



PROVIDENCE WATER

**APPLICATION OF
THE PROVIDENCE WATER SUPPLY BOARD FOR THE
ASSUMPTION OF \$1,127,856.33 OF LONG TERM DEBT
AND OTHER OBLIGATIONS OF THE
EAST SMITHFIELD WATER DISTRICT**

January 2017

D-17-_____



PROVIDENCE WATER

February 3, 2017

Luly Massaro,
Clerk of The Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

The Hon. Jorge O. Elorza
Mayor

Ricky Caruolo
General Manager

RE: Application of Providence Water for Authority Assume the Long Term Debt and Other Obligations of the East Smithfield Water District in the Amount of \$1,127,856.33 Docket No. D-17-_____

BOARD OF DIRECTORS

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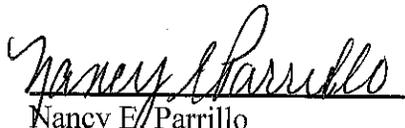
Dear Ms. Massaro:

Enclosed for filing are an original and four copies of Providence Water's request for assumption of long term debt and other obligations of the East Smithfield Water District.

The enclosed application includes all signed board approvals, City ordinances, and the signed agreement between the parties.

Providence Water respectfully requests an expedited review of the enclosed application. If you have any questions, contact me at 521-6300 ext.7238, or our Attorney Michael McElroy, Esq., at 351-4100.

Providence Water Supply Board


Nancy E. Parrillo
Senior Manager of Finance

MEMBER

Rhode Island Water Works Assn.
New England Water Works Assn.
American Water Works Assn.
Water Research Foundation

An EPA WaterSense Partner

(401) 521-6300

552 Academy Avenue
Providence, RI 02908

www.provwater.com

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- cc: R. Caruolo
- G. Giasson
- P. Palozzi
- M. Deignan-White
- T. Massaro
- M. Gurghigian
- K. Grande, Esq.
- M. McElroy, Esq.
- L. Wold, Esq.
- File

PROVIDENCE WATER SUPPLY BOARD

Application for Authority to Assume the Long Term Debt and Other Obligations of the East
Smithfield Water District in the Amount of \$1,127,856.33

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2. Proposed Notice of Filing and Public Hearing
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4. Statement in Accordance with RIGL § 39-3-17
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 - Exhibit A. Debt Service Schedule: RICWFA Series 2008A for \$200,000.
 - Exhibit B. Debt Service Schedule: RICWFA Series 2009A for \$400,000.
 - Exhibit C. Debt Service Schedule: RICWFA Series 2009A for \$600,000.
 - Exhibit D. Certificate of Secretary of Providence Water Board on the approval to merge with East Smithfield Water District.
 - Exhibit E. Ordinance approved by the City authorizing the merger /acquisition of the East Smithfield Water District.
 - Exhibit F. Minutes of the Executive Committee of the East Smithfield Water District authorizing the merger with Providence Water.
 - Exhibit G. Present and Proforma capital structure.

Attestation Under Rule 14
6. Pre-Filed Testimony of Gregg Giasson
 - Attachment 1. ESWD Proposal to Dissolve
7. Appendix
 - A. Executed Copy of the Merger/Acquisition Agreement between the Providence Water Supply Board and the East Smithfield Water District
 - B. Comparison of Interest Rates
 - C. Audited Financial Statements FYE 6/30/2015.

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: PROVIDENCE WATER SUPPLY BOARD

DOCKET NO. D-17-__

R.I.G.L. § 39-3-15
APPLICATION OF THE PROVIDENCE WATER SUPPLY BOARD
FOR AUTHORITY TO ASSUME DEBT OF THE
EAST SMITHFIELD WATER DISTRICT

In the above-entitled cause, the Providence Water Supply Board represents that:

1. Providence Water was created in 1940 by Chapter 832 of the Public Laws of the State of Rhode Island.
2. Providence Water seeks to assume the long term debt and other obligations of the East Smithfield Water District (ESWD).
3. The assumption of debt is part of the merger/acquisition of the ESWD by Providence Water as part per the agreement between the parties effective January 13, 2017.
6. The debt service will be secured by the surcharge applied to the consumption by the ESWD customers being absorbed by Providence Water.
7. In accordance with Section 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers, written testimony and supporting exhibits are attached hereto, including the written testimony of Gregg Giasson P.E, and Nancy E. Parrillo.
8. In accordance with Section 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers, a copy of this application has been filed with the Attorney General.

WHEREFORE, the Providence Water Supply Board respectfully requests that the Division of Public Utilities and Carriers authorize and consent to Providence Water assuming the long term debt and other obligations of the East Smithfield Water District.

PROVIDENCE WATER SUPPLY BOARD

By: 
Ricky Caruolo
General Manager

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn before me this 26 day of January, 2017.

Notary Public 
757383
My Commission Expires: 12/11/18

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: PROVIDENCE WATER SUPPLY BOARD : Docket No. D-17-_____
APPLICATION FOR BORROWING AUTHORITY

NOTICE OF FILING AND PUBLIC HEARING

Pursuant to the provisions of the R.I.G.L. §39-3-15 and §39-3-17, the Division of Public Utilities and Carriers (the "Division") will conduct a public hearing on _____ at _____ in a hearing room of the Division of Public Utilities and Carriers, located at 89 Jefferson Boulevard, Warwick, Rhode Island. The hearing may continue thereafter from day to day and time to time as required.

At this hearing, the Division will consider the propriety of an application filed by the Providence Water Supply Board seeking consent and approval to assume \$1,127,856.33 of long term debt and other obligations of the East Smithfield Water District. This long term debt was for the replacement of meters, distribution system improvements and improvements to a pumping station.

The application is on file and may be examined at the office of the Division and at the office of the Providence Water Supply Board, 552 Academy Avenue, Providence, Rhode Island.

Reference is also made to Chapters 39-1, 39-3 and 42-35 of the Rhode Island General Laws; specifically Sections 39-1-7, 39-1-8, 39-1-11, 39-1-12, 39-1-16, 39-1-18, 39-1-20, 39-3-15, 39-3-17, 42-35-8, and 42-35-10. The Division of Public Utilities and Carriers is accessible to the handicapped. Individuals requesting interpreter services for the hearing impaired must notify the Clerk's office at 780-2107 seventy-two hours in advance of hearing date.

Macky McCleary, Administrator

_____, 2017

Certificate of Service

I hereby certify that a true copy of the Application of the Providence Water Supply Board for Authority to assume the long term debt and other obligations of the East Smithfield Water District, with all supporting documentation, was mailed by first class mail, postage prepaid, to the Attorney General, State of Rhode Island, 150 South Main Street, Providence, RI 02903, Attention: Leo Wold, Esq., Chief of the Regulatory Unit, on February 6, 2017.



Mary L. Deignan-White
Senior Manager of Regulatory
552 Academy Avenue
Providence, RI 02908
401-521-6300 Ext.7217
MaryDW@Provwater.com

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND
CARRIERS

IN RE: PROVIDENCE WATER SUPPLY BOARD DOCKET NO. D-17-_____

STATEMENT IN ACCORDANCE WITH R.I.G.L. § 39-3-17

Xaykham Khamsyvoravong, Chairman, and Carissa R. Richard, Secretary, Providence Water Supply Board, after being duly sworn, hereby make the following statement in accordance with R.I.G.L. § 39-3-17:

1. Providence Water Supply Board has filed with the Rhode Island Division of Public Utilities and Carriers an Application to assume debt in the amount of \$1,127,856.33 and other obligations of the East Smithfield Water District.
2. The debt was issued primarily for the purpose of replacing meters, distribution system improvements and upgrades to a pump station.
3. The total debt service including principal, interest, and fees is \$1,127,856.33.
4. Attached hereto is the latest Audited Financial Statement of the Providence Water Supply Board, showing the assets and liabilities of the utility as well as the latest Audited Financial Statement of the East Smithfield Water District.

Xaykham Khamsyvoravong
Xaykham Khamsyvoravong, Chairman *CK*

Carissa R. Richard
Carissa R. Richard, Secretary

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn before me this 26th day of January, 2017.

[Signature]
Notary Public

My Commission Expires: 4-7-18

PROVIDENCE WATER SUPPLY BOARD

Testimony of Nancy E. Parrillo

Before the

RI Division of Public Utilities and Carriers

In support of Providence Water Supply Board's

APPLICATION FOR AUTHORIZATION FOR THE ASSUMPTION
OF \$1,127,856.33 OF LONG TERM DEBT AND OTHER OBLIGATIONS
OF THE
EAST SMITHFIELD WATER DISTRICT

January, 2017

Docket No. D-17- _____

1 Providence Water Supply Board

2 Testimony of

3 Nancy E. Parrillo

4

5 **Q. Please state your full name and title.**

6 A. Nancy E. Parrillo, Senior Manager for the Providence Water Supply Board (Providence
7 Water).

8 **Q. How long have you been employed at Providence Water?**

9 A. I have been employed at Providence Water since April 2015.

10 **Q. Please describe your education and work experience.**

11 A. I graduated from Wheaton College with a Bachelor of Arts Degree with a major in
12 Economics, and from Bryant University with a Masters of Business Administration
13 Degree, majoring in Finance. I recently was employed as the Chief Financial Officer of
14 the Rhode Island Turnpike and Bridge Authority. Prior to that, I was employed by Tatum
15 LLC, a financial services consultant for four and one half (4 ½) years. I also served as
16 Chief Financial Officer of the Massachusetts Water Pollution Abatement Trust, the
17 Massachusetts State Revolving Fund, from 1999 to 2005, and I served as Chief Financial
18 Officer for the South Essex Sewerage District from 1994 to 1999.

19 **Q. What is the purpose of your testimony?**

20 A. To provide information in support of Providence Water's application to absorb
21 \$1,127,856.33 of long term debt and other obligations associated with the merger of the
22 East Smithfield Water District (ESWD) into the Providence Water Supply Board
23 (Providence Water, PWSB). A statement is included in this filing which addresses the
24 requirements of R.I.G.L Chapter 39-3-17. I have also prepared this testimony which

1 comports with Section 14 of the Rules of Practice and Procedure of the Division and also
2 provides additional information.

3 **Q. What are the details of this long term debt?**

4 A. This debt is the combination of 3 distinct loans issued to the East Smithfield Water District
5 by the Rhode Island Infrastructure Bank.

6 The first loan is in the original principal amount of \$200,000 that was issued on October
7 23, 2008 with a maturity date of September 1, 2028. (RIIB RISDW Series 2008A). See
8 Exhibit A.

9 The second loan is in the original principal amount of \$400,000 that was issued on October
10 23, 2009 with a maturity date of September 1, 2024. (RIIB RISDW Series 2009A). See
11 Exhibit B.

12 The third loan is in the original principal amount of \$600,000 that was issued on August 5,
13 2013 with a maturity date of September 1, 2033. (RIIB RISDW Series 2013A). See
14 Exhibit C.

15 **Q. What are the outstanding amounts due on each loan?**

16 A. As of January 9, 2017, the outstanding amounts are:

17 Series 2008A: Principal: \$130,000 Interest: \$26,850 (Exhibit A)

18 Series 2009A: Principal: \$243,000 Interest: \$31,037 (Exhibit B)

19 Series 2013A: Principal: \$529,000 Interest: \$153,803 (Exhibit C)

20 In addition, there is a 1% admin fee on outstanding principal due to the RIIB.

21 **Q. What is the annual debt service due on these loans?**

1 A. The annual debt service is approximately \$80,000 per year for the first 9 years, then drops
2 to an average of \$53,000 for 4 years, with the last 5 years averaging approximately \$39,000
3 per year.

4 **Q. What is the source of funds for payment of the debt service?**

5 A. The source of funding for this debt service will be a surcharge of \$0.36 per hcf of
6 consumption by the former customers of the East Smithfield Water District.

7 **Q. How was this surcharge determined?**

8 A. This amount was determined by taking annual debt service and divided by known annual
9 consumption for the ESWD customers.

10 **Q. Will this surcharge continue indefinitely?**

11 A. No. The surcharge at this \$0.36 per hcf will be in place for at least the first 9 years to
12 ensure that the \$80,000 to \$82,000 of debt service per year will be covered. As the debt
13 service is paid down, we will adjust the surcharge down to only what is needed to cover
14 the lower level of payments.

15 **Q. Has Providence Water included this surcharge in its current filing with the PUC?**

16 A. Yes it has. (Docket 4816).

17 **Q. Have you addressed the requirements of RIGL 39-3-17 regarding the approval of the
18 merger by the Board of Providence Water and the City of Providence?**

19 A. Yes, attached as **Exhibit D** is a Certificate of the Secretary of the Providence Water Supply
20 Board stating that at the October 19, 2016 Board Meeting, the Board approved the
21 annexation and merger of the East Smithfield Water District and authorized the General
22 Manager to execute all necessary documentation. Also, attached as **Exhibit E**, is an
23 ordinance approved by the City on January 12, 2017 authorizing the merger. **Exhibit F** is

1 a copy of the Executive Board minutes of the ESWD Board minutes authorizing the merger
2 with Providence Water.

3 **Q. Have you presented a proforma capital structure showing the effect of the bond**
4 **issuance as required by Section 14 of the Rules of Practice and Procedure of the**
5 **Division?**

6 Yes, a present and proforma capital structure showing the effects of adding these bond
7 issues is shown at **Exhibit G**. Our projected debt to net property, plant and equipment
8 (“debt to plant”) with this issue would be 42.42% (This percentage will change with asset
9 values capitalized at year end). Our financial advisor has indicated that rating agencies
10 consider a ratio of debt to plant of 40% to 60% to be moderate.

11 **Q. Please explain the anticipated impact of this transaction on Providence Water’s**
12 **ratepayers, if any.**

13 A. There will be no impact on Providence Water’s ratepayers except for those East Smithfield
14 Water District customers that are being absorbed into Providence Water. These customers
15 will be charged the \$0.36 per hcf surcharge.

16 **Q. Are there any unusual features which have a significant impact on the Division’s**
17 **ability to regulate Providence Water?**

18 A. No.

19 **Q. Has notice of this application been given to the Attorney General?**

20 A. Yes.

21 **Q. Does this conclude your testimony?**

22 A. Yes.

23

Rhode Island Clean Water Finance Agency
\$200,000.00 East Smithfield Water District
Drinking Water Loan - Dated October 23, 2008
Final Loan Schedules - 3% Subsidized Rate

Net Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Agency Fee	Net New D/S	Fiscal Total
10/23/2008	-	-	-	-	-	-	-
03/01/2009	-	-	2,133.33	2,133.33	355.56	2,488.89	-
06/30/2009	-	-	-	-	-	-	2,488.89
09/01/2009	3,000.00	3.000%	3,000.00	8,000.00	500.00	8,500.00	-
03/01/2010	-	-	2,925.00	2,925.00	487.50	3,412.50	-
06/30/2010	-	-	-	-	-	-	11,912.50
09/01/2010	5,000.00	3.000%	2,925.00	7,925.00	487.50	8,412.50	-
03/01/2011	-	-	2,850.00	2,850.00	475.00	3,325.00	-
06/30/2011	-	-	-	-	-	-	11,737.50
09/01/2011	10,000.00	3.000%	2,850.00	12,850.00	475.00	13,325.00	-
03/01/2012	-	-	2,700.00	2,700.00	450.00	3,150.00	-
06/30/2012	-	-	-	-	-	-	16,475.00
09/01/2012	10,000.00	3.000%	2,700.00	12,700.00	450.00	13,150.00	-
03/01/2013	-	-	2,550.00	2,550.00	425.00	2,975.00	-
06/30/2013	-	-	-	-	-	-	16,125.00
09/01/2013	10,000.00	3.000%	2,550.00	12,550.00	425.00	12,975.00	-
03/01/2014	-	-	2,400.00	2,400.00	400.00	2,800.00	-
06/30/2014	-	-	-	-	-	-	15,775.00
09/01/2014	10,000.00	3.000%	2,400.00	12,400.00	400.00	12,800.00	-
03/01/2015	-	-	2,250.00	2,250.00	375.00	2,625.00	-
06/30/2015	-	-	-	-	-	-	15,425.00
09/01/2015	10,000.00	3.000%	2,250.00	12,250.00	375.00	12,625.00	-
03/01/2016	-	-	2,100.00	2,100.00	350.00	2,450.00	-
06/30/2016	-	-	-	-	-	-	15,075.00
09/01/2016	10,000.00	3.000%	2,100.00	12,100.00	350.00	12,450.00	-
03/01/2017	-	-	1,950.00	1,950.00	325.00	2,275.00	-
06/30/2017	-	-	-	-	-	-	14,725.00
09/01/2017	10,000.00	3.000%	1,950.00	11,950.00	325.00	12,275.00	-
03/01/2018	-	-	1,800.00	1,800.00	300.00	2,100.00	-
06/30/2018	-	-	-	-	-	-	14,375.00
09/01/2018	10,000.00	3.000%	1,800.00	11,800.00	300.00	12,100.00	-
03/01/2019	-	-	1,650.00	1,650.00	275.00	1,925.00	-
06/30/2019	-	-	-	-	-	-	14,025.00
09/01/2019	10,000.00	3.000%	1,650.00	11,650.00	275.00	11,925.00	-
03/01/2020	-	-	1,500.00	1,500.00	250.00	1,750.00	-
06/30/2020	-	-	-	-	-	-	13,675.00
09/01/2020	10,000.00	3.000%	1,500.00	11,500.00	250.00	11,750.00	-
03/01/2021	-	-	1,350.00	1,350.00	225.00	1,575.00	-
06/30/2021	-	-	-	-	-	-	13,325.00
09/01/2021	10,000.00	3.000%	1,350.00	11,350.00	225.00	11,575.00	-
03/01/2022	-	-	1,200.00	1,200.00	200.00	1,400.00	-
06/30/2022	-	-	-	-	-	-	12,975.00
09/01/2022	10,000.00	3.000%	1,200.00	11,200.00	200.00	11,400.00	-

Rhode Island Clean Water Finance Agency

\$200,000.00 East Smithfield Water District

Drinking Water Loan - Dated October 23, 2008

Final Loan Schedules - 3% Subsidized Rate

Net Debt Service Schedule

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I	Agency Fee	Net New D/S	Fiscal Total
03/01/2023	-	-	1,050.00	1,050.00	175.00	1,225.00	-
06/30/2023	-	-	-	-	-	-	12,625.00
09/01/2023	10,000.00	3.000%	1,050.00	11,050.00	175.00	11,225.00	-
03/01/2024	-	-	900.00	900.00	150.00	1,050.00	-
06/30/2024	-	-	-	-	-	-	12,275.00
09/01/2024	10,000.00	3.000%	900.00	10,900.00	150.00	11,050.00	-
03/01/2025	-	-	750.00	750.00	125.00	875.00	-
06/30/2025	-	-	-	-	-	-	11,925.00
09/01/2025	10,000.00	3.000%	750.00	10,750.00	125.00	10,875.00	-
03/01/2026	-	-	600.00	600.00	100.00	700.00	-
06/30/2026	-	-	-	-	-	-	11,575.00
09/01/2026	10,000.00	3.000%	600.00	10,600.00	100.00	10,700.00	-
03/01/2027	-	-	450.00	450.00	75.00	525.00	-
06/30/2027	-	-	-	-	-	-	11,225.00
09/01/2027	15,000.00	3.000%	450.00	15,450.00	75.00	15,525.00	-
03/01/2028	-	-	225.00	225.00	37.50	262.50	-
06/30/2028	-	-	-	-	-	-	15,787.50
09/01/2028	15,000.00	3.000%	225.00	15,225.00	37.50	15,262.50	-
06/30/2029	-	-	-	-	-	-	15,262.50
Total	\$200,000.00	-	\$67,533.33	\$267,533.33	\$11,255.66	\$278,788.89	-

**Rhode Island Clean Water Finance Agency
Drinking Water Revolving Fund Revenue Bonds, Series 2009A
Preliminary Numbers (Non-Default Scenario)**

Loan Debt Service

East Smithfield \$400,000 REV Non-Rated Taxable Non-pledged ARRA Federal Direct Loan plus ARRA Principle Forgiveness

Date	Principal	Loan Rate	(1) Less: Prin. Forgiveness	Net Principal	(2) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
10/23/09									
3/1/2010					3,685.65	524.43	4,210.08	4,210.08	
9/1/2010	20,000.00	3.514%	(4,639.10)	15,360.90	5,397.82	768.04	6,165.86	21,526.76	25,736.84
3/1/2011					5,127.93	729.64	5,857.57	5,857.57	
9/1/2011	21,000.00	3.514%	(4,871.06)	16,128.94	5,127.93	729.64	5,857.57	21,986.51	27,844.08
3/1/2012					4,844.54	689.32	5,533.86	5,533.86	
9/1/2012	22,000.00	3.514%	(5,103.01)	16,896.99	4,844.54	689.32	5,533.86	22,430.85	27,964.71
3/1/2013					4,547.66	647.08	5,194.74	5,194.74	
9/1/2013	22,000.00	3.514%	(5,103.01)	16,896.99	4,547.66	647.08	5,194.74	22,091.73	27,286.47
3/1/2014					4,250.78	604.84	4,855.62	4,855.62	
9/1/2014	23,000.00	3.514%	(5,334.97)	17,665.03	4,250.78	604.84	4,855.62	22,520.65	27,376.27
3/1/2015					3,940.41	560.67	4,501.08	4,501.08	
9/1/2015	24,000.00	3.514%	(5,566.92)	18,433.08	3,940.41	560.67	4,501.08	22,934.16	27,435.24
3/1/2016					3,616.54	514.59	4,131.13	4,131.13	
9/1/2016	25,000.00	3.514%	(5,799.88)	19,201.12	3,616.54	514.59	4,131.13	23,332.25	27,463.38
3/1/2017					3,279.18	466.59	3,745.77	3,745.77	
9/1/2017	26,000.00	3.514%	(6,030.83)	19,969.17	3,279.18	466.59	3,745.77	23,714.94	27,460.71
3/1/2018					2,928.32	416.66	3,344.98	3,344.98	
9/1/2018	27,000.00	3.514%	(6,262.79)	20,737.21	2,928.32	416.66	3,344.98	24,082.19	27,427.17
3/1/2019					2,563.97	364.82	2,928.79	2,928.79	
9/1/2019	28,000.00	3.514%	(6,494.74)	21,505.26	2,563.97	364.82	2,928.79	24,434.05	27,362.84
3/1/2020					2,186.12	311.06	2,497.18	2,497.18	
9/1/2020	30,000.00	3.514%	(6,958.65)	23,041.35	2,186.12	311.06	2,497.18	25,538.53	28,035.71
3/1/2021					1,781.28	253.45	2,034.73	2,034.73	
9/1/2021	31,000.00	3.514%	(7,190.61)	23,809.39	1,781.28	253.45	2,034.73	25,844.12	27,878.85
3/1/2022					1,362.95	193.93	1,556.88	1,556.88	
9/1/2022	32,000.00	3.514%	(7,422.58)	24,577.44	1,362.95	193.93	1,556.88	26,134.32	27,691.20
3/1/2023					931.12	132.49	1,063.61	1,063.61	
9/1/2023	33,000.00	3.514%	(7,654.52)	25,345.48	931.12	132.49	1,063.61	26,409.09	27,472.70
3/1/2024					485.80	69.12	554.92	554.92	
9/1/2024	36,000.00	3.514%	(8,350.38)	27,649.62	485.80	69.12	554.92	28,204.54	28,759.46
3/1/2025					-	-	-	-	
9/1/2025					-	-	-	-	
3/1/2026					-	-	-	-	
9/1/2026					-	-	-	-	
3/1/2027					-	-	-	-	
9/1/2027					-	-	-	-	
	<u>400,000.00</u>		<u>(92,782.03)</u>	<u>307,217.97</u>	<u>92,776.67</u>	<u>13,200.9900</u>	<u>105,977.66</u>	<u>413,195.63</u>	<u>413,195.63</u>

- (1) Principal forgiveness total is equal to 50% of the \$19,500,000 2009 ARRA allotment received, which represents approximately 23.2% of the total Series 2009A DW Agency, Direct, Federal Direct & ARRA Federal Direct Loans to be funded.
- (2) Interest during construction period is calculated based on the timing of expected draws and the overall weighted average loan rate of 3.514%.

Rhode Island Clean Water Finance Agency
 Safe Drinking Water Revolving Fund Revenue Bonds, Series 2013A
 Final Numbers

Loan Debt Service

East Smithfield- \$600,000 DWSRF Fed Direct Loan (NR Rated, Revenue Pledge)

Date	Principal	Loan Rate	(1) Principal Forgiveness	Net Principal	(2) Interest	Net Fees @ 0.500%	Total Fees & Interest	Total Debt Service & Fees	Annual Debt Service & Fees
08/05/13									
9/1/2013	1,000.00	1.30%	(56.73)	943.27 (3)	865.78	155.62	1,021.40	1,964.67	1,964.67
3/1/2014					7,865.38	1,412.54	9,277.92	9,277.92	
9/1/2014	23,000.00	1.30%	(1,304.89)	21,695.11	7,865.38	1,412.54	9,277.92	30,973.03	40,350.95
3/1/2015					7,724.36	1,358.30	9,082.66	9,082.66	
9/1/2015	23,000.00	2.18%	(1,304.89)	21,695.11	7,724.36	1,358.30	9,082.66	30,777.77	39,860.43
3/1/2016					7,487.88	(1,304.06)	8,791.84	8,791.84	
9/1/2016	24,000.00	1.98%	(1,361.63)	22,638.37	7,487.88	1,304.06	8,791.94	31,430.31	40,222.25
3/1/2017					7,263.76	1,247.47	8,511.23	8,511.23	
9/1/2017	24,000.00	1.88%	(1,361.63)	22,638.37	7,263.76	1,247.47	8,511.23	31,149.60	39,660.83
3/1/2018					7,050.96	1,190.87	8,241.83	8,241.83	
9/1/2018	25,000.00	1.96%	(1,418.36)	23,581.64	7,050.96	1,190.87	8,241.83	31,823.47	40,065.30
3/1/2019					6,819.86	1,131.92	7,951.78	7,951.78	
9/1/2019	25,000.00	2.11%	(1,418.36)	23,581.64	6,819.86	1,131.92	7,951.78	31,533.42	39,485.20
3/1/2020					6,571.07	1,072.96	7,644.03	7,644.03	
9/1/2020	26,000.00	2.24%	(1,475.09)	24,524.91	6,571.07	1,072.96	7,644.03	32,168.94	39,812.97
3/1/2021					6,296.39	1,011.65	7,308.04	7,308.04	
9/1/2021	27,000.00	2.41%	(1,531.83)	25,468.17	6,296.39	1,011.65	7,308.04	32,776.21	40,084.25
3/1/2022					5,989.50	947.98	6,937.48	6,937.48	
9/1/2022	28,000.00	2.52%	(1,588.56)	26,411.44	5,989.50	947.98	6,937.48	33,348.92	40,286.40
3/1/2023					5,656.72	881.95	6,538.67	6,538.67	
9/1/2023	28,000.00	2.69%	(1,588.56)	26,411.44	5,656.72	881.95	6,538.67	32,950.11	39,488.78
3/1/2024					5,301.49	815.92	6,117.41	6,117.41	
9/1/2024	29,000.00	2.86%	(1,645.30)	27,354.70	5,301.49	815.92	6,117.41	33,472.11	39,589.52
3/1/2025					4,910.32	747.54	5,657.86	5,657.86	
9/1/2025	30,000.00	3.06%	(1,702.03)	28,297.97	4,910.32	747.54	5,657.86	33,955.83	39,613.69
3/1/2026					4,477.36	676.79	5,154.15	5,154.15	
9/1/2026	31,000.00	3.19%	(1,758.77)	29,241.23	4,477.36	676.79	5,154.15	34,395.38	39,549.53
3/1/2027					4,010.96	603.69	4,614.65	4,614.65	
9/1/2027	33,000.00	3.30%	(1,872.23)	31,127.77	4,010.96	603.69	4,614.65	35,742.42	40,357.07
3/1/2028					3,497.35	525.87	4,023.22	4,023.22	
9/1/2028	34,000.00	3.37%	(1,928.97)	32,071.03	3,497.35	525.87	4,023.22	36,094.25	40,117.47
3/1/2029					2,956.95	445.69	3,402.64	3,402.64	
9/1/2029	35,000.00	3.43%	(1,985.70)	33,014.30	2,956.95	445.69	3,402.64	36,416.94	39,819.58
3/1/2030					2,390.75	363.16	2,753.91	2,753.91	
9/1/2030	37,000.00	3.14%	(2,099.17)	34,900.83	2,390.75	363.16	2,753.91	37,654.74	40,408.65
3/1/2031					1,842.81	275.91	2,118.72	2,118.72	
9/1/2031	38,000.00	3.36%	(2,155.91)	35,844.09	1,842.81	275.91	2,118.72	37,962.81	40,081.53
3/1/2032					1,240.63	186.29	1,426.92	1,426.92	
9/1/2032	39,000.00	3.35%	(2,212.64)	36,787.36	1,240.63	186.29	1,426.92	38,214.28	39,641.20
3/1/2033					624.44	94.33	718.77	718.77	
9/1/2033	40,000.00	3.31%	(2,269.38)	37,730.62	624.44	94.33	718.77	38,449.39	39,168.16
	<u>600,000.00</u>		<u>(34,040.63)</u>	<u>565,959.37</u>	<u>200,823.66</u>	<u>32,745.40</u>	<u>233,569.06</u>	<u>799,528.43</u>	<u>799,528.43</u>

- (1) Principal Forgiveness funds have been distributed to borrowers with loan proceeds used to fund Green Projects. See financing documents for details.
- (2) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.782%.
- (3) Represents sinking fund redemptions of 09/01/14 maturity.



CERTIFICATE OF SECRETARY

The Hon. Jorge O. Elorza Mayor
Ricky Caruolo General Manager

I, Carissa R. Richard, do upon oath say:

1. That I am the duly appointed Secretary of the Providence Water Supply Board (PWSB), an entity established by the Home Rule Charter of the City of Providence.

2. That at the meeting of the PWSB held on Wednesday, October 19, 2016, the following was voted by all members of the Providence Water Supply Board present:

BOARD OF DIRECTORS

- Xaykham Khamsyvoravong Chairperson
Joseph D. Cataldi Vice Chairperson
Michael J. Correia Councilperson
Sabina Matos Councilperson
Lawrence J. Mancini Ex-Officio
Cristen L. Raucchi, Esq. Member
Kerri Lynn Thurber Member
Carissa R. Richard Secretary
William E. O'Gara, Esq. Legal Advisor

RESOLVED: That the Board of Directors voted to approve the annexation and merger of the East Smithfield Water District into Providence Water and authorize the General Manager to execute all necessary documentation.

