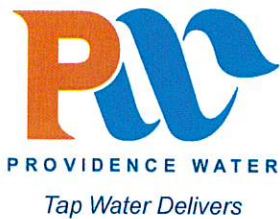


**APPLICATION OF
THE PROVIDENCE WATER SUPPLY BOARD FOR
AUTHORITY TO BORROW FROM THE RHODE ISLAND
INFRASTRUCTURE BANK IN AN AMOUNT
NOT TO EXCEED \$5,500,000**

February 2023

D-23-_____



February 27, 2023

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

The Hon. Brett P. Smiley
Mayor

Ricky Caruolo
General Manager

RE: Application of Providence Water for Authority to Borrow an amount not to exceed \$5,500,000 from the RIIB Docket No. D-23-_____

BOARD OF DIRECTORS

Ateesh S. Chanda
Chairperson

Joseph D. Cataldi
Vice Chairperson

Juan M. Pichardo
Council President Pro Tempore

Oscar O. Vargas
Councilperson

Sara Silveria
Ex-Officio

Cristen L. Raucci, Esq.
Member

Dr. Alma M. Guerrero Bready
Member

Carissa R. Richard
Secretary

William E. O'Gara, Esq.
Legal Advisor

Dear Ms. Massaro:

Enclosed for filing are an original and four copies of Providence Water's request for authority to borrow an amount not to exceed \$5,500,000 from the RI Infrastructure Bank.

If you have any questions, contact me at 521-6300 ext.7238, or our Attorney, Leah Donaldson, 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

125 Dupont Drive
Providence, RI 02907

www.provwater.com

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- cc: R. Caruolo
- G. Giasson
- D. Tikoian
- J. DiPina
- M. Gurghigian
- K. Grande, Esq.
- L. Donaldson, Esq.
- C. Hetherington, Esq.
- M. McElroy, Esq.
- T. Parenteau, Esq.

File

PROVIDENCE WATER SUPPLY BOARD

Application for Authority to Borrow from the Rhode Island Infrastructure Bank in an Amount
Not to Exceed \$5,500,000

Table of Contents

1. Application for Authority to Borrow
2. Proposed Notice of Filing and Public Hearing
3. Statement in Accordance with RIGL § 39-3-17
4. Pre-Filed Testimony of Nancy Parrillo
 - Exhibit I. Providence Water Board approval to request City to authorize bonds.
 - Exhibit II. Ordinance from the City Council authorizing an amount not to exceed \$5,500,000 of borrowing.
 - Exhibit III. Present and Proforma capital structure.
 - Exhibit IV. Comparison of Interest rates
 - Exhibit V. RI Infrastructure Bank Commitment letter
5. Pre-Filed Testimony of Peter LePage
6. Pre-Filed Testimony of Maureen Gurghigian
7. Appendix
 - A. Providence Water Supply Board Resolution Authorizing the Reimbursement of Expenditures and Issuance of Debt for Water Main Rehabilitation Project.
 - B. Audited Financial Statements FYE 6/30/2022.

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: PROVIDENCE WATER SUPPLY BOARD

DOCKET NO. D-23-__

R.I.G.L. § 39-3-15
APPLICATION OF THE PROVIDENCE WATER SUPPLY BOARD
FOR AUTHORITY TO BORROW AN AMOUNT NOT TO EXCEED
\$5.5 MILLION FROM
THE RHODE ISLAND INFRASTRUCTURE BANK

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

1. The Providence Water Supply Board was created in 1940 by Chapter 832 of the Public Laws of the State of Rhode Island.
2. Providence Water seeks to borrow from the Safe Drinking Water State Revolving Fund an amount not to exceed \$5,500,000.00 primarily for the large distribution water main rehabilitation project in the Trinity Square section of Providence.
3. The borrowing will be provided by the RI Infrastructure Bank, pursuant to a resolution of the Providence Water Supply Board dated May 18, 2022.
4. The loan will be secured by the Providence Water Enterprise Fund Revenues under the Providence Water Supply Board Bond Indenture.
5. The borrowing may reimburse Providence Water for project costs incurred from inception of the project until the actual funding date.
6. In accordance with Section 1.14 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, Nancy Parrillo and Peter LePage of Providence Water and Maureen Gurghigian of Hilltop Securities.
7. In accordance with Section 1.14 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.

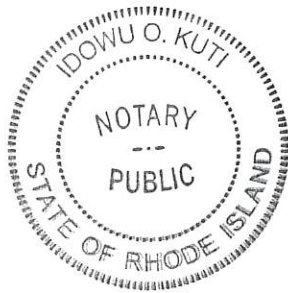
WHEREFORE, the Providence Water Supply Board respectfully requests that the Division of Public Utilities and Carriers authorize and consent to the borrowing from the Rhode Island Infrastructure Bank an amount not to exceed \$5,500,000.00.


PROVIDENCE WATER SUPPLY BOARD

BY: 
Ricky Carnato
GENERAL MANAGER

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn before me this 23 day of February, 2023.



Notary Public  ID# 757869
My Commission Expires: 5/8/2023

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: PROVIDENCE WATER SUPPLY BOARD:
APPLICATION FOR BORROWING AUTHORITY

Docket No. D-23-_____

NOTICE OF FILING AND PUBLIC HEARING

Pursuant to the provisions of the R.I.G.L. §39-3-15 and §39-3-17, the Rhode Island 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 authorization to obtain financing in an amount not to exceed \$5,500,000 through revenue bonds to be sold by RI Infrastructure Bank for the Safe Drinking Water State Revolving Fund. The proceeds from the sale of the bonds will be used primarily for the large distribution water main rehabilitation project in the Trinity Square section of Providence.

The application and related documents are on file and may be examined at the office of the Division of Public Utilities and Carriers and at the office of the Providence Water Supply Board, 125 Dupont Drive, 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 401-780-2107 five days in advance of hearing date.

Linda George, Administrator

_____, 2023

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS


IN RE: PROVIDENCE WATER
SUPPLY BOARD

DOCKET NO. D-23-_____

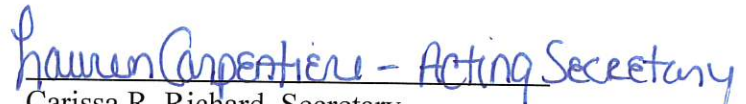
STATEMENT IN ACCORDANCE WITH R.I.G.L. § 39-3-17

Ateesh S. Chanda, 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 Borrow from the Rhode Island Infrastructure Bank in the amount of five million, five hundred thousand dollars (\$5,500,000).
2. The debt will be incurred primarily for the purpose of the rehabilitation of water mains and appurtenances within the system.
3. The total estimated project costs including cost of issuance, loan origination, etc., that will be borrowed are not to exceed five million, five hundred thousand dollars (\$5,500,000).
4. Attached hereto is the latest Audited Financial Statement of the Providence Water Supply Board, showing the assets and liabilities of the utility.



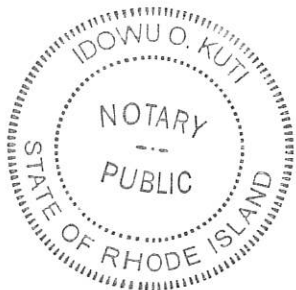
Ateesh S. Chanda, Chairman

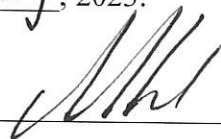


Carissa R. Richard, Secretary

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn before me this 27 day of February, 2023.





Notary Public

My Commission Expires: 5/8/2023

IDA# 757869

Testimony

of

NANCY E. PARRILLO

before the

RI DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN SUPPORT OF APPLICATION FOR AUTHORIZATION TO BORROW
FROM THE RHODE ISLAND INFRASTRUCTURE BANK IN THE AMOUNT
OF AN AMOUNT NOT TO EXCEED \$5.5 MILLION

for

PROVIDENCE WATER SUPPLY BOARD

February 2023

Docket No. 23-____

1 Providence Water Supply Board
2 Testimony of Nancy E. Parrillo
3

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

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

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

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

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

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

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

19 A. To provide information in support of Providence Water's application to borrow an amount
20 not to exceed \$5.5 million from the Rhode Island Infrastructure Bank (RIIB). The funds
21 will be used to continue Providence Water's work on improvements to our distribution
22 system and appurtenances, focusing on rehabilitation of water mains, transmission lines,
23 service lines and valves, and related expenses.

24 **Q. Is this amount sufficient to cover the project costs?**

1 A. This amount of \$5.5 million is estimated to be sufficient to cover some of the project costs
2 for these projects as well as the cost of issuance, origination fee to the RIIB, and required
3 debt service reserve fund. The balance of the project costs will be paid from cash in the
4 Restricted Infrastructure Replacement Fund.

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

6 A. In order to pay the debt service, Providence Water will use rate revenue as approved by the
7 PUC. Because of the structure of the repayment schedules by the RIIB, Providence Water
8 does not need to ask for a rate increase to cover the initial repayments because the transfer
9 of rate revenue to the Infrastructure Replacement Fund is currently sufficient. Providence
10 Water anticipated additional borrowings in its most recent, three-step rate filing – Docket
11 4994 – that was approved by the PUC on August 27, 2020 and had included the estimated
12 debt service payments at that time.

13 **Q. What will be the impact to ratepayers from this borrowing?**

14 A. This borrowing will not impact customers at this time. Any impact to the customer base
15 has been anticipated and included in the three-step rate increase approved in Docket 4994.

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

18 A. Yes. At the May 18, 2022 Board Meeting, the Board authorized the General Manager to
19 seek approval of the Providence City Council for financing from the RI Infrastructure Bank
20 for an amount not to exceed \$5.5 million. See **Exhibit I**. The Ordinance authorizing this
21 borrowing was approved on November 10, 2022. See **Exhibit II**.

1 **Q. Have you presented a proforma capital structure showing the effect of the bond**
2 **issuance as required by Section 1.14 of the Rules of Practice and Procedure of the**
3 **Division?**

4 Yes, a present and proforma capital structure showing the effects of the bond issue is shown
5 at **Exhibit III**. Our projected debt to net property, plant and equipment (“debt to plant”)
6 with this issue would be 33.85%. Our financial advisor has indicated that rating agencies
7 consider a ratio of debt to plant less than 40% to be low and of 40% to 60% to be moderate.

8 **Q. How will the proceeds of the bond be utilized?**

9 A. The Construction Fund will be used to continue the work on the water main rehabilitation
10 project. Ms. Maureen Gurghigian will address more details regarding the bond proceeds
11 in her testimony.

12 **Q. When is this loan scheduled for closing?**

13 The issuance of the bonds by RI Infrastructure Bank is anticipated in mid-March 2023.

14 **Q. What are the terms of the financing?**

15 A. The bonds will be issued under the Trust Indenture dated March 5, 2008. There will be a
16 Supplemental Indenture issued which relates to these bonds. In this filing, Maureen
17 Gurghigian, our financial consultant with Hilltop Securities, a division of Hilltop
18 Securities, Inc. provides testimony and additional information on the bond issuance and
19 debt service requirements. The general terms of the borrowing are discussed in Ms.
20 Gurghigian’s testimony.

21 ~ Bonds will be funded through the Safe Drinking Water State Revolving Fund and will
22 have an interest rate subsidy of 25%, based on Providence Water’s AA-rating. The
23 estimated effective interest rate is approximately 3.136% (see **Exhibit IV**).

1 ~ An annual administrative fee of 0.3% of the outstanding loan balance will be paid to RI
2 Infrastructure Bank. The projected interest rate does not include the administrative fee of
3 RI Infrastructure Bank.

4 **Q. What is the security for the bonds?**

5 A. The bonds will be secured with a revenue pledge by the Providence Water Enterprise Fund
6 Revenues under the Providence Water Bond Indenture.

7 **Q. Has Providence Water received a commitment letter from the RI Infrastructure**
8 **Bank?**

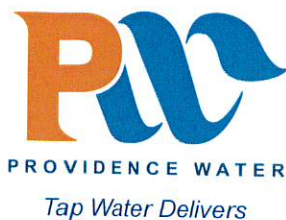
9 A. Yes. See **Exhibit V**.

10 **Q. Is Providence Water seeking expedited consideration of this matter?**

11 A. Yes, we would ask that approval be granted by March 31, 2023 to ensure inclusion in the
12 next RIIB bond issue which is currently scheduled for closing in April of this year.

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

14 A. Yes.



**RESOLUTION
OF THE
PROVIDENCE WATER SUPPLY BOARD**

The Hon. Brett P. Smiley
Mayor

Ricky Caruolo
General Manager

BOARD OF DIRECTORS

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A Resolution of the City of Providence Water Supply Board expressing the intention of the Board to reimburse expenditures from the proceeds of the Notes, Bonds, or Loans for certain Infrastructure Improvements and to provide an effective date.

WHEREAS, the City of Providence Water Supply Board (the "Board") is an agency of the City of Providence, Rhode Island and owns and operates a Water Supply system (the "System"); and

WHEREAS, the Board desires to make certain improvements to the Board's distribution system and appurtenances thereto, including but not limited to the replacement of public and private side lead services.

WHEREAS, it is the intent of the Board obtain financing from the Rhode Island Infrastructure Bank (RIIB) in an amount not to exceed twenty-seven million, five hundred thousand dollars (\$27,500,000) for the Project.

