385
Net cash provided by investing activities	4,921	447,385
<b>Net increase (decrease) in cash and cash equivalents</b>	(11,714,334)	595,267
<b>Cash and cash equivalents, beginning of year</b>	32,275,523	31,680,256
<b>Cash and cash equivalents, end of year</b>	20,561,189	32,275,523
Cash and cash equivalents, per the statement of net position	4,511,497	431,935
Restricted cash and cash equivalents held by trustee		
for current portion of long term debt	-	3,154,000
Restricted cash and cash equivalents held by trustee (Note 3)	15,767,066	28,406,962
Restricted cash and cash equivalents held by trustee-Infrastructure replacement (Note 3)	282,626	282,626
Total cash and cash equivalents, per the statement of net position	\$ 20,561,189	\$ 32,275,523

*the accompany notes are an integral part of the financial statements*

# KENT COUNTY WATER AUTHORITY

## Statement of Cash Flows

Years Ended June 30, 2021 and 2020

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

Operating income	\$ 7,879,151	\$ 8,787,348
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation expense	3,431,784	3,109,197
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	1,190,580	84,927
(Increase) decrease in unbilled water revenue	(368,738)	(23,125)
(Increase) decrease in material, supplies and inventory	(26,607)	10,079
(Increase) decrease in NPL deferred outflows	211,199	(349,755)
Increase (decrease) in accounts payable	72,328	760,835
Increase (decrease) in accrued liabilities	(66,667)	29,535
Increase (decrease) in water quality protection charges payable	-	-
Increase (decrease) in net pension liability (NPL)	(1,087,843)	467,911
Increase (decrease) in net OPEB liability (NOL)	(1,943,712)	219,067
Increase (decrease) in deferred inflows	2,667,388	(64,534)
<b>Net cash provided by operating activities</b>	<u>\$ 11,958,863</u>	<u>\$ 13,031,485</u>

# KENT COUNTY WATER AUTHORITY

## Statement of Fiduciary Net Position

June 30, 2021 and 2020

	<u>OPEB and Pension Trust Fund</u>	
	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Investments, at fair value		
Fixed income	3,254,040	2,642,441
Equities	5,081,779	4,100,700
Real Estate	<u>37,759</u>	<u>20,968</u>
<b>Total assets</b>	<u>8,373,578</u>	<u>6,764,109</u>
<b>LIABILITIES</b>		
None	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Held in trust for other post-employment benefits	433,537	262,099
Restricted for pension	<u>7,940,041</u>	<u>6,502,010</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,373,578</u>	<u>\$ 6,764,109</u>

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

# KENT COUNTY WATER AUTHORITY

## Statement of Changes in Fiduciary Net Position

Years Ended June 30, 2021 and 2020

	<u>OPEB and Pension Trust Fund</u>	
	<u>2021</u>	<u>2020</u>
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer contributions	\$ 463,397	\$ 424,284
<b>Total contributions</b>	<u>463,397</u>	<u>424,284</u>
<b>Investment income</b>		
Net investment income	<u>1,672,874</u>	<u>174,238</u>
<b>Total investment income</b>	<u>1,672,874</u>	<u>174,238</u>
<b>Total additions</b>	<u>2,136,271</u>	<u>598,522</u>
<b>DEDUCTIONS</b>		
Actual and service benefits payments	<u>526,802</u>	<u>475,773</u>
<b>Total deductions</b>	<u>526,802</u>	<u>475,773</u>
<b>Change in net position</b>	1,609,469	122,749
<b>Net Position - Beginning</b>	<u>6,764,109</u>	<u>6,641,360</u>
<b>Net Position - Ending</b>	<u>\$ 8,373,578</u>	<u>\$ 6,764,109</u>

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

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Reporting Entity*

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

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

#### *Fund Financial Statements*

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

The funds of the financial reporting entity are described below:

#### Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The operations of the Authority are accounted for on a Proprietary Fund Type (Enterprise Fund) basis. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other uses. The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority's Proprietary Fund are accounted for on a flow of economic resources management focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. The statement of net position presents information on the Authorities 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, 2021

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

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

##### Fiduciary Fund

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

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

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

##### *Component Units*

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

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

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

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

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

The allowance for doubtful accounts for June 30, 2021 was \$91,533 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, 2021

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

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

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

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

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

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2021 and 2020, there were \$601,762 and \$812,961 in deferred outflows relating to pensions, and \$3,388,780 and \$957,215 deferred inflows related to pension, gains on refunding, and OPEB.

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

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

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

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Summarized Financial Information** - The financial information for the year June 30, 2021, 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, 2021

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

**Recently Issued Accounting Standards** – For the year ending June 30, 2021, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 84, *Fiduciary Activities*. This statement is effective for period beginning after December 15, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The Authority has implemented this Statement, but there was not a financial impact to the financial reporting framework in Fiscal Year 2021.
- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 was effective immediately and postponed the effective dates of certain GASB Statements and Implementation Guides for one year from their respective original effective dates to provide relief to governments and stakeholders in light of the COVID-19 Pandemic. The adoption of this Statement provided early adoption of any of the postponed GASB Statements and Implementation Guides.

The effective dates of certain provision in the following pronouncements are postponed by one year:

- Statement No. 83, “Certain Asset Retirement Obligations”
- Statement No. 84, “Fiduciary Activities” \*
- Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” \*\*
- Statement No. 90, “Majority Equity Interest”
- Statement No. 91, “Conduit Debt Obligations”
- Statement No. 92, “Omnibus 2020”
- Statement No. 93, “Replacement of Interbank Offered Rates”

\* This pronouncement was adopted by the Authority as of June 30, 2021 (Fiscal Year 2021)

\*\*This pronouncement was adopted early by the Authority as of June 30, 2020 (Fiscal Year 2020)

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement is effective for periods beginning after June 15, 2019. The objective of this statement is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The Authority is in the process of evaluating this statement and does not expect an impact to the financial reporting framework in Fiscal Year 2022.