In Witness Whereof, I have set my hand this 31st day of October 2016.

Carissa R. Richard
Carissa R. Richard
Secretary
Providence Water Supply Board

STATE OF RHODE ISLAND
PROVIDENCE, sc.

In Providence on the 31st day of October 2016, there personally appeared before me the above-named, Carissa R. Richard, individually and in her capacity as Secretary of the Providence Water Supply Board, and she acknowledged the execution of this certificate to be her free act and deed and in her said capacity.

Notary Public: Joseph P. Murphy
My Commission Expires: 4-17-18
Lic #57857

MEMBER
Rhode Island Water Works Assn.
New England Water Works Assn.
American Water Works Assn.
Water Research Foundation
An EPA WaterSense Partner
(401) 521-6300
552 Academy Avenue
Providence, RI 02908
www.provwater.com
Follow us @provwater
Like us at:
facebook.com/Providencewater

City of Providence
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 1

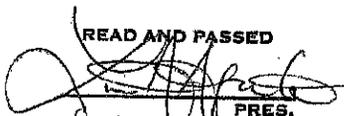
Approved January 12, 2017

RESOLVED, That pursuant to R.I. Gen. Laws § 46-30-1 *et seq.*, the Providence Water Supply Board ("PWSB") is hereby authorized to annex the water distribution system of the East Smithfield Water District ("District"), an independent statutory water district, incorporated under the provisions of Rhode Island Public Laws of 1934 - An Act to Incorporate the East Smithfield Water District, to the water distribution system of PWSB, and to merge the District into PWSB.

NOW, THEREFORE, BE IT RESOLVED, That His Honor the Mayor, is hereby authorized to execute an agreement between the City of Providence, on behalf of PWSB, and the District, for the annexation of the District's water supply system to the water supply system of PWSB, and the merger of the District into PWSB, and to execute any other documents in furtherance of effectuating said annexation and merger.

IN CITY COUNCIL

JAN 05 2017

READ AND PASSED

PRES.

CLERK

I HEREBY APPROVE.

Mayor
Date: 1/12/17

**East Smithfield Water District Executive Board
Minutes of Meeting – November 14, 2016**

A special meeting of the East Smithfield Water District (ESWD) Executive Board was held at 6:30 p.m. on Monday, November 14, 2016 at the District Office located at 307 Waterman Avenue, Smithfield, RI 02917.

Members Present:

Todd Manni, Chairman
Jeanne Verity, Vice-Chair
Raymond DiSanto, Treasurer
Raymond Church
Albert DePetrillo
Thomas Massaro
Steven Serapiglia

Members Absent:**Staff Present:**

None

Guests:

Ralph E. Iannitelli, District Legal Counsel

CALL TO ORDER

With a quorum present, Chairman Manni called the special meeting to order at 6:30 p.m.

1. CONSIDER, DISCUSS AND ACT ON PWSB MERGER AND ANNEXATION AGREEMENT

The final version of the merger and annexation agreement between the Providence Water Supply Board and the East Smithfield Water District was discussed at length. A motion was made by Ray DiSanto, seconded by Jeanne Verity to accept the agreement as presented (v.3) on November 14, 2016. The East Smithfield Water District Board Chairman is authorized to execute the agreement. The motion was approved six (6) votes in favor, none opposed, with one abstention (Thomas Massaro).

2. ADJOURNMENT

There being no further business, a motion was made by Steve Serapiglia, seconded by Ray Church, to adjourn the meeting at 7:20 p.m. *The motion was unanimously approved.*

Respectfully submitted,

Raymond DiSanto

District Clerk

EXHIBIT G

PROVIDENCE WATER
CAPITALIZATION
6/30/2016

		<u>Due</u>	<u>Interest Rate</u>	<u>Actual Outstanding (1)</u>	<u>Pro-Forma Amount</u>
Long Term Debt:					
Clean Water Revenue Bonds 2002	(2)	9/1/2021	3.61%	\$ 924,704	\$ 924,704
Clean Water Revenue Bonds 2008A	(3)	9/1/2029	2.85%	26,703,000	26,703,000
ARRA Stimulus Bonds 2009	(4)	10/2/2015-9/1/30	.041 - 3.14%	8,274,000	8,274,000
Clean Water Watershed Bonds 2012	(5)	9/1/2032	.012 - 3.24%	2,621,000	2,621,000
Clean Water Watershed Bonds 2013	(6)	9/1/2033	.019 - 2.53%	3,842,000	3,842,000
Clean Water Revenue Bonds 2013	(7)	9/1/2034	.022 - 2.63%	23,960,000	23,960,000
Clean Water Revenue Bonds 2014	(8)	9/1/2034	.022 - 3.01%	7,668,000	7,668,000
Clean Water Revenue Bonds 2015	(10)	9/1/2035	.024 - 2.74%	30,000,000	30,000,000
Clean Water Revenue Bonds 2017				-	17,000,000
East Smithfield Water District	(11)			-	902,000
Total Bonds				\$ 103,992,704	\$ 121,894,704
Total Capitalization				\$ 103,992,704	\$ 121,894,704
Total Assets (Unaudited)	(9)			\$ 433,465,685	\$ 434,367,685
Debt/Total Assets				23.99%	28.06%
Net Utility Plant	(9)			\$ 286,422,648	\$ 287,324,648
Debt/Net Utility Plant				36.31%	42.42%

(1) Includes long term and current amounts.

(2) Borrowing 12/04/01 (WCWDS Improvements) from WCWDS Funds.

(3) Borrowing 05/19/08 CWFA08a for Various IFR Projects from IFR Funds.

(4) Borrowing 9/09 CWFA09 for Various Projects from ARRA Stimulus Funds.

(5) Borrowing 6/12 CWFA for Watershed Acquisition paid from WQPF.

(6) Borrowing 6/12 CWFA for Watershed Acquisition paid from WQPF.

(7) Borrowing 05/06/13 CWFA13 for Main Replacements & Appurtenances.

(8) Borrowing 12/04/14 CWFA14 for Main Replacements & Appurtenances.

(9) From Unaudited Balance Sheet Amounts as of 6/30/16

(10) Borrowing 12/02/2015 RIIB15 for Central Operations Facility.

(11) Aggregate outstanding principal on 3 RIIB issued bonds to the East Smithfield Water District to be absorbed by Providence Water at the time of merger.

STATE OF RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

DOCKET No. 17 - _____

ATTESTATION UNDER RULE 14
OF THE RULES OF PRACTICE AND PROCEDURE
OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

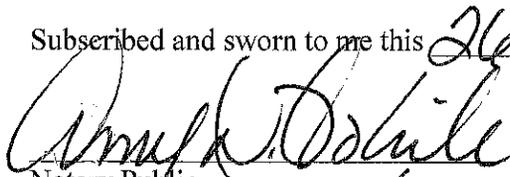
I, Nancy E. Parrillo, in conformance with Rule 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers, hereby attest under oath that the facts contained in my direct testimony with exhibits and supporting documents are true and correct to the best of my knowledge, information, and belief. All changes and differences between books and test year data and any changes in the manner of recording said data during the test year have been expressly noted.

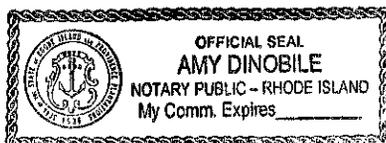


Nancy E. Parrillo

STATE OF RHODE ISLAND
PROVIDENCE COUNTY

Subscribed and sworn to me this 26 day of January, 2017.


Notary Public
My commission expires: 6-24-17 #750667



Testimony
of
GREGG M. GIASSON, PE
before the
RI DIVISION OF PUBLIC UTILITIES AND CARRIERS

APPLICATION FOR AUTHORIZATION FOR THE ASSUMPTION OF \$1,127,856.33 OF
LONG TERM DEBT AND OTHER OBLIGATIONS OF THE EAST SMITHFIELD WATER
DISTRICT

for
PROVIDENCE WATER

January, 2017

Docket No. D-17- _____

1 **Q. Please state your name and your position.**

2 A. My name is Gregg M. Giasson and I am the Deputy General Manager of
3 Operations/Executive Engineer for the Providence Water Supply Board. I have general
4 oversight of the Engineering, Water Supply and Transmission & Distribution Departments.

5
6 **Q. Please describe your educational background and work experience.**

7 A. I obtained a Master's of Science in Environmental Engineering from Worcester Polytechnic
8 Institute in 2001 and a Bachelor of Science in Civil Engineering from Tufts University in
9 1992. I have worked for the Providence Water Supply Board for three and a half years, the
10 first two years as the Senior Director of Operations and the last year and a half as the Deputy
11 General Manager of Operations/Executive Engineer. From 2008 to 2012, I worked for the
12 Pawtucket Water Supply Board as the Assistant Chief Engineer/Chief of Operations. Prior to
13 Pawtucket, I worked at the consulting firm Camp, Dresser & McKee for 12 years where I
14 worked on a variety of drinking water projects as both a project engineer and project
15 manager. I am a Registered Professional Engineer in the State of Rhode Island.

16
17 **Q. What was the impetus for the merger between the East Smithfield Water District**
18 **(ESWD) and the Providence Water Supply Board (PWSB)?**

19 A. PWSB was approached by the ESWD about PWSB taking over the operations of the ESWD.
20 ESWD was concerned about the long term sustainability of the ESWD from both a financial
21 and operational perspective. ESWD prepared an analysis of the benefits of a merger with
22 PWSB to the current ESWD customers. The analysis is provided as **Attachment 1**.

23

1 **Q. What are the details of the merger?**

2 A. Provided in Mrs. Parrillo's testimony is the Merger and Annexation Agreement
3 ("Agreement") between PWSB and ESWD. This Agreement has been approved by the
4 ESWD Board and the PWSB Board and ratified by the Providence City Council. Highlights
5 of the Agreement are as follows.

6 - Ownership of ESWD will be transferred (annexation and merger) to PWSB and ESWD
7 will cease to exist.

8 - All of the assets and liabilities of ESWD will be transferred to the PWSB.

9 - Following the annexation and merger, PWSB will assume responsibility for the operations
10 and maintenance of the ESWD system.

11 - PWSB will be responsible for ESWD system upgrades. PWSB has agreed to spend no less
12 than \$4 million upgrading the ESWD system over the next ten years. The commitment of \$4
13 million includes the engineering, labor and construction costs associated with the necessary
14 upgrades.

15 - PWSB will be responsible for the payment of outstanding District debt including Clean
16 Water Finance Agency loans related to previous District capital improvement projects.

17 - Following the annexation and merger, approximately 2,400 District customers will be
18 directly charged current PWSB retail water rates.

19

20

21

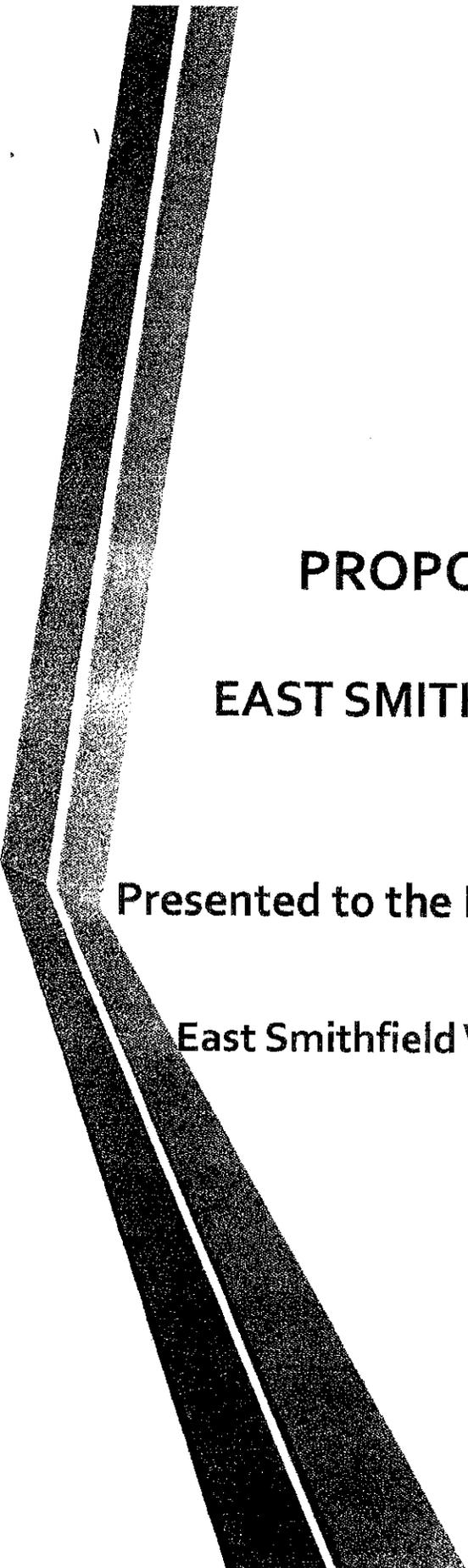
1 **Q. What is the status of the merger?**

2 A. The merger become effective on January 13th.

3

4 **Q. Mr. Giasson, does that conclude your testimony?**

5 A. Yes, it does



**PROPOSAL TO DISSOLVE
THE
EAST SMITHFIELD WATER DISTRICT**

Presented to the Providence Water Supply Board

By the

East Smithfield Water District Executive Board

September 2015

East Smithfield Water District

Proposal to Dissolve the East Smithfield Water District

Presented to the Providence Water Supply Board

Introduction

The East Smithfield Water District has been in existence since 1934. As recently as 1980, the District sold 300 million gallons of water annually, 47 percent of which was sold to numerous commercial and industrial establishments in Greystone, Esmond, Georgiaville and the Stillwater Road area (Exhibit 1). The ESWD staff in 1980 consisted of a General Manager, administrative assistant and two water operators. Today, the District supplies only 175-180 million gallons of water annually to mostly residential customers within the same District boundaries, yet still requires a General Manager, administrative assistant (now office manager) and two water operators. Thirty seven percent of the District's current water sales are in the Town of North Providence (Exhibit 2). Supporting basically the same operating costs (adjusted for inflation) with half the annual water sales has required constantly increasing rates to the point where the typical bill of an ESWD residential customer today is from 43 to 67 percent higher than that of neighboring Smithfield Water Supply Board customers, depending on the volume of water used (Exhibit 3). While it has higher water rates, the Esmond - Georgiaville section of Town has a lower average household income than does the Town as a whole.

Of the three water districts in Smithfield, the East Smithfield district was established first. We have made major upgrades to the ESWD infrastructure during the past ten years (Exhibit 4). PARE Corp., our engineering firm rates our system as "average" in terms of its condition, although, as is the case with most other water districts both in Rhode Island and nationally, much work remains to be done. We are committed to continue our program of upgrading the District's infrastructure. Given the disparity in rates among the three Smithfield systems, Esmond and Georgiaville residential customers will continue to have the highest cost for water in Town if the current structure of three Smithfield water districts is preserved. ESWD has few undeveloped areas to attract the next Bryant University or Fidelity Investments.

We believe that by dissolving the East Smithfield Water District in accordance with Title 46, Chapter 46-30-1 of Rhode Island General Laws (Public Water Supply Systems Act of 1995) (Exhibit 5), necessary upgrades to the East Smithfield water service area can continue to be made, while avoiding continual rate increases. Dissolution of the ESWD and adding its customers to the Providence Water Supply Board customer base will make available to former ESWD customers the redundancy, backup capability and additional resources not currently available. By significantly reducing the higher costs associated with maintaining a small separate water system, we believe that better service can be provided at a lower cost than that currently being borne by ESWD customers.

The East Smithfield Water District Executive Board respectfully requests that the Providence Water Supply Board consider the following proposal.

Proposal to Dissolve East Smithfield Water District

Under this proposal, the East Smithfield Water District would be dissolved. All ESWD customers, except for 203 customers in the Whipple Road area who would be better served by the Smithfield Water Supply Board (approximately 10 million gallons annually), would become customers of the Providence Water Supply Board. Whipple Road service area customers would become customers of the Smithfield Water Supply Board.

Added Revenue / Assets Accruing to Providence

Providence Water currently receives a wholesale price of \$1.73116 per 1,000 gallons for water sold to ESWD. If the ESWD is dissolved and becomes part of the PWSB, Providence Water would receive the retail price on all water sold as well as other various fees such as service charges, hydrant fees, etc. After assuming associated costs related to the added customer base and service area, Providence Water would benefit by approximately \$ 458,000 annually as a result of the added retail sales volume, \$ 488,000 if the current retail rate increase is approved by the P.U.C. (See Exhibit 6). All assets of the ESWD would also become assets of the PWSB.

Investment in ESWD Service Area Infrastructure

In return for transferring its customers to the PWSB, the former East Smithfield Water District would expect an investment of \$400,000 annually to be made by the PWSB in infrastructure improvements to the former ESWD service area during a ten year period commencing with the date marking the dissolution of the ESWD. We expect that a priority would be the removal of the North Elmore pumping station, with the area currently served by that station to be served instead by the installation of a new transmission main connecting the existing PWSB service in Smithfield Road to the current ESWD system in the vicinity of Bicentennial Way.

Outstanding Debt

ESWD has three R. I. Clean Water Finance Agency loans that would become the responsibility of the PWSB (See below). Combined interest and principal payments amount to \$80,000 annually. Under this proposal, the debt service obligation would be considered an "annexation fee" as described in Title 46, Chapter 46-30-4 and added to the PWSB existing rate structure to be applied to former ESWD accounts. The ESWD Board would request that if its current office / garage, and the Farnum Pike pump station building are not needed under this proposal, proceeds from the sale of the property be used to retire a portion of the ESWD debt, and any resulting decrease in required debt service cause a corresponding decrease to the annexation fee".

**Clean Water Finance Agency Loans
Balances as of
June 2015**

<u>Year</u>	<u>Loan Amount</u>	<u>Debt Forgiveness</u>	<u>Net Amount Payable</u>	<u>Term</u>	<u>Balance as of June 2015</u>
2008	\$200,000.00	\$0.00	\$200,000.00	20 Years	\$150,000.00
2008	\$400,000.00	\$92,782.03	\$307,217.97	15 Years	\$224,269.12
2013	\$600,000.00	\$34,040.63	\$565,959.37	20 Years	\$543,320.99
					<u>\$917,590.11</u>
Principal Payments Due by September 1, 2015:					
2008			\$10,000.00		
2009			\$18,433.08		
2013			<u>\$21,695.11</u>		<u>\$50,128.19</u>
Total Balance Remaining at end of 2015					<u>\$867,461.92</u>

Infrastructure Rehabilitation

ESWD currently has an infrastructure rehabilitation fee of \$1.25 per 1,000 gallons to provide for continued rehabilitation of the existing ESWD service area. This fee provides approximately \$200,000 annually. If the terms of this proposal are accepted as presented, the amount of money available for rehabilitating the ESWD service area would essentially double, at no added cost to PWSB customers.

East Smithfield Water District Employees

The East Smithfield Water District currently has three full time employees. Paul Lawless, the District's Senior Operator, has a Class 3 Distribution license. Dean Iacovone has a Class 2 Distribution license, and Mary Ferreira, our office manager, has an accounting degree from Bryant University and is responsible for all office functions – accounts receivable, accounts payable, bookkeeping, customer service, etc. Mel DeCarvalho, General Manager, is an employee of Northeast Water Solutions, Inc., under contract with ESWD.

ESWD employees are non-union employees. As you know, legislation was submitted to the RI General Assembly during two consecutive sessions in an attempt to consolidate the ESWD and the SWSB. In both instances, the proposed bill was "returned for further study" by the House Committee on Municipal Government. We believe that the primary reason the legislation was not acted upon was because no consideration was given to the fate of our three employees. We believe that the security of our employees may need to be considered in this agreement.

Radio Read Meters

The Executive Board of the ESWD is aware of the fact that PWSB metering system is not compatible with ESWD's Master Meter system. It suggests that the cost of replacing 2,191 meters be included in the \$4 million infrastructure improvement commitment. We must consider, however, that the Master Meters, purchased with a \$400,000 Clean Water Finance Agency loan, were installed in 2009-2010, and, assuming a 15 year useful life, have a remaining useful life of 10 years. Since the meters were purchased as part of the ARRA program, \$93,000 in principal forgiveness is associated with the purchase / loan. Simply scrapping the meters may have ramifications under these circumstances

Benefits to Former East Smithfield Water District Customers

Benefits to the current East Smithfield Water District customers following dissolution would include the following:

- Redundancy in both office and field operations that is currently lacking.
- Significantly more money invested in system rehabilitation.
- Lower or comparable water rates.

Comparison of PWSB Residential Rates to Current ESWD Rates
Based on 74,800 gallons (100 HCF) per year

Cost for 74,800 Gallons as PWSB Customer

74,800 Gallons @ \$3.85 per 1,000 gallons	\$287.98
Service Charge (5/8" meter)	94.68
Special Assessment @ \$0.50 *	37.40
State Surcharges @ \$0.292 per 1,000 Gals.	21.84
D.O.H. Fee	<u>1.50</u>
Total	\$443.40

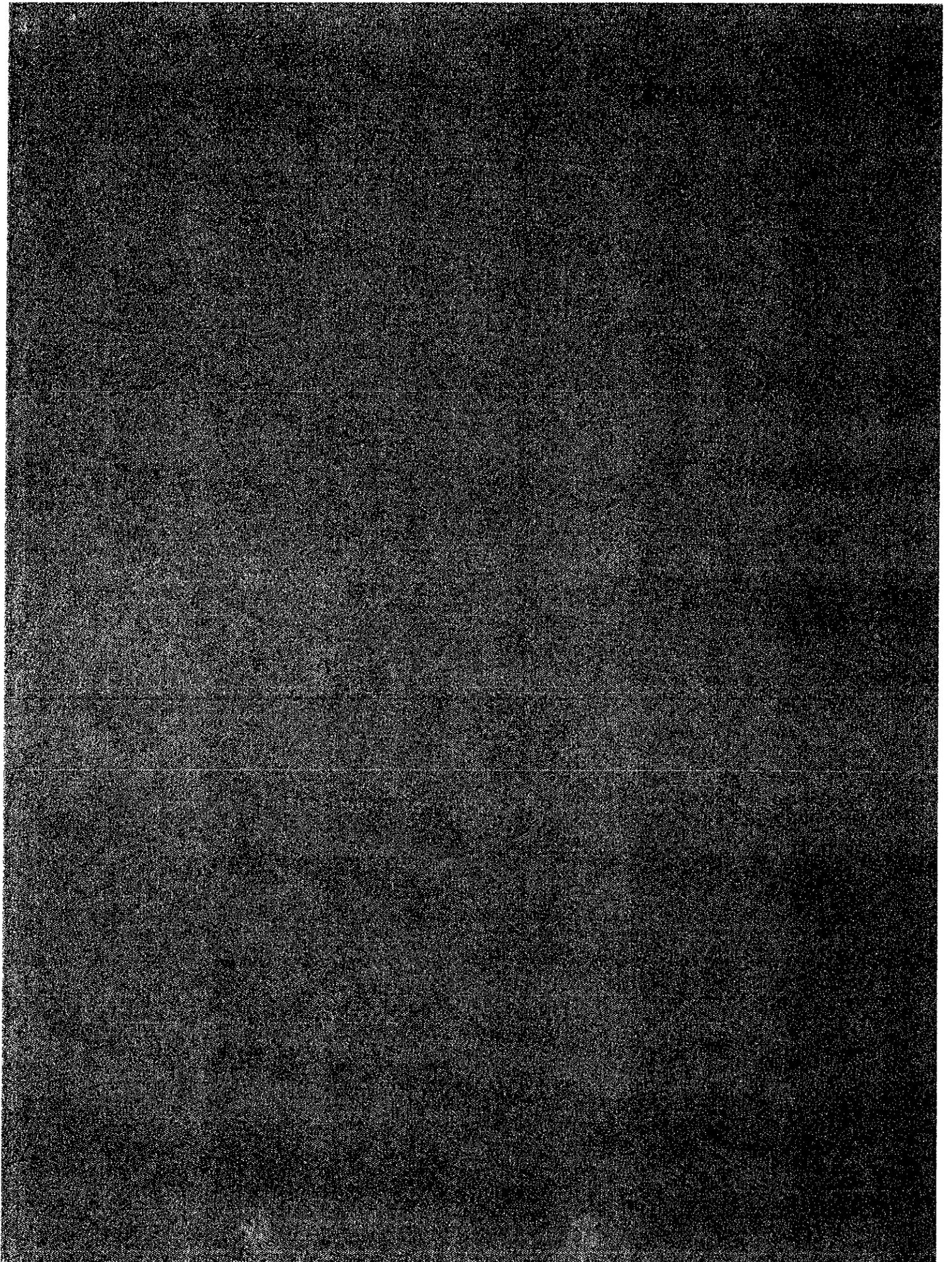
Cost as ESWD Customer with Current ESWD Rates (See Exhibit 7) **\$489.07**

Resulting Savings to ESWD Smithfield Customers **\$ 45.67**

*Special assessment for debt service from former ESWD customers.

Summary

The East Smithfield Water District Executive Board believes that this proposal is fair to both ESWD and PWSB. Most importantly, we believe it is in the best interest of the ESWD ratepayers and the most efficient way to upgrade the ESWD service area infrastructure in the shortest possible time. We understand that there are many details to be negotiated, possibly including the assumptions included in the proposal. If the Providence Water Supply Board is interested in exploring this proposal in greater detail, all records, required regulatory reports, five year plans, audited financial statements, etc., are available for your examination.



*A list of all Commercial and Manufacturing
water takers*

During the calendar year 1980.

<u>NAME OF COMPANY</u>	<u>GALLONS USED.</u>
WORCESTER TEXTILE	42,850,810
SMITHFIELD SEWER	35,816,180
EVANS PLATING	2,407,934
CHILDS MANUFACTURING	336,578
NARRAGANSET IRON FOUNDRY	355,420
INDUSTRIAL MACHINE CORP	354,010
BARMAL REALTY	315,330
GREYSTONE LAUNDRY	265,800
BROWN AND SHARPE	219,560
INDUPLATE	197,400
MINE SAFETY	188,400
ESMOND VILLAGE	182,455
RIVER WEAVING	165,960
ELMBROOK NURSING HOME	119,630
WHITE HALL BUILDING	112,830
WATERMAN APARTMENTS	112,090
POND VIEW APARTMENTS	297,000
GREYSTONE BOARDING HOUSE	270,930
GREYSTONE SOCIAL CLUB	271,120
BUTTERFIELD APARTMENTS	262,890
OLD COUNTY ROAD SCHOOL.	318,600
EDWARD PARKINSON MANUFACTURING	358,570
VINGENT GABRIELE	247,000
CASEY APARTMENTS	233,020
ESMOND CENTER REALTY	229,770
JAN GIOVANNI BLDG.	219,890
MEMANUS APARTMENTS (2)	851,400
ESMOND SHOP.	195,020
RINALDI APARTMENTS	180,000
DAME SCHOOL	178,000
FARNUM HOUSE	162,280
OASIS PUB	155,820
PORTUGUESE. AMERICAN	400,000

Crane Bldg	141250
St Michaels Church	133600
Tri Town	122320
Di Salvia Bldg	101710
Wayside Inn	101320
Smithfield Lumber	96960
Centredale Workmens Club	95600
Capabianco Nursery	84240
Cumberland Farm Bldg	82180
Graystone Fish + Chips	72440
Smithfield Town Hall.	70020
Pimento Realty	67090
Georgiaville Baptist Church.	46840
" Fire Dept	40540
Octeau Oil Co.	39270
School Dept	36000
Fondre Supply	26800
Mariano Store	25760
Graystone Church	24230
Artwell Sewing Machine	22090
Smithfield Service	21830
L + M. Torsion Spring	21210
Erwin Motors	18550
Texaco - Finneau	11020
Georges Garage	9850
	138,093,260 gal's

Total Residential - 161,211,410. approximate 53%
 " Mfg + Comm - 138,093,240. 47%

East Smithfield Water District

Water Sales - April 2014 through March 2015 (Gallons)

	<u>Smithfield</u>	<u>No. Prov.</u>	<u>Total</u>
April 2014	182,560	631,000	813,560
May 2014	117,790	730,000	847,790
June 2014	24,721,450	12,860,000	37,581,450
July 2014	328,170	745,000	1,073,170
August 2014	242,310	649,000	891,310
September 2014	32,960,230	21,666,000	54,626,230
October 2014	377,660	866,000	1,243,660
November 2014	324,300	737,000	1,061,300
December 2014	22,737,140	12,323,000	35,060,140
January 2015	1,932,910	721,000	2,653,910
February 2015	553,116	536,000	1,089,116
March 2015	25,098,200	12,518,004	37,616,204
Totals	109,575,836	64,982,004	174,557,840
	62.77%	37.23%	100.00%

Exhibit 3

Comparative Rates Effective April 2015

<u>Retail Rates:</u>		<u>ESWD</u> <u>Rate</u>	<u>SWSB</u> <u>Rate</u>	<u>ESWD Cost</u> for 24,000 Gal	<u>SWSB Cost</u> for 24,000 Gal	<u>Difference</u>
0	24000	\$3.70	\$3.20	88.80	\$76.80	
24001	84000	\$4.60	\$3.20	0.00	\$0.00	
84001	+	\$5.00	\$3.20	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	30.00	0	
Service Chg		\$52.00	\$40.00	52.00	\$40.00	
Surcharges		\$0.29	\$0.29	7.01	\$7.01	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				179.31	\$125.31	\$54.00
<u>Greenville Water Distict (24,000 gallons)</u>						43.09%

Flat Rate						
Water Usage		\$3.35		80.40		
RI Surcharges		\$0.29		7.01		
Basic Service Charge		\$81.60		81.60		
DOH Fee		\$1.50		1.50		
Prov Water Adjustment						
Infrastructure Improv. Fee		\$0.50		12.00		
				182.51		

<u>Retail Rates:</u>		<u>ESWD</u> <u>Rate</u>	<u>SWSB</u> <u>Rate</u>	<u>ESWD Cost</u> for 60,000 Gal	<u>SWSB Cost</u> for 60,000 Gal	
0	24000	\$3.70	\$3.20	88.80	\$76.80	
24001	84000	\$4.60	\$3.20	165.60	\$115.20	
84001	+	\$5.00	\$3.20	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	75.00	0	
Service Chg		\$52.00	\$40.00	52.00	\$40.00	
Surcharges		\$0.29	\$0.29	17.52	\$17.52	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				400.42	\$251.02	\$149.40
<u>Greenville Water Distict (60,000 gallons)</u>						59.52%

Flat Rate						
Water Usage		\$3.35		201.00		
RI Surcharges		\$0.29		17.52		
Basic Service Charge		\$81.60		81.60		
DOH Fee		\$1.50		1.50		
Prov Water Adjustment						
Infrastructure Improv. Fee		\$0.50		30.00		
				331.62		

<u>Retail Rates:</u>		<u>ESWD</u>	<u>SWSB</u>	<u>ESWD Cost</u>	<u>SWSB Cost</u>	
		<u>Rate</u>	<u>Rate</u>	for 73,000 Gal	for 73,000 Gal	
0	24000	\$3.70	\$3.20	88.80	\$76.80	
24001	84000	\$4.60	\$3.20	225.40	\$156.80	
84001	+	\$5.00	\$3.20	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	91.25	0	
Service Chg		\$52.00	\$40.00	52.00	\$40.00	
Surcharges		\$0.29	\$0.29	21.32	\$21.32	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				480.27	\$296.42	\$183.85
						62.02%

Greenville Water Distict (73,000 gallons)

<u>Flat Rate</u>			
Water Usage		\$3.35	244.55
RI Surcharges		\$0.29	21.32
Basic Service Charge		\$81.60	81.60
DOH Fee		\$1.50	1.50
Prov Water Adjustment			
Infrastructure Improv. Fee		\$0.50	36.50
			385.47

<u>Retail Rates:</u>		<u>ESWD</u>	<u>SWSB</u>	<u>ESWD Cost</u>	<u>SWSB Cost</u>	
		<u>Rate</u>	<u>Rate</u>	100,000 Gal	100,000 Gal	
0	24000	\$3.70	\$3.20	88.80	\$76.80	
24001	84000	\$4.60	\$3.20	276.00	\$192.00	
84001	+	\$5.00	\$3.20	80.00	\$51.20	
Rehab Fee		\$1.25	\$0.00	125.00	0	
Service Chg		\$52.00	\$40.00	52.00	\$40.00	
Surcharges		\$0.29	\$0.29	29.20	\$29.20	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				652.50	\$390.70	\$261.80
						67.01%

Greenville Water Distict (100,000 gallons)

<u>Flat Rate</u>			
Water Usage		\$3.35	335.00
RI Surcharges		\$0.29	29.20
Basic Service Charge		\$81.60	81.60
DOH Fee		\$1.50	1.50
Prov Water Adjustment			
Infrastructure Improv. Fee		\$0.50	50.00
			497.30

East Smithfield Water District

System Improvements

2005 through 2015

2005:

- Installed new meter pit and 8" wholesale meter on Dean Avenue at the District Boundary.
- Installed new motor, rebuilt hydroconstant, cooling systems and pump at the Farnum Pike pump station.
- Installed new motor, rebuilt hydroconstant, cooling systems and pump at the North Elmore Pump station.
- Replaced outdated computer and printers
- Installed new accounting and billing software.