NOW, THEREFORE, BE IT RESOLVED:

- ❖ That the Board authorizes the General Manager to seek a bond ordinance from the City Council authorizing a borrowing and/or any other funding avenues for the Project.
- ❖ This resolution shall take effect upon passage.

The above and foregoing was duly adopted and approved at a meeting of the City of Providence Water Supply Board as held on January 18, 2023 by vote of the members of the Providence Water Supply Board present.

Ateesh S. Chanda, Chairman
Providence Water Supply Board

Carissa R. Richard, Secretary
Providence Water Supply Board

City of Providence
STATE OF RHODE ISLAND

CHAPTER 2022-43

No. 356 **AN ORDINANCE OF THE CITY OF PROVIDENCE APPROVING IMPROVEMENTS TO THE PROVIDENCE WATER SUPPLY BOARD'S DISTRIBUTION SYSTEM AND APPURTENANCES THERETO, INCLUDING, BUT NOT LIMITED TO THE CLEANING, RELINING, REPAIR AND REPLACEMENT OF WATER MAINS, TRANSMISSION LINES, SERVICE LINES AND VALVES, AND ALL ATTENDANT EXPENSES AND SYSTEM STORAGE TANK REHABILITATION AND IMPROVEMENTS AND APPROVING THE FINANCING THEREOF BY THE ISSUANCE OF WATER REVENUE BONDS AND NOTES THEREFOR IN AN AMOUNT NOT TO EXCEED \$5,500,000.00**

Approved November 10, 2022

Be it ordained by the City of Providence:

SECTION 1. The sum of Five Million Five Hundred Thousand Dollars (\$5,500,000) is appropriated for improvements to the Providence Water Supply Board ("Providence Water") distribution system and appurtenances thereto, including but not limited to cleaning, relining, repair and replacement of water mains, transmission lines, service lines and valves and system storage tank rehabilitation and improvements (the "Project"), including funding a debt service reserve fund and costs of issuance. The period of usefulness of the improvements financed as part of the Project is expected to be not less than forty (40) years.

SECTION 2. In accordance with Chapter 46-12.8 of the Rhode Island General Laws, the City Treasurer and the Mayor are hereby authorized to borrow an amount not exceeding Five Million Five Hundred Thousand Dollars (\$5,500,000) from the Rhode Island Infrastructure Bank, and to evidence such loan, such officers are hereby authorized to issue and refund on behalf of the City, in an amount not exceeding Five Million Five Hundred Thousand Dollars (\$5,500,000) water revenue bonds (the "Bonds") of the City, at one time, or from time to time in order to meet the foregoing appropriation.

SECTION 3. The said officers from time to time may issue and refund not exceeding \$5,500,000 interest bearing or discounted water revenue notes (the "Notes") in anticipation of the issue of said Bonds.

SECTION 4. The Bonds and Notes shall be payable solely from revenues of the Providence water supply system. The City may issue bonds, notes, or other obligations on a parity with these Bonds. The manner of sale, amount, denominations, maturities, conversion or registration privileges, interest rates, medium of payment, and other terms, conditions and details of the Bonds or Notes may be fixed by the officers authorized to sign the Bonds or Notes. The net debt of the City is not affected by the issuance of the Bonds or Notes and the Bonds and Notes authorized hereby will be within all debt and other limitations prescribed by the Constitution and the laws of Rhode Island.


SECTION 5. Pending the issuance of the Bonds under Section 2 hereof or pending or in lieu of the issue of Notes under Section 3 hereof, the General Manager of Providence Water may expend funds from the Water Fund of the City for the purposes specified in Section 1 hereof. Any advances made under this section shall be repaid without interest from the proceeds of the Bonds or Notes issued hereunder or from the proceeds of applicable federal or state assistance or from other available funds.

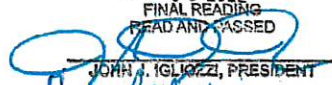
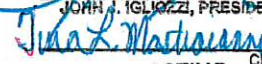
SECTION 6. The City Treasurer, the Mayor and the General Manager of Providence Water are also authorized, empowered and directed, on behalf of the City, to: (i) execute, acknowledge and deliver a Supplemental Indenture (the "Supplemental Indenture") by and between the City and U. S. Bank, National Association, as trustee (the "Trustee") amending and supplementing the Trust Indenture dated June 5, 2008 by and between the City and the Trustee (as supplemented, the "Indenture") relating to the Bonds and any and all other loan agreements, documents, including disclosure documents for investors, certificates or instruments necessary to effectuate such borrowing; (ii) amend, modify or supplement the Indenture, the Bonds or Notes and any and all other loan agreements, documents, certificates or instruments at any time and from time to time, in such manner and for such purposes as such officers shall deem necessary, desirable or advisable; (iii) direct the Trustee with regard to investments of trust funds pursuant to the Trust Indenture, and (iv) do and perform all such other acts and things deemed by such officers to be necessary, desirable or advisable with respect to any matters contemplated by this Ordinance.

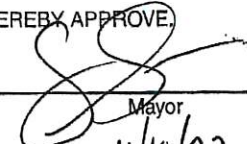
SECTION 7. The City Treasurer, the Mayor and the General Manager of Providence Water are hereby authorized to deliver the Bonds or Notes to the purchaser and said officers are hereby authorized and instructed to take all actions, on behalf of the City and Providence Water, necessary to ensure that interest on the Bonds or Notes will be excludable from gross income for federal income tax purposes and to refrain from all actions which would cause interest on the Bonds or Notes to become subject to federal income taxes.

SECTION 8. The Director of Finance, the Mayor and the General Manager of Providence Water are authorized to take all actions necessary to comply with federal tax and securities laws including Rule 15c2-12 of the Securities and Exchange Commission (the "SEC Rule") and to execute and deliver one or more Disclosure Certificates in connection with the Bonds or Notes in the form as shall be deemed advisable by the Director of Finance, the Mayor and the General Manager of Providence Water in order to comply with the SEC Rule. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Disclosure Certificates, as they may be amended from time to time. Notwithstanding any other provision of this Ordinance or the Bonds or Notes, failure of the City or Providence Water to comply with a Disclosure Certificates shall not be considered an event of default; however, any Bondholder or Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or Providence Water to comply with its obligations under this Section and under the Disclosure Certificate.

SECTION 9. This Ordinance shall take effect upon passage.

IN CITY COUNCIL
 OCT 20 2022
 FIRST READING
 READ AND PASSED

 CLERK
 ACTING

IN CITY COUNCIL
 NOV 03 2022
 FINAL READING
 READ AND PASSED

 JOHN J. IGLIZZI, PRESIDENT

 CLERK
 ACTING

I HEREBY APPROVE.


 Mayor
 Date: 11/10/22

**PROVIDENCE WATER
CAPITALIZATION
6/30/2022**

EXHIBIT III

<u>Long Term Debt:</u>		<u>Due</u>	<u>Interest Rate</u>	<u>Actual Outstanding (1)</u>	<u>Pro-Forma Amount</u>
Safe Drinking Water Revenue Bonds 2002	(2)	9/1/2021	3.61%	\$ 167,557	\$ 167,557
Safe Drinking Water Revenue Bonds 2008A	(3)	9/1/2029	2.85%	18,597,000	18,597,000
ARRA Stimulus Bonds 2009	(4)	10/2/2015-9/1/30	.041 - 3.14%	5,361,250	5,361,250
Clean Water Watershed Bonds 2012	(5)	9/1/2032	.012 - 3.24%	1,955,000	1,955,000
Clean Water Watershed Bonds 2013	(6)	9/1/2033	.019 - 2.53%	2,919,000	2,919,000
Safe Drinking Water Revenue Bonds 2013	(7)	9/1/2034	.022 - 2.63%	18,596,000	18,596,000
Safe Drinking Water Revenue Bonds 2014	(8)	9/1/2034	.022 - 3.01%	5,900,000	5,900,000
Safe Drinking Water Revenue Bonds 2015	(9)	9/1/2035	.024 - 2.74%	24,676,000	24,676,000
Safe Drinking Water Revenue Bonds 2017	(10)	9/1/2036	.012 - 2.64%	14,109,095	14,109,095
Safe Drinking Water Revenue Bonds 2019	(11)	9/1/2038	2.28 - 3.38%	14,086,000	14,086,000
Safe Drinking Water Revenue Bonds 2008 (ESWD)	(12)	9/1/2028	3.00%	90,000	90,000
Safe Drinking Water Revenue Bonds 2009A (ESWD)	(12)	9/1/2024	3.15%	90,625	90,625
Safe Drinking Water Revenue Bonds 2013A (ESWD)	(12)	9/1/2033	.012 - 2.64%	400,633	400,633
Safe Drinking Water Revenue Bonds 2018 (PSLSR)	(13)	9/1/2024	0.00%	307,238	307,238
Safe Drinking Water Revenue Bonds 2020	(14)	9/1/2039	.250 - 2.36%	19,099,000	19,099,000
Safe Drinking Water Revenue Bonds 2020 (PSLSR)	(13)	9/1/2030	0.00%	609,743	609,743
Safe Drinking Water Revenue Bonds 2021	(15)	9/1/2040	.950 - 3.510%	21,000,000	21,000,000
Efficient Buildings Fund Revenue Bonds 2022	(16)	9/1/2037	2.76 - 3.48%		10,000,000
Safe Drinking Water Revenue Bonds 2023	(16)	9/1/2037	2.53 - 3.49%		5,500,000
Total Bonds				<u>\$ 148,024,142</u>	<u>\$ 163,524,142</u>
Total Capitalization				<u>\$ 148,024,142</u>	<u>\$ 163,524,142</u>
Total Assets	(17)			\$ 571,942,404	\$ 735,466,546
Debt/Total Assets				25.88%	22.23%
Net Utility Plant	(17)			\$ 477,529,963	\$ 483,029,963
Debt/Net Utility Plant				31.00%	33.85%

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

(10) Borrowing 5/10/2017 RIB for Water Main Rehabilitation / Replacement Project.

(11) Borrowing 6/27/2019 RIB for Water Main Rehabilitation / Replacement Project.

(12) Borrowing by the East Smithfield Water District (ESWD) assumed by Providence Water when ESWD merged with Providence Water Jan. 13, 2017.

(13) Borrowing for the Private Side Lead Service Replacement Loan Program.

(14) Borrowing 6/28/2020 RIB for Main Replacements & Appurtenances.

(15) Borrowing scheduled for spring 2021 for Main Replacements & Appurtenances.

(16) Borrowing scheduled for December 2022 for Energy Efficiency projects.

(17) From Audited Balance Sheet Amounts as of 6/30/2020

EXHIBIT IV

PROVIDENCE WATER		
Comparison of Interest Rates		
	Interest Rate	
	\$5.5 Million	
Market Rate (AIC)		4.186%
Total Interest Payments	\$	2,554,000
Below-Market Rate (AIC)		3.136%
Total Interest and Fee Payments	\$	2,097,009
Savings:		
Interest Rate		1.050%
Interest Payments	\$	456,990
Interest Rate Savings/Market Rate		25.084%

Prepared by HilltopSecurities



235 Promenade Street, Suite 119
 Providence, Rhode Island 02908
 Riib.org

December 21, 2022

Richard Caruolo
 General Manager
 Providence Water Supply Board
 125 Dupont Drive
 Providence, RI 02907

RE: Providence Water Supply Board - up to \$5,500,000 for distribution system storage tank rehabilitation and improvements, and replacement of transmission and distribution mains and appurtenances

Dear Mr. Caruolo,

I am pleased to inform you that the Board of Directors of Rhode Island Infrastructure Bank (the "Bank"), pursuant to policies and procedures adopted in accordance with the Safe Drinking Water Act Amendments of 1996 and Chapter 46-12.8 of the Rhode Island General Laws, has approved the June 1, 2022 application of the Providence Water Supply Board (the "Borrower") at the Bank's December 5, 2022 Board Meeting. The Bank will provide financial aid in the form of a loan on the terms stated below, in an amount not to exceed \$5,500,000 for a term not to exceed 20 years after project completion (the "Loan"). Subject to the terms of this letter and the closing documents, the Bank shall forgive a portion of the Loan.

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

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

TERMS AND CONDITIONS

1) **Division of Public Utilities and Carriers**

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

2) **Certificate of Approval**



Prior to disbursement of funds by the Bank, the Bank must be in receipt of COA by RIDOH of the Borrower's proposed project(s), pursuant to Title 46-12.8 of the Rhode Island General Laws, and any rules and regulations promulgated thereunder.