GASB Statement No. 87, *Leases*. This Statement is effective for periods beginning after June 15, 2021, and all reporting period thereafter. This Statement requires a lessee to recognize a lease liability and an intangible right to use leased assets. The lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is in the process of evaluating this statement and does not expect a significant impact to the financial accounting and reporting framework in Fiscal Year 2022.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

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

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2020. The objective of this Statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Authority implemented this Statement early in Fiscal Year 2019.

GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB Statement No. 14 and No. 16*. This Statement is effective for the periods beginning after December 15, 2019. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. The Authority determined that these requirements are not expected to have a significant impact on the financial reporting of the Authority.

GASB Statement No. 91, *Conduit Debt Obligations*. This Statement is effective for reporting periods beginning after December 15, 2021. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Authority is in the process of evaluating this statement and will complete their evaluation prior to the required implementation date of Fiscal Year 2023.

GASB Statement No. 92, *Omnibus 2020* was originally effective for reporting periods beginning after June 15, 2021. This statement addresses a variety of topics including, but not limited to, leases, financial reporting for Postemployment Benefit Plans Other Than Pension Plans, Fiduciary Activities, Measurement of Liabilities related to AROs. The Authority is in the process of evaluating this Statement and will evaluate it prior to the required implementation of FY22.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. GASB Statement No. 93 assists state and local governments in the transition away from existing interbank offered rates (IBOR) to other reference rates because of global reference rate reform, wherein the London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021. The objective of this Statement is to address implications that result from the replacement of an IBOR in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and Statement No. 87, *Leases and other accounting and financial reporting implications*. The impact of this standard will be evaluated by the Authority's management for fiscal year ending fiscal year 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards of accounting and financial reporting for Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs). The impact of this standard will be evaluated by the Authority's management for fiscal year 2023.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

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

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

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 establishes standards of accounting and financial reporting for subscription-based information technology (SBITAs) for government end users. Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The impact of this standard will be evaluated by the Authority's management for fiscal year 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The impact of this standard will be evaluated by the Authority's management for fiscal year 2022.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 2. CASH AND CASH EQUIVALENTS

**Cash Deposits** – The Authority’s cash deposits are held in one financial institution. The carrying amount of deposits is separately displayed on the Statement of Net Position and Statement of Fiduciary Net Position as “cash and cash equivalents.”

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

	<u>Carrying Value of Deposits</u>
Business-Type Activities	20,560,889
Petty Cash	300
OPEB Trust Fund	433,537
Pension Trust Fund	<u>7,940,041</u>
<b>Total Carrying Value</b>	<b><u>\$ 28,934,766</u></b>

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

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

The carrying amount of the Authority’s deposits at June 30, 2021 was \$28,934,766 and the bank balance was \$29,843,817.

**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, 2021, \$29,593,817 of the Authority’s bank balance of \$29,843,817 was exposed to custodial credit risk as follows:

Cash deposits	\$ 5,420,546
Cash and short term	16,049,693
Fiduciary fund investments	<u>8,373,578</u>
<b>Total Bank Balance</b>	<b><u>\$ 29,843,817</u></b>
Insured (FDIC)	\$ 250,000
Uninsured	<u>\$ 29,593,817</u>
	<u>\$ 29,843,817</u>

**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:

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

#### *Investment (Continued)*

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

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

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

<u>Investments:</u>	<u>June 30, 2021</u>	<u>Quoted Price in Active Market for Identical Assets (Level 1)*</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable (Level 3)</u>
<b>Money Market Fund</b>	\$16,049,692	\$ -	\$ -	\$16,049,692
<b>Pension Fund:</b>				
Specialty	165,955	165,955	-	-
International Stocks	951,312	951,312	-	-
Small-Cap Stocks	313,447	313,447	-	-
Mid-Cap Stocks	886,078	886,078	-	-
Large-Cap Stocks	2,473,296	2,473,296	-	-
Bonds	2,368,955	2,368,955	-	-
Other - Fixed	780,998	780,998	-	-
<b>OPEB Fund:</b>				
Vanguard	433,537	433,537	-	-
<b>Total investments</b>	<u>\$24,423,270</u>	<u>\$ 8,373,578</u>	<u>\$ -</u>	<u>\$ 16,049,692</u>

#### *Interest Rate Risk*

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

In connection with the issuances of \$10 million of general revenue bonds in July 2001, \$24.4 million of general revenue bonds in December 2002, \$10.4 million of general revenue in April 2004, and \$17.3 million of general revenue in July 2012, 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, 2021

### NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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

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

The Authority established an "Infrastructure Replacement Fund" in conformity with all applicable provisions of state laws; Chapter 46-13 of the General Laws of Rhode Island, Public Drinking Water Supply. The dedicated fund for infrastructure replacement was \$282,626 and \$282,626 as of June 30, 2021 and 2020, respectively.