2006:

- Replaced 415 feet of aging six inch A/C pipe with 8 inch ductile iron pipe (Second St).
- Completed update of system hydraulic model (PARE Corp)
- Instituted semi-annual billing cycle for all residential customers.
- Established "Qualified Assistance Fund" for eligible customers. Funded with donations.
- Instituted accelerated residential meter replacement program.

2007:

- Replaced 450 feet of aging 6 inch cast iron pipe with 8 inch ductile iron pipe (Berwick).
- Began installation of radio-read water meters, installed related software.
- Signed Mutual Aid Agreement with several neighboring water districts.
- Instituted monthly or quarterly billing cycles for all major customers.

East Smithfield Water – System Improvements – 2005 through 2015

2008:

- Adopted three tier rate structure, to promote conservation in accordance with RI Water Resource Board requirements, and to provide “affordable” rates to low use customers.
- Replaced 1,750 feet of aging A/C pipe with 8 inch ductile iron pipe (Higgins St).
- Abandoned 600 feet of aging A/C pipe on Whipple Road, turning over 9 customers to SWSB.
- Installed new meter pit, meter and pressure reducing valve at Ridge Road connection with the SWSB, at the same time, increasing the capacity of the connection, thereby increasing fire protection in the entire service area.
- Installed pressure reducing valve at the intersection of Waterman Ave. and Summerfield Drive, significantly increasing fire protection all along the Waterman Ave. service area.
- Replaced 5 old fire hydrants and added 5 additional hydrants, further increasing fire protection in the District.
- Became a member of RI WARN.

2009:

- Obtained \$400,000 RI Clean Water Finance Agency loan for purchase and installation of 2,100 radio-read water meters, \$93,000 of which was funded by ARRA.
- By year-end, 750 of the new meters were installed.

2010:

- Completed installation of 2,100 radio-read meters funded through SRF loan and ARRA.
Continued meter replacement program for remaining meters in ESWD system.
- Replaced 450 feet of aging 6 inch A/C pipe with 8 inch ductile iron pipe on Maple Street.
- Lined 492 feet of aging cast iron pipe on Arnold Avenue.
- Revised and updated Personnel Handbook and Position Descriptions for all employees.
- Converted to Quarterly billing cycle for all customers – Fourth quarter 2010.

2011:

- Installed new heating system at office/garage complex.
- Started program of continuous system-wide leak detection program.

2012:

- Purchased new Ford F350 utility vehicle to replace 1984 model.
- Cleaned and lined 2,000 feet of cast-iron water main – Fenwood Avenue.
- Upgraded office computer system to server based network.

2013:

- Installed blow-off valves at the end of Chamberlain Street and Homestead Street.
- H2 Systems, Inc. completed system-wide leak detection survey. Six significant leaks were repaired.
- Began work on Waltham Pump Station Project. Contract #1 85% completed. Estimated Contract I project cost - \$307,600 + approximately \$19,000 in additional costs.
- Atlantic States Rural Water mapped system (hydrants and valves).

2014:

- Outsourced all customer bill processing to Cathedral Corporation – estimated annual savings of \$4,000.
- Completed installation of 2,000 feet of new 12 inch ductile iron water main from Esmond Street across easement on property owned by Estate of Gilda Poirier, entire length of Hillside Street (replacing old main) and entire length of Fairmount Street (replacing old main).
- System-wide leak detection survey completed by New England Water Distribution Services, LLC. Five significant leaks reported on June 5, 2014. Contracted with Armando Ricci (Ricci Drain) for repair week of June 16, 2014.
- Almonte Bros. installed two new fire hydrants in Woodhaven area at the request of the North Providence Fire Department.
- Installed new fire hydrant on Brook Street, Smithfield (Armando Ricci).
- District was divided into three discrete public water systems by D.O.H. (ESWD, ESWD-Whipple, ESWD-Summerfield) *Why?*

- Replaced hydrant at Waterman & Sawin, added second feed to No. Elmore pump station.
- Exposed curb stop at Farnum Pike fire station.
- Installed new sample station at Esmond Post Office.
- Received \$5,000 grant from Rhode Island Foundation to assist customers with past due water bills who are qualified under Tri-Town's Heating Assistance Program or suffering extreme financial hardship.
- Installed new fire hydrant at Farnum Pike and Cottage Street on December 15.

2015:

- Contracted with Northeast Water Solutions, Inc. to provide management services effective January 1. Mr. Mel DeCarvalho assigned to District as General Manager.
- Approved 14 percent rate increase at April 11 Annual Meeting to provide funding for continued rehabilitation of system infrastructure.
- Installed 360 feet of new ductile iron 8 inch water main on Dean Avenue to replace leaking old cast iron main that ran 14 feet below street level under Hawkins Brooke culvert.
- Replaced hydrant at Diana Avenue and Bertha Street in Smithfield.
- Repaired non-working curb stops at 8 Cora Street and 21 Wendi Drive in North Providence – May 22.
- June 3 – Activated new Waltham Street pump station. \$1,000,000, three year project is completed, partially funded with a \$300,000 capital contribution from Timberlane. Long standing problem with pressure and fire flow issues at Timberlane Condominium Association resolved.

TITLE 46
Waters and Navigation

CHAPTER 46-30
Public Water Supply Systems

SECTION 46-30-1

§ 46-30-1 **Short title.** – This chapter shall be referred to as the "Public Water Supply Systems Act of 1995".

History of Section.

(P.L. 1995, ch. 267, § 1.)

TITLE 46

Waters and Navigation

CHAPTER 46-30

Public Water Supply Systems

SECTION 46-30-2

§ 46-30-2 Legislative findings, intent, and objectives. – (a) It is hereby found and declared that:

(1) Water is vital to life and comprises an invaluable natural resource which is not to be abused by any segment of the state's population or its economy. It is the policy of the state to restore, enhance, and maintain the chemical, physical, and biological integrity of its waters to protect health;

(2) It is further found and declared that the waters of this state are a critical renewable resource which must be protected to insure the availability of safe and potable drinking water for present and future needs;

(3) It is further found and declared that public water supply systems have the responsibility to provide safety and potable drinking water to the state's population;

(4) It is further found and declared that financial and regulatory pressures may force some small public water supply systems into economically losing propositions;

(5) It is further found and declared that economy and efficiency dictate the desirability to combine small public water supply systems with other public water supply systems;

(b) The objectives of this chapter are:

(1) To establish a mechanism to combine small public water supply systems and/or annex small systems to adjacent water supplies in order to provide viable water supplies capable of meeting federal and state drinking water regulations current at all times.

(2) To enable each local jurisdiction, city, town, water authority, water district, small supplier, or small public water supply system to petition the adjacent supplier for the purpose of merging or annexing with the supplier in an economically fair method.

(3) No merger nor annexation shall proceed without the consent of the governing board of each respective entity or, in the case of a municipally owned system, a vote of the majority of the entire town or city council or, in the case of a private supplier, the consent of the owner of the facilities in question and the governing board of the petitioned governing agency.

History of Section.

(P.L. 1995, ch. 267, § 1; P.L. 2007, ch. 340, § 63.)

TITLE 46

Waters and Navigation

CHAPTER 46-30

Public Water Supply Systems

SECTION 46-30-3

§ 46-30-3 **Definitions.** – As used in this chapter, the following words and terms shall have the following meanings unless the context shall indicate another or different meaning:

(1) "Annexation fee" means a fee levied on the individual water system connections, or accounts, in addition to their normal water consumption and service charges. The annexation fee shall remain in effect until the financial responsibility of annexation is discharged.

(2) "Governing agency" means the public water supply system into which the small public water supply system is being merged or annexed.

(3) "Owner of the facilities" means the holder of title to the water supply system facilities supplying water.

(4) "Public water supply system" means the same as defined in § 46-13-2.

History of Section.

(P.L. 1995, ch. 267, § 1.)

TITLE 46

Waters and Navigation

CHAPTER 46-30

Public Water Supply Systems

SECTION 46-30-4

§ 46-30-4 **Financial responsibility.** – (a) The financial obligation for the upgrading of the public water supply system to be annexed and the continued management and operational responsibility to bring that system into compliance with the applicable regulations and on parity with the existing facilities of the governing agency must be fairly and equitably allocated to the new customers by identifying:

- (1) Capital costs;
- (2) Operational expenses;
- (3) Management support;

and adding the annexation fee to the governing agency's existing rate structure currently in effect to be applied to the customer's accounts, to be annexed.

(b)(1) Each year the annexation fee to be paid by the new customers shall be added to the rate apportioned to the existing customers of the governing agency and shall represent the amortized cost of the capital expenditures and the appropriate ongoing operational costs adjusted for inflation. The annexation fee shall in no event be less than ten percent (10%) the rate levied on the pre-annexation customer base, nor shall it be more than one hundred percent (100%) of the pre-annexation rate. This legislation is not intended to limit the governing agency from recovering all costs of service from its basic customer base. The annexation fee shall constitute a part of the cost of annexation and shall also be an allocated portion of the cost of annexation and become a debt of each customer from the small public water supply system to the governing agency and be collectible in the same manner and have the benefit of any lien provided for the amounts due for water charges from the small public water supply system to the governing agency. Subject to the provisions of § 39-1.1-1 for those small public water supply systems which are public utilities, all governing agencies may terminate service for failure of the customer of a small public water supply system to pay the annexation fee.

(2) It shall not be necessary for any small public water supply system or governing agency whose rates may be regulated by the public utilities commission, pursuant to chapter 1 of title 39, to obtain approval from the commission for billing of the annexation fee. The public utilities commission shall

not be required, in determining rates for any governing agency or small public water supply system hereunder, to consider the annexation fees billed hereunder when determining revenue requirements for the governing agency or public water supply system.

(c) The annexation fee shall terminate when the contractual obligation for amortizing the upgrading of the system petitioning annexation has been discharged or no later than thirty (30) years from the date of financing said improvements, whichever comes first.

History of Section.

(P.L. 1995, ch. 267, § 1.)

TITLE 46

Waters and Navigation

CHAPTER 46-30

Public Water Supply Systems

SECTION 46-30-5

§ 46-30-5 Merger – Effective date – Transfer of assets and assumption of liabilities. – (a) After petition by the small water supply system to the governing agency and subject to the approval of the governing board of the public water supply system and the governing board of the governing agency, or, in the case of a municipally owned system, the approval of the majority of the entire town or city council, the public water supply system shall be merged with and into the governing agency. Upon the merger, the governing board of the governing agency or, in the case of a municipally owned system, the approval of the majority of the entire town or city council, agrees to accept and the governing board of the public water supply system agrees to transfer to the governing agency all rights and benefits accrued to the public water supply system arising out of federal assistance or federal funding available to public water supply systems.

(b)(1) It shall be the obligation of the governing board of the public water supply system to disclose to the governing agency all obligations, liabilities, and lawsuits pending against the entity. The governing agency shall have the right to include the obligations into the construction of the annexation fee to fairly apportion the costs to the customer base of the public water supply system.

(2) It is not the intent of this legislation to assume the principal business of the small public water supply system other than the serving of potable water. The governing agency shall have the right to refuse to accept any obligations, liabilities, and lawsuits pending against the entity relating to other parts of the small public water system's activities.

(3) The customers annexed to the governing agency shall be subject to the same rules, regulations, municipal, state, and federal laws to which all other customers of the governing agency are subject.

(c) The governing board of the public drinking water system is hereby authorized to and shall pass such resolutions, enter into such agreements, and do all things deemed useful and necessary by it to effectuate the merger; and the governing board of the governing agency is hereby authorized and may pass such resolutions, enter into such agreements, and do all things useful and necessary by it to effectuate the merger. Nothing in this subsection shall permit the governing agency of any municipally owned system to enter into any agreements or to adopt any resolutions which require city or town council approval.

(d) Upon completion, the merger shall be certified to the secretary of state by the chief executive officer of the governing agency.

(e) Upon the annexation of the public water supply system and the governing agency, the governing agency shall assume responsibility for the planning, construction, operation, and maintenance of the appropriate facilities, water mains and appurtenances of the public water supply system.

(f) If the governing agency accepts any obligations, liabilities, and/or lawsuits as referenced under subsection (b), the governing agency shall also be responsible and liable for all liabilities, obligations, and/or lawsuits of the public water supply system pertaining to water supply; and any claim existing or action or proceeding pending by or against the public water supply system may be prosecuted as if the annexation had not taken place, or the governing agency may be substituted in its place. Neither the rights of creditors nor any liens upon the property of the public water supply system shall be impaired by the merger. The annexation as provided for herein shall not impair the obligation of any contract or agreement or alter existing bargaining units nor abate any suit, action, or other proceeding lawfully commenced by or against the public water supply system, or any member of its governing board in relation to the discharge of his or her official duties, but a court of competent jurisdiction may, on motion filed within twelve (12) months after the effective date of the annexation, allow such a suit, action, or proceeding to be maintained by or against the annexed public water supply system or any member of its governing board in relation to the discharge of his or her official duties. Upon completion of the merger, all user charges, fees or rates assessed by the governing agency as a result of the merger shall be subject to the approval of the public utilities commission.

History of Section.

(P.L. 1995, ch. 267, § 1.)

TITLE 46

Waters and Navigation

CHAPTER 46-30

Public Water Supply Systems

SECTION 46-30-6

§ 46-30-6 Liberal construction. – The provisions of this chapter shall be construed liberally in order to accomplish the purposes hereof, and where any specific power is given to any agency by the provisions hereof, the statement thereof shall not be deemed to exclude or impair any power otherwise in this chapter conferred upon that agency.

History of Section.
(P.L. 1995, ch. 267, § 1.)

TITLE 46

Waters and Navigation

CHAPTER 46-30

Public Water Supply Systems

SECTION 46-30-7

§ 46-30-7 Severability. — If any provisions of this chapter or of any rule, regulation, or order made thereunder, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the remainder of this chapter, rule, regulation, or order, and the application of such provision to other persons or circumstances, shall not be affected thereby. The invalidity of any section or sections or parts of any section or sections of this chapter shall not affect the validity of the remainder of this chapter and is hereby declared to be the legislative intent that this chapter would have been enacted if the invalid parts had not been included therein.

History of Section.
(P.L. 1995, ch. 267, § 1.)

Exhibit 6

**Calculation of Additional Cost/Revenue to PWSB with ESWD Customers Included
(Annual Basis Using April 2014 - MARCH 2015 Sales Volume)**

Additional Income:

<u>Total Sales Volume</u>			<u>Rate per</u> <u>1,000 Gal</u>	<u>Additional</u> <u>Income</u>
Residential:				
N. Prov.	43,137,000	Gal	\$3.85000	\$166,077.45
Smithfld	95,963,210	Gal	\$3.85000	\$369,458.36
Commercial:				
N. Prov.	11,474,000	Gal	\$3.66840	\$42,091.22
Smithfld	601,000	Gal	\$3.66840	\$2,204.71
Industrial:				
N.Prov.	5,389,000	Gal	\$3.60294	\$19,416.24
Smithfld	3,435,790	Gal	\$3.60294	\$12,378.95
Total	160,000,000	Gal		\$611,626.93

Less Current Wholesale Charges:

(Sales + 10%)	176,000,000	Gal	(\$1.73116)	<u>(\$304,684.16)</u>
Increase in Water Sales Income				\$306,942.77

Other Income:

Customer Service Charges:				
	2,123	@5/8"	\$94.68	\$201,005.64
	2	@3/4"	\$99.84	\$199.68
	61	@1"	\$114.96	\$7,012.56
	13	@1 1/2"	\$135.24	\$1,758.12
	11	@2"	\$190.92	\$2,100.12
	1	@3"	\$601.20	\$601.20
	5	@4"	\$753.24	\$3,766.20
	1	@6"	\$1,107.72	\$1,107.72
Hydrant Fees:	140		\$394.80	\$55,272.00
Transfer Fees	80	(ESWD Rates)	\$50.00	\$4,000.00
Sprinkler Fees	14	(Various)		\$20,024.40

Total Additional Annual Income	<u><u>\$603,790.41</u></u>
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Additional Expenses:

Additional Operator, Including Benefits (Est)	\$80,000.00
Waltham St. Pump Station Annual Power Cost	\$16,000.00
Leak Repairs, Misc. Expenses	<u>\$50,000.00</u>
Total Additional Expenses	<u><u>\$146,000.00</u></u>

Net Added Income to PWSB with ESWD Customers*	<u><u>\$457,790.41</u></u>
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*Add \$30,581 if current 5% rate request is approved by P.U.C.

Exhibit 7

Rate Comparison for ESWD Service Area Customers at Various Usage Levels per Proposal

<u>Retail Rates:</u>		<u>ESWD</u>	<u>PWSB</u>	<u>ESWD Cost</u>	<u>PWSB Cost</u>	<u>Difference</u>
		<u>Rate</u>	<u>Rate</u>	for 24,000 Gal	for 24,000 Gal	
0	24000	\$3.70	\$3.85	88.80	\$92.40	
24001	84000	\$4.60	\$3.85	0.00	\$0.00	
84001	+	\$5.00	\$3.85	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	30.00	0	
Service Chg		\$52.00	\$94.68	52.00	94.68	
Annexation Fee			\$0.50	0.00	12.00	
Surcharges		\$0.29	\$0.29	7.01	\$7.01	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				179.31	\$207.59	\$28.28
						13.62%

<u>Retail Rates:</u>		<u>ESWD</u>	<u>PWSB</u>	<u>ESWD Cost</u>	<u>PWSB Cost</u>	
		<u>Rate</u>	<u>Rate</u>	for 60,000 Gal	for 60,000 Gal	
0	24000	\$3.70	\$3.85	88.80	\$92.40	
24001	84000	\$4.60	\$3.85	165.60	\$138.60	
84001	+	\$5.00	\$3.85	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	75.00	0	
Service Chg		\$52.00	\$94.68	52.00	94.68	
Annexation Fee			\$0.50	0.00	30.00	
Surcharges		\$0.29	\$0.29	17.52	\$17.52	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				400.42	\$374.70	(\$25.72)
						-6.86%

<u>Retail Rates:</u>		<u>ESWD</u>	<u>PWSB</u>	<u>ESWD Cost</u>	<u>PWSB Cost</u>	
		<u>Rate</u>	<u>Rate</u>	for 74,800 Gal	for 74,800 Gal	
0	24000	\$3.70	\$3.85	88.80	\$92.40	
24001	84000	\$4.60	\$3.85	233.68	\$195.58	
84001	+	\$5.00	\$3.85	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	91.25	0	
Service Chg		\$52.00	\$94.68	52.00	\$94.68	
Annexation Fee			\$0.50	0.00	37.40	
Surcharges		\$0.29	\$0.29	21.84	\$21.84	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				489.07	\$443.40	(\$45.67)
						-10.30%

Exhibit 7

Rate Comparison for ESWD Service Area Customers at Various Usage Levels per Proposal

(Assuming 5% Rate Increase by Providence Water)

<u>Retail Rates:</u>		<u>ESWD</u>	<u>PWSB</u>	<u>ESWD Cost</u>	<u>PWSB Cost</u>	<u>Difference</u>
		<u>Rate</u>	<u>Rate</u>	for 24,000 Gal	for 24,000 Gal	
0	24000	\$3.70	\$4.0425	88.80	\$97.02	
24001	84000	\$4.60	\$4.0425	0.00	\$0.00	
84001	+	\$5.00	\$4.0425	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	30.00	0	
Service Chg		\$52.00	\$94.68	52.00	94.68	
Annexation Fee			\$0.50		12.00	
Surcharges		\$0.29	\$0.29	7.01	\$7.01	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				179.31	\$212.21	\$32.90
						15.50%

<u>Retail Rates:</u>		<u>ESWD</u>	<u>PWSB</u>	<u>ESWD Cost</u>	<u>PWSB Cost</u>	
		<u>Rate</u>	<u>Rate</u>	for 60,000 Gal	for 60,000 Gal	
0	24000	\$3.70	\$4.0425	88.80	\$97.02	
24001	84000	\$4.60	\$4.0425	165.60	\$145.53	
84001	+	\$5.00	\$4.0425	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	75.00	0	
Service Chg		\$52.00	\$94.68	52.00	94.68	
Annexation Fee			\$0.50		30.00	
Surcharges		\$0.29	\$0.29	17.52	\$17.52	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				400.42	\$386.25	(\$14.17)
						-3.67%

<u>Retail Rates:</u>		<u>ESWD</u>	<u>PWSB</u>	<u>ESWD Cost</u>	<u>PWSB Cost</u>	
		<u>Rate</u>	<u>Rate</u>	for 74,800 Gal	for 74,800 Gal	
0	24000	\$3.70	\$4.0425	88.80	\$97.02	
24001	84000	\$4.60	\$4.0425	233.68	\$205.36	
84001	+	\$5.00	\$4.0425	0.00	\$0.00	
Rehab Fee		\$1.25	\$0.00	93.50	0	
Service Chg		\$52.00	\$94.68	52.00	\$94.68	
Annexation Fee			\$0.50		37.40	
Surcharges		\$0.29	\$0.29	21.84	\$21.84	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				491.32	\$457.80	(\$33.52)
						-7.32%

<u>Retail Rates:</u>		ESWD	PWSB	<u>ESWD Cost</u>	<u>PWSB Cost</u>	
		<u>Rate</u>	<u>Rate</u>	100,000 Gal	100,000 Gal	
0	24000	\$3.70	\$4.0425	88.80	\$97.02	
24001	84000	\$4.60	\$4.0425	276.00	\$242.55	
84001	+	\$5.00	\$4.0425	80.00	\$64.68	
Rehab Fee		\$1.25	\$0.00	125.00	0	
Service Chg		\$52.00	\$94.68	52.00	\$94.68	
Annexation Fee			\$0.50		50.00	
Surcharges		\$0.29	\$0.29	29.20	\$29.20	
DOH Fee		\$1.50	\$1.50	1.50	\$1.50	
				652.50	\$579.63	(\$72.87)
						-12.57%



January 13, 2017

Division of Business Services
 Secretary of State
 Rhode Island Department of State
 148 W. River Street
 Providence, Rhode Island 02904-2615

The Hon. Jorge O. Elorza
 Mayor

Ricky Caruolo
 General Manager

Re: Certification of Merger of the East Smithfield Water District into the Water Supply Board of the City of Providence pursuant to R.I. Gen. Laws § 46-30-5(d)

BOARD OF DIRECTORS

Xaykham Khamsyvovavong
 Chairperson

Joseph D. Cataldi
 Vice Chairperson

Michael J. Correia
 Councilperson

Sabina Matos
 Councilperson

Lawrence J. Mancini
 Ex-Officio

Cristen L. Raucci, Esq.
 Member

Kerrl Lynn Thurber
 Member

Carissa R. Richard
 Secretary

William E. O'Gara, Esq.
 Legal Advisor

Dear Sir or Madam:

Please be advised that, effective this 13th day of January, 2017, the East Smithfield Water District ("District") has merged into the Providence Water Supply Board ("PWSB") pursuant to Chapter 46-30 of the Rhode Island General Laws. PWSB is the surviving entity following the merger as aforesaid.

This certification of merger is given pursuant to R.I. Gen. Laws § 46-30-5(d). Should you require any additional information, please direct your inquiries to PWSB's legal counsel with respect to this merger: Benjamin L. Rackliffe, Esq., Pannone Lopes Devereaux & West LLC, 317 Iron Horse Way, Suite 301, Providence, Rhode Island 02908.

Very truly yours,

Ricky Caruolo, General Manager

MEMBER

Rhode Island Water Works Assn.
 New England Water Works Assn.
 American Water Works Assn.
 Water Research Foundation

An EPA WaterSense Partner

(401) 521-6300

552 Academy Avenue
 Providence, RI 02908

www.provwater.com

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cc: Hon. Jorge O. Elorza, Mayor of the City of Providence
 Raymond DiSanto, Treasurer of the East Smithfield Water District
 Ralph E. Iannitelli, Esq., Counsel to the East Smithfield Water District
 William E. O'Gara, Esq., Counsel to the Providence Water Supply Board
 Benjamin L. Rackliffe, Esq., Counsel to the Providence Water Supply Board

MERGER AND ANNEXATION AGREEMENT

THIS MERGER AND ANNEXATION AGREEMENT ("Agreement") is entered into as of the 13 day of January, 2017 by and between the City of Providence, a municipal corporation, for and through the Providence Water Supply Board, with a principal business address at 552 Academy Avenue, Providence RI 02908 ("PWSB"), and the East Smithfield Water District, an independent statutory water district, incorporated under the provisions of the Public Laws of 1934 – An Act to Incorporate the East Smithfield Water District - with a principal address at 307 Waterman Avenue, Smithfield RI 02917 ("District"). The District and PWSB are sometimes individually referred to herein as a "Party" and, collectively, as "Parties."

WITNESSETH:

WHEREAS, the District owns and operates a water distribution system serving portions of the Towns of Smithfield and North Providence, Rhode Island (the "District System"); and

WHEREAS, PWSB owns and operates a large water distribution system ("PWSB System") serving diverse localities within the State of Rhode Island ("State"), as well as the Scituate Reservoir which serves as a critical source of potable water for much of the State; and

WHEREAS, the District is a wholesale customer of PWSB in that the District System has no source of potable water of its own and is supplied water solely by PWSB through the PWSB System; and

WHEREAS, Rhode Island General Laws § 46-30-1 *et seq.* provides a mechanism to merge small public water bodies and their supply systems and/or annex small systems to adjacent water supplies and systems in order to provide viable water supplies capable of meeting federal and state drinking water regulations; and

WHEREAS the Parties desire to merge and annex the District and District System to and into PWSB and the PWSB System in order to continue to provide a viable water supply capable of meeting federal and state drinking water regulations to the District System users (the "Annexation").

NOW, THEREFORE, in consideration of these premises, the respective representations, warranties, covenants, consideration and agreements of PWSB and the District set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I TRANSFER OF OWNERSHIP, MERGER AND ANNEXATION

1.01 Transfer. Subject to the provisions of this Agreement, at the Closing (as defined in Section 1.07 hereof), the District shall convey, assign, transfer and deliver to PWSB, and PWSB shall acquire and accept from The District, all of the assets of the District, including but by no

means limited to the following (collectively, the "Annexed Assets"): all facilities, pumping stations, pipes, mains, valves, connections, conduits, hydrants, machinery, equipment, inventory, materials, records, miscellaneous devices, appurtenances, all water rights in connection with the District System, all rights and benefits accrued in relation to the District System arising out of federal assistance or federal funding available in relation to the District System, and all other tangible and intangible property of the District related, directly or indirectly, to the operations maintenance, improvement and management of the District System (the "Business"), including, without limitation, the Real Estate (as hereinafter defined) and all other items set forth on Schedule 1.01 attached hereto.

1.02 Assumption of Certain Liabilities. In connection with the acquisition of the Annexed Assets, PWSB shall not assume any existing or prospective liabilities of the District, except for the obligations of the District set forth on Schedule 1.02 attached hereto ("Assumed Liabilities").

1.03 Excluded Liabilities. "Excluded Liabilities" shall mean all liabilities and obligations of any nature, fixed or contingent, known or unknown, of The District other than the Assumed Liabilities.