3) **Loan Agreement**

The Agreement shall outline the specific terms and conditions of the Bank's loan program, as more generally set forth below and in the Agreement, including the Loan to the Borrower. The Borrower's repayment obligation to the Bank under the Agreement will be evidenced by a Bond(s) of the Borrower outlining the Loan's specific terms and conditions (the "Bond(s)"). The Bonds shall be in fully marketable form, accompanied by documentation, in form and substance satisfactory to the Bank, and an opinion, in form and substance satisfactory to the Bank, of nationally recognized bond counsel satisfactory to the Bank as to its valid authorization, execution, delivery and enforceability. The general provisions of the Agreement, which will be more fully set forth prior to the time of the pricing of the loan by the Bank will include, without limitation, the following provisions:

(a) **Borrowing Rate**

The stated interest rate on the Bond, which is the Borrower's market rate (the "Market Rate"), is the prevailing market tax-exempt interest rate for issuers of comparable creditworthiness to the Borrower, as determined by the Bank on the advice of their financial advisor after consultation with the Borrower. The subsidized interest rate for the Loan is 25% off of the Market Rate (the "Subsidized Interest Rate"). The Borrower will be obligated by the Bond to pay the Market Rate but will be billed only for the Subsidized Interest Rate. If the Borrower or other borrowers of the Bank should default in timely payment of debt service on the Loan or on the loans to such other borrowers of the Bank, the Bank may require the Borrower to pay up to the Market Rate on the Bond.

Interest will be calculated based on a 360-day year and twelve thirty-day months, and may be capitalized during construction. Interest payments shall be made semi-annually on March 1 and September 1.

(b) **Amortization**

Amortization will begin at a mutually agreed upon date, but in no case later than the September 1 following completion of the construction of the projects financed by the Loan. Principal payments shall be made annually on September 1 of each year and the schedule of payments will be structured to meet the debt service and financial assistance needs of the Borrower.

(c) **Final Maturity**

The Loan will mature up to twenty years after the completion of the funded



projects.

(d) **Prepayments**

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

(e) **Security**

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

4) **Construction Progress Payments**

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

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

5) **Reporting Requirements**

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



- (a) a copy of the annual audited financial statements of the Borrower's water system in accordance with Generally Accepted Government Accounting Standards, within 9 months of the end of each fiscal year;
- (b) unless included as a part of the audited financial statements furnished pursuant to item 5(a) or the annual budget furnished pursuant to item 5(c), an analysis of operating revenues and expenses, including without limitation, a description of the status of all revenues securing the Bond and of any operating expenses in excess of budget, annually within 9 months of the end of fiscal year;
- (c) a copy of the annual budget of the Borrower's water system, within fifteen days of its adoption;
- (d) copies of reports submitted to RIDOH, the federal Environmental Protection Agency ("EPA") and any other regulatory agency relating to any project financed by the Loan, simultaneously with such submission; and,
- (e) such other information or reports as and when the Bank may reasonably require.

6) **Compliance with State and Federal Law**

The Borrower must comply with all applicable state and federal laws and regulations, including but not limited to the federal Safe Drinking Water Act, as amended and regulations issued thereunder, Davis-Bacon prevailing wage requirements, and EPA Guidance on Use of American Iron and Steel.

In addition, the Borrower must agree to take all action, or refrain from taking any action, that would cause interest on any obligations of the Bank to be included, for federal income tax purposes, in the gross income of the holders of such obligations.

7) **Fees**

An origination fee of the greater of \$1,000 or 1% of the principal amount of the Loan will be payable to the Bank by the Borrower at the time of the Loan's closing. All other costs incidental to the Borrower's role in the transaction (i.e., legal fees, financial advisory fees, bond insurance premiums and the like, shall be paid by the Borrower). The Bank will charge an annual service fee of 0.3% of the Loan's outstanding principal, payable semi-annually at each interest payment date. A late payment fee will be charged for every 15 days that a payment is late of 5% of the amount of the late payment.

8) **Modifications**

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

9) **Merger**

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

10) **Beneficiaries**

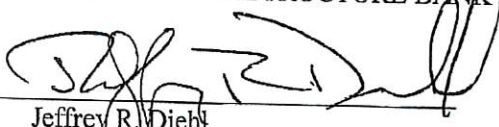
This letter shall constitute a binding commitment between the Bank and the Borrower. No third party shall have any rights arising hereunder. The Borrower shall indemnify and hold the Bank harmless from all claims arising from or in connection with this letter, the Loan or the project financed thereby.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

Please sign and return one original copy of this letter to the Bank at 235 Promenade Street, Suite 119, Providence, RI 02908 or via email.

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

Very truly yours,

RHODE ISLAND INFRASTRUCTURE BANK

By: 
Jeffrey R. Diehl
Executive Director and CEO

Accepted this 29th day of December, 2022

By:  for Rick Caruso

Title: Executive Engineer for General Manager
Authorized Official



235 Promenade Street, Suite 119
Providence, Rhode Island 02908

Riib.org

Name and Address of Legal Counsel and/or Bond Counsel to the Borrower

Karen Grande

Louise Lord

Suite 2800

One Financial Plaza

Westminster Street

Providence, RI 02903

Testimony

of

PETER R. LEPAGE

before the

RI DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN SUPPORT OF APPLICATION FOR AUTHORIZATION TO BORROW FROM THE

RI INFRASTRUCTURE BANK THE AMOUNT OF \$5,500,000

for

PROVIDENCE WATER

February, 2023

Docket No. D-23- _____

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

2 A. My name is Peter R. LePage and I am the Director of Engineering for the Providence Water
3 Supply Board. I am responsible for supporting the collection, treatment, transmission, and
4 distribution functions with technical engineering expertise and assistance, and the
5 administration of the Infrastructure Replacement Program for Providence Water.

6

7 **Q. Please describe your educational background and work experience.**

8 A. I obtained a Bachelor of Science in Civil Engineering from New England College in 1987. I
9 have worked for the Providence Water Supply Board for over thirty years. I began my career
10 with Providence Water in 1992 as a Project Engineer. In 1999 I was promoted to Principal
11 Engineer, in 2011 promoted to Manager of Planning & Development, in 2012 promoted to
12 Senior Manager of Engineering, and in 2017 promoted to my current position as Director of
13 Engineering. Over the years I worked on a variety of drinking water projects as both a
14 project engineer and project manager.

15

16 **Q. What specific projects will this borrowing fund?**

17 A. The funding from this borrowing will help pay for a large distribution water main
18 rehabilitation project in the Trinity Square section of Providence.

19

20 **Q. What are the expected benefits from these projects?**

1 A. The project consists of relining existing (un-lined) cast iron pipe with a cement mortar
2 coating and the removal and replacement of lead services with copper services. The existing
3 un-lined cast iron pipes contribute to water quality (red water) issues throughout the service
4 area. Cleaning and lining the existing mains with a cement mortar will eliminate these water
5 quality issues going forward. In addition, the City of Providence Department of Public
6 Works will also be resurfacing the streets in the Trinity Square section, so Providence Water
7 is taking advantage of this opportunity to rehab the mains in this area prior to the City's
8 Street Resurfacing Project, ultimately saving the rate payers the street remediation costs
9 associated with this water main rehabilitation project.

10

11 **Q. Mr. LePage, does that conclude your testimony?**

12 A. Yes, it does.

13

Testimony

of

MAUREEN E. GURGHIGIAN

before the

RI DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN SUPPORT OF APPLICATION FOR
AUTHORIZATION TO BORROW
FROM THE RHODE ISLAND INFRASTRUCTURE BANK
IN AN AMOUNT NOT TO EXCEED \$5.5 MILLION

for

PROVIDENCE WATER SUPPLY BOARD

Docket No. _____

February 2023

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
MAUREEN E. GURGHIGIAN**

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

2 A: My name is Maureen E. Gurghigian and I am a Managing Director at Hilltop
3 Securities Inc. ("HilltopSecurities") in the Lincoln, Rhode Island office.

4
5 **Q: Please state your duties at HilltopSecurities.**

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

14
15 **Q: Please describe your qualifications and experience.**

16 A: I have approximately 36 years' experience in the public finance field and hold a
17 Masters Degree in business administration from the University of Rhode Island. I
18 am a registered Municipal Principal with the Municipal Securities Rulemaking
19 Board, holding the following licenses: Series 52, Series 53 and Series 63, as well as
20 the Series 50, Municipal Advisor Representative License. Prior to joining First
21 Southwest, the predecessor firm to HilltopSecurities, in 2001, I worked in public
22 finance for Fleet Bank and/or Fleet Securities for sixteen years. From 1993 through
23 2000, I served as Manager of New England Public Finance and Investment Banking
24 at Fleet Securities, Inc. Before joining Fleet, I spent eight years in Rhode Island
25 State Government, including four years as Director of the Governor's Policy Office
26 under then Governor J. Joseph Garrahy.

27
28 **Q: Have you previously testified before the Public Utilities Commission and
29 Division of Public Utilities and Carriers?**

30 A: Yes, I have provided testimony before the Public Utilities Commission
31 ("Commission") and the Division of Public Utilities and Carriers ("Division") on

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
MAUREEN E. GURGHIGIAN**

1 behalf of the Kent County Water Authority, Woonsocket Water Division,
2 Pawtucket Water Supply Board, the City of Newport Water Division and the
3 Providence Water Supply Board (“Providence Water”).
4

5 **Q: Please describe your role in this proceeding.**

6 A: I am providing assistance to Providence Water and its financing team with respect
7 to the issuance of debt through a borrowing from Rhode Island Infrastructure Bank
8 (“RIIB”). I have been asked by Providence Water to provide information on the
9 debt service requirements for its proposed borrowing, and to respond to related
10 questions.
11

12 **Q: Please discuss Providence Water’s financing plans.**

13 A. As set forth in its Application for Approval of Borrowing Authority, Providence
14 Water seeks to obtain a loan in the amount of up to five million five hundred
15 thousand dollars (\$5,500,000). It is expected that the loan will be funded by RIIB’s
16 Drinking Water State Revolving Fund (DWSRF) at below market rates equal to
17 25% off Providence Water’s market rate at the time of pricing. The funds will be
18 used for water main replacement. Peter LePage has described the project in his
19 testimony, and I will provide the details of the financing for the project.
20

21 **Q. Can you explain how the financing will work for the \$5,500,000 borrowing?**

22 A. Yes. Providence Water has borrowed from RIIB through the Drinking Water State
23 Revolving Fund (DWSRF) in the past. This loan will be similar to those previously
24 approved by the Division. This project has been identified in Providence Water’s
25 capital program and reviewed by the Department of Health, RIIB’s regulatory
26 partner for the DWSRF program. Therefore, this project qualifies for a subsidized
27 DWSRF loan from RIIB.
28

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

30 A. The term is approximately 20 years from the projected completion of construction.
31 The expected interest cost will reflect a below market rate of 25% off the current

**PROVIDENCE WATER SUPPLY BOARD
TESTIMONY OF
MAUREEN E. GURGHIGIAN**

1 market rates. Based upon market conditions as of January 11, 2023 it is anticipated
2 that the interest rate on the loan will not exceed a market rate of 4.19%, which
3 would result in a projected subsidized rate of approximately 3.14%. For purposes
4 of Division approval, we would recommend a not to exceed market rate of 5.25%
5 and a subsidized rate of 4.00% to allow for market movement.
6

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

8 A: Approximately \$4,985,017 will be available for project expenditures, approximately
9 \$384,983 will be set aside in the debt service reserve fund, and approximately
10 \$130,000 is allocated for costs of issuance, including rating agency fees, bond
11 counsel, financial advisor and trustee fees, and the origination fee.
12

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

14 A: This borrowing is anticipated to take place in late March or early April, RIIB
15 generally requires that all borrower approvals be in place prior to mailing the RIIB
16 Preliminary Official Statement and/or pricing borrower loans.
17

18 **Q: What is the projected schedule of debt service for the contemplated new
19 borrowings?**

20 A. The projected debt service for the new borrowings is displayed in Schedule MG-1.
21 For the \$5,500,000 loan, average annual debt service is expected to be
22 approximately \$384,500 per year at the projected interest rates, including the RIIB
23 annual fee. This amount is subject to change based upon the actual project costs,
24 draw schedule and prevailing interest rates at the time of borrowing. During the
25 construction period Providence Water will pay interest based on the construction
26 draw schedule. That is why the first year's debt service is significantly lower.
27

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

29 A: Yes, it does.

MG-1

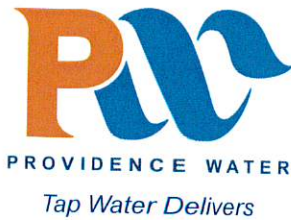
**Rhode Island Infrastructure Bank
Drinking Water SRF Program - Series 2023
Preliminary, Subject to Change - Market Rates as of 1/12/2023 + 75bps**

Loan Debt Service

Providence WSB- \$5.5M DWSRF Loan (AA Rated, Revenue Pledge)