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

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

	Credit Rating
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, 2021

### NOTE 3. CAPITAL ASSETS

The cost and activity of water capital assets in service and related accumulated depreciation for the year ended June 30, 2021 is as follows:

	Balance at 6/30/2020	Increases	Decreases	Balance at 6/30/2021
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,836,045	\$ -	\$ -	\$ 1,836,045
Construction in progress	8,737,157	2,810,552	-	11,547,709
Total capital assets, not being depreciated	10,573,202	2,810,552	-	13,383,754
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	15,513,181	9,400	-	15,522,581
Infrastructure	163,848,792	3,908,002	-	167,756,794
Machinery and equipment	2,796,002	2,818,838	69,271	5,545,569
Vehicles	790,416	152,402	79,260	863,558
Total capital assets, being depreciated	182,948,391	6,888,643	148,531	189,688,503
<b>Accumulated depreciation</b>				
Buildings and improvements	6,656,548	716,923	-	7,373,471
Infrastructure	22,031,331	2,210,703	-	24,242,034
Machinery and equipment	453,591	412,121	62,557	803,155
Vehicles	556,813	92,036	79,261	569,589
<b>Total accumulated depreciation</b>	29,698,282	3,431,784	141,818	32,988,249
Total capital assets, being depreciated, net	153,250,109	3,456,859	6,713	156,700,254
<b>Capital assets, net</b>	<u>\$ 163,823,311</u>	<u>\$ 6,267,411</u>	<u>\$ 6,713</u>	<u>\$ 170,084,008</u>



# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 4. 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, 2021:

Description	Balance June 30, 2020	Additions	Reductions	Defeasance	Balance June 30, 2021	Amounts due within one year
Revenue bonds:						
July 2012 Series A bearing interest at 4%-5% and maturing in 2023	\$ 6,400,000	\$ -	\$ 1,870,000	\$ 4,530,000	\$ -	\$ -
April 2017 Series A bearing interest at 2.035% and maturing in 2024	<u>7,030,000</u>	<u>-</u>	<u>7,030,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,430,000</u>	<u>-</u>	<u>8,900,000</u>	<u>4,530,000</u>	<u>-</u>	<u>-</u>
Add (less):						
Unamortized discount	<u>16,138</u>	<u>-</u>	<u>7,746</u>	<u>-</u>	<u>8,392</u>	<u>7,746</u>
Total long-term liabilities	<u>\$ 13,413,862</u>	<u>\$ -</u>	<u>\$ 8,892,254</u>	<u>-</u>	<u>\$ (8,392)</u>	<u>\$ (7,746)</u>

In June 30, 2020, The Authority's outstanding bonds from *direct borrowings* related to business type activities of \$13,430,000 are secured by the Authority's pledge of all revenues, monies, securities, receivables, and other funds as well as the proceeds of the sale of the Authority's real property pursuant to a mortgage on its water supply, treatment and distribution facilities, exclusive of monies collected as water quality protection charges. As of June 30, 2021, the Authority paid in full the 2017 Series A Bond and defeased the 2012 Series A bond. The funds to satisfy the full payment of the 2012 Series A Bond will be held in escrow with Bank of NY Mellon and will be administered by the bank accordingly.

The Authority must meet certain financial covenants. The Authority was in compliance with all such covenants at June 30, 2021 and 2020.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 5. 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, 2021 to be \$202,322. The accrued vacation is reported on the Statement of Net Position as accrued liabilities.

The changes in compensated absences for the year ended June 30, 2021 were as follows:

	June 30, 2020	Additions	Payments	June 30, 2021	Amounts Due Within One Year
Compensated absences	\$ 191,288	\$ 11,034		\$ 202,322	\$ 16,186

### NOTE 6. NET POSITION

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

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

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

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

Net position represents the difference between assets and liabilities. The net position amounts as of June 30, 2021 and 2020 were as follows:

	2021	2020
Net investment in capital assets		
Capital assets	170,084,008	163,823,311
Bond, ST	-	(3,575,000)
Bond, LT	-	(13,300,000)
	170,084,008	146,948,311
Restricted for debt services	-	3,154,000
Restricted for infrastructure replacement	282,626	282,626
Unrestricted net assets	14,635,992	26,848,941
	\$ 185,002,626	\$ 177,233,878

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 7. DEFINED BENEFIT PENSION PLAN

#### *General Information about the Pension Plan*

##### *Plan description*

The Kent County Water Authority administers the pension plan (plan) a single-employer defined benefit pension plan that provides pensions for all permanent full-time general employees of the Authority.

##### *Benefits provided*

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

##### *Plan membership*

At June 30, 2021, pension plan membership consisted of the following:

Retirees and beneficiaries receiving benefits from the plan	26
Terminated members entitled to future benefits	17
Active plan members	<u>32</u>
Total	<u><u>75</u></u>

##### *Contributions*

In the January 1, 2021 actuarial valuation, the Authority utilized the aggregate actuarial method to determine the annual required employer contributions. This method does not identify or separately amortize unfunded actuarial liabilities. Therefore, the entry age method was used to prepare the funded status of the Plan. The actuarial value of assets was determined using the fair value of investments.