1.04 Merger and Annexation. It is the intent of the Parties hereto that the Annexation be treated as both a merger and annexation pursuant to the Public Water Supply Systems Act of 1995, Rhode Island General Laws § 46-30-1 *et seq.* (the "Act"). Accordingly, the Parties hereby agree that the provisions of the Act shall supplement this Agreement, and in the event any term of this Agreement conflicts with the requirements of the Act, the requirements of the Act shall be deemed to govern so as to effectuate the merger and annexation of the District and the District System to and into PWSB and the PWSB System in order to continue to provide a viable water supply capable of meeting federal and state drinking water regulations to the District System users. PWSB shall be the surviving entity following the merger and annexation.

1.05 Effect of Merger. Following the merger contemplated herein:

- (a) The identity, existence, purposes, powers, objects, franchises, rights and immunities of PWSB shall continue unaffected and unimpaired by the merger hereby provided for, and the identity, existence, purposes, powers, objects, franchises, rights and immunities of the District shall be continued in and merged into PWSB and PWSB shall be fully vested therewith;
- (b) PWSB shall possess all rights, privileges and powers of the District, including but not limited to any and all rights of tax-exemption, except as otherwise herein provided, and except as otherwise provided by law.
- (c) PWSB shall be vested with all property, real, personal or mixed, and all debts due to the District on whatever account as well as all their causes in action belonging to the District; and
- (d) All property, rights, privileges, powers and franchises of the District shall be thereafter as effectually the property of PWSB as they were of the District.

1.06 Time and Place of Closing. The closing and effective date of the Annexation provided for in this Agreement ("Closing") shall be held on December 30, 2016 at the offices of Pannone Lopes Devereaux & West LLC, 317 Iron Horse Way, Suite 301, Providence, Rhode Island 02908, or such time and place as may be mutually agreed upon by the Parties in writing ("Closing Date"); or alternatively, the Closing will take place by an exchange of closing documents to be coordinated by PWSB's counsel.

1.07 Transfer of Annexed Assets. At the Closing, but immediately prior to the filing of the Merger Certificate (as hereinafter defined), the District shall deliver or cause to be delivered to PWSB, or its nominee, through good and sufficient instruments of assignment or transfer to PWSB, or its nominee, title to all the Annexed Assets, any beneficial rights or privileges related to the same or the District's system, as well as all right, title and interests in all real estate, real property leases, licenses and easements held by the District, all of which are set forth and identified by the District in Schedule 1.01 ("Real Estate").

Such instruments of transfer shall include, without limitation:

- (a) Bills of Sale and Assignment for all Annexed Assets duly executed by the District, in substantially the form of Exhibit A;
- (b) Assignment and Assumption Agreements duly executed by the District, in substantially the form of Exhibit B; and
- (c) Deeds or Assignments, as applicable, of all District Real Estate as attached as Exhibit C.

The Parties acknowledge and agree that it is anticipated that the recording of the Deeds and Assignments may be unnecessary to record given the merger contemplated herein which is intended to effectively vest in PWSB all rights, title and interests in and to the District Real Estate as of the Closing. However, PWSB may, in its discretion record the Deeds and Assignments as it deems necessary or desirable following the Closing. Notwithstanding anything in this Section 1.07 to the contrary, the instruments of transfer identified in this Section 1.07 shall effectively vest in PWSB, good and marketable title to all the Annexed Assets, and all rights, title and interest in and to the Real Estate, free and clear of all liens, restrictions and encumbrances not specifically disclosed hereunder or in the applicable Schedules hereto.

1.08 Delivery of Records and Contracts. At the Closing, the District shall deliver or cause to be delivered to PWSB, or its nominee, all copies of The District's business records, books and other data relating to the Annexed Assets, the Real Estate and the Business. The District shall take all requisite steps to put PWSB in actual possession and operating control of the Annexed Assets and the Real Estate. After the Closing, the District shall afford to PWSB and its accountants and attorneys, at PWSB's sole expense, reasonable access to the books and records of the District related to the Business and shall permit PWSB to make extracts and copies therefrom for the purpose of preparing such tax returns of PWSB as may be required after the Closing and for other proper purposes approved by PWSB.

1.09 Rules, Regulations and Rates. Following the Closing, and subject to the annexation fee provided for in Section 1.10, District customers will be subject to the same rates, rules, regulations, municipal, state and federal laws to which all other customers of PWSB are subject.

1.10 Annexation Fee. In accordance with R.I.G.L. § 46-30-4 of the Act, it is intended by the Parties that a fee be imposed on District service area customers, following the Annexation, over and above the existing PWSB water rate per HCF (the "Annexation Fee"). The Annexation Fee shall be sufficient to cover the debt payments associated with all Rhode Island Clean Water Finance Agency loans outstanding as of the date of this Agreement, such other capital costs, operational expenses and management support costs associated with upgrades to the District System, operational and management responsibilities of PWSB to bring the system into compliance with the applicable regulations and on parity with the existing facilities of PWSB, and for such other purposes as are permitted under the Act. For the avoidance of doubt, any monies received by PWSB from the sale of the District's office/garage, Farnum Pike pump station facility or other real property to which title is held by the District prior to the Closing, shall be placed in a restricted fund by PWSB for the prepayment of the existing Clean Water Finance Agency loans. The Annexation Fee shall not exceed \$0.36 per HCF. Further, it is the intent of the Parties that the Annexation Fee shall cease upon the earlier to occur of the following: (i) the full payment of: (A) all debt payments associated with all Rhode Island Clean Water Finance Agency loans outstanding as of the date of this Agreement, (B) such other capital costs, operational expenses and management support costs associated with upgrades to the District System, (C) operational and management responsibilities of PWSB to bring the system into compliance with the applicable regulations and on parity with the existing facilities of PWSB, and (D) any liabilities of the District which are expressly assumed herein or which are deemed assumed by PWSB as a matter of law following the merger and greater Annexation; or (ii) within ten (10) years from the effective date of the Annexation. Notwithstanding anything in this Agreement to the contrary, the ten (10) year limitations period set forth in the preceding sentence may be extended by PWSB so that it may continue to collect the Annexation Fee for such reasonable time as PWSB deems necessary, in its reasonable discretion, to address any liabilities undisclosed by the District herein, as well as any unforeseen liabilities, costs and expenses for which the charge or assessment of the Annexation Fee is permitted under the Act.

1.11 Application of \$4 Million Infrastructure Improvement Commitment.

Following the Closing, PWSB commits to investing a minimum of Four Million and 00/100 (\$4,000,000.00) Dollars over a ten (10) year period in the former District service area. To the extent feasible, as determined by PWSB in its sole but reasonable discretion, priority will be given to the following projects:

- a. No. Elmore Pump Station Area (address aging station in a prudent manner);
- b. Clean and Line Old Country Road: Esmond Street to End of CL Main;
- c. New 8" Main at Whitman Street (Waterman to Fenwood);
- d. New 8" Main on Whipple Ave. (Wolf Hill Rd to River Street);
- e. Replace A/C main on Julia Drive with new DI main (Sherri Dr. to Polly Dr., North Providence);
- f. Clean and Line Farnum Pike: Former Pump Station to P.O.;

- g. Clean and Line Waterman Avenue/Farnum Pike: Esmond Street to Pump Station;
- h. Clean and Line Dean Avenue;
- i. Clean and Line Waterman Avenue: Centredale to Smithfield Line;
- j. Clean and Line Waterman Avenue: Smithfield Line to Esmond Street; and
- k. Meter Replacement.

PWSB agrees that during periods in which the Annexation Fee is charged or assessed against customers in the former District service area, it will publish an annual listing on its website or in a newspaper of general weekly circulation in Smithfield and North Providence of specific infrastructure projects in the former District service area during the previous year.

1.12 Employees. It is contemplated that the three (3) full time employees of the District – one customer service and two engineering project coordinators – will be retained by PWSB. The retention of these employees, based upon their extensive knowledge of the District customer base, billing and meter reading software and infrastructure, will allow PWSB to continue to serve the District service area in an efficient and cost-effective manner. The three employees are currently covered by the Town of Smithfield's health care plan, and the District agrees to continue the coverage and prepay the health care premiums for the three (3) employees to the Town of Smithfield for a period of sixty (60) days subsequent to their transfer to PWSB – at a total cost of \$2,170.00 per month, but then to cancel the Smithfield plan coverage, at which point PWSB will assume health care coverage for the employees.

1.13 Merger. The Parties agree that, following the Closing, PWSB shall file with the Rhode Island Office of Secretary of State, a certification ("Merger Certificate") that the District has been merged into PWSB in accordance with R.I.G.L. § 46-30-5 of the Act.

1.14 Further Assurances. In the unexpected event that the merger contemplated herein is not effectuated by the filing of the Merger Certificate, or any rights, title or interest in the Annexed Assets are not fully or properly vested, the District, from time to time after the Closing at the request of PWSB and without further consideration, shall execute and deliver further instruments of transfer and assignment (in addition to those delivered under Section 1.07) and take such other action as PWSB may reasonably require to more effectively transfer and assign to, and vest in, PWSB each of the Annexed Assets and the Real Estate, to effectuate the merger and greater Annexation, and to otherwise carry out the tenor and purposes of this Agreement. To the extent that the assignment of any contract, commitment or right shall require the consent of other parties thereto, this Agreement shall not constitute an assignment thereof; however, the District shall use best commercial efforts before and after the Closing to obtain any necessary consents or waivers to assure PWSB of the benefits of such contracts, commitments or rights. Nothing herein shall be deemed a waiver by PWSB of its right to receive at the Closing an effective assignment of each of the contracts, commitments or rights of the District with respect to the Annexed Assets.

1.15 Bulk Transfer Laws. PWSB and the District waive compliance with any applicable bulk transfer laws in connection with the transactions contemplated hereby.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF THE DISTRICT

2.01 Making of Representations and Warranties. The District makes to PWSB the representations and warranties contained in this Article II. The term "knowledge" as used in this Agreement means the actual knowledge of a particular fact or other matter by any of the officers, managers or directors of The District (as the case may be).

2.02 Organization; Qualifications of the District. The District is an independent statutory water district, incorporated under the provisions of the Public laws of 1934 – An Act to Incorporate the East Smithfield Water District - duly organized, validly existing and in good standing under the laws of the State with full power and authority to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is conducted by it. The District is not a public utility within the meaning of State law.

2.03 Authority of the District. The District has full right, authority and power to enter into this Agreement and each agreement, document and instrument to be executed and delivered by the District pursuant to this Agreement and to carry out the transactions contemplated hereby. All necessary action, corporate or otherwise, has been taken by the District to authorize the execution, delivery and performance of this Agreement, and the same is the valid and binding obligation of the District in accordance with its terms. The execution, delivery and performance of this Agreement do not and will not:

- (a) violate any provision of the Public Laws of 1934 - An Act to Incorporate the East Smithfield Water District -- as amended, nor the By-laws of, nor any other controlling governance document or agreement of the District;
- (b) violate any federal laws or laws of the state of formation or other jurisdiction that applies to the District or requires the District to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made;
- (c) except as set forth in Schedule 2.03, violate any provision of, or result in a breach of or a default under, any mortgage, lien, lease agreement, contract, Material Contract (as defined herein), instrument, order, arbitration award, judgment or decision to which the District is a party or by which it is bound; or
- (d) result in the imposition of any lien or other encumbrance upon any of the Annexed Assets.

2.04 Title to Properties; Liens. Except as specifically disclosed in Schedule 2.04 attached hereto, the District has good and marketable title to the Annexed Assets. The District has all right, power and authority to convey, assign, transfer, and deliver the Annexed Assets to PWSB in accordance with the terms of this Agreement. Except as set forth in the attached Schedule 2.04,

none of the Annexed Assets will be subject to any mortgage, pledge, lien, conditional sale agreement, security title, encumbrance or other charge upon transfer of title to PWSB.

2.05 Financial Statements.

(a) The District has delivered to PWSB the following financial statements, copies of which are attached hereto as Schedule 2.05:

- (i) An audited balance sheet of the District for the fiscal year ending March 31, 2016 for the twelve (12) month period then ending ("Base Balance Sheet"), and statements of income, retained earnings and cash flows for such period, together with appropriate footnotes, if any, as prepared by the District (collectively the "Financial Statements").
- (ii) To the District's knowledge, said financial statements are prepared in accordance with GAAP except to the extent that the District's historical method for calculating its inventory obsolescence reserve is not in accordance with GAAP.

(b) Except as set forth on Schedule 2.05(b), as of the date of the Base Balance Sheet, the District has had no liabilities of any nature, whether accrued, absolute, contingent or otherwise, asserted or un-asserted, known or unknown (including, without limitation, liabilities as guarantor or otherwise with respect to obligations of others, or liabilities for taxes due or then accrued, or to become due or contingent, relating to activities of the District or the conduct of its business prior to the date of the Base Balance Sheet, regardless of whether claims in respect thereof had been asserted as of such date), except liabilities stated or adequately reserved against on the Base Balance Sheet.

2.06 Payment of Taxes. Except as set forth on Schedule 2.06, the District has caused to be paid all federal, state, local, foreign, or other taxes, including without limitation, income, transfer, sales, excise, use, value-added, franchise, employment and payroll-related, withholding, environmental, property, or other taxes payable by the District (collectively, "Taxes") to any jurisdiction through the date hereof, whether disputed or not, except for Taxes which have not yet accrued or otherwise become due, the non-payment of which would not result in a lien upon the Annexed Assets. Neither the Internal Revenue Service nor any other taxing authority is now asserting, or to the knowledge of the District threatening to assert against the District, any deficiency or claim for additional Taxes or interest thereon or penalties in connection therewith. There are no security interests on any of the Annexed Assets that arose in connection with any failure (or alleged) failure to pay any Taxes. The District agrees that it shall pay the entire tangible tax bill related to all tangible assets of the District at or prior to the Closing Date.

2.07 Absence of Certain Changes. Except as disclosed in Schedule 2.07, since the date of the Base Balance Sheet there has not been, with respect to the Annexed Assets:

- (a) any mortgage, encumbrance or lien which remain in existence on the date hereof or on the date of the Closing;

- (b) any obligation or liability incurred by the District in connection with the District System, and the operation, maintenance or management thereof, other than obligations and liabilities incurred in the ordinary course of business consistent with the terms of this Agreement;
- (c) any purchase, sale or other disposition, or any agreement or other arrangement for the purchase, sale or other disposition, of any of the properties or assets of the Business other than in the ordinary course of business;
- (d) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, assets or business of the District;
- (e) any labor trouble or claim of unfair labor practices involving the District or in connection with the District System, and the operation, maintenance or management thereof, nor any change in the compensation payable or to become payable by the District to any of its officers, employees, agents or independent contractors other than normal merit increases in accordance with its usual practices, or any bonus payment or arrangement made to or with any of such officers, employees, agents or independent contractors; or
- (f) any other transaction entered into by the District other than transactions in the ordinary course of business.

2.08 Ordinary Course. Since the date of the Base Balance Sheet, the District has conducted its business only in the ordinary course and consistent with historical practices.

2.09 Material Contracts. Except for contracts, commitments, plans, agreements and licenses described in Schedule 2.09 ("Material Contracts") (true and complete copies of which have been delivered to PWSB), the District is not a party to or subject to:

- (a) Any plan or contract providing for bonuses, pensions, options, stock purchases, deferred compensation, retirement payments, profit sharing, collective bargaining or the like, or any contract or agreement with any labor union;
- (b) Any employment contract with any employee to be employed by PWSB or contract for services that requires the payment of more than Fifteen Thousand and 00/100 (\$15,000.00) Dollars annually or that is not terminable within thirty (30) days by the District without liability for any penalty or severance payment;
- (c) Any contract or agreement for the sale or lease of products or services not made in the ordinary course of business;
- (d) Any contract with any sales agent or distributor of products or services of the District;

- (e) Any contract containing covenants that limits the freedom of the District to compete in any line of business or with any person or entity;
- (f) Any license agreement (as licensor or licensee);
- (g) Any indenture, mortgage, promissory note, loan agreement, guaranty or other agreement or commitment for borrowing money;
- (h) Any contract granting any person a lien on all or any part of the Annexed Assets;
- (i) Any contract granting to any person a first refusal, first offer, or similar preferential right to purchase or acquire any of the Annexed Assets;
- (j) Any joint venture or partnership agreement; and
- (k) Any contract or agreement with any officer, employee, director or partner of the District or with any persons or organizations controlled by or affiliated with the District.

Except as set forth in Schedule 2.09, to the District's knowledge, each Material Contract is a valid and binding obligation of the District, enforceable in accordance with its terms, and is in full force and effect, subject only to bankruptcy, reorganization, receivership and other laws affecting creditors' rights generally and equitable principles generally and limitations on the availability of equitable remedies. Except as set forth in Schedule 2.09, the District is not in default under or in breach of any of the Material Contracts and the District has no knowledge of conditions or facts that, with notice or passage of time, or both, would constitute a breach or default thereunder.

2.10 Annexed Assets. The Annexed Assets are operable, in good working order, and fit for the purpose(s) for which they are presently used. To the best of the District's knowledge none of the Annexed Assets have been subjected to deferred maintenance, are below quality for the industry or otherwise are defective or are anticipated to be defective following the Closing.

2.11 Litigation. Except for matters described in Schedule 2.11 attached hereto, there is no litigation, governmental or administrative proceeding, or investigation pending or, to the knowledge of the District, threatened against or affecting the District, or in connection with the District System, and the operation, maintenance or management thereof, or the Annexed Assets which may have any material adverse effect on the respective properties, assets or business of the District or which would prevent or hinder the consummation of the Annexation or any other transaction contemplated by this Agreement. With respect to each matter set forth therein, Schedule 2.11 sets forth a description of the matter, the forum (if any) in which it is being conducted, the parties thereto and the type and amount of relief sought.

2.12 Compliance with Laws. Except as set forth in Schedule 2.12 attached hereto,

(a) The District is in full compliance in all material respects with all laws and regulations which apply to the conduct of the operation of the District System, including all laws and regulations relating to employment and the environment;

(b) The District has not received notice of any asserted past or present failure to comply with any law, ordinance, regulation, permit, order or requirement;

(c) The District is not subject to any judgment, writ, injunction, decree or other judicial order; and

(d) The District is not aware of or does not know of any proposed law or regulation or any event or condition of any character which would or could materially and adversely affect the District System, and the operation, maintenance or management thereof, nor the future operation, maintenance or management of the District System.

2.13 Warranty or Other Claims. Except as disclosed in Schedule 2.13, there are no existing or, to the knowledge of the District, warranty or other similar claims, or any facts upon which a material claim of such nature could be based, against the District for services that are defective or fail to meet any service warranties. No claim has been asserted against the District for renegotiation or price redetermination of any business transaction, and there are no facts upon which any such claim could be based.

2.14 Intentionally Omitted.

2.15 Permits; Burdensome Agreements. The District holds all licenses, permits, franchises, certifications, authorizations, rights, permissions and other approvals (collectively, "Approvals") which are required to permit the District to conduct its Business and to operate, maintain and manage the District System and Real Estate and all such Approvals are valid and in full force and effect. Except as disclosed in Schedule 2.15, all such Approvals will be available and assigned to PWSB and remain in full force and effect upon PWSB's purchase of the Annexed Assets and Real Estate, and no further Approvals will be required in order for PWSB to conduct the business currently conducted by the District nor to operate, maintain and manage the District System subsequent to the Closing. Except as disclosed in Schedule 2.15, the District is not subject to or bound by any agreement which may materially and adversely affect the business or prospects of the District, condition, financial or otherwise, or any of the Annexed Assets and Real Estate.

2.16 Intentionally Omitted.

2.17 Employee Benefit Plans, Employment Agreements and Similar Arrangements.

(a) Schedule 2.17 lists all Employee Benefit Plans (as defined below), which the District maintains or to which they are contributing. "Employee Benefit Plan" means any (a) Pension Plan (as defined below); (b) Welfare Plan (as defined below); and (c) any other material employee benefit, fringe benefit, perquisite, deferred compensation, retirement, profit sharing, bonus, severance, change-of-control, incentive or employee stock option, stock purchase or stock ownership plan, agreement or arrangement whether or not subject to ERISA maintained.

contributed to, or required to be contributed to by the District for the benefit of any employee, former employee, director or officer of the District. "Pension Plan" means any qualified or non-qualified employee pension benefit plan (including any multiemployer plan as defined in Section 3(37) of ERISA), as such term is defined in Section 3(2) of ERISA. "Welfare Plan" means any employee welfare benefit plan, as such term is defined in Section 3(1) of ERISA.

(b) *Title IV Plans.* No plan listed in Schedule 2.17 is a plan subject to Title IV of ERISA, and the District does not now and has never maintained, contributed to, or had the obligation to contribute to a defined benefit pension plan that will result in liability to PWSB.

(c) *Multiemployer Plans.* No plan listed in Schedule 2.17 is a "multiemployer plan" (within the meaning of Section 3(37) of ERISA). The District has never contributed to, or had an obligation to contribute to, any multiemployer plan that will result in liability to PWSB.

(d) *Health Plans.* All group health plans listed in Schedule 2.17 have been operated in material compliance with the group health plan continuation coverage requirements of Sections 601 to 606 of ERISA and Section 4980B of the Code to the extent such requirements are applicable. Each health plan listed in Schedule 2.17 is in material compliance with HIPAA, including the portability requirements and the privacy regulations.

(e) *Post-Retirement Medical Benefits.* The District does not maintain or provide post-termination or retirement medical benefits to any current employee or any present or future retiree, except to the extent required by COBRA or except under a plan which may be amended or terminated at any time.

(f) For purposes of this section "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.18 Labor Matters: Health and Safety. Except to the extent set forth in Schedule 2.18,

- (a) to the District's knowledge, the District is in material compliance with all applicable laws relating to employment practices, terms and conditions of employment and wages (including overtime wages) and hours;
- (b) to the District's knowledge, the District is not engaged in any unfair labor practice and no action against the District is pending before the National Labor Relations Board; and
- (c) to the District's knowledge, none of the District's respective employees are represented by any union, nor is any union organizing campaign underway or threatened.

2.19 Environmental Matters

- (a) Except as set forth in Schedule 2.19(a).
- (i) The District has never generated, transported, used, stored, treated, disposed of, or managed any Hazardous Waste (as defined below), except as necessary in the ordinary course of business, and in all cases in compliance with applicable Environmental Laws;
 - (ii) To the District's knowledge, no Hazardous Material (as defined below) has ever been or is threatened to be spilled, released or disposed of at any site presently or formerly owned, operated, leased or used by the District, or has ever been located in the soil or groundwater at any such site;
 - (iii) Except as necessary in the ordinary course of business, and in all cases in compliance with applicable Environmental Laws, no Hazardous Material has ever been transported from any site presently owned, operated, leased or used by the District for treatment, storage or disposal at any other place; and
 - (iv) No lien has ever been imposed by any governmental agency on any property, facility, machinery or equipment owned, operated, leased or used by the District in connection with the presence of any Hazardous Material.
- (b) Except as set forth in Schedule 2.19(b).
- (i) to The District's knowledge, the District has no liability under, nor has The District ever violated, any Environmental Law (as defined below);
 - (ii) to the District's knowledge, any property owned, operated, leased or used by The District, and any facilities and operations thereon are presently in compliance with all applicable Environmental Laws;
 - (iii) The District has never entered into or been subject to any judgment, consent decree, compliance order or administrative order with respect to any environmental or health and safety matter or received any request for information, notice, demand letter, administrative inquiry or formal or informal complaint or claim with respect to any environmental or health and safety matter or the enforcement of any Environmental Law; and (iv) the District has no knowledge or reason to know that any of the items enumerated in clause (iii) of this subsection will be forthcoming.
- (c) For purposes of this Section 2.19,
- (i) "Hazardous Material" shall mean and include any hazardous waste, hazardous material, hazardous substance, petroleum product, oil, toxic substance, pollutant,

contaminant or other substance that may pose a threat to the environment or to human health or safety, as defined or regulated under any Environmental Law;

- (ii) "Hazardous Waste" shall mean and include any hazardous waste as defined or regulated under any Environmental Law; and (iii) "Environmental Law" shall mean any environmental or health and safety-related law, regulation, rule or ordinance at the foreign, federal, state or local level, including without limitation the Occupational Safety and Health Act of 1970, as amended, whether existing as of the date hereof, previously enforced or subsequently enacted.

2.20 Copies of Documents. The District has made available for inspection and copying by PWSB and its agents and representatives true and correct copies of all documents referred to in this Article II or in the Schedules delivered to PWSB pursuant to this Agreement. The District shall also make available for inspection and copying by PWSB and its agents and representatives true and correct copies of other business records that would assist in PWSB's operation of the District's business and to operate, maintain and manage the District System.

2.21 Disclosures. No representation or warranty in this Agreement, and no statement contained in any Schedule, Appendix, Exhibit, Certificate or other document furnished or to be furnished to PWSB pursuant hereto or in connection with the transactions contemplated hereby contains or at the Closing will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make it not misleading.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF PWSB

3.01 Making of Representations and Warranties. PWSB hereby makes the representations and warranties contained in this Article III.

3.02 Organization of PWSB. PWSB is validly existing and in good standing under the laws of the State of Rhode Island with full power to conduct its business in the manner and in the places where such properties are owned or leased or such business is conducted by it.

3.03 Authority of PWSB. All necessary action has been taken by PWSB to authorize the execution, delivery and performance of this Agreement, and this Agreement is the valid and binding obligation of PWSB in accordance with its respective terms, subject to bankruptcy, insolvency or other laws of general application affecting creditor's rights.

3.04 Transaction Not a Breach. The execution, delivery and performance by PWSB of this Agreement, or any other agreement or instrument contemplated hereby, and the consummation of the transaction contemplated hereby and thereby will not violate the provisions of, or constitute a breach or default whether upon lapse of time and/or the occurrence of any act or event or otherwise under PWSB's enabling legislation.

ARTICLE IV
COVENANTS OF THE DISTRICT

4.01 Making of Covenants and Agreements. The District makes the covenants and agreements set forth in this Article IV.

4.02 Access. The District will authorize and permit PWSB and its representatives (which term shall be deemed to include its independent accountants and counsel) to have reasonable access during normal business hours, upon reasonable notice and in such manner as will not unreasonably interfere with the conduct of The District's Business, to all of its books, records, operating instructions and procedures, and all other information with respect to each of the above only to the extent such information relates solely to the Business as PWSB may from time to time reasonably request, and to make copies of such books, records and other documents and to discuss the Business with The District's respective directors, officers, employees, accountants and counsel, as PWSB considers necessary or appropriate for the purposes of familiarizing itself with the Business, obtaining any necessary approvals of or permits for the transaction contemplated by this Agreement and conducting an evaluation of the Business. All information provided by The District to PWSB pursuant to this Section 4.02 shall be subject to the confidentiality provisions contained in Section 10.06 hereof.

4.03 Conduct of Business. Between the date of this Agreement and the date of Closing, The District will do the following (unless PWSB shall otherwise consent in writing, which consent shall not be unreasonably withheld):

- (a) conduct the Business only in the ordinary course and refrain from changing or introducing any method of management or operations except in the ordinary course of business and consistent with past practices;
- (b) refrain from making any purchase, sale, liquidation, or other disposition of any of the Annexed Assets and from mortgaging, pledging, subjecting to a lien or otherwise encumbering any of the Annexed Assets;
- (c) unless such act is in the ordinary course of business, not amend, terminate, renew/fail to renew or renegotiate any Assumed Contract or Material Contract and not default in any of The District's obligations under any Assumed Contract or Material Contract and not enter into any new Material Contract;
- (d) refrain from incurring any contingent liability as a guarantor or otherwise with respect to the obligations of others, and from incurring any other contingent or fixed obligations or liabilities except those that are usual and normal in the ordinary course of business;
- (e) unless such act is in the ordinary course of business, refrain from making any changes in the compensation payable to any of The District's respective officers, employees or agents;

- (f) use commercially reasonable efforts to keep intact its business organization, to keep available the present employees of the Business and to preserve the goodwill of all suppliers, customers and others having business relations with the Business;
- (g) have in effect and maintain at all times all insurance policies maintained by or for the benefit of The District;
- (h) not fail to maintain or repair any of the Annexed Assets in accordance with past procedures;
- (i) furnish PWSB with unaudited monthly balance sheets and statements of income and retained earnings and cash flows of The District within twenty (20) days after each month end, for each month ending more than ten (10) days prior to the Closing; and
- (j) consult with PWSB in good faith prior to The District opening any new employment positions or terminating such positions with The District, interviewing candidates for such employment position openings, or make any employment hiring or termination of employment decisions.

4.04 Authorization from Others. Prior to the date of Closing, The District will have obtained all authorizations, approvals, consents and permits of others required to permit the consummation by The District of the transactions contemplated by this Agreement; except that The District shall use commercially reasonable efforts to obtain consents of The District's vendors and consumers prior to the Closing Date to the extent the same are necessary. If any such authorization, approval, consent or permit is not obtained prior to the Closing and PWSB elects nevertheless to Close, the District shall continue to use best efforts to obtain such authorization, approval, consent or permit to effectuate the merger and greater Annexation.

4.05 Consummation of Agreement. The District shall use its commercially reasonable efforts to perform and fulfill all conditions and obligations on their part to be performed and fulfilled under this Agreement, to the end that the transactions contemplated by this Agreement shall be fully carried out.

4.06 Intentionally Omitted.

4.07 Breach of Representations and Warranties. At any time prior to Closing, promptly upon the occurrence of, or promptly upon The District becoming aware of the impending or threatened occurrence of any event which would cause or constitute a breach, or would have caused or constituted a breach had such event occurred or been known to The District prior to the date hereof, of any of the representations and warranties of The District contained in or referred to in this Agreement or in any Schedule referred to in this Agreement, The District shall give detailed written notice thereof to PWSB and shall use its reasonable best efforts to prevent or promptly remedy the same.

4.08 Customer Relationships. Immediately prior to or concurrently with a Closing, The District shall notify its consumers of the Transaction and to the extent not disclosed on

Schedule 1.01 hereof, shall furnish PWSB a list of each consumer's name and contact information. The District shall in good faith encourage each consumer to utilize PWSB after Closing.

4.09 The District's Liabilities/Payment of Debts. The District shall discharge, at or prior to the Closing, all debts and other liabilities which are not Assumed Liabilities hereunder.

ARTICLE V COVENANTS OF PWSB

5.01 Making of Covenants and Agreements. PWSB makes the following covenants and agreements set forth in this Article V.

5.02 Authorization from Others. Prior to the Closing, PWSB will have obtained all authorizations, consents and permits of others required to permit the consummation by PWSB of the transactions contemplated by this Agreement.