Date	Principal	Loan Rate	(1) Interest	Net Fees @ 0.300%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
03/15/23							-
09/01/23	204,000.00	2.600%	75,829.74	7,608.33	83,438.07	287,438.07	287,438.07
03/01/24	-	-	79,487.20	7,944.00	87,431.20	87,431.20	-
09/01/24	210,000.00	2.630%	79,487.20	7,944.00	87,431.20	297,431.20	384,862.40
03/01/25	-	-	76,725.70	7,629.00	84,354.70	84,354.70	-
09/01/25	216,000.00	2.530%	76,725.70	7,629.00	84,354.70	300,354.70	384,709.40
03/01/26	-	-	73,993.30	7,305.00	81,298.30	81,298.30	-
09/01/26	222,000.00	2.530%	73,993.30	7,305.00	81,298.30	303,298.30	384,596.60
03/01/27	-	-	71,185.00	6,972.00	78,157.00	78,157.00	-
09/01/27	228,000.00	2.560%	71,185.00	6,972.00	78,157.00	306,157.00	384,314.00
03/01/28	-	-	68,266.60	6,630.00	74,896.60	74,896.60	-
09/01/28	235,000.00	2.620%	68,266.60	6,630.00	74,896.60	309,896.60	384,793.20
03/01/29	-	-	65,188.10	6,277.50	71,465.60	71,465.60	-
09/01/29	242,000.00	2.670%	65,188.10	6,277.50	71,465.60	313,465.60	384,931.20
03/01/30	-	-	61,957.40	5,914.50	67,871.90	67,871.90	-
09/01/30	249,000.00	2.660%	61,957.40	5,914.50	67,871.90	316,871.90	384,743.80
03/01/31	-	-	58,645.70	5,541.00	64,186.70	64,186.70	-
09/01/31	256,000.00	2.650%	58,645.70	5,541.00	64,186.70	320,186.70	384,373.40
03/01/32	-	-	55,253.70	5,157.00	60,410.70	60,410.70	-
09/01/32	264,000.00	2.680%	55,253.70	5,157.00	60,410.70	324,410.70	384,821.40
03/01/33	-	-	51,716.10	4,761.00	56,477.10	56,477.10	-
09/01/33	272,000.00	2.770%	51,716.10	4,761.00	56,477.10	328,477.10	384,954.20
03/01/34	-	-	47,948.90	4,353.00	52,301.90	52,301.90	-
09/01/34	280,000.00	2.920%	47,948.90	4,353.00	52,301.90	332,301.90	384,603.80
03/01/35	-	-	43,860.90	3,933.00	47,793.90	47,793.90	-
09/01/35	289,000.00	3.060%	43,860.90	3,933.00	47,793.90	336,793.90	384,587.80
03/01/36	-	-	39,439.20	3,499.50	42,938.70	42,938.70	-
09/01/36	299,000.00	3.190%	39,439.20	3,499.50	42,938.70	341,938.70	384,877.40
03/01/37	-	-	34,670.15	3,051.00	37,721.15	37,721.15	-
09/01/37	309,000.00	3.290%	34,670.15	3,051.00	37,721.15	346,721.15	384,442.30
03/01/38	-	-	29,587.10	2,587.50	32,174.60	32,174.60	-
09/01/38	320,000.00	3.360%	29,587.10	2,587.50	32,174.60	352,174.60	384,349.20
03/01/39	-	-	24,211.10	2,107.50	26,318.60	26,318.60	-
09/01/39	332,000.00	3.400%	24,211.10	2,107.50	26,318.60	358,318.60	384,637.20
03/01/40	-	-	18,567.10	1,609.50	20,176.60	20,176.60	-
09/01/40	344,000.00	3.430%	18,567.10	1,609.50	20,176.60	364,176.60	384,353.20
03/01/41	-	-	12,667.50	1,093.50	13,761.00	13,761.00	-
09/01/41	357,000.00	3.460%	12,667.50	1,093.50	13,761.00	370,761.00	384,522.00
03/01/42	-	-	6,491.40	558.00	7,049.40	7,049.40	-
09/01/42	372,000.00	3.490%	6,491.40	558.00	7,049.40	379,049.40	386,098.80
	<u>5,500,000.00</u>		<u>1,915,554.04</u>	<u>181,455.33</u>	<u>2,097,009.37</u>	<u>7,597,009.37</u>	<u>7,597,009.37</u>

(1) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.990%.



**RESOLUTION
OF THE
PROVIDENCE WATER SUPPLY BOARD**

A Resolution of the City of Providence Water Supply Board expressing the intention of the Board to reimburse expenditures from the proceeds of the Notes, Bonds, or Loans for certain Infrastructure Improvements and to provide an effective date.

The Hon. Brett P. Smiley
Mayor

Ricky Caruolo
General Manager

WHEREAS, the City of Providence Water Supply Board (the Board) is an agency of the City of Providence, Rhode Island and owns and operates a Water Supply system (the System); and

BOARD OF DIRECTORS

Ateesh S. Chanda
Chairperson

Joseph D. Cataldi
Vice Chairperson

Juan M. Pichardo
Council President Pro Tempore

Oscar O. Vargas
Councilperson

Sara Silveria
Ex-Officio

Cristen L. Raucci, Esq.
Member

Dr. Alma M. Guerrero Bready
Member

Carissa R. Richard
Secretary

William E. O'Gara, Esq.
Legal Advisor

WHEREAS, the Board desires to make certain improvements to the Board's distribution system and appurtenances thereto, including but not limited to the replacement of public and private side lead services.

WHEREAS, it is the intent of the Board to borrow funds in an amount not to exceed twenty-seven million, five hundred thousand dollars (\$27,500,000) for the Project.

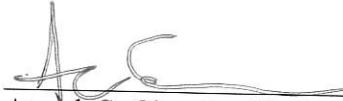
NOW, THEREFORE, BE IT RESOLVED:

❖ This Resolution is an affirmative action of the Board towards the issuance of Bonds, Notes, or Loans through the RI Infrastructure Bank and/or other funding avenues. This resolution constitutes the Board's declaration of official intent pursuant to Treasury Regulation 1.150-2 to reimburse the Board's funds and accounts for certain infrastructure expenditures paid on or after the date which is sixty (60) days prior to the date of this resolution but prior to the issuance of the Bonds, Notes, or Loans.

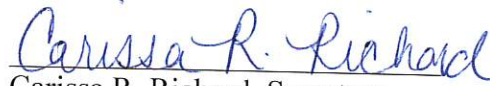
❖ That the Board authorizes the General Manager to borrow through the Rhode Island Infrastructure Bank and/or any other funding avenues for the Project.

❖ This resolution shall take effect upon passage.

The above and foregoing was duly adopted and approved at a meeting of the City of Providence Water Supply Board as held on January 18, 2023 by vote of the members of the Providence Water Supply Board present.



Ateesh S. Chanda, Chairman
Providence Water Supply Board



Carissa R. Richard, Secretary
Providence Water Supply Board

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

125 Dupont Drive
Providence, RI 02907

www.provwater.com

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Providence Water Supply Board
Providence, Rhode Island

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Providence Water Supply Board (Water Supply Board), an enterprise fund of the City of Providence, Rhode Island, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Supply Board, as of June 30, 2022 and 2021 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements presently only the Water Supply Board and do not purport to, and do not, present fairly the financial position of the City of Providence as of June 30, 2022 and 2021, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Supply Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

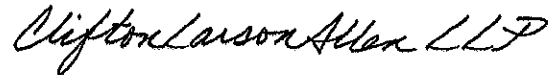
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Board of Directors of
Providence Water Supply Board

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Supply Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Supply Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Cranston, Rhode Island
December 23, 2022

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

The management of the Providence 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, 2022 and 2021.

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 nonoperating 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, noncapital 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, 2022 AND 2021**

Condensed financial information

	<u>2022</u>	<u>2021</u>	<u>2020*</u>
Total current assets	\$ 85,422,219	\$ 82,082,639	\$ 43,603,728
Total long-term assets	498,580,888	478,079,672	451,775,332
Total assets	<u>584,003,107</u>	<u>560,162,311</u>	<u>495,379,060</u>
Deferred outflows of resources	<u>9,830,455</u>	<u>11,780,093</u>	<u>11,457,933</u>
Total current liabilities	23,916,391	19,879,299	18,482,218
Total long-term liabilities	213,289,804	222,141,102	190,423,825
Total liabilities	<u>237,206,195</u>	<u>242,020,401</u>	<u>208,906,043</u>
Deferred inflows of resources	<u>5,581,574</u>	<u>5,399,793</u>	<u>5,776,081</u>
Net position:			
Net investment in capital assets	357,814,656	329,505,821	336,524,362
Restricted fund	50,278,871	40,019,359	28,893,135
Unrestricted fund	<u>(57,047,734)</u>	<u>(45,002,970)</u>	<u>(73,262,628)</u>
Total Net Position	<u>\$ 351,045,793</u>	<u>\$ 324,522,210</u>	<u>\$ 292,154,869</u>
Total operating revenue	\$ 88,824,578	\$ 81,318,205	\$ 69,757,831
Total operating expenses	51,152,317	46,250,446	51,349,984
Depreciation	10,745,008	10,843,456	11,712,793
Total operating expenses including depreciation	<u>61,897,325</u>	<u>57,093,902</u>	<u>63,062,777</u>
Operating income	26,927,253	24,224,303	6,695,054
Nonoperating expense	(1,192,718)	(2,866,652)	(1,441,472)
Capital grants and contributions	789,048	683,986	522,801
Special item - annexation	-	10,325,704	-
Change in Net Position	<u>\$ 26,523,583</u>	<u>\$ 32,367,341</u>	<u>\$ 5,776,383</u>

*Amount has been restated

Financial Highlights

During the fiscal year 2022, the Water Supply Board had operating revenues that exceeded operating expenses by \$37.7 million. These are 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 and deferred outflows were \$593.8 million, up \$21.9 million from last year's total assets of \$571.9 million as a result the amount of work performed on the transmission and distribution system. Current assets, principally cash, increased by \$3.3 million, and net plant increased by \$20.5 million.

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

The Water Supply Board's net position totaled \$351.0 million at June 30, 2022, an increase of \$26.5 million from June 30, 2021. The increase is the result of unexpended revenue allocated for restricted funds. Also reflected in the change to our net position is net operating income of \$26.6 million, net non-operating expenses of \$1.2 million, and capital contributions of \$0.8 million.

The Water Supply Board's net position totaled \$324.5 million at June 30, 2021, an increase of \$32.4 million from June 30, 2020. The increase is the result of unexpended loan proceeds available through the Rhode Island Infrastructure Bank (RIIB) in the restricted funds. Also, reflected in the change to our net position is net operating income of \$24.2 million, net non-operating expenses of \$2.9 million, and capital contributions of \$11.0 million.

The Water Supply Board's total operating revenues were \$88.8 million for fiscal year 2022 which was a \$7.5 million or 9.2% increase over the prior year. The primary reason for the increase is an increase in consumption in consumption across all customer classes as well as the close monitoring of operating expenses during a period of economic uncertainty. Total operating expenses of the water system amounted to \$61.9 million which was a \$4.8 million increase over the prior year's amount of \$57.1 million. The increase is primarily attributable to increases in the costs of services and materials in the wake of the COVID-19 pandemic which saw increasing supply chain obstacles and rising inflation.

The Water Supply Board's total operating revenues were \$81.3 million for fiscal year 2021 which was a \$11.6 million or 16.61% increase over the prior year. The primary reason for the increase is due to new rates being approved by the Rhode Island Public Utilities Commission as part of the step two increase filed in Docket 4994. Total operating expenses of the water system amounted to \$57.1 million which was a \$-6.0 million decrease over the prior year's amount of \$63.1 million. The decrease is primarily attributable to Providence Water's management team carefully managing the budget because of the lower amount of cash flow due to the COVID-19 pandemic.

Capital Assets and Debt Administration

Capital Assets:

At June 30, 2022, the Water Supply Board had \$498.5 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 \$20.5 million, or 4.3%, over the prior year.

At June 30, 2021, the Water Supply Board had \$477.6 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 \$26.5 million, or 5.9%, over the prior year.

**PROVIDENCE WATER SUPPLY BOARD
 (AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
 MANAGEMENT’S DISCUSSION AND ANALYSIS
 JUNE 30, 2022 AND 2021**

Major project expenditures in fiscal year 2022 included (in millions):

• Water Main Rehabilitation	\$	15.84
• Replacement of billing system	\$	1.69
• Clarification/Pretreatment Project	\$	1.55
• Rehabilitation of Rapid Sand Filters	\$	1.33
• Various Lead Service Replacement Projects	\$	1.11
• East Smithfield Acquisition Improvements	\$	0.90
• AMR-ERT Meter Install/Retrofit	\$	0.80
• Replacement of Non-break Hydrants	\$	0.54
• Johnston Acquisition Improvements	\$	0.53
• Restoration of Streets and Sidewalks	\$	0.46

The Water Supply Board’s fiscal year 2022 capital budget included project expenditures of \$53.4 million for infrastructure and capital projects. The major projects were: continuation of the water main replacements and upgrades, replacement of lead services and aging fire hydrants, upgrades to aging pump stations and storage facilities and replacement of the billing system. The majority of infrastructure projects are financed on a pay-as-you-go, cash basis from rate revenues. The major projects – water main rehabilitation/replacement – was funded from bond proceeds issued through the Rhode Island Infrastructure Bank (RIIB) in fiscal year 2021. New major capital investments that will benefit ratepayers for many years are generally funded with long-term debt financing.

Water Main Rehabilitation

The Water Supply Board operates an aging distribution system, composed mainly of unlined cast iron pipes. The Water Supply Board is committed to renew and/or replace much of the buried infrastructure. Water main rehabilitation improves water quality, reduces pipe breaks and the resulting loss of service, curtails leakage, and improves hydraulic capacity as needed for residential, commercial, and industrial users and fire protection. The Water Supply Board’s Water Main Replacement/Rehabilitation Program (WMR) is now targeting areas of high iron and lead corrosion as indicated by LCR compliance sites and additional water quality monitoring within the distribution system. In FY 2022, the Water Supply Board rehabilitated 13 miles at a cost of approximately \$20.2 million.