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

The Authority's funding policy provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. The contribution requirements of the Authority are established and may be amended by the Authority's board of directors.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Net Pension Liability of the Authority

The components of the net pension liability of the Authority at June 30, 2021, were as follows:

Total pension liability	\$ 8,265,561
Plan fiduciary net position	<u>(7,940,041)</u>
Authoritys' net pension liability	<u>\$ 325,520</u>
 Plan fiduciary net position as a percentage of the total pension liability	 96.06%

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

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Position Liability</b>
Balance at June 30, 2020	\$ 7,915,373	\$ 6,502,010	\$ 1,413,363
Service cost	159,470		159,470
Interest on total pension liability	538,295		538,295
Differences between expected and actual experience	60,946		60,946
Changes in assumptions	15,831		15,831
Contributions - employer		280,948	(280,948)
Contributions - employee			-
Net investment income		1,581,436	(1,581,436)
Benefit payments	(424,353)	(424,353)	-
Administrative expenses			-
Other changes			-
Net changes	<u>350,189</u>	<u>1,438,031</u>	<u>(1,087,842)</u>
Balances at June 30, 2021	<u>\$ 8,265,561</u>	<u>\$ 7,940,041</u>	<u>\$ 325,520</u>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2021 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 2021 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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020–June 30, 2021.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (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%	5.50%
International equity	13%	5.75%
Fixed income	30%	3.25%
Real estate	2%	5.00%
Cash	10%	2.00%
Total	<u>100%</u>	

#### *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, 2021, 5% or more of Plan assets were held in the following individual funds:

<u>Fund</u>	<u>Concentration</u>
Nationwide Fixed Fund	9.80%
Vanguard Mid-Cap Index	9.10%
Vanguard Growth Index	8.10%
Vanguard Inflation Protected Bonds	5.00%
American Fund AMCAP	8.00%
American Fund American Mutual	10.00%
Prudential Total Return Bond Fund	9.90%
LeggMason Core Bond Fund	10.00%
Vanguard Value Index	5.00%

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*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:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Authority's net pension liability	\$ 1,204,065	\$ 325,520	\$ (425,336)

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

For the year ended June 30, 2021, the Authority recognize pension expense of \$846,383. At June 30, 2021, the Authority reported deferred outflows or resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Liability experience	\$ 321,286	\$ (487,705)
Assumption changes	280,476	(8,047)
Investment experience	-	(713,444)
Total	\$ 601,762	\$(1,209,196)

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

<b>Fiscal Year End</b>	<b>Expense Recognition</b>
2022	(146,362)
2023	(134,420)
2024	(149,999)
2025	(206,727)
2026	18,984
After 2026	11,090
<b>Total</b>	<b>(607,434)</b>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 8. OTHER POST EMPLOYMENT BENEFITS

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

##### *Plan Description*

The Authority's Post-Employment Medical Benefit Plan is a single-employer defined benefit postretirement health and life insurance program. All full-time employees are eligible to receive health and life insurance coverage after retirement. Retirement eligibility for continued health insurance coverage is age 62 with at least 20 years of service.

##### *Benefits Provided*

Employees are eligible for life insurance coverage if they retire on or after age 62. Spousal and/or family health coverage is not provided for under the postretirement program. The Authority will provide eligible retirees continued individual health and dental insurance comparable to the active employee plans. Retirees age 65 and older are eligible for an Individual Prescription Coverage (Part D) Medicare Supplement Plan as well as continued dental coverage. The full cost of postretirement medical and dental coverage is provided by the Authority. Eligible retirees receive term life insurance in the amount of \$2,000. The Authority provides the full cost of this insurance.

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

At June 30, 2021 (the measurement date), the following employees were covered by the benefit terms:

<u>Description</u>	<u>Active Employees</u>	<u>Inactive or Beneficiaries Receiving Benefits</u>	<u>Total</u>
Number	32	17	49



# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 8. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

#### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Description</u>	<u>Assumption</u>
<b>Measurement Date</b>	July 1, 2020
<b>Reporting Date</b>	June 30, 2021
<b>Liability Interest Rate</b>	4.66%
<b>Plan Election</b>	All eligible retirees are assumed to elect available coverage at age 62, switching coverage to Plan 65 at age 65, as applicable.
<b>Health Care Trend Rates</b>	Medical coverage costs are assumed to increase 5.0% per year in fiscal 2021 and beyond. Dental coverage costs are assumed to increase 3.5% in fiscal 2021 and beyond
<b>Cost Method</b>	Projected Unit Credit method. Benefits are accrued on service from date of hire to date of first eligibility.
<b>Changes in Assumptions</b>	The mortality assumption has been updated from the 2018 IRS static mortality table to Sex-Distinct IRS 2021 Combined Static Mortality Table.

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

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

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 8. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	48%	5.50%
International Equity	21%	5.75%
Fixed Income	23%	3.25%
Real Estate	8%	5.00%
Cash	0%	2.00%
Total	<u>100%</u>	

#### *Discount Rate*

The single equivalent discount rate used to measure the total OPEB liability was 4.00 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**

	<u>Total OPEB Liability</u>	<u>Increase (Decrease) Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
<b>Balance at June 30, 2020</b>	\$ 5,620,970	\$ 262,099	\$ 5,358,871
Service cost	112,939	-	112,939
Interest	259,406	-	259,406
Differences between actual and expected experience	(1,612,108)	-	(1,612,108)
Changes in assumptions	(430,062)	-	(430,062)
Benefit payments, including refunds	(102,449)	(102,449)	-
Administrative expenses	-	-	-
Contributions - employer	-	182,449	(182,449)
Contributions - active employees	-	-	-
Net investment income	-	91,438	(91,438)
Net changes	<u>(1,772,274)</u>	<u>171,438</u>	<u>(1,943,712)</u>
<b>Balances at June 30, 2021</b>	<u>\$ 3,848,696</u>	<u>\$ 433,537</u>	<u>\$ 3,415,159</u>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 8. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

	<b>Impact of 1% Change in Discount Rate</b>		
	<b>1% Decrease (3.66%)</b>	<b>Current discount rate (4.66%)</b>	<b>1% Increase (5.66%)</b>
Total OPEB liability	4,130,713	3,415,159	2,861,783