5.03 Consummation of Agreement. PWSB shall use its commercially reasonable efforts to perform and fulfill all conditions and obligations on its part to be performed and fulfilled under this Agreement, to the end that the transactions contemplated by this Agreement shall be fully carried out.

ARTICLE VI CONDITIONS

6.01 Conditions Precedent to the Obligations of PWSB. The obligation of PWSB to consummate this Agreement and the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of the following conditions precedent:

(a) Representations; Warranties; Covenants. Each of the representations, warranties contained in Article II of this Agreement shall be true and correct as though made on and as of the date of the Closing; The District shall, on or before the date of the Closing, have performed all of its respective obligations and complied with all covenants and conditions hereunder which by the terms hereof are to be performed on or before the date of the Closing; and The District shall have delivered to PWSB a certificate dated as of the date of the Closing to the foregoing effect ("The District's Closing Certificate"). Notwithstanding the foregoing, to the extent any of the representations and warranties of The District are not true and correct as of the date of the Closing, or to the extent The District has not performed any of its obligations and complied with any covenants and conditions hereunder which are to be performed on or before the date of the Closing, The District shall disclose the inaccuracy of such representation and warranties and their failure to perform such covenants or satisfy such conditions on The District's Closing Certificate;

(b) Consent to Assumed Contracts. PWSB shall have received consent from the parties to any Assumed Contract, commitment or right being assigned to PWSB hereunder in form and substance satisfactory to counsel to PWSB and The District and stating that

such contract is in full force and effect in accordance with its terms and is not in default and consenting to the assignment of same by The District to PWSB;

- (c) Approvals and Permits. The District shall have obtained and provided to PWSB evidence of the receipt of all Approvals required by PWSB under Section 2.15 of this Agreement;
- (d) Additional Deliveries. At the Closing, The District shall have delivered to PWSB:
 - (i) Board Votes. A copy of the certified votes of the board of directors of The District certified as having been duly and validly adopted and as being in full force and effect and authorizing execution and delivery of this Agreement and performance by The District of the transactions contemplated hereby;
 - (ii) Good Standing Certificate. Certificates of good standing, dated not more than thirty (30) days prior to the Closing, with respect to The District, issued by the Secretary of State of the State of Rhode Island and Providence Plantations;
 - (iii) Opinion of The District's Counsel. The opinion of counsel for The District as to the authorization, execution and delivery of this Agreement and performance by The District of the transactions contemplated hereby; and
 - (iv) Other Documents. Such other documents and instruments as PWSB or its counsel reasonably shall deem necessary to consummate the transaction contemplated hereby.
- (e) Approval of PWSB's Counsel. All actions, proceedings, instruments and documents required to carry out this Agreement and all related legal matters contemplated by this Agreement shall be approved by Pannone Lopes Devereaux & West LLC, counsel for PWSB, provided that the approval of such counsel shall not be unreasonably withheld;
- (f) Licensing, Registration, and Certification. PWSB having obtained, at or prior to the Closing Date, all licenses, registrations, certifications and/or permissions, as the case may be, in order to acquire the Annexed Assets and effectuate the Annexation;
- (g) Intentionally Omitted;
- (h) Employee Disbursements. The District having made any and all necessary payments and other distributions in relation to all employee paid time off, employee benefit, retirement and other pension plans in existence prior to the Closing Date;
- (i) Real Estate. The District having prepared all Deeds, Assignments or other transfer documents for all Real Estate, previously defined, which is owned by the District;
- (j) PWSB having received valid authorization from the Providence City Council to merge and annex/ and consummate the transactions contemplated within this Agreement; and

- (k) the Transaction, and the consummation thereof, meeting the requirements of R.I. Gen. Laws § 46-30-1 et seq.
- (l) notice of the Annexation and transfer of assets having been given to the Rhode Island Department of Labor and Training as provided for by applicable law;
- (m) notice of the Annexation and transfer of assets having been given to the Rhode Island Division of Taxation as may be required by applicable law;
- (n) All employees of the District identified in Section 1.12 as anticipated by the Parties as transferring over to PWSB, having begun employment with PWSB; and
- (o) The District having provided proof of directors and officers tail policy coverage for a term of no less than three (3) years.
- (p) The District, having provided proof of general liability tail policy coverage for a term of no less than three (3) years.
- (q) The District having provided proof of prepayment of healthcare premiums pursuant to Section 1.12 hereof.

6.02 Conditions Precedent to Obligations of the District. The District's obligation to consummate this Agreement and the transactions contemplated hereby is subject to the fulfillment, prior to or at the date of Closing, of the following conditions precedent:

(a) Representations; Warranties; Covenants. Each of the representations and warranties of PWSB contained in Article IV hereof shall be true and correct as though made on and as of the date of Closing; PWSB shall, on or before the date of Closing, have performed all of its obligations and complied with all covenants and conditions hereunder which by the terms hereof are to be performed on or before the date of Closing; and PWSB shall have delivered to The District a certificate dated as of the date of Closing to the foregoing effect; and

(b) Approval of The District's Counsel. All actions, proceedings, instruments and documents required to carry out this Agreement and all related legal matters contemplated by this Agreement shall be approved by Ralph E. Iannitelli, Esq., counsel for The District, provided that the approval of such counsel shall not be unreasonably withheld.

ARTICLE VII TERMINATION OF AGREEMENT

7.01 Termination. At any time prior to Closing, this Agreement may be terminated:

(a) by mutual agreement of the Parties hereto;

(b) by PWSB if there has been a material misrepresentation, breach of warranty or breach of covenant by The District in its representations, warranties and covenants set forth herein;

(c) by The District if there has been a material misrepresentation, breach of warranty or breach of covenant by PWSB in its representations, warranties and covenants set forth herein;

(d) by PWSB if the conditions stated in Section 6.01 have not been satisfied at or prior to the Closing Date; or

(e) by The District if the conditions stated in Section 6.02 have not been satisfied at or prior to the Closing Date.

7.02 Effect of Termination. In the event that this Agreement shall be terminated pursuant to Section 7.01, all further obligations of the Parties under this Agreement shall terminate without further liability of any Party to another. Notwithstanding the foregoing, a termination under Section 7.01 shall not relieve any party of any liability for a material breach of, or for any misrepresentation under this Agreement, or be deemed to constitute a waiver of any available remedy (including specific performance if available) for any such breach or misrepresentation. Nothing in this Section 7.02 shall relieve either Party to this Agreement of liability for a breach of a material covenant or obligation under this Agreement prior to the Closing; provided, however, that such liability in all events shall be limited to the non-breaching Party's reasonable out-of-pocket expenses incurred in connection with the investigation of the transaction contemplated hereby, the negotiation and preparation of this Agreement and the preparation for the closing of the transaction contemplated hereby. In the event that this Agreement is so terminated, each Party will return, within five (5) days of the termination, all papers, documents, financial statements and other data furnished to it by or with respect to each other Party to such other Party (including any copies thereof or work product based thereon and made by the first Party).

ARTICLE VIII RIGHTS AND OBLIGATIONS SUBSEQUENT TO CLOSING

8.01 Survival of Representations and Warranties. The representations and warranties contained in or made pursuant to this Agreement shall survive indefinitely.

8.02 Post Closing Obligations of the Parties. The District and PWSB each agree that after the Closing they will hold in trust and promptly transfer and deliver to the other, from time to time as and when received by them, any cash, checks with appropriate endorsements (and will not convert such checks to cash), or such other property as belongs to the other Party, and will account not less than monthly to the other for all such receipts. In furtherance of the foregoing, The District agrees that any payments received by The District relating solely to services fulfilled by PWSB on and after the Closing shall be endorsed to PWSB and transmitted to PWSB by an overnight delivery service. PWSB's and The District's obligations set forth in this Section 8.02 shall survive indefinitely.

ARTICLE IX
INDEMNIFICATION

9.01 Indemnification by The District. Subject to the knowledge and other qualifications contained in the Agreement, including the limits of liability outlined in Sections 9.04 and 9.05, The District agrees to defend, indemnify and hold PWSB harmless from and against any damages, liabilities, losses and expenses (including reasonable counsel fees) of any kind or nature whatsoever which may be sustained or suffered by PWSB based upon a breach of any representation, warranty or covenant made by The District in this Agreement or in any Schedule, Exhibit, Closing Certificate or Financial Statement delivered hereunder and attached to or specifically referred to in a Schedule attached to this Agreement, or by reason of any third party claim, action or proceeding asserted or instituted in a matter which is a breach of such representations, warranties or covenants, including without limitation amounts which PWSB has paid or are payable with respect to tax liabilities of The District for any periods and other liabilities of The District not disclosed to PWSB or existing in breach of The District's representations, warranties or covenants hereunder.

9.02 Indemnification by PWSB. Subject to the knowledge and other qualifications contained in the Agreement, PWSB agrees to defend, indemnify and hold The District harmless from and against any damages, liabilities, losses and expenses (including reasonable counsel fees) of any kind or nature whatsoever which may be sustained or suffered by The District based upon a breach of any representation, warranty or covenant made by PWSB in this Agreement or in any Schedule, Exhibit, or Closing Certificate delivered hereunder and attached to or specifically referred to in a Schedule attached to this Agreement, or by reason of any third party claim, action or proceeding asserted or instituted in a matter which is a breach of such representations, warranties or covenants.

9.03 Notice; Defense of Claims. Any Party seeking indemnification under this Article IX ("Indemnified Party") shall give prompt written notice to the other Party ("Indemnifying Party"), of each claim for indemnification hereunder, specifying the amount and nature of the claim, and of any matter which in the opinion of the Indemnified Party is likely to give rise to an indemnification claim. The Indemnifying Party shall have the right to participate at their own expense in the defense of any such matter or its settlement. Failure to give notice of a matter which may give rise to an indemnification claim shall not affect the rights of the Indemnified Party to collect such claim from the Indemnifying Party so long as such failure does not materially adversely affect the Indemnifying Party's ability to defend such claim. The District agrees that PWSB has the absolute right to set off, against all or any portion of amounts to be paid by PWSB hereunder (if any), the full undisputed amount due under Section 9.01 hereof.

9.04 Limitations on Indemnification. Notwithstanding the foregoing, PWSB shall not be liable to The District for any claims for indemnification or breaches of representations and warranties hereunder until such claims (including reasonable counsel fees) exceed Ten Thousand and 00/100 (\$10,000.00) Dollars.

9.05 Survival of Indemnification Obligations: Releases.

- (a) The District's obligation to indemnify PWSB hereunder shall survive the Closing and remain in full force and effect for a period through the expiration of the applicable statute of limitations (or, if a claim has been asserted prior to such expiration, until three (3) months after its final resolution).
- (b) PWSB's obligation to indemnify The District hereunder shall survive the Closing and remain in full force and effect for a period through the expiration of the applicable statute of limitations (or, if a claim has been asserted prior to such expiration, until three (3) months after its final resolution).

ARTICLE X
MISCELLANEOUS

10.01. Fees and Expenses. Subject to Article IX hereof, each of the Parties will bear its own expenses in connection with the negotiation and the consummation of the transactions contemplated by this Agreement, and no expenses of The District relating in any way to the Transaction shall be charged to or paid by PWSB or included in any account of The District as of the Closing.

10.02 Law Governing; Jurisdiction. This Agreement shall be construed under and governed by the laws of the State of Rhode Island and the state courts of the State of Rhode Island shall have jurisdiction with respect to any disputes between the Parties hereto.

10.3 Notices. All notices and communications hereunder shall be in writing and shall be deemed to have been duly given upon receipt of (i) hand-delivery; (ii) United States mail (certified mail, return receipt requested); (iii) overnight courier service; or (iv) telecopy transmission with confirmation of receipt, to the party to whom notice should be given at the address set forth below:

If to PWSB: Providence Water Supply Board
552 Academy Avenue
Providence, Rhode Island 02908
Attention: General Manager
Telephone: (401) 521-5070
Facsimile: N/A

With a copy to: Pannone Lopes Devereaux & West LLC
317 Iron Horse Way, Suite 301
Providence, Rhode Island 02908
Attention: William E. O'Gara, Esquire
Telephone: (401) 824-5100
Facsimile: (914) 824-5123

If to The District: East Smithfield Water District

307 Waterman Avenue
Smithfield RI 02917
Attention: Raymond DiSanto
Telephone: (401) 231-0510
Facsimile: (401) 231-7053

With a copy to:

Iannitelli Law Offices
PO Box 284
Greenville, Rhode Island 02828
Attention: Ralph E. Iannitelli, Esq.
Telephone: (401) 949-2442
Facsimile: (401) 949-5930

or to such other address of which the parties may, by registered mail or overnight courier service, notify the other party or parties.

10.04 Entire Agreement. This Agreement, including the Schedules and Exhibits referred to herein constitutes the entire Agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, representations, warranties, covenants and conditions of the Parties in connection therewith; and all promises, representations, understandings, warranties and agreements with reference to the subject matter hereof, and all inducements to the making of this Agreement relied upon by either Party hereto, have been expressed herein or in such Schedules or Exhibits.

10.05 Assignability. This Agreement may not be assigned by either Party without the prior written consent of the other. This Agreement shall be enforceable by, and shall inure to the benefit of, the Parties hereto and their permitted successors and assigns, and no others.

10.06 Confidentiality. Each of the Parties hereto agree that PWSB and The District, and their respective officers, directors, agents and representatives, as applicable, will hold in strict confidence, and will not use any confidential or proprietary data or information obtained from the other Party with respect to the business or financial condition of the other Party except for the purpose of evaluating, negotiating and completing the transactions contemplated hereby. Information generally known in The District's industry or that has been disclosed to PWSB by third parties who have a right to do so shall not be deemed confidential or proprietary information for purposes of this Agreement. If the transactions contemplated by this Agreement are not consummated, each Party shall return to the other Party (or certify that it has destroyed) all copies of such data and information, including, but not limited to, financial information, customer lists, business and corporate records, worksheets, test reports, tax returns, lists, memoranda and other documents prepared by or made available to each Party in connection with the transaction contemplated by this Agreement as well as any work product produced or made from productions of the other Party.

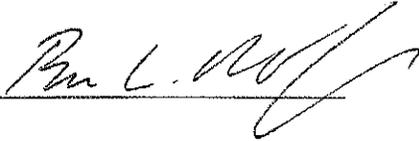
10.07 Publicity and Disclosures. No press releases or public disclosure, either written or oral, of the transactions contemplated by this Agreement, shall be made without the prior knowledge and written consent of the Parties hereto.

10.08 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In the event that any signature is delivered by facsimile transmission or PDF, such signature shall create a binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile or PDF signature were the original thereof.

[THIS SPACE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date set forth above by their duly authorized representatives.

WITNESS:

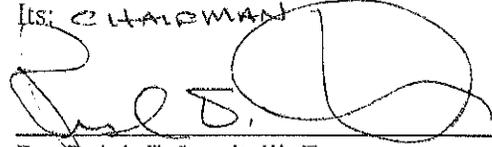


Approved as to form:

THE DISTRICT:

East Smithfield Water District:


By: TODD S. MANNI
Its: CHAIRMAN


By: Ralph E. Iannitelli, Esq.
Its: Legal Counsel

PWSB:

City of Providence:

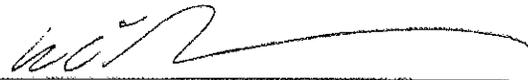

By: Jorge O. Elorza
Its: Mayor

Providence Water Supply Board:




By: Ricky Caruolo
Its: General Manager

Approved as to form:


By: William E. O'Gara
Its: Legal Counsel to Providence Water Supply Board

Schedule 1.01
Annexed Assets

All facilities, pumping stations, pipes, mains, valves, connections, conduits, hydrants, machinery, equipment, miscellaneous devices and all other appurtenances, including all water right in connection with the District System. See also attached depreciation schedule for additional Annexed Assets.

Real Estate list:

All right, title and interest in and to any and all real property, leases, licenses, easements, options or the like held by the District, including but not limited to those related to:

1. Deed for 307 Waterman Avenue and water system from Esmond Mills; recorded 5/31/38, Smithfield Book 15 Page 799
2. North Elmore Street Pump Station, recorded 5/22/74 North Providence Land Evidence Records
3. Deed for Farnum Pike Pump Station from Georgiaville Baptist Church; recorded 11/20/75 Smithfield Book 50 page 332
4. Inter-Agency Agreement: ESWD/Smithfield Water Supply Board (Ridgeland Estates) recorded 11/2/09 Smithfield Book 713 Page 239
5. Utility Easement: Esmond Street to Hillside Avenue; recorded 8/30/12 Smithfield Book 863 Page 325
6. Lease for Waltham Street Pump Station from Timberlane Condominium Association dated 12/12/12, recorded 4/10/13 in Smithfield Book 905 Page 96, together with pre-paid receipt and Memorandum of Understanding.

Schedule 1.02
Assumed Liabilities

1. Rhode Island Clean Water Finance Age (nka RI Infrastructure Bank) \$200,000 proceeds dated October 23, 2008, maturity date June 30, 2029;
2. Rhode Island Clean Water Finance Age (nka RI Infrastructure Bank) \$400,000 proceeds dated September 01, 2009, maturity date September 01, 2024;
3. Rhode Island Clean Water Finance Age (nka RI Infrastructure Bank) \$600,000 proceeds dated August 05, 2013, maturity date September 01, 2033; and
4. USBank – Equipment Lease: Xerox WorkCentre 6605 Color Multifunctional Printer (with stand)

Schedule 2.03
Violations/Defaults

None.

Schedule 2.04
Liens/Encumbrances

Navigant Credit Union: \$150,000 line of Credit (\$0 balance): secured by District real estate located at 307 Waterman Avenue, Smithfield, RI 02917

Schedule 2.05
Financial Statements

(a)

1. Audited Financial Statements for Fiscal Year Ending March 31, 2016
2. Unaudited Financial Statements covering the period April, 1, 2016 through September 30, 2016

(b)

No liabilities are undisclosed on the Base Balance Sheet.

Schedule 2.06
Unpaid Taxes

District is liable for sales taxes only for water sales to commercial customers. District is current on such sales taxes. The District is otherwise tax-exempt on local, state and federal levels.

Schedule 2.07
Undisclosed Changes

None.

Schedule 2.09
Material Contracts

Cf Schedule 2.04 (Line of Credit)

Cf Schedule 1.01 (Real Estate):North Elmore Street pump station property and Waltham Street pump station

The foregoing are valid, binding and enforceable in accordance with their respective terms. The District is not in default under or in breach of any of the Material Contracts and the District has no knowledge of conditions or facts that with notice or passage of time, or both, would constitute a breach or default thereunder.

Schedule 2.11
Litigation

None.

Schedule 2.12
Compliance with Laws

RI Department of Health Sanitary Survey conducted February 28, 2013: Listed as a "Minor Deficiency" the partial flooding of the Waterman Avenue Meter Pit. District is otherwise in full compliance in all material aspects with all laws and regulations.

Schedule 2.13
Warranty Claims

None.

Schedule 2.15
Approvals

No further approvals required.

Schedule 2.17
Employee Benefit Plan

District is a member of the Municipal Employee Retirement System of Rhode Island.

District employees are participants in the Town of Smithfield health and dental plans.

All employees are necessarily participants in Social Security and Medicare programs.

Schedule 2.18
Labor Matters

District is in compliance with all Federal and State Labor Laws. No District employee is represented by a union, nor is any union organizing campaign underway or threatened.

Schedule 2.19(a)
Environmental Matters

District is in compliance, in as much as there is no use or storage of Hazardous Materials, or release, spill or threatened release or spill of Hazardous Materials on District property, and no lien has ever been imposed upon the District in connection with the presence of any Hazardous Waste.

Schedule 2.19(b)
Violations of Environmental Laws

The District and any property owned or leased by the District, has never been in violation of any environmental law, or been subject to any environmental lien, judgment, or compliance order with respect to any environmental or health and safety issue.

Sy	Sl	Description	Date in Service	Method	Life	Cost / Other Basis	Bus. Inv. %	Sec. 179E Bonus / (Chg. Vn. Pk)	Salvage Basis Adj.	Depreciation / (Sec. 179E)	Current Depreciation / (Sec. 179E)	Total Depreciation / (Sec. 179E)
06	60000000	System Improvements										
27	3337004	SL / N/A	06/07/00			100,000		0.00	0.00	1,500.17	67.34	1,748.51
28	3337005	SL / N/A	07/07/00			100,000		0.00	0.00	1,377.70	336.74	4,536.44
29	3337006	SL / N/A	08/07/00			100,000		0.00	0.00	1,255.23	139.67	3,522.08
30	3337007	SL / N/A	09/07/00			100,000		0.00	0.00	1,132.76	142.60	2,862.40
31	3337008	SL / N/A	10/07/00			100,000		0.00	0.00	1,010.29	145.53	2,206.71
32	3337009	SL / N/A	11/07/00			100,000		0.00	0.00	887.82	148.46	1,600.70
33	3337010	SL / N/A	12/07/00			100,000		0.00	0.00	765.35	151.39	937.74
34	3337011	SL / N/A	01/08/01			100,000		0.00	0.00	642.88	154.32	232.20
35	3337012	SL / N/A	02/08/01			100,000		0.00	0.00	520.41	157.25	107.23
36	3337013	SL / N/A	03/08/01			100,000		0.00	0.00	397.94	160.18	48.26
37	3337014	SL / N/A	04/08/01			100,000		0.00	0.00	275.47	163.11	15.29
38	3337015	SL / N/A	05/08/01			100,000		0.00	0.00	153.00	166.04	1.32
39	3337016	SL / N/A	06/08/01			100,000		0.00	0.00	30.53	168.97	0.00
40	3337017	SL / N/A	07/08/01			100,000		0.00	0.00	0.00	171.50	0.00
41	3337018	SL / N/A	08/08/01			100,000		0.00	0.00	0.00	0.00	0.00
42	3337019	SL / N/A	09/08/01			100,000		0.00	0.00	0.00	0.00	0.00
43	3337020	SL / N/A	10/08/01			100,000		0.00	0.00	0.00	0.00	0.00
44	3337021	SL / N/A	11/08/01			100,000		0.00	0.00	0.00	0.00	0.00
45	3337022	SL / N/A	12/08/01			100,000		0.00	0.00	0.00	0.00	0.00
46	3337023	SL / N/A	01/09/02			100,000		0.00	0.00	0.00	0.00	0.00
47	3337024	SL / N/A	02/09/02			100,000		0.00	0.00	0.00	0.00	0.00
48	3337025	SL / N/A	03/09/02			100,000		0.00	0.00	0.00	0.00	0.00
49	3337026	SL / N/A	04/09/02			100,000		0.00	0.00	0.00	0.00	0.00
50	3337027	SL / N/A	05/09/02			100,000		0.00	0.00	0.00	0.00	0.00
51	3337028	SL / N/A	06/09/02			100,000		0.00	0.00	0.00	0.00	0.00
52	3337029	SL / N/A	07/09/02			100,000		0.00	0.00	0.00	0.00	0.00
53	3337030	SL / N/A	08/09/02			100,000		0.00	0.00	0.00	0.00	0.00
54	3337031	SL / N/A	09/09/02			100,000		0.00	0.00	0.00	0.00	0.00
55	3337032	SL / N/A	10/09/02			100,000		0.00	0.00	0.00	0.00	0.00
56	3337033	SL / N/A	11/09/02			100,000		0.00	0.00	0.00	0.00	0.00
57	3337034	SL / N/A	12/09/02			100,000		0.00	0.00	0.00	0.00	0.00
58	3337035	SL / N/A	01/10/03			100,000		0.00	0.00	0.00	0.00	0.00
59	3337036	SL / N/A	02/10/03			100,000		0.00	0.00	0.00	0.00	0.00
60	3337037	SL / N/A	03/10/03			100,000		0.00	0.00	0.00	0.00	0.00
61	3337038	SL / N/A	04/10/03			100,000		0.00	0.00	0.00	0.00	0.00
62	3337039	SL / N/A	05/10/03			100,000		0.00	0.00	0.00	0.00	0.00
63	3337040	SL / N/A	06/10/03			100,000		0.00	0.00	0.00	0.00	0.00
64	3337041	SL / N/A	07/10/03			100,000		0.00	0.00	0.00	0.00	0.00
65	3337042	SL / N/A	08/10/03			100,000		0.00	0.00	0.00	0.00	0.00
66	3337043	SL / N/A	09/10/03			100,000		0.00	0.00	0.00	0.00	0.00
67	3337044	SL / N/A	10/10/03			100,000		0.00	0.00	0.00	0.00	0.00
68	3337045	SL / N/A	11/10/03			100,000		0.00	0.00	0.00	0.00	0.00
69	3337046	SL / N/A	12/10/03			100,000		0.00	0.00	0.00	0.00	0.00
70	3337047	SL / N/A	01/11/04			100,000		0.00	0.00	0.00	0.00	0.00
71	3337048	SL / N/A	02/11/04			100,000		0.00	0.00	0.00	0.00	0.00
72	3337049	SL / N/A	03/11/04			100,000		0.00	0.00	0.00	0.00	0.00
73	3337050	SL / N/A	04/11/04			100,000		0.00	0.00	0.00	0.00	0.00
74	3337051	SL / N/A	05/11/04			100,000		0.00	0.00	0.00	0.00	0.00
75	3337052	SL / N/A	06/11/04			100,000		0.00	0.00	0.00	0.00	0.00
76	3337053	SL / N/A	07/11/04			100,000		0.00	0.00	0.00	0.00	0.00
77	3337054	SL / N/A	08/11/04			100,000		0.00	0.00	0.00	0.00	0.00
78	3337055	SL / N/A	09/11/04			100,000		0.00	0.00	0.00	0.00	0.00
79	3337056	SL / N/A	10/11/04			100,000		0.00	0.00	0.00	0.00	0.00
80	3337057	SL / N/A	11/11/04			100,000		0.00	0.00	0.00	0.00	0.00
81	3337058	SL / N/A	12/11/04			100,000		0.00	0.00	0.00	0.00	0.00
82	3337059	SL / N/A	01/12/05			100,000		0.00	0.00	0.00	0.00	0.00
83	3337060	SL / N/A	02/12/05			100,000		0.00	0.00	0.00	0.00	0.00
84	3337061	SL / N/A	03/12/05			100,000		0.00	0.00	0.00	0.00	0.00
85	3337062	SL / N/A	04/12/05			100,000		0.00	0.00	0.00	0.00	0.00
86	3337063	SL / N/A	05/12/05			100,000		0.00	0.00	0.00	0.00	0.00
87	3337064	SL / N/A	06/12/05			100,000		0.00	0.00	0.00	0.00	0.00
88	3337065	SL / N/A	07/12/05			100,000		0.00	0.00	0.00	0.00	0.00
89	3337066	SL / N/A	08/12/05			100,000		0.00	0.00	0.00	0.00	0.00
90	3337067	SL / N/A	09/12/05			100,000		0.00	0.00	0.00	0.00	0.00
91	3337068	SL / N/A	10/12/05			100,000		0.00	0.00	0.00	0.00	0.00
92	3337069	SL / N/A	11/12/05			100,000		0.00	0.00	0.00	0.00	0.00
93	3337070	SL / N/A	12/12/05			100,000		0.00	0.00	0.00	0.00	0.00
94	3337071	SL / N/A	01/13/06			100,000		0.00	0.00	0.00	0.00	0.00
95	3337072	SL / N/A	02/13/06			100,000		0.00	0.00	0.00	0.00	0.00
96	3337073	SL / N/A	03/13/06			100,000		0.00	0.00	0.00	0.00	0.00
97	3337074	SL / N/A	04/13/06			100,000		0.00	0.00	0.00	0.00	0.00
98	3337075	SL / N/A	05/13/06			100,000		0.00	0.00	0.00	0.00	0.00
99	3337076	SL / N/A	06/13/06			100,000		0.00	0.00	0.00	0.00	0.00
100	3337077	SL / N/A	07/13/06			100,000		0.00	0.00	0.00	0.00	0.00
101	3337078	SL / N/A	08/13/06			100,000		0.00	0.00	0.00	0.00	0.00
102	3337079	SL / N/A	09/13/06			100,000		0.00	0.00	0.00	0.00	0.00
103	3337080	SL / N/A	10/13/06			100,000		0.00	0.00	0.00	0.00	0.00
104	3337081	SL / N/A	11/13/06			100,000		0.00	0.00	0.00	0.00	0.00
105	3337082	SL / N/A	12/13/06			100,000		0.00	0.00	0.00	0.00	0.00
106	3337083	SL / N/A	01/14/07			100,000		0.00	0.00	0.00	0.00	0.00
107	3337084	SL / N/A	02/14/07			100,000		0.00	0.00	0.00	0.00	0.00
108	3337085	SL / N/A	03/14/07			100,000		0.00	0.00	0.00	0.00	0.00
109	3337086	SL / N/A	04/14/07			100,000		0.00	0.00	0.00	0.00	0.00
110	3337087	SL / N/A	05/14/07			100,000		0.00	0.00	0.00	0.00	0.00
111	3337088	SL / N/A	06/14/07			100,000		0.00	0.00	0.00	0.00	0.00
112	3337089	SL / N/A	07/14/07			100,000		0.00	0.00	0.00	0.00	0.00
113	3337090	SL / N/A	08/14/07			100,000		0.00	0.00	0.00	0.00	0.00
114	3337091	SL / N/A	09/14/07			100,000		0.00	0.00	0.00	0.00	0.00
115	3337092	SL / N/A	10/14/07			100,000		0.00	0.00	0.00	0.00	0.00
116	3337093	SL / N/A	11/14/07			100,000		0.00	0.00	0.00	0.00	0.00
117	3337094	SL / N/A	12/14/07			100,000		0.00	0.00	0.00	0.00	0.00
118	3337095	SL / N/A	01/15/08									

Construction in progress as of 3/31/13 (prior year) ASJ 57,340.00
 Current year construction in progress additions (1/30/14) 309,177.00
 Construction in progress retained per 1/30/14 29,496.00
 Total construction in progress cost basis 396,013.00 Note 4

Sum of (A) - 3,318,550 Total Cost Basis of Fixed Assets as of 2/31/14

Sum of (1) - 5,724,600 Note 4 - System Improvements accumulated depreciation

Sum of (2) = 2,785,137 Note 4 - System Improvements cost basis

Exhibit A

Bills of Sale and Assignment

Attached Hereto.