During FY 2021, the Water Supply Board replaced 719 public side lead services at a cost of \$2,152,436. Since its inception of the reporting of the IFR program and the public lead services replacement program to the RIPUC (July 1, 1996), the Water Supply Board has replaced 20,012 lead services to the end of fiscal year 2021 (June 30, 2021) at cost of over \$60 Million.

Private Side Lead Service Line Replacement Program:

In February of 2017, The Rhode Island Public Utilities Commission (PUC) approved, as part of the application for new rates (PUC Docket 4618) \$250,000 of rate revenue per year be used to finance a 0% interest loan with a 3-year repayment schedule program to assist homeowners replace the private side lead service lines that carry water from the water mains in the street to the home. Effective August 2020, the amount approved by the PUC in Docket 4994 increased to \$1 million per year and extended the repayment term from the original 3-year term to a 10-year term. This program is to address the reduction of lead found in homes that could be harmful to the residents, especially children.

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

The program entered into its first loan in April of 2018 and through June 30, 2021, 616 loans had been executed in the amount of approximately \$2.5 million. A 0% interest loan for \$1 million as well as a second loan for \$3 million from the RIIB allowed Providence Water to capitalize these loans at an accelerated rate.

In 2022, Congress passed Build America Buy America legislation and was finalizing the Bipartisan Infrastructure Bill which authorized billions of dollars to be used to improve critical infrastructure throughout the country in the form of subsidized loans through the US EPA State Revolving Fund programs and straight grants.

Providence Water worked with the Rhode Island Infrastructure Bank and US EPA to secure more than \$6.8 million in grants to expand the Private Side Lead Service Line Replacement Program. In Fiscal Year 2022, 409 private side lead services were replaced.

Corrosion Control

The Water Supply Board is evaluating corrosion control treatment techniques. The Water Supply Board is working with a panel of nationally recognized corrosion control experts to optimize treatment. As part of this effort, the Water Supply Board successfully implemented a system-wide orthophosphate addition.

Flushing Program

Beginning in 2013, the Water Supply Board initiated a unidirectional flushing (UDF) program to improve water quality through removal of accumulations from the distribution system. In FY 2022, the Water Supply Board flushed approximately 35 miles of main. Because of the Water Supply Board's aging distribution system, some of the assets (valves and hydrants) that are utilized for flushing need to be repaired or replaced. In addition to the water quality benefits, the flushing program has the secondary benefit of being a valve exercise program.

Debt

At June 30, 2022, the Water Supply Board had \$140.4 million in bonds and notes outstanding versus \$148.0 million in the previous year. This represented a decrease of \$7.6 million or 5.2%. This is due to the retirement of previously issued debt.

At June 30, 2021, the Water Supply Board had \$148.0 million in bonds and notes outstanding versus \$114.5 million in the previous year. This represented an increase of \$33.5 million or 29.3%. This is due to the issuance of new debt for the Water Main Rehabilitation/Replacement Project.

Subsequent Events

There are no subsequent events to report at the time of the release of this report.

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 of July 1, 2022 through June 30, 2025.

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Contacting Providence Water's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the Providence Water Supply Board's finances and to illustrate the Providence 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 Providence Water Supply Board, 125 Dupont Drive, Providence, RI 02907.

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021**

EXHIBIT I

	2022	2021
Assets:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 7,538,587	\$ 1,412,166
Cash held by fiscal agent	14,529,260	29,667,246
Accounts receivable, net of allowance for uncollectible accounts of \$1,811,121 in 2022 and \$2,053,685 in 2021	9,258,801	9,222,593
Accounts receivable - unbilled	2,184,193	2,942,852
Inventory	1,487,551	439,528
Other assets	1,915,268	42,753
Total current unrestricted assets	36,913,660	43,727,138
Current restricted assets:		
Cash and cash equivalents	47,014,341	36,837,008
Accounts receivable	1,306,291	1,342,466
Notes receivable - short term	187,927	176,027
Total current restricted assets	48,508,559	38,355,501
Total current assets	85,422,219	82,082,639
Capital assets:		
Land	26,598,062	26,449,185
Building and improvements	153,112,529	150,095,165
Improvements other than buildings	498,684,637	476,024,773
Machinery and equipment	52,943,769	49,213,782
Scituate Reservoir Project	18,681,695	18,681,695
Construction in progress	33,568,043	31,689,984
	783,588,735	752,154,584
Less accumulated depreciation and amortization	285,369,629	274,624,621
Total capital assets, net	498,219,106	477,529,963
Other noncurrent assets:		
Notes receivable - long term	361,782	549,709
Deferred Outflows of Resources:		
OPEB-related deferred outflows of resources	4,720,455	6,166,474
Pension-related deferred outflows of resources	5,110,000	5,613,619
Total deferred outflows of resources	9,830,455	11,780,093
Total assets and deferred outflows of resources	593,833,562	571,942,404

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

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Liabilities:		
Current:		
Accounts payable	\$ 3,606,103	\$ 1,756,809
Accrued liabilities	3,820,392	3,073,183
Due to City of Providence General Fund	1,075,237	560,560
Current portion of long-term debt	9,572,143	8,579,596
Current portion of OPEB liability	3,884,277	4,069,266
Total current unrestricted liabilities	<u>21,958,152</u>	<u>18,039,414</u>
Amounts to be paid from current restricted assets:		
Due to Water Resources Board	212,250	210,653
Amounts payable from restricted assets	1,745,989	1,629,232
Total current restricted liabilities	<u>1,958,239</u>	<u>1,839,885</u>
Total current liabilities	<u>23,916,391</u>	<u>19,879,299</u>
Noncurrent liabilities:		
General revenue bonds	130,832,307	139,444,546
Net pension liability	58,644,679	58,083,935
Total OPEB liability	23,812,818	24,612,621
Total noncurrent liabilities	<u>213,289,804</u>	<u>222,141,102</u>
Total liabilities	<u>237,206,195</u>	<u>242,020,401</u>
Deferred Inflows of Resources:		
OPEB-related deferred inflows of resources	2,139,574	2,511,634
Pension-related deferred inflows of resources	3,442,000	2,888,159
Total deferred inflows of resources	<u>5,581,574</u>	<u>5,399,793</u>
Net Position:		
Net investment in capital assets	357,814,656	329,505,821
Restricted	50,278,871	40,019,359
Unrestricted	<u>(57,047,734)</u>	<u>(45,002,970)</u>
Total Net Position	<u>\$ 351,045,793</u>	<u>\$ 324,522,210</u>

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

PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

EXHIBIT II

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Charges for services:		
Water sales:		
General customers	\$ 63,750,731	\$ 56,867,300
Other local water suppliers	18,835,393	18,696,757
Fire protection services	3,998,683	3,290,155
Maintenance charges and other revenue	2,239,771	2,463,993
Total operating revenues	<u>88,824,578</u>	<u>81,318,205</u>
Operating Expenses:		
Source of supply	1,463,291	2,954,733
Pumping operations	658,788	718,673
Water treatment	8,571,943	8,322,661
Transmission and distribution	6,063,105	6,102,449
Charge for services provided by other City departments	839,167	839,167
Customer accounts and service	3,047,909	2,999,822
Administrative and general	22,263,304	16,286,522
Depreciation	10,745,008	10,843,456
Property taxes - other local governments	8,244,810	8,026,419
Total operating expenses	<u>61,897,325</u>	<u>57,093,902</u>
Operating Income	<u>26,927,253</u>	<u>24,224,303</u>
Nonoperating Revenue (Expense):		
Interest income	1,864,825	546,327
Interest expense and other	(3,057,543)	(3,422,627)
Gain (loss) on sale of asset	-	9,648
Net nonoperating expense	<u>(1,192,718)</u>	<u>(2,866,652)</u>
Capital Grants and Contributions	789,048	683,986
Special Item - Annexation	-	10,325,704
Total capital grants, contributions and special items	<u>789,048</u>	<u>11,009,690</u>
Change in Net Position	26,523,583	32,367,341
Net Position - Beginning of Year	<u>324,522,210</u>	<u>292,154,869</u>
Net Position - End of Year	<u>\$ 351,045,793</u>	<u>\$ 324,522,210</u>

The accompanying notes are an integral part of the 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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 87,698,789	\$ 78,596,012
Payments to vendors	(25,823,286)	(29,091,908)
Payments to employees	(21,428,249)	(17,266,344)
Net cash provided by operating activities	<u>40,447,254</u>	<u>32,237,760</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(31,434,151)	(27,886,374)
Interest and issuance costs paid on debt	(3,057,543)	(3,422,627)
Proceeds from bond issuance	869,170	40,764,289
Principal payments on long-term debt	(8,488,862)	(7,265,381)
Proceeds from note receivable	176,027	173,966
Capital grants	789,048	683,986
Net cash provided by (used in) capital and related financing activities	<u>(41,146,311)</u>	<u>3,047,859</u>
Cash Flows from Investing Activities:		
Investment income	1,864,825	546,327
Proceeds from sale of assets	-	9,648
Net cash provided by investing activities	<u>1,864,825</u>	<u>555,975</u>
Net Increase in Cash and Cash Equivalents	1,165,768	35,841,594
Cash and Cash Equivalents - Beginning of Year	<u>67,916,420</u>	<u>32,074,826</u>
Cash and Cash Equivalents - End of Year	<u>\$ 69,082,188</u>	<u>\$ 67,916,420</u>
Unrestricted Cash and Cash Equivalents	\$ 22,067,847	\$ 31,079,412
Restricted Cash and Cash Equivalents	<u>47,014,341</u>	<u>36,837,008</u>
	<u>\$ 69,082,188</u>	<u>\$ 67,916,420</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 26,927,253	\$ 24,224,303
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,745,008	10,843,456
Provision for doubtful accounts	242,564	(327,151)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	516,062	(1,724,939)
(Increase) decrease in inventories	(1,048,023)	115,901
(Increase) decrease in other assets	(1,872,515)	189,188
(Increase) decrease in deferred outflows of resources	1,949,638	(322,160)
Increase (decrease) in due to other funds	514,677	(563,774)
Increase (decrease) in accounts payable and accrued expenses	2,714,857	68,787
Increase (decrease) net pension liability	560,744	(1,506,561)
Increase (decrease) net OPEB liability	(984,792)	1,616,998
Increase (decrease) in deferred inflows of resources	<u>181,781</u>	<u>(376,288)</u>
Net Cash Provided by Operating Activities	<u>\$ 40,447,254</u>	<u>\$ 32,237,760</u>

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

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
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1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Providence 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.

The financial statements of the Providence Water Supply Board are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only the business-type activities of the City of Providence that are attributable to the transactions of the Providence 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, 2022 and 2021, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

B. 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
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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 marketplace.

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.

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 acquisition 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

**PROVIDENCE WATER SUPPLY BOARD
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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; and 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 2022, the \$51,840 in fees that had been collected was recognized by the Water Supply Board as revenue. In 2021, the \$98,548 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. 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 nonoperating. 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 nonoperating or capital contributions.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position can report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense) until that later date. At June 30, 2022 and 2021, the Water Supply Board reports deferred outflows related to pension and OPEB in the statements 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 and OPEB 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 and OPEB plans (active employees and inactive employees).

In addition to liabilities, the statements 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. At June 30, 2022 and 2021, the Water Supply Board reports deferred inflows related to pension and OPEB in the statements of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB 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 and OPEB plans (active employees and inactive employees).

**PROVIDENCE WATER SUPPLY BOARD
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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.

Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. Investments are reported at fair value.

Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When both restricted and unrestricted resources are available for use, it is the Water Supply Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Equity

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

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Restricted Net Position

This category represents the net position of the City, which are restricted by outside parties or enabling legislation.

Unrestricted Net Position or Deficits

This category represents the net position of the City, which do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Deficits require future funding.

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.

Adoption of New Accounting Standards

In June 2017, the Government Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Water Supply Board adopted the requirements of the guidance effective July 1, 2021, however, management concluded that they did not have any arrangements that met the requires of this standard.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

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:

- 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;
- 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

**PROVIDENCE WATER SUPPLY BOARD
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- 0% 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.

3. CASH

The following is a summary of cash and investments as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,538,587	\$ 1,412,166
Restricted cash and cash equivalents	<u>47,014,341</u>	<u>36,837,008</u>
Total	<u>\$ 54,552,928</u>	<u>\$ 38,249,174</u>

Responsibility for custodial credit risk of deposits, investment risk, interest rate risk and concentration of investments rests with the City. Additional information about these risks can be obtained from the City of Providence's Finance Department at City Hall or at www.providenceri.gov/finance. 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 at June 30, 2022 of \$54,552,928, \$250,000 is covered by Federal Deposit Insurance Corporation (FDIC) insurance and \$7,288,587 of the balance is covered by the collateral agreements. Of the cash and cash equivalent balances at June 30, 2021 of \$38,249,174, \$250,000 is covered by FDIC insurance and \$1,162,166 of the balance is covered by the collateral agreements.