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

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

	<b>Impact of 1% Change in Healthcare Trend Rate</b>		
	<b>1% Decrease (4.00%)</b>	<b>Current trend rate ( 5.00%)</b>	<b>1% Increase (6.00%)</b>
Total OPEB liability	2,831,723	3,415,159	4,157,780

#### *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, 2021, the Authority recognized OPEB expense of \$62,527. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Liability experience	\$ -	\$(1,475,950)
Assumption change	-	(393,739)
Investment experience	-	(54,418)
Total	\$ -	\$(1,924,107)

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 8. 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:	
2022	\$ (186,438)
2023	\$ (186,205)
2024	(185,116)
2025	(186,583)
2026	(172,481)
After 2026	<u>(1,007,284)</u>
Subtotal - all years	<u>\$ (1,924,107)</u>

#### Payable to the OPEB Plan

At June 30, 2021, the Authority reported a payable of \$0 for the outstanding amount of contributions to the OPEB Trust required for the year ended June 30, 2021.

### NOTE 9. 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, 2021 water quality protection charges payable of \$0.

### NOTE 10. 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, 2021, the Authority had no pending contingencies to report.

### NOTE 11. 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, 2021

### NOTE 12. 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	
	2021	2020	2021	2020
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments, at fair value	433,537	262,099	7,940,041	6,502,010
<b>Total Assets</b>	<u>433,537</u>	<u>262,099</u>	<u>7,940,041</u>	<u>6,502,010</u>
<b>Deferred outflows of resources</b>				
None	-	-	-	-
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets and deferred outflows of resources</b>				
	<u>433,537</u>	<u>262,099</u>	<u>7,940,041</u>	<u>6,502,010</u>
<b>Liabilities</b>				
None	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
None	-	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Held in trust for other post-employment benefits	433,537	262,099	-	-
Restricted for pension	-	-	7,940,041	6,502,010
<b>Total net position</b>	<u>433,537</u>	<u>262,099</u>	<u>7,940,041</u>	<u>6,502,010</u>
<b>Total liabilities, deferred inflows of resources and net position</b>				
	<u>\$ 433,537</u>	<u>\$ 262,099</u>	<u>\$ 7,940,041</u>	<u>\$ 6,502,010</u>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 12. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS (OPEB) (CONTINUED)

	OPEB Trust Fund		Pension Trust Fund	
	2021	2020	2021	2020
<b>Additions</b>				
<b>Contributions</b>				
Employer contributions	\$ 182,449	\$ 175,054	\$ 280,948	\$ 249,230
<b>Total contributions</b>	<u>182,449</u>	<u>175,054</u>	<u>280,948</u>	<u>249,230</u>
<b>Investment income</b>				
Net investment income	91,438	7,474	1,581,436	166,764
<b>Total investment income</b>	<u>91,438</u>	<u>7,474</u>	<u>1,581,436</u>	<u>166,764</u>
<b>Total additions</b>	<u>273,887</u>	<u>182,528</u>	<u>1,862,384</u>	<u>415,994</u>
<b>DEDUCTIONS</b>				
Actual and service benefits payments	102,449	95,054	424,353	380,719
<b>Total deductions</b>	102,449	95,054	424,353	380,719
<b>Change in net position</b>	171,438	87,474	1,438,031	35,275
<b>Net Position - Beginning</b>	262,099	174,625	6,502,010	6,466,735
<b>Net Position - Ending</b>	<u>\$ 433,537</u>	<u>\$ 262,099</u>	<u>\$ 7,940,041</u>	<u>\$ 6,502,010</u>

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 13. RISK MANAGEMENT

#### *Insurance Held*

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

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

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

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

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

### NOTE 13. SUBSEQUENT EVENTS

#### *BOND PAYOFF/DEFEASEMENT*

Kent County Water Authority paid in full the 2017 Series A bond and defeased the 2012 Series A bond on January 15, 2021. The funds to satisfy the 2012 Series bond will be held in escrow with Bank of New York Mellon and will be administered by the bank accordingly. This created an overall savings to the Authority of approximately \$218,000 of interest. By paying both of these bonds early, we closed five restricted accounts with Bank of New York Mellon.

#### *NORTH/SOUTH HIGH SERVICE CONNECTION*

This project is connecting the north high service gradient with the south high service gradient to provide essential resiliency in the system and enhance water quality. Construction bid opening occurred on 2/18/2019. A bid was awarded for \$9,153,473.60. Commencement of construction for the North/South interconnection began in Mid-April 2019 between the high service gradients using accumulated capital generated under our Capital Improvement Program. The project was slated to be completed in late 2020 except for final paving in Summer of 2021. There was a delay in final construction due to damages that occurred to KCWA's transmission pipe bridge on Sandy Bottom Road in Coventry during an adjacent RIDOT bridge project. This much needed project was activated in June 2021 and allows for storage tank redundancy and provides enhanced access to the northern reaches of the system from KCWA treatment facilities in the south.

#### *NEW OFFICE AND MAINTENANCE FACILITY STUDY AND LAND ACQUISITION*

The Authority currently operates out of its office and maintenance facilities located at 1072 Main Street, West Warwick, Rhode Island. These facilities were originally built at the turn of the century with modifications and new garages in the 1970's. Several additional renovations have been accomplished to support increased operations, and accommodate capital equipment acquisitions, spare parts warehousing and workforce needs. These existing facilities have no usable area for additional expansion and the Authority believes they can no longer support the Authority's daily operations. Furthermore, there is inadequate public parking to properly service KCWA customers.

# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### **NOTE 13. SUBSEQUENT EVENTS (CONTINUED)**

In 1999, Camp Dresser & McKee conducted a feasibility study for a new KCWA Facility. In 2016, C&E Engineering Partners prepared a Water Supply System Five-Year Capital Improvement Program Update 2017- 2022 for KCWA and the Public Utilities Commission (PUC). The updated Capital Improvement Project (CIP) plan recommended a new facility supporting the 1999 findings, deeming the project as essential to provide the expected level of service goals required by State Regulatory Requirements and the Authority's Strategic Plan.

Because the original study was over 20 years old, a new updated study (2020 Study) was necessary to support and supplement future Capital Plan implementation, Commission rate filings, and bond issues. As a result, the Authority requested proposals from qualified professional architects and engineers to conduct the update to the facilities analysis and evaluation study. The Authority publicly engaged the professional services of Vision 3 Architects (V3A) partnered with Pare Engineering to complete the study.

As a part of due diligence, the 2020 study re-evaluated the potential modification and retrofitting the existing facility and concluded that the buildings have far exceeded their useful lives and are no longer adequate to support the future increase in capital equipment acquisitions, warehousing and administrative responsibilities of the KCWA. The study also calculated that a minimum net five acres would be required to meet the needs of the Authority. The Authority's current complex occupies in its entirety approximately one acre on 1072 Main Street. Exploring the viability of remaining at its current location by means of renovating the existing facility and /or constructing additional buildings would involve acquiring multiple separate sites, either adjacent to or in very close proximity to 1072 Main Street. Thus, it was reaffirmed that KCWA's current location was not an option. The efforts were then focused on spatial programming needs, potential site locations, and schematics.

The 2020 study submitted to the Authority detailed a comprehensive spatial programming analysis, conceptual building schematic options, and eleven available site locations. Based on spatial and programming needs, the study further recommended three sites that could best fit the Authority's facilities' requirements. Included in the study were pricing valuations, construction/site cost estimates, and energy efficient design components such as, rooftop solar and electric vehicle charging stations.

In addition to the 2020 study, the Board decided to perform additional due diligence in searching for potential other property locations by issuing a public RFP, which was added to the study. The RFP resulted in three property submissions satisfying the RFP requirements. Of the three properties, two new properties were added for consideration because the third property was already identified in the original updated study from Vision 3/Pare Engineering. After reviewing the thirteen properties in detail, the Board settled on one location that seemed the best fit for the next phase. A subcommittee was formed to order a formal appraisal and negotiate and provide detailed information regarding the site and its ability to satisfy the Authority's future facility needs to the full Board. The Authority has entered into a purchase and sales agreement contingent upon the satisfactory full site due diligence evaluation inclusive of geotechnical, Phase 1 environmental, wetlands delineation and verification, pre-application planning review, and a full ALTA survey. KCWA is currently engaged in reviewing bonding options with its consultants for the construction of this facility.

### *UPDATED EAST GREENWICH /WARWICK WELL TREATMENT FACILITY DESIGN*

The second project is the design and cost estimate for the construction of a new treatment plant at the existing East Greenwich/Warwick Well site. The East Greenwich well is a critical facility designed to maximize water quality and allow sufficient hydraulic capacity to meet the needs of the KCWA system now and into the future. This source in combination with KCWA's Mishnock treatment facility provide sufficient capacity to continue provide essential service to its critical customers, and emergency interconnections, in the event something goes wrong with water supplied from Providence Water and/or major disruption to the associated transmission systems.

The East Greenwich/Warwick Well has a full production yield capability of approximately 2000 gallons per minute. The East Greenwich/Warwick Well is located at 5870 Post Road, in the general vicinity of the intersection of Post Road and



# KENT COUNTY WATER AUTHORITY

## Notes to the Financial Statements

June 30, 2021

### NOTE 13. SUBSEQUENT EVENTS (CONTINUED)

Franklin Street, along the East Greenwich and Warwick city line within the Hunt River Aquifer. The existing facilities consist of one submersible pump well, emergency power, SCADA control and monitoring disinfection and pH adjustment. The Authority requested proposals from qualified Professional Engineering firms to conduct an inspection, evaluation and review of the newly constructed well facilities and prepare final design and contract documents for construction of a new water treatment facility at the existing site under its Capital Improvement initiatives. Pare Engineering was chosen and awarded the contract to design the updated facility in December of 2019. A preliminary design report is currently being reviewed by the Rhode Island Department of Health.

The updated design will include an addition to the updated well facilities constructed in 2018 under the KCWA Infrastructure Replacement initiative. The facility is being designed to provide an average daily output capacity of 1.44 MGD (1,000 gpm) to the system with one treatment unit offline and to provide for a maximum daily output capacity of 3 MGD (approx. 2,000 gpm) with both treatment units online. The output capacity is being designed at a maximum of 3 MGD to ensure resiliency and redundancy of individual unit processes, treatment trains, and discharge pumping. The design will also allow the ability treat additional well(s) if acquired in the future. The proposed well pump that will feed the station will only pump to a maximum of 2.5 MGD. This design and subsequent responsible operation will not adversely affect the Hunt River, today or in the future, as it reflects significantly less volumes than historic withdrawals from this basin.

The 2018 updates to the facility also did not encompass treatment/removal of the elevated manganese levels in the water supply system. The goal of the new treatment facility design is to reduce the secondary contaminant levels to below the applicable standards and provide disinfection treatment and radon removal to facilitate improving water quality in the use of the supply capacity of this source. The proposed treatment facility and major unit processes at the facility were evaluated based on achieving the primary objective of protecting public health by providing a reliable source of potable water that meets or exceeds current and foreseeable future proposed drinking water regulations.