BILL OF SALE AND ASSIGNMENT

THIS BILL OF SALE AND ASSIGNMENT ("Bill of Sale") is entered into as of the 13th day of January, 2017 by and between the City of Providence, a municipal corporation, for and through the Providence Water Supply Board., with a principal business address at 552 Academy Avenue, Providence RI 02908 ("PWSB"), and the East Smithfield Water District, an independent statutory water district, incorporated under the provisions of the Public Laws of 1934 – An Act to Incorporate the East Smithfield Water District - with a principal address at 307 Waterman Avenue, Smithfield RI 02917 ("District"). The District and PWSB are sometimes individually referred to herein as a "Party" and, collectively, as "Parties."

WITNESSETH:

WHEREAS, PWSB and the District entered into that certain Merger and Annexation Agreement dated as of the 13th day of January, 2017 ("Annexation Agreement"); and

WHEREAS, pursuant to the Annexation Agreement, the District has agreed to assign, convey, transfer and deliver to PWSB, and PWSB has agreed to accept from the District, all of the District's right, title and interest in and to the Annexed Assets as defined in the Annexation Agreement, and as further described in Exhibit A.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. The District does hereby assign, convey, transfer and deliver, as of the date hereof pursuant to the terms and subject to the conditions of the Annexation Agreement, all of its respective right, title and interest in and to the Annexed Assets, free and clear of any and all liabilities and any and all liens, unto PWSB.

2. This Bill of Sale is subject in all events to the terms and conditions of the Annexation Agreement and shall not in any way expand, alter or limit any of the rights, obligations and responsibilities of any of the Parties to the Annexation Agreement.

3. In the event of a conflict or inconsistency between this Bill of Sale and the Annexation Agreement, the terms of the Annexation Agreement shall prevail. Notwithstanding anything herein to the contrary, the terms and conditions of the Annexation Agreement shall survive the execution and delivery of this Bill of Sale in accordance with the terms of the Annexation Agreement.

4. This Bill of Sale inures to the benefit of PWSB and its successors and assigns and shall be binding on the District and its successors and assigns.

5. This Bill of Sale is governed by and construed in accordance with the laws of the State of Rhode Island, without regard to any conflict-of-laws provisions thereof.

6. All capitalized terms not otherwise defined herein shall have the respective

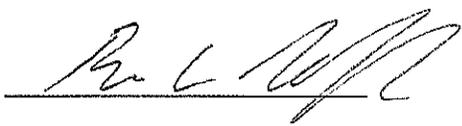
meanings provided them in the Annexation Agreement.

7. This Bill of Sale may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of such shall together constitute one and the same instrument.

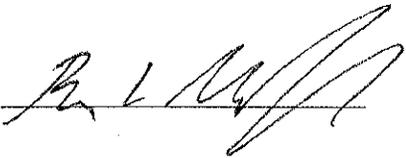
(Signature Page Follows)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date set forth above by their duly authorized representatives.

WITNESS:



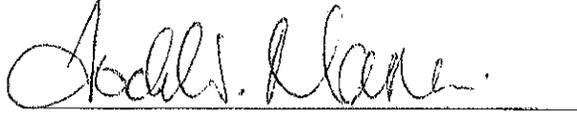
Approved as to form:



Approved as to form:

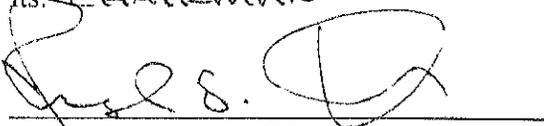
THE DISTRICT:

East Smithfield Water District:



By: TODD S. MANNI

Its: CHAIRMAN

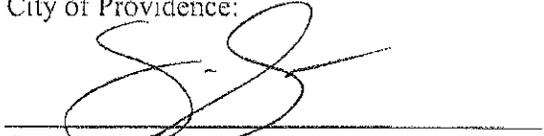


By: Ralph E. Iannitelli, Esq.

Its: Legal Counsel

PWSB:

City of Providence:



By: Jorge O. Eiorza

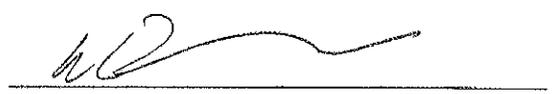
Its: Mayor

Providence Water Supply Board:



By: Ricky Caruolo

Its: General Manager



By: William E. O'Gara

Its: Legal Counsel to Providence Water Supply Board

Exhibit A

Annexed Assets

All facilities, pumping stations, pipes, mains, valves, connections, conduits, hydrants, machinery, equipment, inventory, materials, records, miscellaneous devices, appurtenances, all water rights in connection with the District System, all rights and benefits accrued in relation to the District System arising out of federal assistance or federal funding available in relation to the District System, and all other tangible and intangible property of the District related, directly or indirectly, to the operations maintenance, improvement and management of the District System, including, without limitation, the Real Estate and all other items set forth on the attached.

[02220344500]
Depreciation Expense
Federal

04/01/2013 - 03/31/2014

Sy	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus. / Inv. %	Sec. 179j Bonus / (Cur. Yr. Only)	Salvage/ Basis Adj.	Beg. Accum. Depreciation / (Sec. 179)	Current Depreciation / (Sec. 179)	Total Depreciation / (Sec. 179)
Building Improvements												
1		ROOF	3/31/2003	SL / N/A	15.0000	3,690.00	100.0000	0.00	0.00	2,705.00	246.00	2,952.00
2		BUILDING IMPROVEMENTS	7/27/2004	SL / N/A	15.0000	4,394.70	100.0000	0.00	0.00	2,599.15	292.98	2,892.14
3		BUILDING IMPROVEMENTS	7/22/2006	SL / N/A	10.0000	700.85	100.0000	0.00	0.00	473.11	70.09	543.20
4		LANDSCAPING OFFICE	6/4/2008	SL / N/A	5.0000	2,500.00	100.0000	0.00	0.00	2,416.67	83.33	2,500.00
5		Boiler	11/9/2010	SL / N/A	15.0000	7,790.83	100.0000	0.00	0.00	1,211.91	519.39	1,731.30
6		Roof & Garage Wall	11/6/2011	SL / N/A	15.0000	7,189.83	100.0000	0.00	0.00	639.09	479.32	1,118.41
7		Lithonia Fudres	12/19/2011	SL / N/A	7.0000	2,998.07	100.0000	0.00	0.00	463.94	371.15	835.09
Subtotal: Building Improvements						28,864.28		0.00	0.00	10,449.88	2,062.26	12,512.14
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: Building Improvements						28,864.28		0.00	0.00	10,449.88	2,062.26	12,512.14
Equipment												
8		GENERATOR	3/30/2004	SL / N/A	5.0000	1,499.00	100.0000	0.00	0.00	1,499.00	0.00	1,499.00
9		EQUIPMENT IMPROVEMENTS	9/9/2005	SL / N/A	10.0000	8,280.85	100.0000	0.00	0.00	6,279.68	628.09	7,107.77
10		EQUIPMENT IMPROVEMENTS	11/18/2005	SL / N/A	10.0000	4,601.27	100.0000	0.00	0.00	3,374.29	460.13	3,834.42
11		EQUIPMENT IMPROVEMENTS	12/31/2005	SL / N/A	10.0000	916.66	100.0000	0.00	0.00	664.61	91.67	756.28
12		EQUIPMENT	6/9/2006	SL / N/A	7.0000	924.70	100.0000	0.00	0.00	902.88	22.02	924.70
13		EQUIPMENT	3/23/2007	SL / N/A	10.0000	975.00	100.0000	0.00	0.00	585.00	97.50	682.50
14		METER READER	3/30/2007	SL / N/A	10.0000	7,595.27	100.0000	0.00	0.00	4,557.18	759.53	5,316.71
15		Equipment	9/10/2007	SL / N/A	10.0000	1,140.84	100.0000	0.00	0.00	674.97	114.08	789.05
16		Equipment	9/27/2007	SL / N/A	10.0000	1,735.32	100.0000	0.00	0.00	924.42	173.53	1,127.95
17		Leak detection equipment	10/9/2011	SL / N/A	7.0000	6,100.00	100.0000	0.00	0.00	1,307.15	871.43	2,178.58
18		Generator rotor and transfer Equipment - Pipe Location Tool	3/14/2012	SL / N/A	5.0000	3,037.70	100.0000	0.00	0.00	658.17	607.54	1,265.71
90		Equipment -	5/17/2013	SL / N/A	5.0000	2,777.00	100.0000	0.00	0.00	0.00	277.70	2,777.00
Subtotal: Equipment						39,583.61		0.00	0.00	21,457.15	4,303.22	25,760.37
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: Equipment						39,583.61		0.00	0.00	21,457.15	4,303.22	25,760.37
Meters												
19		METERS	3/31/1994	SL / N/A	10.0000	32,999.00	100.0000	0.00	0.00	32,999.00	0.00	32,999.00
20		METERS	3/31/1996	SL / N/A	10.0000	13,200.00	100.0000	0.00	0.00	13,200.00	0.00	13,200.00
21		METERS	3/31/1999	SL / N/A	10.0000	7,100.00	100.0000	0.00	0.00	7,100.00	0.00	7,100.00
22		METERS	3/19/1995	SL / N/A	10.0000	33,366.00	100.0000	0.00	0.00	33,366.00	0.00	33,366.00
23		METERS	3/31/1997	SL / N/A	10.0000	24,200.00	100.0000	0.00	0.00	24,200.00	0.00	24,200.00
24		METERS	3/31/1998	SL / N/A	10.0000	27,075.00	100.0000	0.00	0.00	27,075.00	0.00	27,075.00
Subtotal: Meters						137,940.00		0.00	0.00	137,940.00	0.00	137,940.00
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: Meters						137,940.00		0.00	0.00	137,940.00	0.00	137,940.00
Office Equipment												
25		OFFICE FURNITURE	11/18/2005	SL / N/A	7.0000	79.99	100.0000	0.00	0.00	79.99	0.00	79.99
26		BILLING SOFTWARE	9/26/2005	SL / N/A	5.0000	11,380.00	100.0000	0.00	0.00	11,380.00	0.00	11,380.00
27		BILLING SYSTEM	6/28/2005	SL / N/A	5.0000	1,420.77	100.0000	0.00	0.00	1,420.77	0.00	1,420.77
Subtotal: Office Equipment						11,480.76		0.00	0.00	11,480.76	0.00	11,480.76
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: Office Equipment						11,480.76		0.00	0.00	11,480.76	0.00	11,480.76
Other Equipment												
28		BILLING SYSTEM	11/17/2006	SL / N/A	5.0000	1,084.99	100.0000	0.00	0.00	1,084.99	0.00	1,084.99
29		OFFICE EQUIPMENT	3/29/2007	SL / N/A	5.0000	389.91	100.0000	0.00	0.00	389.91	0.00	389.91
30		BACKFLOW SOFTWARE	5/30/2008	SL / N/A	5.0000	1,510.00	100.0000	0.00	0.00	1,459.67	50.33	1,510.00
31		COMPUTER	5/30/2008	SL / N/A	5.0000	1,605.00	100.0000	0.00	0.00	1,551.50	53.50	1,605.00
Subtotal: Other Equipment						4,590.90		0.00	0.00	4,497.07	152.83	4,650.00
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: Other Equipment						4,590.90		0.00	0.00	4,497.07	152.83	4,650.00
Subtotal: Depreciation Expense						102,220,344,500		0.00	0.00	102,220,344,500	0.00	102,220,344,500

32	Office Equipment	7/26/2007	SL / N/A	5,000.00	1,000.00	100,000.00	0.00	0.00	0.00	1,000.00	0.00	1,000.00
33	Continental Meter Module	6/15/2009	SL / N/A	5,000.00	2,000.00	100,000.00	0.00	0.00	0.00	1,533.33	400.00	1,933.33
34	ACS Processor	9/23/2010	SL / N/A	5,000.00	1,133.50	100,000.00	0.00	0.00	0.00	567.50	227.00	794.50
35	New Server & computer equipment	1/31/2012	SL / N/A	5,000.00	8,405.00	100,000.00	0.00	0.00	0.00	1,961.17	1,681.00	3,642.17
36	Telephone Equipment	3/15/2013	SL / N/A	5,000.00	2,488.25	100,000.00	0.00	0.00	0.00	41.64	489.65	541.29
Subtotal: Office Equipment				32,508.91	0.00	0.00	0.00	0.00	0.00	22,470.47	2,911.48	25,381.95
Less dispositions and exchanges:				32,508.91	0.00	0.00	0.00	0.00	0.00	22,470.47	2,911.48	25,381.95
Net for: Office Equipment												

37	SYSTEM IMPROVEMENTS	3/31/1994	SL / N/A	99,000.00	8,647.00	100,000.00	0.00	0.00	0.00	1,659.47	87.34	1,746.81
38	SYSTEM IMPROVEMENTS	3/31/1995	SL / N/A	75,000.00	17,907.00	100,000.00	0.00	0.00	0.00	4,297.68	236.76	4,534.44
39	SYSTEM IMPROVEMENTS	3/31/1996	SL / N/A	30,000.00	5,870.00	100,000.00	0.00	0.00	0.00	3,329.39	166.67	3,496.06
40	SYSTEM IMPROVEMENTS	3/31/1996	SL / N/A	75,000.00	85,260.00	100,000.00	0.00	0.00	0.00	19,323.60	1,136.93	20,460.53
41	SYSTEM IMPROVEMENTS	3/31/1997	SL / N/A	75,000.00	18,047.00	100,000.00	0.00	0.00	0.00	3,850.50	240.63	4,091.13
42	SYSTEM IMPROVEMENTS	3/31/1998	SL / N/A	75,000.00	70,961.00	100,000.00	0.00	0.00	0.00	14,072.25	938.15	15,010.40
43	SYSTEM IMPROVEMENTS	3/31/1999	SL / N/A	75,000.00	49,973.00	100,000.00	0.00	0.00	0.00	9,216.34	658.31	9,874.65
44	SYSTEM IMPROVEMENTS	3/31/2004	SL / N/A	75,000.00	66,981.54	100,000.00	0.00	0.00	0.00	8,035.35	892.82	8,928.17
45	SYSTEM IMPROVEMENTS	3/31/2000	SL / N/A	75,000.00	119,885.00	100,000.00	0.00	0.00	0.00	20,774.91	1,598.07	22,372.98
46	SYSTEM IMPROVEMENTS	3/31/2001	SL / N/A	75,000.00	17,989.00	100,000.00	0.00	0.00	0.00	2,875.20	239.85	3,115.05
47	SYSTEM IMPROVEMENTS	3/31/2002	SL / N/A	75,000.00	303,071.00	100,000.00	0.00	0.00	0.00	44,450.45	4,040.95	48,491.40
48	SYSTEM IMPROVEMENTS	3/31/2003	SL / N/A	75,000.00	295,888.57	100,000.00	0.00	0.00	0.00	12,760.20	3,402.72	16,162.92
49	SYSTEM IMPROVEMENTS	3/31/2003	SL / N/A	75,000.00	11,673.83	100,000.00	0.00	0.00	0.00	570.72	3,945.18	43,396.98
50	SYSTEM IMPROVEMENTS	3/31/1995	SL / N/A	30,000.00	11,480.00	100,000.00	0.00	0.00	0.00	6,888.06	155.65	7,043.65
51	SYSTEM IMPROVEMENTS	3/31/2006	SL / N/A	30,000.00	20,710.87	100,000.00	0.00	0.00	0.00	2,324.18	276.14	2,600.32
52	SYSTEM IMPROVEMENTS	11/12/2004	SL / N/A	75,000.00	6,201.50	100,000.00	0.00	0.00	0.00	737.32	82.69	820.01
53	SYSTEM IMPROVEMENTS	4/21/2004	SL / N/A	75,000.00	12,569.01	100,000.00	0.00	0.00	0.00	1,494.34	167.59	1,661.93
54	SYSTEM IMPROVEMENTS	5/5/2004	SL / N/A	75,000.00	71,772.60	100,000.00	0.00	0.00	0.00	7,893.60	995.97	8,889.57
55	SYSTEM IMPROVEMENTS	1/2/2005	SL / N/A	75,000.00	11,178.00	100,000.00	0.00	0.00	0.00	1,302.22	149.04	1,451.26
56	SYSTEM IMPROVEMENTS	8/18/2005	SL / N/A	75,000.00	61,250.00	100,000.00	0.00	0.00	0.00	6,645.90	816.67	7,462.57
57	SYSTEM IMPROVEMENTS	4/29/2005	SL / N/A	30,000.00	2,692.65	100,000.00	0.00	0.00	0.00	1,205.46	89.42	1,304.88
58	SYSTEM IMPROVEMENTS	12/31/2005	SL / N/A	30,000.00	4,986.10	100,000.00	0.00	0.00	0.00	1,141.27	180.20	1,321.47
59	SYSTEM IMPROVEMENTS	6/29/2006	SL / N/A	30,000.00	5,405.12	100,000.00	0.00	0.00	0.00	971.19	59.39	1,030.58
60	SYSTEM IMPROVEMENTS	11/30/2006	SL / N/A	30,000.00	1,781.75	100,000.00	0.00	0.00	0.00	3,673.19	587.71	4,260.90
61	SYSTEM IMPROVEMENTS	12/22/2006	SL / N/A	75,000.00	44,078.00	100,000.00	0.00	0.00	0.00	3,673.19	587.71	4,260.90
62	SYSTEM IMPROVEMENTS - 2ND	1/4/2007	SL / N/A	75,000.00	1,250.00	100,000.00	0.00	0.00	0.00	97.24	16.67	113.91
63	TOPography	5/17/2007	SL / N/A	15,000.00	9,284.61	100,000.00	0.00	0.00	0.00	3,559.08	618.97	4,178.05
64	Meters	6/21/2007	SL / N/A	15,000.00	5,035.00	100,000.00	0.00	0.00	0.00	1,706.32	335.67	2,041.99
65	Meters	2/1/2008	SL / N/A	15,000.00	880.94	100,000.00	0.00	0.00	0.00	298.49	58.72	357.21
66	Meters	2/29/2008	SL / N/A	15,000.00		100,000.00	0.00	0.00	0.00			

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102220345001
Depreciation Expense
Federal

00-0000000
04/01/2013 - 03/31/2014
Sorted: General - category
04/01/2013 - 03/31/2014

Sy	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Buss./Inv. %	Sec. 179j Bonus / Cur. Yr. Chng	Salvage/ Basis Adj.	Deprec. Accum. / Sec. 179j	Current Depreciation / / Sec. 179j	Total Depreciation / / Sec. 179j
67		System Improvements	8/30/2007	SL / N/A	75,000.00	76,720.65	100,000.00	0.00	0.00	5,711.41	1,022.94	6,734.35
68		METER - RIDGE RD	10/30/2008	SL / N/A	15,000.00	10,000.00	100,000.00	0.00	0.00	2,944.46	666.67	3,611.13
69		METERS	3/18/2009	SL / N/A	15,000.00	17,148.34	100,000.00	0.00	0.00	4,573.16	1,143.29	5,716.45
70		SYSTEM IMPROVEMENTS -	1/20/2009	SL / N/A	75,000.00	74,323.87	100,000.00	0.00	0.00	4,129.08	990.98	5,120.06
71		SYSTEM IMPROVEMENTS -	1/20/2008	SL / N/A	75,000.00	45,831.80	100,000.00	0.00	0.00	2,624.96	605.76	3,230.72
72		SYSTEM IMPROVEMENTS -	10/30/2008	SL / N/A	50,000.00	47,540.28	100,000.00	0.00	0.00	4,199.41	950.81	5,150.22
73		SYSTEM IMPROVEMENTS - MISC	3/31/2009	SL / N/A	75,000.00	13,833.63	100,000.00	0.00	0.00	716.48	179.12	895.60
74		System Improv - Country View	8/4/2009	SL / N/A	75,000.00	3,690.90	100,000.00	0.00	0.00	180.44	49.21	229.65
75		Meters	10/20/2009	SL / N/A	15,000.00	248,153.15	100,000.00	0.00	0.00	56,523.76	16,543.54	73,067.30
76		Meters	5/1/2009	SL / N/A	15,000.00	20,595.90	100,000.00	0.00	0.00	1,818.45	411.94	2,230.37
77		Meters	11/5/2010	SL / N/A	15,000.00	166,834.55	100,000.00	0.00	0.00	26,878.89	11,122.30	38,001.19
78		N Elmour Pump Station Upgrades	9/15/2010	SL / N/A	75,000.00	33,106.42	100,000.00	0.00	0.00	977.02	376.20	1,353.22
79		Maple St Water Main	9/15/2010	SL / N/A	75,000.00	6,110.24	100,000.00	0.00	0.00	2,612.03	1,011.11	3,623.14
80		Arnold Ave Water Main	9/17/2010	SL / N/A	30,000.00	7,771.57	100,000.00	0.00	0.00	1,140.44	441.46	1,581.90
81		Hydrants - Homestead Ave	9/22/2010	SL / N/A	15,000.00	1,235.00	100,000.00	0.00	0.00	394.63	152.76	547.39
82		Stralher Pressure Reducing Valve	9/30/2011	SL / N/A	15,000.00	7,771.57	100,000.00	0.00	0.00	1,065.36	41.17	1,106.53
83		Meters	6/1/2011	SL / N/A	40,000.00	3,697.81	100,000.00	0.00	0.00	165.74	90.95	175.69
84		Hydrants	4/1/2012	SL / N/A	50,000.00	3,451.00	100,000.00	0.00	0.00	69.02	69.02	138.04
85		System Improvements	11/28/2012	SL / N/A	15,000.00	11,195.73	100,000.00	0.00	0.00	248.79	746.38	995.17
86		Meters	10/18/2012	SL / N/A	75,000.00	163,444.60	100,000.00	0.00	0.00	908.03	2,179.26	3,087.29
87		Fernwood Ave Main - cleaning &	5/29/2013	SL / N/A	50,000.00	6,531.00	100,000.00	0.00	0.00	0.00	65.31	65.31
89		System Improvements - Blow-Offs										
Subtotal: System Improvements					2,644,197.23			0.00		341,756.41	62,095.97	403,851.36
Less dispositions and exchanges:					2,644,197.23			0.00		341,756.41	62,095.97	403,851.36
Net for: System Improvements												

6/11/2014
12:29:56 PM

(2)

(1)

Vehicles	2012 Ford F350	4/19/2012	SL / N/A	5.0000	39,452.00	100.0000	0.00	0.00	0.00	7,232.87	7,890.40	15,123.27
Subtotal: Vehicles					39,452.00		0.00	0.00	0.00	7,232.87	7,890.40	15,123.27
Less dispositions and exchanges:					0.00		0.00	0.00	0.00	0.00	0.00	0.00
Net for: Vehicles					39,452.00		0.00	0.00	0.00	7,232.87	7,890.40	15,123.27
Subtotal:					2,922,548.03		0.00	0.00	0.00	541,305.78	79,263.33	620,569.11
Less dispositions and exchanges:					0.00		0.00	0.00	0.00	0.00	0.00	0.00
Grand Totals:					2,922,548.03 (A)		0.00	0.00	0.00	541,305.78	79,263.33	620,569.11

Construction in progress as of 3/31/13 (prior year F/S) 57,340.00
 Current year construction in progress additions 309,177.00
 Construction in progress retainage per 29,496.00
 Total construction in progress cost basis 396,013.00 (A)

Sum of (A) = 3,318,559 Total Cost Basis of Fixed Assets as of 3/31/14

Sum of (1) = 541,791 System Improvements accumulated depreciation

Sum of (2) = 2,782,137 System Improvements cost basis

Exhibit B

Assignment and Assumption Agreements

None presently needed. PWSB reserves the right to request the same at or following Closing.

Exhibit C

Real Estate Transfer Instruments

To be provided by the District and approved by PWSB and its counsel prior to Closing.

WARRANTY DEED

EAST SMITHFIELD WATER DISTRICT, an independent statutory water district, with a principal address at 307 Waterman Avenue, in the Town of Smithfield, County of Providence and State of Rhode Island, for consideration paid, grants to the City of Providence, a municipal corporation, by and through the **PROVIDENCE WATER SUPPLY BOARD**, with a principal business address of 552 Academy Avenue, in the City and County of Providence and State of Rhode Island **WITH WARRANTY COVENANTS**

Those certain lots or parcels of land together with all the buildings and other improvements thereon situated in the Town of Smithfield, County of Providence, State of Rhode Island, further described as follows:

PARCEL I:

Beginning at a point in the easterly line of Waterman Avenue at the northwest corner of land now or formerly of William A.L. Mathewson, thence running northerly bounding westerly on said Waterman Avenue two hundred (200) feet; thence turning a right angle and running easterly bounding northerly on land belonging now or formerly to the Smithfield Franco-American Association, one hundred (100) feet; thence turning a right angle and running southerly bounding easterly on other land now or formerly of The Esmond Mills, two hundred twenty and 76/100 (220.76) feet to land now or formerly of William A.L. Mathewson; thence turning an angle and running westerly bounding southerly on said Mathewson land, one hundred two and 13/100 (102.13) feet to the point of beginning. Said tract containing twenty-one thousand thirty eight (231,038) square feet of land more or less

Also, all rights to install, keep, maintain, replace and repair mains, pipes, lines, hydrants, valves and conduits on private property or in the streets in said Village of Esmond as reserved unto the Esmond Mills and/or Smithfield Water Company as set out on those certain plans entitled, "Plan of Dwelling property owned by the Esmond Mills by Waterman Engineering Company, October 8, 1935" and recorded in said Records of Land Evidence for the Town of Smithfield on Plat Card 66.

Subject to an easement of record contained in, and being the same tract of land described in, a certain deed recorded on May 31, 1938 in Book 15, Page 799 in the Records of Land Evidence of said Town of Smithfield.

PARCEL II:

That certain lot of land situated on the westerly side of the Farnum Pike, in the Town of Smithfield, County of Providence, State of Rhode Island, bounded and described as follows:

Beginning at a granite bound on the westerly side of said Farnum Pike, said point being the northwest corner of land now or formerly of Mabel G. Black, and the southeasterly corner of the premises herein described; thence running southwesterly along the northerly line of said Black land One hundred twenty-five (125) feet to a granite bound for a corner; thence turning an

interior angle of 186[°] and running southwesterly along the northerly line of said Black land Two hundred fifty (250) feet to a point for a corner; thence turning an interior angle of 79[°] and running northerly along the westerly line of said Black land One hundred twenty-five (125) feet to a granite bound for a corner, said point being the northwesterly corner of the parcel herein described and the southeasterly corner of land now or lately of Charles A. Corey; thence turning an interior angle of 95[°] and running easterly bounding northerly on land now or formerly of the Georgiaville Baptist Church Three hundred forty-four and 5/10 (344.05) feet more or less to the westerly line of the Farnum Pike; thence running southeasterly long the westerly line of said Farnum Pike One hundred (100) feet to the point and place of beginning.

EXCLUDING from this conveyance any portion of said land taken by the State of Rhode Island for highway purposes.

Subject to water rights of record and to certain restrictions and being the same tract of land contained in a certain deed recorded on November 20, 1975 in Book 50, Page 332 in the Records of Land Evidence of said Town of Smithfield.

Grantor hereby certifies that the grantor is a Rhode Island independent statutory water district, in compliance with R.I. Gen. Laws Section 44-30-71.3 and that no withholding is required. This transfer is such that no tax revenue or documentary stamps are required. Grantor further certifies that the real estate conveyed by this transaction is non-residential property and not subject to the provisions of Section 8 of the of the Rhode Island Fire Safety Code regarding inspection of smoke and carbon monoxide detectors.

WITNESS MY HAND this 13th day of January, 2017.

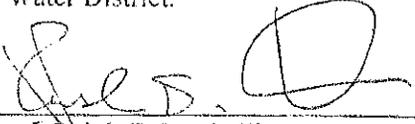
EAST SMITHFIELD WATER DISTRICT

By: Todd S. Manni
Todd S. Manni, Chairman of Executive Board

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

In Providence, in said County and State, on the 13th day of January, 2017, before me personally appeared Todd S. Manni, Chairman of the Executive Board of the East Smithfield Water District, to me known and known by me to be the party executing the

foregoing instrument, and he acknowledged said instrument, by him executed, to be his free act and deed and the free act and deed of the East Smithfield Water District.



Ralph E. Iannitelli
Notary Public

My Commission expires: 6/24/2017

Property Address:

307 Waterman Avenue
Smithfield RI 02917
AP 26, Lot 49

and

98 Farnum Pike
Smithfield RI 02917
AP 33, Lot 40

WARRANTY DEED

EAST SMITHFIELD WATER DISTRICT, an independent statutory water district, with a principal address at 307 Waterman Avenue, in the Town of Smithfield, County of Providence and State of Rhode Island, for consideration paid, grants to the City of Providence, a municipal corporation, by and through the **PROVIDENCE WATER SUPPLY BOARD**, with a principal business address of 552 Academy Avenue, in the City and County of Providence and State of Rhode Island **WITH WARRANTY COVENANTS**

Those certain lots or parcels of land together with all the buildings and improvements thereon situated on the northerly side of Sherwood Avenue in the Town of North Providence, County of Providence, State of Rhode Island, comprising the southerly thirty (30) feet in depth by the entire width of Lot No. 245 (two hundred forty-five) and the easterly five (5) feet in width by thirty (30) feet in depth of Lot No. 244 (two hundred forty-four) on that plat entitled, "Centredale Village Park North Providence, R.I. Owned by J.W. Wilbur Aug 3, 1903 A.L. Eliot, Engineer. Boston Mass.", which plat is recorded with the Records of Land Evidence in said Town of North On Plat Card 37.

Subject to valid restrictions of record. Being the same premises described in a certain deed from John Arbour and wife Alice Arbour to the grantor recorded in the Records of Land Evidence of the Town of North Providence on May 22, 1974 at 11:21 A.M.

Grantor hereby certifies that the grantor is a Rhode Island independent statutory water district, in compliance with R.I. Gen. Laws Section 44-30-71.3 and that no withholding is required. This transfer is such that no tax revenue or documentary stamps are required. Grantor further certifies that the real estate conveyed by this transaction is non-residential property and not subject to the provisions of Section 8 of the of the Rhode Island Fire Safety Code regarding inspection of smoke and carbon monoxide detectors.

WITNESS MY HAND this 13th day of January, 2017.