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4. CAPITAL ASSETS

The following is a summary of the activity in capital assets as of June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 26,449,185	\$ 148,877	\$ -	\$ 26,598,062
Scituate Reservoir Project	18,681,695	-	-	18,681,695
Construction in progress	31,689,984	27,546,627	25,668,568	33,568,043
Total capital assets not being depreciated	<u>76,820,864</u>	<u>27,695,504</u>	<u>25,668,568</u>	<u>78,847,800</u>
Capital assets being depreciated:				
Buildings and improvements	150,095,165	3,017,364	-	153,112,529
Sewer and infrastructure	476,024,773	22,659,864	-	498,684,637
Equipment	49,213,782	3,729,987	-	52,943,769
Total capital assets being depreciated	<u>675,333,720</u>	<u>29,407,215</u>	<u>-</u>	<u>704,740,935</u>
Less accumulated depreciation for:				
Buildings and improvements	88,200,839	2,327,204	-	90,528,043
Sewer and infrastructure	152,286,184	6,206,079	-	158,492,263
Equipment	34,137,598	2,211,725	-	36,349,323
Total accumulated depreciation	<u>274,624,621</u>	<u>10,745,008</u>	<u>-</u>	<u>285,369,629</u>
Total capital assets being depreciated, net	<u>400,709,099</u>	<u>18,662,207</u>	<u>-</u>	<u>419,371,306</u>
Capital Assets, Net	<u>\$ 477,529,963</u>	<u>\$ 46,357,711</u>	<u>\$ 25,668,568</u>	<u>\$ 498,219,106</u>

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The following is a summary of the activity in capital assets as of June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Annexation</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 25,382,574	\$ 1,026,611	\$ -	\$ 40,000	\$ 26,449,185
Scituate Reservoir Project	18,681,695	-	-	-	18,681,695
Construction in progress	41,186,167	28,447,977	37,944,160	-	31,689,984
Total capital assets not being depreciated	<u>85,250,436</u>	<u>29,474,588</u>	<u>37,944,160</u>	<u>40,000</u>	<u>76,820,864</u>
Capital assets being depreciated:					
Buildings and improvements	143,887,545	6,207,620	-	-	150,095,165
Sewer and infrastructure	439,301,774	23,112,747	-	13,610,252	476,024,773
Equipment	42,100,953	7,075,362	-	37,477	49,213,782
Total capital assets being depreciated	<u>625,290,272</u>	<u>36,395,719</u>	<u>-</u>	<u>13,647,729</u>	<u>675,333,720</u>
Less accumulated depreciation for:					
Buildings and improvements	84,667,391	3,533,448	-	-	88,200,839
Sewer and infrastructure	142,298,923	5,734,685	-	4,252,576	152,286,184
Equipment	32,524,798	1,575,323	-	37,477	34,137,598
Total accumulated depreciation	<u>259,491,112</u>	<u>10,843,456</u>	<u>-</u>	<u>4,290,053</u>	<u>274,624,621</u>
Total capital assets being depreciated, net	<u>365,799,160</u>	<u>25,552,263</u>	<u>-</u>	<u>9,357,676</u>	<u>400,709,099</u>
Capital Assets, Net	<u>\$ 451,049,596</u>	<u>\$ 55,026,851</u>	<u>\$ 37,944,160</u>	<u>\$ 9,397,676</u>	<u>\$ 477,529,963</u>

5. LONG-TERM DEBT

The following is the long-term debt activity as of June 30, 2022:

	2022				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 148,024,142	\$ 869,170	\$ 8,488,862	\$ 140,404,450	\$ 9,572,143
Net pension liability	58,083,935	-	(560,744)	58,644,679	-
Total OPEB liability	<u>28,681,887</u>	<u>(984,792)</u>	<u>-</u>	<u>27,697,095</u>	<u>3,884,277</u>
Long-Term Liabilities	<u>\$ 234,789,964</u>	<u>\$ (115,622)</u>	<u>\$ 7,928,118</u>	<u>\$ 226,746,224</u>	<u>\$ 13,456,420</u>

**PROVIDENCE WATER SUPPLY BOARD
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The following is the long-term debt activity as of June 30, 2021:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 114,525,234	\$ 40,764,289	\$ 7,265,381	\$ 148,024,142	\$ 8,579,596
Net pension liability	59,590,496	-	1,506,561	58,083,935	-
Total OPEB liability	27,064,889	1,616,998	-	28,681,887	4,069,266
Long-Term Liabilities	\$ 201,180,619	\$ 42,381,287	\$ 8,771,942	\$ 234,789,964	\$ 12,648,862

The following is a summary of bonds and notes outstanding at June 30, 2022 and 2021:

Description	Amount of Interest Rate (%)	Outstanding June 30, 2022	Outstanding June 30, 2021
Safe Drinking Water Bonds (CWFA FY2002)	3.61%	\$ -	\$ 167,556
Safe Drinking Water Bonds (CWFA FY2008)	2.85%	16,811,000	18,597,000
Safe Drinking Water Bonds (CWFA FY2010)	.0410% to 3.14%	4,902,250	5,361,250
Safe Clean Water Bonds (CWFA FY2012)	.072% to 3.26%	1,815,000	1,955,000
Safe Clean Water Bonds (CWFA FY2013)	.019% - 2.53%	2,726,000	2,919,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 2.63%	17,474,000	18,596,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 3.01%	5,602,000	5,960,000
Safe Drinking Water Bonds (CWFA FY2015)	.022% - 3.01%	23,295,000	24,676,000
Safe Drinking Water Bonds (CWFA FY2017)	.022% to 1.95%	13,368,095	14,109,095
Safe Drinking Water Bonds (RIIB- FY2018)	0.00%	53,616	307,238
Safe Drinking Water Bonds (CWFA FY2019)	.022% to 1.95%	13,463,000	14,086,000
Safe Drinking Water Bonds (CWFA FY2020)	1.17%	18,191,000	19,099,000
Safe Drinking Water Bonds (CWFA FY2021)	.070% to 2.09%	20,999,000	21,000,000
Safe Drinking Water Bonds (RIIB- FY2020)	0.00%	1,182,507	609,744
East Smithfield Water District DWSRF Bonds Series 2009A (RIIB- FY2009 Bond)	3.51%	66,816	90,625
East Smithfield Water District DWSRF Loan Series 2009A (RIIB- FY2009 Loan)	3.00%	80,000	90,000
East Smithfield Water District DWSRF Bond Series 2014A (RIIB- FY2014 Bond)	1.30% - 3.43%	375,166	400,634
Total		\$ 140,404,450	\$ 148,024,142

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Scheduled principal maturities at June 30, 2022 of long-term debt are as follows:

Fiscal Year	Principal	ARRA / SRF Principal Forgiveness	Interest and Fees	Total
2023	\$ 9,572,143	\$ (822,620)	\$ 3,091,256	\$ 11,840,779
2024	9,374,952	(834,127)	2,961,352	11,502,177
2025	9,568,683	(846,463)	2,771,101	11,493,321
2026	9,736,250	(851,210)	2,567,441	11,452,481
2027	9,900,489	(865,426)	2,348,201	11,383,264
2028-2032	46,978,078	(4,439,492)	8,105,874	50,644,460
2033-2037	34,504,613	(3,796,750)	3,010,156	33,718,019
2038-2042	10,769,242	(1,769,293)	416,952	9,416,901
Total	\$ 140,404,450	\$ (14,225,381)	\$ 25,272,333	\$ 151,451,402

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, 2022 and 2021. 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 postemployment benefits. The total balance due to the City of Providence General Fund at June 30, 2022 and 2021 totaled \$1,075,237 and \$560,560, respectively.

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, 2022 and 2021 was \$-0-.

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.

**PROVIDENCE WATER SUPPLY BOARD
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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 July 1, 2018 to June 30, 2022.

Lead Service Replacement Program

The Water Supply Board is committed to reducing lead at our customers' taps. The Water Supply Board is striving to meet the Environmental Protection Agency (EPA) goal of 0 parts per million (ppm) of lead. In order to achieve this goal, the Water Supply Board has implemented a four-pronged approach.

- Water Main Rehabilitation
- Distribution Water Main Flushing
- Corrosion Control
- Public Education and Outreach

Public Education and Outreach

Utilizing social media, our website and direct mailings, the Water Supply Board provides educational material to our customers on the hazards of lead in water and the steps they can take to minimize lead at their tap. In addition, the Water Supply Board offers free lead testing for customers within our retail area.

9. DEFINED BENEFIT PENSION PLANS

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. A separate financial statement is not issued for the Plan.

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. Additional information about the plan can be obtained from the City of Providence's Finance Department at City Hall or at www.providenceri.gov/finance.

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The approximate membership of the ERS plan for the Water Supply Board consisted of the following at July 1, 2021, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	132
Active employees	<u>230</u>
Total	<u><u>362</u></u>

The total pension liability was determined by an actuarial valuation as of July 1, 2021 and rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00% per year, before reflecting increases due to longevity
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was -11.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 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, 2022 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45.25 %	6.28 %
International developed markets equity	12.75	7.00
Core fixed income	26.00	0.38
Hedge fund, GTAA, Risk parity	<u>16.00</u>	<u>2.35</u>
Total	<u><u>100.00 %</u></u>	

**PROVIDENCE WATER SUPPLY BOARD
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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 year ended June 30, 2022 was \$4,129,000.

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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Net pension liability is allocated to the Water Supply Board based on a proportion of covered payroll.

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total pension liability	\$ 76,387,623	\$ 82,681,060
Plan fiduciary net position	<u>17,742,944</u>	<u>24,597,125</u>
Net Pension Liability	\$ <u>58,644,679</u>	\$ <u>58,083,935</u>
Plan fiduciary net position as a percentage of the total pension liability	23.23%	29.75%

**PROVIDENCE WATER SUPPLY BOARD
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NOTES TO FINANCIAL STATEMENTS**

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)
Balances as of July 1, 2021	\$ 82,681,060	\$ 24,597,125	\$ 58,083,935
Changes for the year:			
Service cost	1,126,258	-	1,126,258
Interest on total pension liability	5,081,510	-	5,081,510
Differences between expected and actual experience	1,039,093	-	1,039,093
Changes in proportionate share	(8,888,340)	(8,888,340)	-
Employer contributions	-	4,129,000	(4,129,000)
Member contributions	-	644,642	(644,642)
Net investment income	-	(1,753,868)	1,753,868
Benefit payments, including refund to employee contributions	(4,651,958)	(974,804)	(3,677,154)
Administrative expenses	-	(10,811)	10,811
Net changes	<u>(6,293,437)</u>	<u>(6,854,181)</u>	<u>560,744</u>
Balances as of June 30, 2022	\$ <u>76,387,623</u>	\$ <u>17,742,944</u>	\$ <u>58,644,679</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of July 1, 2020	\$ 80,502,639	\$ 20,912,143	\$ 59,590,496
Changes for the year:			
Service cost	1,166,900	-	1,166,900
Interest on total pension liability	5,266,382	-	5,266,382
Differences between expected and actual experience	814,236	-	814,236
Changes in assumptions	-	-	-
Employer contributions	-	4,262,000	(4,262,000)
Member contributions	-	634,891	(634,891)
Net investment income	-	3,893,207	(3,893,207)
Benefit payments, including refund to employee contributions	(5,069,097)	(5,095,301)	26,204
Administrative expenses	-	(9,815)	9,815
Net changes	<u>2,178,421</u>	<u>3,684,982</u>	<u>(1,506,561)</u>
Balances as of June 30, 2021	\$ <u>82,681,060</u>	\$ <u>24,597,125</u>	\$ <u>58,083,935</u>

**PROVIDENCE WATER SUPPLY BOARD
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Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2021
Actuarial cost method	Individual Entry Age Normal
Amortization cost method	Level dollar for the 1995 deferral liability and level percentage of payroll for the remaining unfunded liability.
Remaining amortization period	10 years for the 1995 deferral liability and 19 years for the remaining unfunded liability.
Asset Valuation period	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.00%, net of pension plan investment and administrative expenses, including inflation.
Inflation rate	3.00%
Projected salary increases	3.00%, including inflation, but prior to reflecting increases due to longevity.
Cost of living adjustments	10-year freeze as of January 1, 2013 and 3% thereafter.

Mortality rates were based on the following:

Pre-Retirement

- Class A Employees: Pub-2010 General Employee Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.
- Class B Employees: Pub-2010 Safety Employee Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.

Post Retirement

- Class A Retiree: Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.
- Class B Retiree: Pub-2010 Safety Healthy Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.
- Class A Beneficiary: Pub-2010 General Contingent Survivor Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.
- Class B Beneficiary: Pub-2010 Safety Contingent Survivor Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.
- Class A Disabled Retiree: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.
- Class B Disabled Retiree: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2019.

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS**

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 and 2021 was 7.00%. 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 7.00%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate at June 30, 2022:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ 68,246,598	\$ 58,644,679	\$ 50,734,822

The following presents the net pension liability of the Retirement System, calculated using the discount rate of 7.00%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate at June 30, 2021:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ 68,011,828	\$ 58,083,935	\$ 49,922,279

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

For the years ended June 30, 2022 and 2021, the Water Supply Board recognized pension expense of \$5,760,643 and \$6,144,582, respectively.