Per- and polyfluoroalkyl substances (PFAS) are an emerging contaminant of concern in groundwater throughout the United States. An evaluation of per- and polyfluoroalkyl substances (PFAS) in raw water was performed and found below 10 parts per trillion (10 ppt) which is below the current EPA health advisories of 70 ppt. However, there is legislation being discussed to set a maximum contaminant level to 20 ppt, or potentially even less in Rhode Island. Although no treatment for PFAS is proposed in this design, accommodations have been made for building expansion should PFAS treatment be required in the future. This project received final comments from RIDOH regarding the preliminary design is hoping to go to full design in the fall of 2021.

### *MUNI-LINK CUSTOMER UTILITY BILLING SOFTWARE*

From October 2020 through January 2021, Kent County Water Authority converted all customer account information and associated balances from our legacy system, PACE customer utility billing software to Muni-Link. We commenced all customer utility billing activity in Muni-Link on February 1, 2021. KCWA will continue to operate our budgeting & accounting and inventory modules in PACE until we are ready to replace PACE with another accounting software package. Mini-Link allows us to offer credit card/debit card and ACH payment options to our customers as well as an auto-pay option. We also began absorbing all associated processing fees in June 2020 which has increased our collections from customers as we are trying to make it as easy as possible for them to make payment.

### *CORONAVIRUS*

On March 9, 2020, the Governor of the State of Rhode Island declared a State of Emergency in response to limit the spread of COVID-19 Coronavirus, there is considerable uncertainty around the duration of the pandemic and accordingly, the financial impact related to the collection of water sales, hydrant fees, other revenues and other potential financial impact cannot be reasonably estimated at this time.

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

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

Last Ten Fiscal Years\*

For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>							
Normal cost	\$ 159,470	\$ 145,857	\$ 136,977	\$ 131,181	\$ 126,528	\$ 114,734	\$ 144,147
Interest	538,295	503,298	498,457	454,815	444,406	431,804	419,030
Experience (gain) or loss	60,945	219,926	(252,079)	134,135	(113,280)	(120,312)	(203,680)
Assumption changes	15,831	14,824	(10,960)	176,864	179,224	12,993	74,562
Benefit payments	(424,353)	(380,719)	(266,738)	(264,564)	(266,989)	(263,800)	(260,720)
<b>Net change in total pension liability</b>	350,188	503,186	105,657	632,431	369,889	175,419	173,339
<b>Total pension liability - beginning</b>	<u>7,915,373</u>	<u>7,412,187</u>	<u>7,306,530</u>	<u>6,674,099</u>	<u>6,304,210</u>	<u>6,128,791</u>	<u>5,955,452</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 8,265,561</u>	<u>\$ 7,915,373</u>	<u>\$ 7,412,187</u>	<u>\$ 7,306,530</u>	<u>\$ 6,674,099</u>	<u>\$ 6,304,210</u>	<u>\$ 6,128,791</u>
<b>Pension fiduciary net position</b>							
Employer contributions	\$ 280,948	\$ 249,230	\$ 262,152	\$ 222,207	\$ 243,161	\$ 246,738	\$ 277,560
Expected investment return	452,884	450,404	429,037	400,034	375,678	379,448	369,051
Additional investment return	1,128,552	(283,640)	(77,890)	59,714	211,884	(393,374)	(222,627)
Other	(424,353)	(380,719)	(266,738)	(264,564)	(266,989)	(263,800)	(260,720)
<b>Net change in plan fiduciary net position</b>	1,438,031	35,275	346,561	417,391	563,734	(30,988)	163,264
<b>Plan fiduciary net position - beginning</b>	<u>6,502,010</u>	<u>6,466,735</u>	<u>6,120,174</u>	<u>5,702,783</u>	<u>5,139,049</u>	<u>5,170,037</u>	<u>5,006,773</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>7,940,041</u>	<u>6,502,010</u>	<u>6,466,735</u>	<u>6,120,174</u>	<u>5,702,783</u>	<u>5,139,049</u>	<u>5,170,037</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 325,520</u>	<u>\$ 1,413,363</u>	<u>\$ 945,452</u>	<u>\$ 1,186,356</u>	<u>\$ 971,316</u>	<u>\$ 1,165,161</u>	<u>\$ 958,754</u>

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

*See accompanying notes to the required supplementary information.*

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

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

Last Ten Fiscal Years\*

For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 8,265,561	\$ 7,915,373	\$ 7,412,187	\$ 7,306,530	\$ 6,674,098	\$ 6,304,210	\$ 6,128,791
Plan fiduciary net position	7,940,041	6,502,010	6,466,735	6,120,174	5,702,783	5,139,049	5,170,037
Net pension liability (asset)	<u>\$ 325,520</u>	<u>\$ 1,413,363</u>	<u>\$ 945,452</u>	<u>\$ 1,186,356</u>	<u>\$ 971,315</u>	<u>\$ 1,165,161</u>	<u>\$ 958,754</u>
End of year funding percentage	96.06%	82.14%	87.24%	83.76%	85.45%	81.52%	84.36%
Covered payroll**	2,345,125	2,286,296	2,248,514	2,063,078	1,996,345	1,963,460	1,798,468
Net pension liability as a percentage of covered payroll	13.88%	61.82%	42.05%	57.50%	48.65%	59.34%	53.31%

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

\*\* Reflects revised definition per GASB 82.