EAST SMITHFIELD WATER DISTRICT

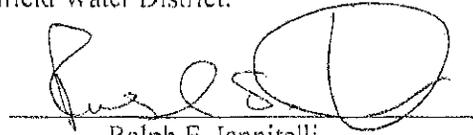
By: Todd S. Manni

Todd S. Manni, Chairman of the Executive Board

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

In PROVIDENCE, in said County and State, on the 13th day of January, 2017, before me personally appeared Todd S. Manni, Chairman of the Executive Board of the East Smithfield Water District, to me known and known by me to be the party executing the

foregoing instrument, and he acknowledged said instrument, by him executed, to be his free act and deed and the free act and deed of the East Smithfield Water District.

A handwritten signature in black ink, appearing to read 'Ralph E. Iannitelli', written over a horizontal line.

Ralph E. Iannitelli
Notary Public

My Commission expires: 6/24/2017

ASSIGNMENT

KNOW ALL BY THESE PRESENTS, that **EAST SMITHFIELD WATER DISTRICT**, an independent statutory water district, with a principal address at 307 Waterman Avenue. in the Town of Smithfield, County of Providence and State of Rhode Island, for consideration paid, does hereby assign, set over and transfer to the City of Providence, a municipal corporation, by and through the **PROVIDENCE WATER SUPPLY BOARD**, with a principal business address of 552 Academy Avenue, in the City and County of Providence and State of Rhode Island, its successors and assigns, the following:

1. All rights of grantor under a certain unrecorded deed of easement between Isabel Ricard and Mary E. Smith dated May 17, 1961 and attached hereto.
2. All rights of grantor under a certain water utility easement between Barbara S. O'Donnell and George A. Brouillette & Annette D. Brouillette recorded June 15, 1973 in the Smithfield Land Evidence Records in Book 45, Page 496, together with a certain hold harmless Agreement dated June 14, 1973 between George A. Brouillette & Annette D. Brouillette and the East Smithfield Water District, which is attached hereto.
3. All rights of grantor in a certain Inter-Agency Agreement between the East Smithfield Water District and the Town of Smithfield/Smithfield Water Supply Board regarding Ridgeland Estates recorded November 2, 2009 in the Smithfield Land Evidence Records in Book 713 Page 239.
4. All rights of grantor under a certain water utility easement from 28 Farnum Pike, LLC to the East Smithfield Water District recorded August 30, 2012 in the Smithfield Land Evidence Records in Book 863, page 325.
5. All rights of grantor under a certain Lease for the Waltham Street Pump Station from the Timberlane Condominium Association dated December 12, 2012 and recorded April 10, 2013 in the Smithfield Land Evidence Records in Book 905, Page 96.
6. Any and all other easements, rights of access, rights of use, rights of maintainance, licenses or other rights, title or interest vested or to be vested in the East Smithfield Water District.

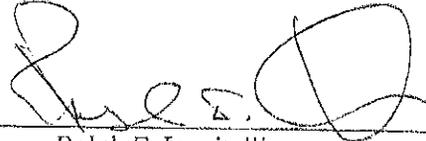
IN WITNESS WHEREOF, the said **EAST SMITHFIELD WATER DISTRICT** has caused this Assignment to be signed by its duly authorized representative on the 13th day of January, 2017.

EAST SMITHFIELD WATER DISTRICT

By: 
Todd S. Manni, Chairman of Executive Board

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

In PROVIDENCE, in said County and State, on the 13th day of January, 2017,
before me personally appeared Todd S. Manni, Chairman of the Executive Board of the East
Smithfield Water District, to me known and known by me to be the party executing the
foregoing instrument, and he acknowledged said instrument, by him executed, to be his free act
and deed in his capacity, as aforesaid, and the free act and deed of the East Smithfield Water
District.



Ralph E. Iannitelli

Notary Public

My Commission expires: 6/24/2017

DEED of EASEMENT

COPY

I, ISABEL F. RICARD, resident in the Town of Smithfield in the State of Rhode Island, for consideration paid, grant to MARY E. SMITH, resident in said Smithfield, her heirs and assigns forever, an EASEMENT over and through land which I own in said Town of Smithfield, being lots 15, 12, and part of lot numbered 11 on that plat of land entitled Pine Heights Plat which is recorded in the land records of the Town of Smithfield; for the purpose of giving to said Mary E. Smith, her heirs and assigns water service through pipes laid in my said land from the main water pipes of East Smithfield Water District on Oakdale Street to land of said Mary E. Smith, being lots 9, 10, and part of lot numbered 11 on said plat, with a right of entry upon my said land in said Mary E. Smith, her heirs and assigns, their servants and agents from time to time and at all times for the purpose of making repairs or renewals to said piping.

The extension of piping from the shut off as now located on lot 11 of my land to be made in such course and manner as may be determined by me, said Isabel F. Ricard, said Mary E. Smith, and East Smithfield Water District.

WITNESS my hand and seal this 17th. day of May, 1961.

Isabel F. Ricard

 I.S.R.

STATE of RHODE ISLAND
 COUNTY of PROVIDENCE.

In Smithfield on the 17th. day of May, 1961, before me personally appeared Isabel F. Ricard, to me known and known by me to be the person executing the foregoing instrument, and she acknowledged said instrument by her signed, to be her free act and deed.

Notary Public

 NOTARY PUBLIC.

AGREEMENT

Agreement made this 14th day of June, 1973, by and between GEORGE A. BROUILLETTE and wife ANNETTE D. BROUILLETTE, of the Town of Smithfield, Rhode Island, hereinafter called the "Owners", and EAST SMITHFIELD WATER DISTRICT, a Rhode Island corporation, hereinafter called the "District";

W I T N E S S E T H

Whereas, said Owners own real estate situated in the Town of Smithfield, being portions of Lots numbered Forty-five (45) and Forty-six (46) on "Lakeside Terrace Plat of William A.H. Potter Smithfield, R.I. Scale 1"=40' October 1932. Henry Walsh, Engineer", and

Whereas, said owners were granted an easement by Barbara S. O'Donnell and John C. O'Donnell, and

Whereas, the Owners, in accepting said easement, have agreed to repair any damages done to the real estate owned by said O'Donnells, and

Whereas, said District has agreed to install a water line over said easement to the Owners real estate.

NOW, THEREFORE, it is mutually agreed that said Owners will hold said District harmless for any claim or claims for damages made against the District as a result of said installation or future repairs on said installation.

Witness our hands the day and year first above written.

George A. Brouillette
George A. Brouillette

Annette A. Brouillette
Annette A. Brouillette

EAST SMITHFIELD WATER DISTRICT
BY William Demainc-Chairs

Witness

BILL OF SALE FOR MOTOR VEHICLE

KNOW ALL MEN BY THESE PRESENTS, that the **EAST SMITHFIELD WATER DISTRICT**, an independent statutory water district, with a principal address at 307 Waterman Avenue, Smithfield RI 02917 ("Seller"), for valuable consideration paid to it by the City of Providence, a municipal corporation, by and through the **PROVIDENCE WATER SUPPLY BOARD** ("Buyer"), with a principal business address of 552 Academy Avenue, Providence, Rhode Island, the receipt of which is hereby acknowledged, does hereby bargain, sell, transfer and deliver unto said **Buyer**:

a 2003 Ford motor vehicle Model F-150, VIN:2FTRX17W93CB00291

AND the Seller covenants with **the Buyer** that it is the lawful owner of said above described personal property; that it has the right to sell or transfer the same; that said personal property is free from all encumbrances, and **the Seller** will warrant and defend the same against the lawful claims and demands of all persons, and **the Seller** further certifies that the odometer reading of said motor vehicle as of the 13TH day of January, 2017 is: 116550.

IN WITNESS WHEREOF, the **EAST SMITHFIELD WATER DISTRICT** has caused this Bill of Sale to be executed on this 13TH day of January, 2017.

EAST SMITHFIELD WATER DISTRICT

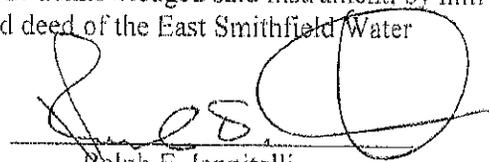
By:



Todd S. Manni, Chairman

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

In PROVIDENCE, on the 13TH day of January, 2017, before me personally appeared Todd S. Manni, Chairman of the East Smithfield Water District to me known and known by me to be the party executing the foregoing instrument, and he acknowledged said instrument, by him executed, to be his free act and deed and the free act and deed of the East Smithfield Water District.



Ralph E. Iannitelli

Notary Public

My Commission expires: 6/24/2017

BILL OF SALE FOR MOTOR VEHICLE

KNOW ALL MEN BY THESE PRESENTS, that the **EAST SMITHFIELD WATER DISTRICT**, an independent statutory water district, with a principal address at 307 Waterman Avenue, Smithfield RI 02917 ("Seller"), for valuable consideration paid to it by the City of Providence, a municipal corporation, by and through the **PROVIDENCE WATER SUPPLY BOARD** ("Buyer"), with a principal business address of 552 Academy Avenue, Providence, Rhode Island, the receipt of which is hereby acknowledged, does hereby bargain, sell, transfer and deliver unto said **Buyer**:

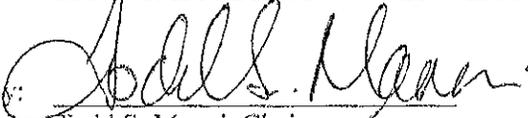
a 2012 Ford motor vehicle, Model F-350, VIN:2FTRF3B64CEB35904

AND the Seller covenants with the **Buyer** that it is the lawful owner of said above described personal property; that it has the right to sell or transfer the same: that said personal property is free from all encumbrances, and **the Seller** will warrant and defend the same against the lawful claims and demands of all persons, and **the Seller** further certifies that the odometer reading of said motor vehicle as of the 13th day of January, 2017 is: 34642.

IN WITNESS WHEREOF, the **EAST SMITHFIELD WATER DISTRICT** has caused this Bill of Sale to be executed on this 13th day of December, 2016.

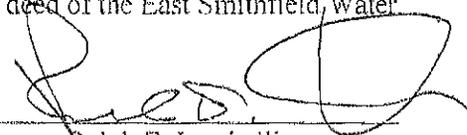
EAST SMITHFIELD WATER DISTRICT

By:


Todd S. Manni, Chairman

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

In Providence, on the 13th day of December, 2016, before me personally appeared Todd S. Manni, Chairman of the East Smithfield Water District to me known and known by me to be the party executing the foregoing instrument, and he acknowledged said instrument, by him executed, to be his free act and deed and the free act and deed of the East Smithfield Water District.



Ralph E. Iannitelli

Notary Public

My Commission expires: 6/24/2017

**PROVIDENCE WATER
Comparison of Interest Rates**

	<u>Source</u>	<u>Interest Rate 1</u>
Market Rate (AIC)	(1)	3.911%
Total Interest Payments	(2)	\$ 7,187,373
Subsized Rate (AIC)	(1)	2.8480%
Total Interest Payments	(2)	\$ 5,211,697
Savings:		
Interest Rate		1.0630%
Interest Payments		\$ 1,975,676
Interest Rate Savings/Market Rate		27.180%

Prepared by First Southwest

(1) From page 1 on the attached schedules

(2) From page 5 on the attached schedules

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Providence Water Supply Board

We have audited the accompanying financial statements of Providence Water Supply Board (Water Supply Board) of the City of Providence, Rhode Island, as of and for the years ended June 30, 2015 and 2014, and the related notes to the 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.

Auditors' 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 auditors' 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 entity'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Supply Board, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Presentation

As discussed in Note 1, the financial statements of the Water Supply Board, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-activities of the City of Providence that are attributable to the transactions of the Water Supply Board. They do not purport to, and do not, present fairly the financial position of the City of Providence as of June 30, 2015 and 2014, the changes in its financial position, or where applicable, its cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Method of Accounting for Pensions

As discussed in Note 9 to the financial statements, the Water Supply Board changed its method for accounting and financial reporting for pensions as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No.68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 11 to the financial statements, Management analyzed GASB No. 68 and determined that the beginning net position has been restated by \$41,356,974 to include the net pension liability as of June 30, 2014. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

As described in Note 11, net position at June 30, 2014 has been restated for the elimination of a prior year liability. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of Funding Progress, Funding Status, Changes in Net Pension Liability and Related Ratios, Contributions and Investment Returns, on pages 4-8 and 36-38, respectively, 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 April 1, 2016, on our consideration of the Water Supply Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Supply Board's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
April 1, 2016

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

The management of the Water Supply Board (the "Water Supply Board") offers readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended June 30, 2015 and 2014.

Financial Statements

Our financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting an economic resources measurement focus and the accrual basis of accounting are used.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These statements are followed by notes to the financial statements.

- The statements of net position present information on the assets and liabilities, with the difference between the two 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 Water Supply Board is improving or deteriorating.
- The statements of revenues, expenses, and changes in net position report the operating and non-operating revenues and expenses of the Water Supply Board for the fiscal year with the difference – the net income or loss – being combined with any capital contributions to determine the change in net position for the fiscal year. That change combined with the previous year-end net position total reconciles to the net position at the end of the fiscal year.
- The statements of cash flows report cash and cash equivalents activity for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalents balance at the end of the fiscal year.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

Condensed Financial Information (in thousands)

Condensed Financial Information

	2013	2014	2015
TOTAL CURRENT ASSETS	\$ 51,371,246	\$ 50,845,457	\$ 56,860,298
NET PROPERTY, PLANT AND EQUIPMENT	295,298,057	299,812,331	317,261,613
TOTAL ASSETS	<u>\$ 346,669,303</u>	<u>\$ 350,657,788</u>	<u>\$ 374,121,911</u>
TOTAL CURRENT LIABILITIES	\$ 14,108,844	\$ 9,928,198	\$ 13,498,670
TOTAL LONG -TERM LIABILITIES	78,321,740	75,559,279	123,484,780
TOTAL LIABILITIES	<u>92,430,584</u>	<u>85,487,477</u>	<u>136,983,450</u>
DEFERRED INFLOW OF RESOURCES	1,997,014	2,709,308	-
TOTAL DEFERRED INFLOW OF RESOURCES	<u>1,997,014</u>	<u>2,709,308</u>	<u>-</u>
NET POSITION:			
NET INVESTMENT IN CAPITAL ASSETS	217,211,421	225,543,538	239,087,594
RESTRICTED FUND	31,511,583	32,410,386	36,145,168
UNRESTRICTED FUND	3,518,701	4,507,079	(38,094,301) (1)
TOTAL NET POSITION	<u>\$ 252,241,705</u>	<u>\$ 262,461,003</u>	<u>\$ 237,138,461</u>
TOTAL OPERATING REVENUE	\$ 61,069,674	\$ 62,872,231	\$ 69,231,217
TOTAL OPERATING EXPENSES	38,040,000	41,750,117	43,179,067
DEPRECIATION	12,263,983	12,643,922	11,313,363
TOTAL OPERATING EXPENSES INCLUDING DEPRECIATION	50,303,983	54,394,039	54,492,430
OPERATING INCOME	10,765,691	8,478,192	14,738,787
NON OPERATING EXPENSE	(1,593,191)	(1,562,494)	(1,811,838)
CAPITAL GRANTS AND CONTRIBUTIONS	2,099,550	3,303,600	1,098,257
NET POSITION	<u>\$ 11,272,049</u>	<u>\$ 10,219,298</u>	<u>\$ 14,025,206</u>

Note:

(1) The 2015 Unrestricted fund reflects implementation of the GASB No 68 and prior year adjustment. See Footnote #11

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

Financial Highlights

During the year, the Water Supply Board had operating revenues that exceeded operating expenses by \$14.7 million. This is primarily due to rate relief to support the continued commitment to the replacement of aging infrastructure, careful management of operating costs, and unexpended revenues allocated for restricted funds. Total assets were \$374.1 million, up \$23.5 million from last year's total assets of \$350.6 million. Current assets, principally cash, increased by \$4.9 million, and net plant increased by \$17 million.

The Water Supply Board's net position totaled \$237.1 million at June 30, 2015, a decrease of \$25.3 million from June 30, 2014. The decrease is the result of recording the net pension liability in the amount of \$41.3 million to reflect implementation of GASB Statement No.68. Also, reflected in the change to our net position is net operating income of \$14.7 million, net non-operating expenses of \$1.8 million, capital contributions of \$1.1 million, and a prior period adjustment of \$2 million.

At June 30, 2014, the Water Supply Board's net position totaled \$ 262.4 million. This net position was restated as of July 1, 2014 to \$221.1 million reflecting the implementation of GASB Statement No. 68. Total assets were \$351 million at June 30, 2014, an increase of \$4 million from the prior year's total assets of \$347 million.

The Water Supply Board's total operating revenues were \$69.5 million for fiscal year 2015, an increase of \$6.6 million over prior year's revenues of \$62.9 million. Total operating expenses of the water system amounted to \$54.8 million, which is slight increase over the prior year's amount of \$54.4 million. The increase in revenue in 2015 was attributable to the increase in rates authorized by the RI Public Utilities Commission (PUC) in December 2013. Fiscal year 2015 represents the first full fiscal year which reflects that increase in rates. Fiscal year 2015 non-operating revenue, principally interest, amounted to \$324,754, and non-operating expense of \$2.1 million was principally interest on long-term debt. Capital grants and contributions in fiscal year 2015 amounted to \$1.1 million.

The Water Supply Board's total operating revenues were \$62.9 for fiscal year 2014, an increase of \$1.8 million over prior year's revenues of \$61.1 million. The total operating expenses of the water system were \$54.4 million in fiscal year 2014. This resulted in a net operating income of \$8.5 million. Fiscal year 2014 non-operating revenue, principally interest, amounted to \$314,637, and non-operating expense of \$1.9 million was principally interest on long-term debt. Capital grants and contributions in fiscal year 2014 amounted to \$3.3 million. This resulted in an increase in net position of \$10.2 million in fiscal year 2014, and a reported net position of \$262.5 million at June 30, 2014. This net position was restated as of July 1, 2014 to \$223 million reflecting the implementation of GASB Statement No. 68 and a prior period adjustment.

The increase in revenue in fiscal year 2014 as compared to fiscal year 2013 was attributable to an approved increase in rates authorized by the RI Public Utilities Commission across all classes of the Water Supply Board customers effective December 2013.

Capital Assets and Debt Administration

Capital Assets:

At June 30, 2015, the Water Supply Board had \$317.3 million invested in various capital assets, including land, buildings and improvements, transmission and distribution mains, reservoirs, services, hydrants and appurtenances, machinery and equipment, and construction work in progress. This amount represents a net increase in capital assets of \$17.4 million, or 5.8%, over the prior year.

At June 30, 2014, the Water Supply Board had \$299.8 million invested in various capital assets. This amount represented a net increase of \$4.5 million, or 1.5%, over the previous year.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

Capital Assets and Debt Administration (Continued)

Major project expenditures in fiscal year 2015 included (in millions):

♦	Replace and Upgrade water mains	\$ 14.40
♦	Replace Sand Filters	\$ 5.60
♦	Plant influent and aerator rehabilitation	\$ 3.30
♦	Sludge handling/disposal	\$ 1.00
♦	Aerated, settled and filter influent conduits	\$ 0.66
♦	Various Distribution System Improvements	\$ 0.56
♦	Install Transmission Mains (W. Cranston)	\$ 0.50
♦	Treatment Process Studies	\$ 0.48
♦	Replace Fire Hydrants	\$ 0.48
♦	Unidirectional Flushing (UDF) Program Development	\$ 0.47
♦	90" Influent Conduit –Inspection	\$ 0.44
♦	Replace Lead Services	\$ 0.37
♦	Administration Building Site Design/Land Acquisition	\$ 0.37
♦	Replace Distribution Valve	\$ 0.32
♦	Aqueduct Reservoir –Replace the 60" Valve	\$ 0.31

The Water Supply Board's fiscal year 2015 capital budget included project expenditures of \$27.1 million for infrastructure and capital projects. The major projects were: water main replacements and upgrades, treatment plant filter replacements, plant influent and aerator upgrades, sludge removal and disposal, source water improvements, aerated settled and filter conduits, various distribution system improvements and installing transmission mains in Western Cranston. The majority of infrastructure projects are financed on a pay-as-you-go, cash basis from rate revenues. Some projects were funded from bond proceeds issued in fiscal year 2015. New capital additions, that will benefit ratepayers for many years, are generally funded with long-term debt financing.

Debt

At June 30, 2015, the Water Supply Board had \$78.2 million in bonds and notes outstanding versus \$74.3 million in the previous year. This represented an increase of \$3.9 million or 5%. A new \$8.0 million bond was issued in 2015 to fund various water main improvements.

At June 30, 2014, the Water Supply Board had \$74.3 million in bonds and notes outstanding versus \$78 million in the previous year. This represented a decrease of \$3.7 million, or 5%. No new debt was issued in 2014.

Subsequent Events:

The Water Supply Board sought and received approval from the RI Division of Public Utilities (the Division) to borrow \$30 million from the RI Infrastructure Bank to finance the purchase and renovation of a new Central Operating Facility (COF). The Division's approval for this borrowing was the basis of rate relief authorized by the PUC that will generate additional revenue of \$2.1 million per year to fund the debt service associated with this borrowing.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

Subsequent Events (continued):

On December 17, 2015, the Water Supply Board entered into a bond purchase agreement with the RI Infrastructure Bank to obtain the \$30 million in bond proceeds to purchase and renovate its new Central Operating Facility located at 125 DuPont Drive, Providence Rhode Island. The new facility will allow the Water Supply Board to consolidate its two administrative locations into one facility. The Water Supply Board will continue its treatment operation at its plant in Scituate. The new facility will go through extensive renovations over the next 15 months with plans to occupy the facility in the spring of 2017.

On December 28, 2015, the Water Supply Board purchased the aforementioned building at 125 Dupont Drive.

Union Contract:

The labor force of the Water Supply Board, with the exception of management, is covered by a union contract which is effective for the period January 1, 2011 to June 30, 2015. A new contract was in negotiations at fiscal year-end and subsequently approved by the union and City. The new contract is effective for the period of July 1, 2015 through June 30, 2018.

Contacting The Water Supply Board's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the Water Supply Board's finances and to illustrate the Water Supply Board's accountability for the monies it receives. If you have questions about this report or need additional financial information, please contact the Finance Department at the Water Supply Board, 552 Academy Avenue, Providence, RI 02908.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	2015	2014
Assets		
Current Unrestricted Assets		
Cash and cash equivalents (Note 3)	\$ 4,796,887	\$ 5,935,190
Accounts receivable, net of allowance for uncollectible accounts of \$1,247,078 in 2015 and \$1,516,982 in 2014	6,332,160	6,620,177
Accounts receivable - unbilled	3,441,854	3,258,843
Inventory	826,530	879,812
Other assets	300,455	31,703
Total Current Unrestricted Assets	15,697,886	16,725,725
Current Restricted Assets		
Cash and cash equivalents (Note 3)	33,354,104	27,147,017
Investments (Note 3)	6,634,910	6,960,501
Accounts receivable	16,959	12,214
Total Current Restricted Assets	40,005,973	34,119,732
Total Current Assets	55,703,859	50,845,457
Capital Assets (Note 4)		
Land	22,613,760	21,958,397
Building and improvements	84,679,611	79,135,020
Improvements other than buildings	311,430,903	297,055,247
Machinery and equipment	31,586,324	30,877,466
Scituate Reservoir Project	18,681,695	18,681,695
Construction in progress	55,087,340	47,609,161
	524,079,633	495,316,986
Less accumulated depreciation and amortization	206,818,020	195,504,655
Total Capital Assets, Net	317,261,613	299,812,331
Deferred Outflows of Resources		
Deferred outflows of resources (Note 9)	1,156,442	--
Total Assets	374,121,914	350,657,788

The accompanying notes are an integral part of these financial statements.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2015 AND 2014

	2015	2014
Liabilities		
Current Liabilities		
Current portion of long-term debt (Note 5)	4,628,807	4,094,775
Due to City of Providence General Fund (Note 6)	1,394,422	1,377,649
Accounts payable	1,231,083	410,797
Accrued expenses	2,383,551	2,335,631
	9,637,863	8,218,852
Amounts to be Paid from Current Restricted Assets (Note 2)		
Due to Water Resources Board	400,400	268,312
Accounts payable	3,460,405	1,441,034
	3,860,805	1,709,346
Total Current Liabilities	13,498,668	9,928,198
Non-Current Liabilities		
General revenue bonds (Note 5)	73,545,212	70,174,018
Net pension liability (Note 9)	43,268,573	--
Other post employment benefits (Note 10)	6,671,000	5,385,261
Total Non-Current Liabilities	123,484,785	75,559,279
Total Liabilities	136,983,453	85,487,477
Deferred Inflows of Resources		
Unavailable revenues from impact fees (Note 9)	--	2,709,308
Net Position		
Net investment in capital assets	239,087,594	225,543,538
Restricted	36,145,168	32,410,386
Unrestricted	(38,094,301)	4,507,079
Total Net Position	\$ 237,138,461	\$ 262,461,003

The accompanying notes are an integral part of these financial statements.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Operating Revenues		
Charges for services:		
Water sales (Note 1):		
General customers	\$ 46,859,419	\$ 41,728,477
Other local water suppliers	17,732,754	16,852,460
Fire protection services	2,308,161	2,083,816
Maintenance charges and other revenue	2,330,883	2,207,478
Total Operating Revenues	<u>69,231,217</u>	<u>62,872,231</u>
Operating Expenses		
Source of supply	2,654,218	2,678,278
Pumping operations	724,018	638,487
Water treatment	8,227,250	8,643,838
Transmission and distribution	5,086,495	5,207,017
Charge for services provided by other City departments (Note 6)	839,167	839,167
Customer accounts and service	3,593,293	3,340,891
Administrative and general	15,031,845	13,480,801
Depreciation	11,313,363	12,643,922
Property taxes - other local governments	7,022,781	6,921,638
Total Operating Expenses	<u>54,492,430</u>	<u>54,394,039</u>
Net Operating Income	<u>14,738,787</u>	<u>8,478,192</u>
Non-operating Revenues (Expenses)		
Interest income	324,754	314,637
Interest expense and other	(2,136,592)	(1,877,131)
Net Non-operating Expenses	<u>(1,811,838)</u>	<u>(1,562,494)</u>
Capital Grants and Contributions	<u>1,098,257</u>	<u>3,303,600</u>
Change in Net Position	14,025,206	10,219,298
Net Position - Beginning of Year (as Restated) (Note 11)	<u>223,113,255</u>	<u>252,241,705</u>
Net Position - End of Year	<u>\$ 237,138,461</u>	<u>\$ 262,461,003</u>

The accompanying notes are an integral part of these financial statements.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities		
Cash received from customers	\$ 69,062,726	\$ 65,904,184
Cash paid to vendors	(25,137,957)	(28,264,414)
Cash paid to employees	(13,610,390)	(12,714,891)
Net Cash Provided by Operating Activities	<u>30,314,379</u>	<u>24,924,879</u>
Cash Flows From Non-Capital and Related Financing Activities		
Receipts from or (payments to) other funds	16,773	(418,193)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>16,773</u>	<u>(418,193)</u>
Cash Flows From Capital and Related Financing Activities		
Interest and issuance costs paid on debt	(2,136,592)	(1,877,131)
Proceeds from line of credit	--	(3,000,000)
Repayment of long-term debt	(4,094,774)	(3,817,843)
Proceeds from long-term debt	8,000,000	--
Capital grants	1,098,257	3,303,600
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>2,866,891</u>	<u>(5,391,374)</u>
Cash Flows From Investing Activities		
Acquisition and construction of capital assets	(28,779,604)	(17,158,196)
Purchase of investment securities	(500,409)	(350,000)
Redemption of investment securities	826,000	--
Investment income (loss)	324,754	314,637
Net Cash Used in Investing Activities	<u>(28,129,259)</u>	<u>(17,193,559)</u>
Net Increase in Cash and Cash Equivalents	5,068,784	1,921,753
Cash and Cash Equivalents - Beginning	<u>33,082,207</u>	<u>31,160,454</u>
Cash and Cash Equivalents - Ending	<u>\$ 38,150,991</u>	<u>\$ 33,082,207</u>
Unrestricted Cash and Cash Equivalents	\$ 4,796,887	\$ 5,935,190
Restricted Cash and Cash Equivalents	33,354,104	27,147,017
	<u>\$ 38,150,991</u>	<u>\$ 33,082,207</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Net operating income	\$ 14,738,787	\$ 8,478,192
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	11,313,363	12,643,922
Change in allowance for doubtful accounts	(269,904)	51,556
Pension expense	755,157	--
Changes in assets and liabilities:		
Accounts receivable	370,165	3,012,100
Inventories	53,282	(234,411)
Other assets	(268,752)	(31,703)
Accounts payable and accrued expenses	4,305,404	292,929
Unearned revenue	(683,123)	712,294
Net cash provided by operating activities	<u>\$ 30,314,379</u>	<u>\$ 24,924,879</u>

The accompanying notes are an integral part of these financial statements.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Water Supply Board, an enterprise fund of the City of Providence, (the "Water Supply Board") was created in 1940 by Chapter 832 of the Public Laws of the State of Rhode Island. Membership of the Water Supply Board is comprised of four persons appointed by the Mayor, who serve for four-year staggered terms and two City Council members elected by the City Council who serve during their four-year City Council term. The Finance Director of the City of Providence also serves as an ex-officio Water Supply Board member.

The Water Supply Board provides water supply services through metered sales in Providence and parts of the surrounding communities of North Providence, Johnston and Cranston. The Water Supply Board also sells water to other local water supply systems on a wholesale basis. The Water Supply Board's source of water supply is the Scituate Reservoir, located in the Town of Scituate, Rhode Island, and five tributary reservoirs.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Water Supply Board is considered an enterprise fund of the City of Providence (the "City"). The operations of the Water Supply Board are accounted for with a separate set of self-balancing accounts organized on a Proprietary Fund type (Enterprise Fund) basis.

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

The Water Supply Board utilizes the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the related cash flows.

REGULATIONS AND OPERATIONS

The Water Supply Board is subject, as to rates and other matters, to the regulatory authority of the State of Rhode Island Public Utilities Commission ("PUC").

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH EQUIVALENTS

The Water Supply Board considers all highly liquid instruments with an original maturity of three months or less, when purchased, to be cash equivalents.

INVESTMENTS

The Water Supply Board accounts for investments at fair values which are established by quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets. Fair value is defined as the price that two parties are willing to pay to acquire an asset or settle a liability in an orderly transaction in the market place.

INVENTORY

Inventory, consisting of materials and supplies, is valued at the lower of average cost or market using the first-in, first-out method.

CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

Capital assets owned by the Water Supply Board are stated at cost and are defined as assets with an initial cost of more than \$3,000 and an estimated useful life in excess of 1 year. Depreciation and amortization is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building, Source of supply structures and improvements	5-75 years
Improvements other than buildings	3-75 years
Equipment	3-50 years

Depreciation expense is not reflected for construction in progress until such time as it is placed in service. Assets under capital leases are amortized under the Water Supply Board's normal depreciation policies for similar assets.

RESTRICTED FUNDS FOR CONSTRUCTION OF ASSETS

Restricted funds for construction of assets represent unexpended revenue bond proceeds obtained specifically for construction of water facilities, as well as revenues restricted for capital improvements by the PUC. These funds are included in restricted assets.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL CONTRIBUTIONS

Capital contributions consist of property and equipment paid for by customers for water installations. Once the installation is complete, the property and equipment transfers to the Water Supply Board at fair value.

IMPACT FEES

The impact fees assessment was established in 1996 when the Water Supply Board acquired the water distribution system in the City of Cranston. As part of the agreement for the acquisition, the Water Supply Board assumed all operation obligation, benefits, and assets, and debt service related to the water distribution system, and created an impact fee agreement with the City of Cranston. In accordance with the City of Cranston ordinance, impact fee for the water system improvement must be set aside by the City of Cranston and paid to the Water Supply Board or deducted from the debt services the Water Supply Board pays to the City of Cranston.

The impact fee is assessed by the City of Cranston based on the agreement with the Water Supply Board. If new water systems facilities are required to serve areas where no water system presently exists, the Water Supply Board will collect a subdivision processing fee, and the City of Cranston will collect a water impact fee for the benefit of the Water Supply Board as follows: 1) residential \$1,352 per unit; 2) industrial and commercial \$6,003 per acre. The Water Supply Board in turn agreed to use the said impact fee solely for the purpose of construction of new water system facilities required to serve areas where no water system presently exists. In 2015, the \$2,026,185 in fees that had been collected was recognized by the Water Supply Board as revenue.

REVENUES, OPERATING REVENUES AND EXPENSES

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

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATION OF CREDIT RISK

The Water Supply Board's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable. Exposure to losses on receivables is principally dependent on each customer's financial condition. Concentration of credit risk with respect to receivables is limited due to the large number of customers. The Water Supply Board monitors its exposure for credit losses and maintains allowances for anticipated losses.

USE OF ESTIMATES

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

COMPENSATED ABSENCES

Employees accumulate sick leave hours for subsequent use or for payment upon retirement. Sick leave and vacation may be carried forward into the following calendar year, but not to exceed 135 days and 30 days, respectively.

Vested sick leave and accumulated vacation leave are recorded as expenses and liabilities as the benefits accrue to employees.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position can report deferred outflows of resources. Deferred outflow of resources represents a consumption of net position, that apply to a future period which will not be recognized as an outflow of resources (expense) until that later date. At June 30, 2015 the Water Supply Board reports deferred outflows related to pension in the statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

In addition to liabilities, the statement of net position can report deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

NOTE 2 - RESTRICTED ASSETS

The State of Rhode Island enacted the Public Drinking Water Protection Act of 1987 (the "Act") that empowers suppliers of public drinking water to levy a surcharge (the "surcharge") of one cent (\$0.01) per hundred gallons of water for all customers. The surcharge has been amended several times since 1987. The last increase was on July 1, 2002, when the surcharge increased to \$0.0292 per hundred gallons of water for all customers. Of those collected funds, the Water Supply Board will retain 36.1% of the surcharge in its Water Quality Protection fund, remit 57.0% to the State Water Resources Board and retain 6.9% for general operations. The funds collected in the Water Quality Protection fund are to be expended in the following manner:

- 1) at a minimum, 55% of the funds are to be spent for the acquisition of land or land rights or physical improvements to acquired land to protect the quality of the raw water of the water supply system;
- 2) 35% may be used to acquire a fee simple interest or a conservation restriction that directly protects the quality and safety of the public drinking water supply; and
- 3) 10% may be used by the supplier for any purpose relating to its operations.

The restricted investments are pooled with the cash and cash equivalents and investments of other funds maintained by the City of Providence. The earnings from investments are allocated in proportion to each fund's balance.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 3 - CASH AND INVESTMENTS

The following is a summary of cash and investments:

	Fair Value
Cash and cash equivalents	\$ 4,796,887
Restricted cash and cash equivalents	33,354,104
Equity Mutual Funds	6,634,910
 Total	 \$ 44,785,901

Responsibility for custodial credit risk of deposits, investment risk, interest rate risk and concentration of investments rests with the City. However, the deposits for the Water Supply Board are supported by collateralization agreements with its main banking institutions. These agreements collateralize the deposits at 102%. Of the cash and cash equivalent balances of \$38,150,991, \$250,000 is covered by Federal Deposit Insurance Corporation (FDIC) insurance and \$4,347,156 is uncollateralized.

INTEREST RATE RISK

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the entity's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)					No maturity
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years		
Equity Mutual Funds	\$ 6,634,910	\$	\$	\$	\$	\$ 6,634,910	
TOTAL	\$ 6,634,910	\$ -	\$ -	\$ -	\$ -	\$ 6,634,910	

CREDIT RISK

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating of a nationally recognized rating organization. Mutual Funds holding U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

FAIR VALUE MEASUREMENT OF INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Water Supply Board are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Water Supply Board are deemed to be actively traded on a public exchange. All mutual funds are considered Level 1 investments at December 31, 2015 and 2014.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 4 - CAPITAL ASSETS

The following is a summary of the activity in capital assets as of June 30, 2015:

	Balance June 30, 2014	Additions	Disposals / Reclasses	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 21,958,397	\$ 655,363	\$ --	\$ 22,613,760
Scituate Reservoir Project	18,681,695	--	--	18,681,695
Construction in progress	47,609,161	24,438,961	16,960,782	55,087,340
Total Capital Assets Not Being Depreciated	<u>88,249,253</u>	<u>25,094,324</u>	<u>16,960,782</u>	<u>96,382,795</u>
Capital Assets Being Depreciated:				
Buildings and improvements	79,135,020	5,544,591	--	84,679,611
Improvements other than buildings	297,055,247	14,375,656	--	311,430,903
Machinery and equipment	30,877,466	708,858	--	31,586,324
	<u>407,067,733</u>	<u>20,629,105</u>	<u>--</u>	<u>427,696,838</u>
Less accumulated depreciation for:				
Buildings and improvements	55,267,185	6,207,747	--	61,474,932
Improvements other than buildings	113,064,008	4,367,715	--	117,431,723
Machinery and equipment	27,173,462	737,903	--	27,911,365
	<u>195,504,655</u>	<u>11,313,365</u>	<u>--</u>	<u>206,818,020</u>
Total Capital Assets Being Depreciated, Net	<u>211,563,078</u>	<u>9,315,740</u>	<u>--</u>	<u>220,878,818</u>
Total Capital Assets, Net	<u>\$ 299,812,331</u>	<u>\$ 34,410,064</u>	<u>\$ 16,960,782</u>	<u>\$ 317,261,613</u>

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 4 - CAPITAL ASSETS (CONTINUED)

The following is a summary of the activity in capital assets as of June 30, 2014:

	Balance June 30, 2013	Additions	Disposals / Reclasses	Balance June 30, 2014
Capital Assets Not Being Depreciated:				
Land	\$ 21,918,296	\$ 40,101	\$ --	\$ 21,958,397
Scituate Reservoir Project	18,681,695	--	--	18,681,695
Construction in progress	61,726,417	15,173,778	29,291,034	47,609,161
Total Capital Assets Not Being Depreciated	<u>102,326,408</u>	<u>15,213,879</u>	<u>29,291,034</u>	<u>88,249,253</u>
Capital Assets Being Depreciated:				
Buildings and improvements	74,388,265	4,819,992	73,237	79,135,020
Improvements other than buildings	270,994,006	26,061,241	--	297,055,247
Machinery and equipment	30,450,111	427,355	--	30,877,466
Total Capital Assets Being Depreciated	<u>375,832,382</u>	<u>31,308,588</u>	<u>73,237</u>	<u>407,067,733</u>
Less Accumulated Depreciation for:				
Buildings and improvements	48,420,614	6,846,571	--	55,267,185
Improvements other than buildings	108,384,312	4,679,696	--	113,064,008
Machinery and equipment	26,055,807	1,117,655	--	27,173,462
	<u>182,860,733</u>	<u>12,643,922</u>	<u>--</u>	<u>195,504,655</u>
Total Capital Assets Being Depreciated, Net	<u>192,971,649</u>	<u>18,664,666</u>	<u>73,237</u>	<u>211,563,078</u>
Total Capital Assets, Net	<u>\$ 295,298,057</u>	<u>\$ 33,878,545</u>	<u>\$ 29,364,271</u>	<u>\$ 299,812,331</u>

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 5 - LONG-TERM DEBT

Long-term debt activity for the years ended June 30, 2015 and 2014 were as follows:

	2015				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue bonds	\$ 74,268,793	\$ 8,000,000	\$ (4,094,774)	\$ 78,174,019	\$ 4,628,807
Total Bonds	<u>74,268,793</u>	<u>8,000,000</u>	<u>(4,094,774)</u>	<u>78,174,019</u>	<u>4,628,807</u>
Total Long-Term Debt	<u>\$ 74,268,793</u>	<u>\$ 8,000,000</u>	<u>\$ (4,094,774)</u>	<u>\$ 78,174,019</u>	<u>\$ 4,628,807</u>
	2014				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue bonds	\$ 78,086,636	\$ --	\$ (3,817,843)	\$ 74,268,793	\$ 4,094,775
Total Bonds	<u>78,086,636</u>	<u>--</u>	<u>(3,817,843)</u>	<u>74,268,793</u>	<u>4,094,775</u>
Total Long-Term Debt	<u>\$ 78,086,636</u>	<u>\$ --</u>	<u>\$ (3,817,843)</u>	<u>\$ 74,268,793</u>	<u>\$ 4,094,775</u>

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of bonds and notes outstanding at June 30, 2015 and 2014:

Description	June 30, 2015	
	Interest Rate	Balance
Revenue bonds:		
Safe Drinking Water Bonds (CWFA FY2002)	3.61%	\$ 1,061,245
Scituate Reservoir Project (PPBA FY 2011)	5.40%	504,774
Safe Drinking Water Bonds (CWFA FY2005)	2.22%	--
Safe Drinking Water Bonds (CWFA FY2008)	2.85%	28,181,000
Safe Drinking Water Bonds (CWFA FY2010)	.0410% to 3.14%	8,660,000
Safe Clean Water Bonds (CWFA FY2012)	.072% to 3.26%	2,748,000
Safe Clean Water Bonds (CWFA FY2013)	.019% - 2.53%	4,021,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 2.63%	24,998,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 3.01%	8,000,000
		<u>\$ 78,174,019</u>

Description	June 30, 2014	
	Interest Rate	Balance
Revenue bonds:		
Safe Drinking Water Bonds (CWFA FY2002)	3.61%	\$ 1,193,199
Scituate Reservoir Project (PPBA FY 2011)	5.40%	635,594
Safe Drinking Water Bonds (CWFA FY2005)	2.22%	915,000
Safe Drinking Water Bonds (CWFA FY2008)	2.85%	29,617,000
Safe Drinking Water Bonds (CWFA FY2010)	.0410% to 3.14%	9,836,000
Safe Clean Water Bonds (CWFA FY2012)	.072% to 3.26%	2,874,000
Safe Clean Water Bonds (CWFA FY2013)	.019% - 2.53%	4,199,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 2.63%	24,999,000
		<u>\$ 74,268,793</u>

PROVIDENCE WATER SUPPLY BOARD
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Scheduled principal maturities of long-term debt are as follows:

Year ending June 30:	ARRA Principal		Interest and Fees	Total
	Principal	Forgiveness		
2016	\$ 4,628,807	\$ (389,485)	\$ 2,209,396	\$ 6,448,718
2017	3,891,845	(203,506)	2,169,611	5,857,950
2018	3,978,016	(207,283)	2,087,165	5,857,898
2019	3,992,105	(211,265)	1,997,940	5,778,780
2020	5,114,504	(215,814)	1,907,132	6,805,822
2021-2025	20,120,492	(1,163,410)	7,741,578	26,698,660
2026-2030	24,344,000	(1,344,827)	4,503,746	27,502,919
2031-2035	12,104,250	(870,335)	1,737,203	12,971,118
	<u>\$ 78,174,019</u>	<u>\$ (4,605,925)</u>	<u>\$ 24,353,771</u>	<u>\$ 97,921,865</u>

NOTE 6 - TRANSACTIONS WITH CITY OF PROVIDENCE, RHODE ISLAND

The City of Providence performs various services for the Water Supply Board including certain accounting, personnel and cash management services and working capital support. The total billing to the Water Supply Board for services performed amounted to \$839,167 for each of the years ended June 30, 2015 and 2014, respectively. This amount is established by the City, approved by the Water Supply Board and ultimately approved by the PUC. The Water Supply Board also provides services to various City funds and departments, the charges for which have been included as revenue in the accompanying financial statements. Included within the Due To City of Providence General Fund balance on the statements of net position are the related balances due for the services described above. The balance also includes payments for pension and post-employment benefits. The total balance due to the City of Providence General Fund at June 30, 2015 and 2014 totaled \$1,394,423 and \$1,377,649, respectively.

NOTE 7 - LINE OF CREDIT

The Water Supply Board opened a line of credit with Century Bank of \$5,000,000 in 2013. This line of credit is used for infrastructure replacement and renewed annually per the agreement terms. The balance as of June 30, 2015 and 2014 was \$0.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 8 - COMMITMENTS AND CONTINGENCIES

RISK MANAGEMENT

The Water Supply Board has a complete comprehensive insurance program protecting all facilities, employees and liability claims.

The Water Supply Board is subject to various claims and litigation that arise in the ordinary course of its operations. Legal counsel and management are of the opinion that the Water Supply Board's liabilities in such cases, if decided adversely to the Water Supply Board, would not materially affect the financial statements.

UNION CONTRACT

The labor force of the Water Supply Board, with the exception of management, is covered by a union contract which is effective for the period January 1, 2011 to June 30, 2015. A new union contract has been negotiated and agreed to by both parties and is effective for the period of July 1, 2015 through June 30, 2018.

LEAD SERVICE REPLACEMENT PROGRAM

The Environmental Protection Agency (EPA) Lead and Copper Rule (the "Rule") require that systems monitor drinking water at the customer tap. In accordance with the Rule, if after corrosion control optimization is implemented, lead concentrations exceed an action level of 15 ppb in more than 10% of customer taps sampled, the system is required to replace lead service lines under its ownership. The regulations require that the utility must replace annually 7% of the total amount of lead services in the system. In accordance with EPA requirements, the Rhode Island Department of Health (RIDOH) found that the Water Supply Board exceeded the lead action level on September 30, 2006 (the date of conclusion of that monitoring period) and was required to begin the annual replacement of 7% of its 25,600 lead services. Because of lead-time in gearing up for an undertaking of this magnitude, RIDOH and the Water Supply Board agreed to a compliance schedule that fulfilled the intent of the regulation whereby 14% of the lead services were to be replaced over the two-year period ending September 30, 2008 and 7% annually thereafter.

By September of 2010, the Water Supply Board exceeded the lead service replacement requirement by over 2,200 services and as a result of being approximately one year ahead of the regulatory required pace, we were informed by RIDOH that the mandated replacements of lead service could be suspended until October 2011.

PROVIDENCE WATER SUPPLY BOARD
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEAD SERVICE REPLACEMENT PROGRAM (CONTINUED)

During this period, various concerns were raised about the effectiveness of partial lead service replacements, the persistence of lead levels in the water, and the difficulty of finding a proven solution for reducing the levels. In June 2012, the RIDOH in concert with the EPA, agreed to enter into a consent agreement with the Water Supply Board which granted a stay of the lead service replacement requirement for construction season 2012. As part of the agreement, RIDOH and the EPA required that the Water Supply Board convene a panel of national water quality experts, to include regulators, water professionals, and members of academia, to recommend studies and / or treatment modifications with the objective of reducing lead levels in the water. In 2013 the Water Supply Board was granted a stay of the lead services replacement requirement for the 2013 construction season.

In April 2014, RIDOH granted the Water Supply Board a stay of the lead service replacement requirement for the 2014 construction season. By consent order Providence is required to:

1. Continue with the consultation with its expert panel to evaluate corrosion control treatment in the system.
2. Conduct studies to examine alternative treatment schemes for optimization of corrosion control.
3. Continue a unidirectional flushing program.
4. Continue to rehabilitate and replace unlined cast iron mains that are usually found to be problematic in terms of both water quality and delivery capacity.

Even though the lead service replacement program is temporarily suspended, lead services are still replaced in conjunction with the water main replacement program. Lead services are also replaced on an ongoing basis where customers are voluntarily replacing their private side lead services. Lead services continue to be replaced in areas of local and state road resurfacing projects, and on projects initiated by private or outside entities. PW's own crews replace lead services which are found to be leaking. The replacement work is subject to all of the EPA regulatory notification, testing, and reporting requirements.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEAD SERVICE REPLACEMENT PROGRAM (CONTINUED)

Since inception of the reporting of the IFR program and the lead service replacement program to the RIPUC (July 1, 1996), The Water Supply Board has replaced 16,221 lead services to the end of fiscal year 2015 (June 30, 2015) at a cost of \$55,614,291.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

The City of Providence has adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions. These changes enhance the Plan's accounting and disclosure for the pension and expand the Required Supplemental Information (RSI) data with new schedules. These were issued to improve the financial reporting by state and local government pension plans. The following provides information required to be disclosed under GASB Statement No. 68.

Substantially all employees of the Water Supply Board participate in the Employees' Retirement System of the City of Providence ("ERS" or the "Plan"), a defined-benefit, single-employer plan. Water Supply Board employees participating in the Plan are eligible to retire at age 55 if hired prior to July 1, 2004, at age 60 if hired between July 1, 2004 and June 30, 2009, at age 62 with 10 years of service if hired on or after July 1, 2009 or at any age after 25 years of service if hired prior to July 1, 1995, or at any age after 30 years of service if hired on or after July 1, 1995. The total retirement allowance is equal to an annuity, which is the actuarial equivalent of accumulated contributions at the time of retirement, plus a pension which when added together either; 1) equals 1/40 of final compensation for each year of total service up to 20 years and 1/50 of final compensation for each year of service in excess of 20 years if hired prior to July 1, 1996 or; 2) equals 1/50 of final compensation for each year of total service credited if hired on or after July 1, 1996. These benefit provisions and all other requirements are established by City ordinance.

ERS is governed by an Employee Retirement Board provided by the Providence Home Rule Charter. The ERS consists of elected officials, management and employee representation and provides for establishing rules and regulations and is responsible for the administration and operation of the city employee retirement system. The Board has the discretion and authority to interpret the Plan and to determine the eligibility and benefits of Participants and beneficiaries pursuant to the provisions of the Plan. On all such matters, the decision of a majority of the then members of the Board shall govern and be binding upon the Employer, Participants, and beneficiaries.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Membership of the ERS plan for the City of Providence consisted of the following at June 30, 2015, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefit	3,109
Inactive employees entitled to but not yet receiving benefits	428
Active employees	2,986
 Total	 6,523

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the City. It is the policy of the City 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. The following was the asset allocation as of June 30, 2015:

Asset Class	Target Allocation
Domestic equity	79%
Core fixed income	5%
High yield fixed income	13%
Short-term governmental money market	3%
 Total	 100%

PROVIDENCE WATER SUPPLY BOARD
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 Percent
Salary increases	3.5 Per year, before reflecting increases due to longevity
Investment rate of return	8.25 Percent, net of pension plan investment expense, including inflation

PROVIDENCE WATER SUPPLY BOARD
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

For the year ended June 30, 2015 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 5.56 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on 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 allocation as of June 30, 2015 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Real Rate of Return
Domestic equity	79%	6.23%	4.92%
Core fixed income	5%	1.56%	0.08%
High yield fixed income	13%	3.89%	0.51%
Short-term governmental money market	<u>3%</u>	1.71%	5.00%
Total	<u>100%</u>		5.56%

CONTRIBUTIONS

Class A members and police officers are required to contribute 8% of their salary to the Plan. Class B members, other than police officers, are required to contribute 9.5% of their salary to the Plan. Water Supply Board employees are Class A members. The Mayor and City Council contribute to the Plan at a rate of \$350 per year. Additionally, the City shall contribute from time to time amounts sufficient with the contributions of elected officials to provide the special pensions granted to them. The Water Supply Board's contributions to the ERS for the years ended June 30, 2015, 2014 and 2013 were \$3,212,354, \$2,945,209, and \$2,792,964, respectively.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

INVESTMENT POLICY

The City policy for pension investments is under the oversight of the Board of Investment Commissioners (the Board). The Board contracts with an investment advisory firm and approves any new investment vehicles presented by the consultant. The Board follows all applicable state statutes and Section 17-189 of the City Ordinance, which states, "The Board of Investment Commissioners is authorized and empowered to execute the disposition and investment of the funds which are within its control in any securities and investments as would be acquired by prudent persons of discretion and intelligence in these matters, who are seeking a reasonable income and the preservation of their capital."

NET PENSION LIABILITY

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the net pension liability of the Retirement System for the Water Supply Board were as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability	\$ 60,131,939	\$ 58,311,217
Plan fiduciary net position	\$ 16,863,366	\$ 16,954,243
Board's net pension liability	\$ 43,268,573	\$ 41,356,974
Plan fiduciary net position as a percentage of the total pension liability	28.04%	29.08%

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability for the Water Supply Board

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/14	<u>\$58,311,217</u>	<u>\$16,954,243</u>	<u>\$41,356,974</u>
Changes for the year:			
Service Cost	854,182	--	854,182
Interest	5,509,989	--	5,509,989
Differences between expected and actual experience	79,253	--	79,253
Changes in benefit terms	--	--	--
Changes in assumptions	40,391	--	40,391
Contributions - employer	--	3,212,354	(3,212,354)
Contributions - employee	--	1,037,505	(1,037,505)
Net investment income	--	331,724	(331,724)
Benefit payments, including refunds	(4,663,093)	(4,663,093)	--
Administration expenses	--	(9,367)	9,367
Other changes	--	--	--
Net Changes	<u>1,820,722</u>	<u>(90,877)</u>	<u>1,911,599</u>
Balance at 6/30/15	<u>\$60,131,939</u>	<u>\$16,863,366</u>	<u>\$43,268,573</u>

Additional information as of the latest actuarial valuation follows:

Valuation Date	1-Jul-14
Actuarial cost method	Individual entry age method
Amortization cost method	Approximate level percent of payroll-open
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market value
	Actuarial assumptions:
Investment rate of return	8.25%
Inflation rate	3.5%
Projected salary increases	3.5% per year before reflecting increases due to longevity compensation
Cost of living adjustments	No COLA for next 8 years, 3% thereafter

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with no assumed pre-retirement mortality or turnover.

Mortality rates for healthy retirees were based on RP-2000 Combined Healthy Mortality Table projected 21 years with Scale AA from 2000 for Class A employees and RP-2000 Combined Healthy Blue Collar Mortality Table projected 21 years with Scale AA from 2000 for Class B employees. Disabled retiree mortality rates were based on RP-2000 Combined Healthy Mortality Table set forward 3 years.

Discount Rate: The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the City of Providence's contributions will be made at the actuarially determined contribution rates. 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 Retirement System, calculated using the discount rate of 8.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Discount (8.25%)	1% Increase (9.25%)
Net pension liability	\$ 49,571,509	\$ 43,268,573	\$37,941,170

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Water Supply Board recognized pension expense of \$3,967,510. At June 30, 2015, the Water Supply Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PROVIDENCE WATER SUPPLY BOARD
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,403	\$ --
Changes of assumption	32,313	--
Net difference between projected and actual earnings on pension plan investments	1,060,726	--
Total	\$ 1,156,442	\$ --

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

Year Ended June 30:

2016	\$ 289,110
2017	289,110
2018	289,110
2019	289,112
Total	\$ 1,156,442

Payable to the Plan

At June 30, 2015, the Water Supply Board had made full payment of the required pension contribution for the year ended June 30, 2015.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 10 - POST EMPLOYMENT BENEFITS

The Water Supply Board follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

The Water Supply Board's Post-Retirement Benefits Program of the City of Providence (the "Program") is a defined-benefit, single-employer post-retirement health and life insurance program. The Program provides lifetime health care and life insurance benefits to retired employees and their spouses when retirement was effective prior to 1996. Disclosures about this program, as a whole, are presented in the City of Providence, Rhode Island's basic financial statements. As of June 30, 2015 and 2014, the City recorded a liability for unpaid post-retirement contributions of \$241,723,000 and \$209,481,098, respectively. Separate actuarial information related to the Water Supply Board employees is not available. Accordingly, only disclosures about the Water Supply Board's participation in the Plan are presented herein.

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Contribution <u>Made</u>	% of OPEB <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2015	1,774,000	507,000	28.6%	6,671,000
6/30/2014	1,755,357	437,598	24.9%	5,385,261
6/30/2013	1,305,000	446,423	34.2%	4,052,946

The historical schedules of employer contributions and funding progress for the Program are included in the City of Providence, Rhode Island's basic financial statements.

NOTE 11 - RESTATEMENT

The statement of net position has been restated as of June 30, 2014 to reflect the implementation of GASB No. 68 – Accounting and Financial Reporting for Pensions. The implementation of GASB Standard No. 68 resulted in an adjustment of the net pension obligation ending balance at June 30, 2014. The following reflects the effect of implementation of GASB No.68. Additionally, it was determined that impact fees collected from the City of Cranston for development of the Western Cranston service area should have been recognized as revenue in prior periods. These impact fees have been reclassified to beginning net position at June 30, 2014. The following reflects the implementation of GASB No. 68, GASB Statement No. 71 and the adjustment to net position:

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 11 - RESTATEMENT (CONTINUED)

Net Position, June 30, 2014 as originally reported	\$ 262,461,003
GASB 68 Implementation	(41,356,974)
Correction of liabilities	<u>2,009,226</u>
Net Position, July 1, 2004 as Restated	<u>\$ 223,113,255</u>

NOTE 12 - SUBSEQUENT EVENTS

On December 17, 2015 the Water Supply Board with the City of Providence entered into a Bond Purchase Agreement with the Rhode Island Infrastructure Bank for bonds (Series 2015A) in the amount of \$30 million issued through its Safe Drinking Water State Revolving Fund. The purpose of this funding was to purchase property at 125 Dupont Drive in Providence. This property is to be renovated into a central operating facility which will allow the Water Supply Board to consolidate its operations from two separate facilities located in Providence and Cranston into one location located in the heart of its service area.

On December 28, 2015 the aforementioned property located at 125 Dupont Drive was purchased by the Water Supply Board. Renovations will begin in spring 2016.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE
NET PENSION LIABILITY AND RELATED RATIO**

	2015	2014
Total Pension Liability		
Service cost	\$ 854,182	\$ 893,162
Interest	5,509,989	4,946,549
Changes of benefit plans	--	--
Differences between expected and actual experience	79,253	--
Changes of assumptions	40,391	--
Benefit payments, including refunds of member contributions	<u>(4,663,093)</u>	<u>(4,973,233)</u>
Net Change in Total Pension Liability	1,820,722	866,478
Total Pension Liability - Beginning	<u>58,311,217</u>	<u>57,444,739</u>
Total Pension Liability - Ending (a)	<u>\$ 60,131,939</u>	<u>\$ 58,311,217</u>
Plan Fiduciary Net Position		
Contributions - employer	3,212,354	\$ 2,945,209
Contributions - member	1,037,505	911,508
Net Investment income	331,724	1,210,438
Benefit payments, including refunds of member contributions	(4,663,093)	(4,973,233)
Administrative expense	<u>(9,367)</u>	<u>(71,995)</u>
Net Change in Plan Fiduciary Net Position	(90,877)	21,927
Plan Fiduciary Net Position - Beginning	<u>16,954,243</u>	<u>16,932,316</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 16,863,366</u>	<u>\$ 16,954,243</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 43,268,573</u>	<u>\$ 41,356,974</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.04%	29.08%
Covered Employee Payroll	\$ 12,930,447	\$ 11,900,000
Net Pension Liability as a Percentage of Covered-Employee Payroll	334.63%	347.54%

Notes:

1.) The amounts presented for each fiscal year were determined as of a 6/30 measurement date prior to the fiscal year-end

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

	2015	2014
Actuarially determined contribution	\$ 3,212,354	\$ 2,945,209
Contributions in relation to the actuarially determined contribution	3,212,354	2,945,209
Contribution deficiency (excess)	\$ --	\$ --
Covered-employee payroll	\$ 12,930,447	\$ 11,900,000
Contributions as a percentage of covered-employee payroll	24.84%	24.75%

Notes to Schedule

Valuation date: July 1, 2014

Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar for the 1995 deferral liability and increasing 3.5% per year for the remaining unfunded liability.
Remaining amortization period	Market value assets as reported by the Water Board less unrecognized returns in each of the last five years plus the discounted contribution paid by the City in the following year. Unrecognized return is equal to the difference between the actual market return and the expected market return and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Inflation	3.5%
Salary increases	3.5% per year before reflecting increases due to longevity compensation.
Investment rate of return	8.25%, net of pension plan investment and administrative expenses, including inflation.
Cost of living adjustments	10-year freeze as of January 1, 2013 and 3% thereafter.
Benefit Changes:	There have been no changes in benefit provisions since GASB 67/68 implementation
Assumption Changes:	The actuarial assumptions used reflect the assumptions proposed in the Experience Investigation for the Five Year Period Ending June 30, 2011 submitted to the Board on April 2, 2012, with the following exception: The retirement rate for Class B participants is 100% at age 60.

Notes:

1.) The amounts presented for each fiscal year were determined as of a 6/30 measurement date prior to the fiscal year-end

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

	2015	2014
Annual money-weighted rate of return, net of investment expense	5.56%	14.04%

Notes:

1.) The amounts presented for each fiscal year were determined as of a 6/30 measurement date prior to the fiscal year-end

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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
Providence Water Supply Board

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 Providence Water Supply Board (the "Water Supply Board"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Water Supply Board's basic financial statements, and have issued our report thereon dated April 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Supply Board'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Supply Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Water Supply Board'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 Water Supply Board's financial statements are free from 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.

Marcum LLP

Providence, RI
April 1, 2016