**PROVIDENCE WATER SUPPLY BOARD
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At June 30, 2022, the Water Supply Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,179,897	\$ 116,455
Changes of assumptions	2,242,026	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,390	3,325,545
Net difference between projected and actual earning on pension plan investments	<u>1,624,687</u>	<u>-</u>
Total	<u>\$ 5,110,000</u>	<u>\$ 3,442,000</u>

At June 30, 2021, the Water Supply Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 705,504	\$ 247,273
Changes of assumptions	4,787,113	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	121,002	1,617,059
Net difference between projected and actual earning on pension plan investments	<u>-</u>	<u>1,023,827</u>
Total	<u>\$ 5,613,619</u>	<u>\$ 2,888,159</u>

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

Year Ending June 30,

2023	\$ 1,534,149
2024	(11,098)
2025	(477,639)
2026	<u>622,588</u>
Total	<u>\$ 1,668,000</u>

Payable to the Plan

At June 30, 2022, the Water Supply Board had made full payment of the required pension contribution for the year ended June 30, 2022.

**PROVIDENCE WATER SUPPLY BOARD
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 NOTES TO FINANCIAL STATEMENTS**

10. POST EMPLOYMENT BENEFITS

The following disclosure presents information regarding the City's Postemployment Medical Benefit Plan with certain information being specific to Providence Water Supply Board's financial statements.

Plan Description

The City's Postemployment Medical Benefit Plan is a single-employer defined benefit postretirement health insurance program administered by the City. The City provides for a portion of the lifetime health care benefits to substantially all retired employees and their spouses. Health care benefits are provided through the City's self-insured health insurance program covering both active and retired employees. The Plan does not issue a separate financial report. These benefits are provided for and amended under various provisions of Rhode Island General Law, City Ordinances and the terms of collective bargaining agreements.

OPEB Funding Policy

The contribution requirements of plan members and the City are established and may be amended through provisions of Rhode Island General Law, City Ordinances and through collective bargaining. The required contribution is based on pay as you go financing requirements. The Plan can cover 100% of the costs of the benefit; however, retirees and their spouses are potentially required to fund a portion of the Plan costs depending upon the class an employee has been assigned and their date of hire. Current employee co-share for the retiree health insurance benefit requires a co-share of .01 of final average salary with a maximum limit of \$400.

The following is a current census of the City benefit participants as of July 1, 2020:

Active members	4,514
Retirees	<u>5,393</u>
Total	<u><u>9,907</u></u>

Total OPEB Liability

For the years ended June 30, 2022 and 2021, the Water Supply Board recognized OPEB liability of \$27,697,095 and \$28,681,887, respectively. The City has not accumulated any assets in a fiduciary trust for payment of benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability at June 30, 2021 was measured by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.50%
Salary increases	3.50% per year before reflecting longevity. Longevity compensation varies from 3.0% to 11.0% based on years of service, date of hire and Class

**PROVIDENCE WATER SUPPLY BOARD
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NOTES TO FINANCIAL STATEMENTS**

Health care trend rates	Non-Medicare medical: 7.0% decreasing by 0.25% for 10 years to an ultimate level of 4.5% per year Medicare medical: 6.0% decreasing by 0.25% for six years to an ultimate level of 4.5% per year Prescription drug: 9.0% decreasing by 0.25% for 18 years to an ultimate level of 4.5% per year Part B: 4.5% Administrative: 3.0%
Mortality rates	<u>Pre-Retirement</u> Class A Heathy: Pub-2010 General Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019 Class B Heathy: Pub-2010 Safety Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019 Teachers: Pub-2010 Teacher Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019 <u>Post-Retirement</u> Class A Heathy: Pub-2010 General Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019 Class B Heathy: Pub-2010 Safety Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019 Teachers Healthy: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019 Class A Disabled Retirees: Pub-2010 Non-Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019 Class B Disabled Retirees: Pub-2010 Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019 Teachers Disabled Retirees: Pub-2010 Non-Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2019

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS**

Changes in the Total OPEB Liability for the Water Supply Board

	<u>Total OPEB Liability</u>
Balances as of July 1, 2021	\$ <u>28,681,887</u>
Changes for the year:	
Service cost	802,963
Interest on total OPEB liability	583,352
Changes in assumptions	275,200
Differences between expected and actual experience	(29,279)
Change from difference in proportionate share	(1,660,161)
Benefit payments	<u>(956,867)</u>
Net changes	<u>(984,792)</u>
Balances as of June 30, 2022	\$ <u><u>27,697,095</u></u>

Changes of assumptions reflect the following:

- The discount rate was lowered from 2.21% as of June 30, 2021 to 1.92% as of June 30, 2022.
- The per capita health care costs, and the associated trends on the costs and contributions, were updated to reflect current experience and future expectations.

	<u>Total OPEB Liability</u>
Balances as of July 1, 2020	\$ <u>23,843,728</u>
Changes for the year:	
Service cost	554,830
Interest on total OPEB liability	836,827
Changes in assumptions	4,475,237
Differences between expected and actual experience	(199,309)
Change from difference in proportionate share	(150,632)
Benefit payments	<u>(678,794)</u>
Net changes	<u>4,838,159</u>
Balances as of June 30, 2021	\$ <u><u>28,681,887</u></u>

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Water Supply Board, as well as what the Water Supply Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate (1.92%) at June:

2022	<u>1% Decrease 0.92%</u>	<u>Current Discount Rate 1.92%</u>	<u>1% Increase 2.92%</u>
Total OPEB Liability	\$ 33,010,345	\$ 27,697,095	\$ 23,586,356

The following presents the total OPEB liability of the Water Supply Board, as well as what the Water Supply Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate (2.21%) at June:

2021	<u>1% Decrease 1.21%</u>	<u>Current Discount Rate 2.21%</u>	<u>1% Increase 3.21%</u>
Total OPEB Liability	\$ 34,776,888	\$ 28,681,887	\$ 24,022,923

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Water Supply Board, as well as what the Water Supply Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates at June 30, 2022:

2022	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 23,053,793	\$ 27,697,095	\$ 33,766,938

The following presents the total OPEB liability of the Water Supply Board, as well as what the Water Supply Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates at June 30, 2021:

2021	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 23,588,397	\$ 28,681,887	\$ 35,429,223

**PROVIDENCE WATER SUPPLY BOARD
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NOTES TO FINANCIAL STATEMENTS**

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$87,074,629 and the Water Supply Board recognized OPEB expense of \$2,249,041. At June 30, 2022, the Water Supply Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 322,365	\$ 148,351
Changes of assumptions	3,258,548	298,413
Changes in proportion and differences between employer contributions and proportionate share contributions	182,675	1,692,810
Contributions subsequent to measurement date	<u>956,867</u>	<u>-</u>
Total	<u>\$ 4,720,455</u>	<u>\$ 2,139,574</u>

For the year ended June 30, 2021, the City recognized OPEB expense of \$80,520,837 and the Water Supply Board recognized OPEB expense of \$2,039,587. At June 30, 2021, the Water Supply Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 518,346	\$ 166,091
Changes of assumptions	4,080,999	1,933,087
Changes in proportion and differences between employer contributions and proportionate share contributions	888,335	412,456
Contributions subsequent to measurement date	<u>678,794</u>	<u>-</u>
Total	<u>\$ 6,166,474</u>	<u>\$ 2,511,634</u>

**PROVIDENCE WATER SUPPLY BOARD
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NOTES TO FINANCIAL STATEMENTS**

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

Year Ending June 30,

2023	\$	513,750
2024		449,607
2025		437,631
2026		458,736
2027		<u>(235,710)</u>
Total	\$	<u>1,624,014</u>

11. CASH FLOWS

Annexation

During 2021, the annexation of the Town of Johnston, Rhode Island's Water Fund added \$13,687,727 of capital assets to the Water Supply Board in a noncash transaction.

PROVIDENCE WATER SUPPLY BOARD
 AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST EIGHT FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	\$ 1,126,258	\$ 1,166,900	\$ 995,246	\$ 979,926	\$ 980,977	\$ 1,017,119	\$ 941,053	\$ 854,182
Interest	5,081,510	5,286,382	5,175,617	5,396,418	5,258,402	5,172,289	5,130,041	5,509,989
Differences between expected and actual experience	1,039,093	814,236	(494,321)	107,440	288,353	579,761	(223,279)	79,253
Change from difference in proportionate share	(9,888,340)	-	-	-	(478,117)	(1,181,115)	3,875,236	-
Changes of assumptions	-	-	9,569,894	-	-	-	3,083,805	40,391
Benefit payments, including refunds of member contributions	(4,651,958)	(5,069,097)	(4,758,753)	(5,156,388)	(5,178,444)	(5,178,542)	(5,531,918)	(4,663,093)
Net change in total pension liability	(6,293,437)	2,178,421	10,487,663	1,327,396	871,171	409,812	7,274,938	1,820,722
Total pension liability - beginning	82,681,060	80,502,639	70,014,956	68,687,560	67,816,389	67,406,877	60,131,939	58,311,217
Total pension liability - ending	76,387,623	82,681,060	80,502,639	70,014,956	68,687,560	67,816,389	67,406,877	60,131,939
Plan fiduciary net position:								
Contributions - employer	4,129,000	4,262,000	4,083,000	4,180,000	3,828,000	3,636,754	3,615,102	3,212,354
Contributions - member	644,642	634,891	604,613	634,544	610,831	573,624	615,760	1,037,505
Net investment income	(1,753,868)	3,893,207	(233,787)	784,455	1,198,417	1,752,168	401,320	331,724
Change from difference in proportionate share	(9,888,340)	-	-	-	(54,698)	(298,595)	1,086,733	-
Benefit payments, including refunds of member contributions	(974,804)	(5,095,301)	(1,582,761)	(5,426,927)	(5,178,444)	(5,178,542)	(5,531,918)	(4,663,093)
Administrative expense	(10,811)	(9,815)	(9,164)	(8,606)	(11,173)	(12,559)	(9,408)	(9,367)
Net change in plan fiduciary net position	(6,854,781)	3,694,982	2,861,901	143,464	392,933	472,850	177,589	(90,877)
Plan fiduciary net position - beginning	24,597,125	20,912,143	18,050,242	17,906,778	17,513,845	17,040,995	16,863,406	16,954,283
Plan fiduciary net position - ending	17,742,944	24,597,125	20,912,143	18,050,242	17,906,778	17,513,845	17,040,995	16,863,406
Net Pension Liability - Ending	\$ 58,644,679	\$ 58,083,935	\$ 59,590,496	\$ 51,964,714	\$ 50,780,782	\$ 50,302,544	\$ 50,365,882	\$ 43,268,533
Net fiduciary net position as a percentage of the total pension liability	23.23%	29.75%	25.98%	25.78%	26.07%	25.83%	25.28%	28.04%
Covered payroll	\$ 14,537,238	\$ 14,236,747	\$ 13,591,633	\$ 13,580,693	\$ 13,790,686	\$ 12,980,186	\$ 13,096,208	\$ 12,930,447
Net pension liability as a percentage of covered payroll	403.41%	407.99%	438.44%	382.64%	368.23%	387.53%	384.58%	334.63%

**Notes:

1. The amounts presented for each fiscal year were determined as of a June 30 measurement date prior to the fiscal year-end.
2. This 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)
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST EIGHT FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,129,000	\$ 4,262,000	\$ 4,063,000	\$ 4,180,000	\$ 3,828,000	\$ 3,636,754	\$ 3,615,102	\$ 3,212,354
Contributions in relation to the actuarially determined contribution	4,129,000	4,262,000	4,063,000	4,180,000	3,828,000	3,636,754	3,615,102	3,212,354
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,537,238	\$ 14,236,747	\$ 13,591,633	\$ 13,580,693	\$ 13,790,686	\$ 12,980,186	\$ 13,096,208	\$ 12,930,447
Contributions as a percentage of covered payroll	28.40%	29.94%	30.04%	30.78%	27.76%	28.02%	27.60%	24.84%

Notes to Schedule

Valuation date: July 1, 2020
 Measurement date: June 30, 2022

Actuarially determined contribution rates are calculated as of June 30, for the second fiscal year immediately following the current fiscal year.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Individual Entry Age Normal
- Amortization method: Level dollar for the 1995 deferral liability and level percentage of payroll for the remaining unfunded liability
- Remaining amortization period: 10 years for the 1995 deferral liability and 19 years for the remaining unfunded liability.
- Asset valuation method: 5-year smoothed market
- Inflation: 3.00%
- Salary increases: 3.00% including inflation, but prior to reflecting increases due to longevity
- Investment rate of return: 7.00%, net of pension plan investment expense, including inflation
- Cost of living adjustments: 10-year freeze as of January 1, 2013 and 3% thereafter.