*See accompanying notes to the required supplementary information.*

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

### Schedule of Employer Contributions

Last Ten Fiscal Years\*

For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 277,832	\$ 280,948	\$ 249,230	\$ 262,152	\$ 222,207	\$ 243,161	\$ 246,738
Contributions in relation to the actuarially determined contribution	<u>277,832</u>	<u>280,948</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	2,345,125	2,286,296	2,248,514	2,063,078	1,996,345	1,963,460	1,798,468
Contributions as a percentage of covered payroll	11.85%	12.29%	11.08%	12.71%	11.13%	12.38%	13.72%

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

\*\* Reflects revised definition per GASB 82.

*See accompanying notes to the required supplementary information.*

**KENT COUNTY WATER AUTHORITY**

Required Supplementary Information

Schedule of Investment Returns

Last Ten Fiscal Years\*

For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<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	24.59%	2.61%	5.74%	8.09%	11.46%	-0.27%	2.92%

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

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

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

For the Year Ended June 30, 2021

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 2021 combined static mortality table
Retirement	All participants are assumed to retire at age 62 or current age, if older
Disability	None assumed
Form of payment	Participants are assumed to elect the normal form of annuity
Marriage	75% of participants are assumed to be married; husbands are assumed to be three years older than wives
Employees	No new or rehired employees are assumed for valuation purposes
Termination	Termination of employment is assumed according to Scale T-1 from the Pension Actuary's Handbook. Representative termination rates are listed below and are the same for both males and females.

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

*See accompanying notes to the required supplementary information.*

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

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

For the Year Ended June 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ 112,939	\$ 191,042	\$ 183,694	\$ 176,629
Interest on net OPEB liability and service cost	259,406	210,553	198,763	187,567
Differences between actual and expected experience	(1,612,108)	-	-	-
Changes of assumptions	(430,062)	-	-	-
Benefit payments, including refunds	<u>(102,449)</u>	<u>(95,054)</u>	<u>(87,695)</u>	<u>(84,292)</u>
<b>Net change in total OPEB liability</b>	(1,772,274)	306,541	294,762	279,904
Total OPEB liability - beginning	<u>5,620,970</u>	<u>5,314,429</u>	<u>5,019,667</u>	<u>4,739,763</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 3,848,696</u>	<u>\$ 5,620,970</u>	<u>\$ 5,314,429</u>	<u>\$ 5,019,667</u>
<b>OPEB fiduciary net position</b>				
Benefit payments, including refunds	\$ (102,449)	\$ (95,054)	\$ (87,695)	\$ (84,292)
Trust administrative expenses	-	-	-	-
Contributions - employer	182,449	175,054	167,695	164,292
Contribution - Active employees	-	-	-	-
Net investment income	<u>91,438</u>	<u>7,474</u>	<u>13,455</u>	<u>1,170</u>
<b>Net change in plan fiduciary net position</b>	171,438	87,474	93,455	81,170
Plan fiduciary net position - beginning	<u>262,099</u>	<u>174,625</u>	<u>81,170</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 433,537</u>	<u>\$ 262,099</u>	<u>\$ 174,625</u>	<u>\$ 81,170</u>
<b>Plan's net pension liability - ending (a) - (b)</b>	<u>\$ 3,415,159</u>	<u>\$ 5,358,871</u>	<u>\$ 5,139,804</u>	<u>\$ 4,938,497</u>
<b>End of year funding percentage</b>	11.26%	4.66%	3.29%	1.62%
<b>Covered payroll</b>	\$ 2,345,125	\$ 2,286,296	\$ 2,248,514	\$ 2,063,078
<b>Net pension liability divided by covered payroll</b>	145.63%	234.39%	228.59%	239.38%

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

*See accompanying notes to the required supplementary information.*

# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

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

Last Ten Fiscal Years  
June 30, 2021

	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Actuarial determined contribution	\$ 326,093	\$ 433,223	\$ 469,288	\$ 450,263
Contributions in relation to the actuarially determined contribution	182,449	175,054	167,695	164,292
Contribution deficiency (excess)	\$ 143,644	\$ 258,169	\$ 301,593	\$ 285,971
Covered payroll	\$ 2,345,125	\$ 2,286,296	\$ 2,248,514	\$ 2,063,078
Contributions as a percentage of covered payroll	7.78%	7.66%	7.46%	7.96%
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Annual money-weighted rate of return, net of investment expense	30.27%	3.48%	11.10%	2.93%

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

*See accompanying notes to the required supplementary information.*



# KENT COUNTY WATER AUTHORITY

## Required Supplementary Information

### Notes to the Required Supplementary Information - OPEB

Last Ten Fiscal Years  
June 30, 2021

<b>Description</b>	<b>Assumption</b>
<b>Measurement Date</b>	July 1, 2020
<b>Reporting Date</b>	June 30, 2021
<b>Liability Interest Rate</b>	4.66%
<b>Plan Election</b>	All eligible retirees are assumed to elect available coverage at age 62, switching coverage to Plan 65 at age 65, as applicable.
<b>Health Care Trend Rates</b>	Medical coverage costs are assumed to increase 5.0% per year in fiscal 2021 and beyond. Dental coverage costs are assumed to increase 3.5% in fiscal 2021 and beyond
<b>Cost Method</b>	Projected Unit Credit method. Benefits are accrued on service from date of hire to date of first eligibility.
<b>Changes in Assumptions</b>	The mortality assumption has been updated from the 2018 IRS static mortality table to Sex-Distinct IRS 2021 Combined Static Mortality Table.

*See accompanying notes to the required supplementary information.*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kent County Water Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2021.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

A handwritten signature in cursive script that reads "Hague, Sahady & Co. PC". The signature is written in black ink on a white background.

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

Fall River, Massachusetts  
August 30, 2021