*Note - This 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)
 SCHEDULE OF INVESTMENT RETURNS
 LAST EIGHT FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	-11.10%	27.00%	-2.00%	4.50%	7.30%	12.20%	2.60%

***Notes:**

1. The amounts presented for each fiscal year were determined as of a June 30 measurement date prior to the fiscal year-end.
2. This 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)
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS*

Disclosure For FYE	2022	2021	2020
Measurement date	6/30/2021	6/30/2020	6/30/2019
Total OPEB liability:			
Service cost	\$ 40,771,000	\$ 26,281,000	\$ 26,084,000
Interest on the total OPEB liability	29,620,000	39,638,000	41,499,000
Differences between expected and actual experience	(1,486,000)	(9,441,000)	-
Changes of assumptions	13,973,000	211,978,000	24,984,000
Benefit payments	(35,115,000)	(31,943,000)	(33,205,000)
Net change in total OPEB liability	<u>47,763,000</u>	<u>236,513,000</u>	<u>59,362,000</u>
Total OPEB liability - beginning	<u>1,358,576,000</u>	<u>1,122,063,000</u>	<u>1,062,701,000</u>
 Total OPEB Liability - Ending	 <u>\$ 1,406,339,000</u>	 <u>\$ 1,358,576,000</u>	 <u>\$ 1,122,063,000</u>

The City does not have any assets accumulated in a trust for payment of OPEB expenses.

*Note - This schedule is intended to show information for 10 years - additional years will be displayed as

*Note - Measurement date of the total OPEB liability is one year prior to report date



**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**

Board of Directors
Providence Water Supply Board
Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Providence Water Supply Board (the Water Supply Board), as of and for the year ended June 30, 2022, 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 December 23, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Supply Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that have not been identified.

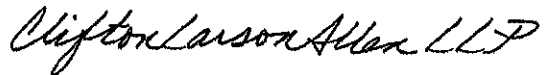
Board of Directors
Providence Water Supply Board

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Supply Board'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 Water Supply Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Cranston, Rhode Island
December 23, 2022

**Rhode Island Infrastructure Bank
Drinking Water SRF Program - Series 2023
Preliminary, Subject to Change - Market Rates as of 1/12/2023 + 75bps**

Loan Debt Service

Providence WSB- \$5.5M DWSRF Loan (AA Rated, Revenue Pledge)

Date	Principal	Loan Rate	(1) Interest	Net Fees @ 0.300%	Total Fees & Interest	Total Net Debt Service	Annual Net Debt Service & Fees
03/15/23							-
09/01/23	204,000.00	2.600%	75,829.74	7,608.33	83,438.07	287,438.07	287,438.07
03/01/24	-	-	79,487.20	7,944.00	87,431.20	87,431.20	-
09/01/24	210,000.00	2.630%	79,487.20	7,944.00	87,431.20	297,431.20	384,862.40
03/01/25	-	-	76,725.70	7,629.00	84,354.70	84,354.70	-
09/01/25	216,000.00	2.530%	76,725.70	7,629.00	84,354.70	300,354.70	384,709.40
03/01/26	-	-	73,993.30	7,305.00	81,298.30	81,298.30	-
09/01/26	222,000.00	2.530%	73,993.30	7,305.00	81,298.30	303,298.30	384,596.60
03/01/27	-	-	71,185.00	6,972.00	78,157.00	78,157.00	-
09/01/27	228,000.00	2.560%	71,185.00	6,972.00	78,157.00	306,157.00	384,314.00
03/01/28	-	-	68,266.60	6,630.00	74,896.60	74,896.60	-
09/01/28	235,000.00	2.620%	68,266.60	6,630.00	74,896.60	309,896.60	384,793.20
03/01/29	-	-	65,188.10	6,277.50	71,465.60	71,465.60	-
09/01/29	242,000.00	2.670%	65,188.10	6,277.50	71,465.60	313,465.60	384,931.20
03/01/30	-	-	61,957.40	5,914.50	67,871.90	67,871.90	-
09/01/30	249,000.00	2.660%	61,957.40	5,914.50	67,871.90	316,871.90	384,743.80
03/01/31	-	-	58,645.70	5,541.00	64,186.70	64,186.70	-
09/01/31	256,000.00	2.650%	58,645.70	5,541.00	64,186.70	320,186.70	384,373.40
03/01/32	-	-	55,253.70	5,157.00	60,410.70	60,410.70	-
09/01/32	264,000.00	2.680%	55,253.70	5,157.00	60,410.70	324,410.70	384,821.40
03/01/33	-	-	51,716.10	4,761.00	56,477.10	56,477.10	-
09/01/33	272,000.00	2.770%	51,716.10	4,761.00	56,477.10	328,477.10	384,954.20
03/01/34	-	-	47,948.90	4,353.00	52,301.90	52,301.90	-
09/01/34	280,000.00	2.920%	47,948.90	4,353.00	52,301.90	332,301.90	384,603.80
03/01/35	-	-	43,860.90	3,933.00	47,793.90	47,793.90	-
09/01/35	289,000.00	3.060%	43,860.90	3,933.00	47,793.90	336,793.90	384,587.80
03/01/36	-	-	39,439.20	3,499.50	42,938.70	42,938.70	-
09/01/36	299,000.00	3.190%	39,439.20	3,499.50	42,938.70	341,938.70	384,877.40
03/01/37	-	-	34,670.15	3,051.00	37,721.15	37,721.15	-
09/01/37	309,000.00	3.290%	34,670.15	3,051.00	37,721.15	346,721.15	384,442.30
03/01/38	-	-	29,587.10	2,587.50	32,174.60	32,174.60	-
09/01/38	320,000.00	3.360%	29,587.10	2,587.50	32,174.60	352,174.60	384,349.20
03/01/39	-	-	24,211.10	2,107.50	26,318.60	26,318.60	-
09/01/39	332,000.00	3.400%	24,211.10	2,107.50	26,318.60	358,318.60	384,637.20
03/01/40	-	-	18,567.10	1,609.50	20,176.60	20,176.60	-
09/01/40	344,000.00	3.430%	18,567.10	1,609.50	20,176.60	364,176.60	384,353.20
03/01/41	-	-	12,667.50	1,093.50	13,761.00	13,761.00	-
09/01/41	357,000.00	3.460%	12,667.50	1,093.50	13,761.00	370,761.00	384,522.00
03/01/42	-	-	6,491.40	558.00	7,049.40	7,049.40	-
09/01/42	372,000.00	3.490%	6,491.40	558.00	7,049.40	379,049.40	386,098.80
	<u>5,500,000.00</u>		<u>1,915,554.04</u>	<u>181,455.33</u>	<u>2,097,009.37</u>	<u>7,597,009.37</u>	<u>7,597,009.37</u>

(1) Interest during construction is calculated based on the timing of expected draws and the overall weighted average loan rate of 2.990%.

Rhode Island Infrastructure Bank
Drinking Water SRF Program - Series 2023
Preliminary, Subject to Change - Market Rates as of 1/12/2023 + 75bps

Calculation of Borrower Rate

Providence WSB- \$5.5M DWSRF Loan (AA Rated, Revenue Pledge)

Borrower:	Providence WSB	Highest Rating:	AA
Rate Lock Date:	01/12/23	MMD Scale:	Revenue-AA
Closing Date:	03/15/23	Zero% Subsidy:	-
Pledge:	Revenue	DSR Required:	YES

Maturity	Market Rate	Less 25% Subsidy	Subsidized Rate	Loan Rate	Plus Admin. Fee	Total Borrower Billing Rate
2023	3.470%	-0.870%	2.600%	2.600%	0.300%	2.900%
2024	3.510%	-0.880%	2.630%	2.630%	0.300%	2.930%
2025	3.380%	-0.850%	2.530%	2.530%	0.300%	2.830%
2026	3.380%	-0.850%	2.530%	2.530%	0.300%	2.830%
2027	3.420%	-0.860%	2.560%	2.560%	0.300%	2.860%
2028	3.500%	-0.880%	2.620%	2.620%	0.300%	2.920%
2029	3.560%	-0.890%	2.670%	2.670%	0.300%	2.970%
2030	3.550%	-0.890%	2.660%	2.660%	0.300%	2.960%
2031	3.540%	-0.890%	2.650%	2.650%	0.300%	2.950%
2032	3.570%	-0.890%	2.680%	2.680%	0.300%	2.980%
2033	3.700%	-0.930%	2.770%	2.770%	0.300%	3.070%
2034	3.890%	-0.970%	2.920%	2.920%	0.300%	3.220%
2035	4.080%	-1.020%	3.060%	3.060%	0.300%	3.360%
2036	4.260%	-1.070%	3.190%	3.190%	0.300%	3.490%
2037	4.390%	-1.100%	3.290%	3.290%	0.300%	3.590%
2038	4.480%	-1.120%	3.360%	3.360%	0.300%	3.660%
2039	4.530%	-1.130%	3.400%	3.400%	0.300%	3.700%
2040	4.570%	-1.140%	3.430%	3.430%	0.300%	3.730%
2041	4.610%	-1.150%	3.460%	3.460%	0.300%	3.760%
2042	4.650%	-1.160%	3.490%	3.490%	0.300%	3.790%

**Rhode Island Infrastructure Bank
 Drinking Water SRF Program - Series 2023
 Preliminary, Subject to Change - Market Rates as of 1/12/2023 + 75bps**

Sources & Uses

Providence WSB- \$5.5M DWSRF Loan (AA Rated, Revenue Pledge)

Sources:

Loan Proceeds	5,500,000.00
-	-
Total Sources	5,500,000.00

Uses:

Deposit to Project Fund	4,985,017.20
Deposit to DSRF	384,982.80
Loan Origination Fee (1.0%)	55,000.00
Costs of Issuance - Local Level	75,000.00
Total Uses	5,500,000.00

Providence WSB - DW Loan Statistics (Exclusive of Fees):	
Weighted Average Maturity (Years)	11.00
Market Yield on the Loan:	4.186%
Effective Yield* on Total Direct Loan	3.136%
Net Effective Subsidy:	25.090%

*Effective Yield incorporates:

* 25% DWSRF Interest Rate Subsidy

Rhode Island Infrastructure Bank
Drinking Water SRF Program - Series 2023
Preliminary, Subject to Change - Market Rates as of 1/12/2023 + 75bps

Construction Fund Cash Flow
Providence WSB- \$5.5M DWSRF Loan (AA Rated, Revenue Pledge)

Date	Beginning Balance	Loan Proceeds Deposit	Cost of Issuance	Direct Loan Draws	DSRF & Ins. & Cap-I	Total Draws	Ending Fund Balance	6-Month Const. Draws	% Spent
03/15/23	-	5,500,000.00	130,000.00	4,985,017.20	384,982.80	5,500,000.00	-		
04/01/23	-	-	-	-	-	-	-		
05/01/23	-	-	-	-	-	-	-		
06/01/23	-	-	-	-	-	-	-		
07/01/23	-	-	-	-	-	-	-		
08/01/23	-	-	-	-	-	-	-		
09/01/23	-	-	-	-	-	-	-	4,985,017.20	100%
10/01/23	-	-	-	-	-	-	-		
11/01/23	-	-	-	-	-	-	-		
12/01/23	-	-	-	-	-	-	-		
01/01/24	-	-	-	-	-	-	-		
02/01/24	-	-	-	-	-	-	-		
03/01/24	-	-	-	-	-	-	-	-	100%
04/01/24	-	-	-	-	-	-	-		
05/01/24	-	-	-	-	-	-	-		
06/01/24	-	-	-	-	-	-	-		
07/01/24	-	-	-	-	-	-	-		
08/01/24	-	-	-	-	-	-	-		
09/01/24	-	-	-	-	-	-	-	-	100%
10/01/24	-	-	-	-	-	-	-		
11/01/24	-	-	-	-	-	-	-		
12/01/24	-	-	-	-	-	-	-		
01/01/25	-	-	-	-	-	-	-		
02/01/25	-	-	-	-	-	-	-		
03/01/25	-	-	-	-	-	-	-	-	100%
04/01/25	-	-	-	-	-	-	-		
05/01/25	-	-	-	-	-	-	-		
06/01/25	-	-	-	-	-	-	-		
07/01/25	-	-	-	-	-	-	-		
08/01/25	-	-	-	-	-	-	-		
09/01/25	-	-	-	-	-	-	-	-	100%
10/01/25	-	-	-	-	-	-	-		
11/01/25	-	-	-	-	-	-	-		
12/01/25	-	-	-	-	-	-	-		
01/01/26	-	-	-	-	-	-	-		
02/01/26	-	-	-	-	-	-	-		
03/01/26	-	-	-	-	-	-	-	-	100%
04/01/26	-	-	-	-	-	-	-		
05/01/26	-	-	-	-	-	-	-		
06/01/26	-	-	-	-	-	-	-		
		<u>5,500,000.00</u>	<u>130,000.00</u>	<u>4,985,017.20</u>	<u>384,982.80</u>	<u>5,500,000.00</u>		<u>4,985,017.20</u>	

**Rhode Island Infrastructure Bank
Drinking Water SRF Program - Series 2023
Preliminary, Subject to Change - Market Rates as of 1/12/2023 + 75bps**

Loan Balance

Providence WSB- \$5.5M DWSRF Loan (AA Rated, Revenue Pledge)

Date	DW Loan Draws	DW Loan Principal Paid	DW Loan Balance	Interest (1) Accrued @ 2.990%	Semiannual Interest Requirements	Loan Fees @ 0.300%	Semiannual Loan Fees Payable
03/15/23	5,500,000.00	-	5,500,000.00	-	-	-	-
04/01/23	-	-	5,500,000.00	7,308.89	-	733.33	-
05/01/23	-	-	5,500,000.00	13,704.17	-	1,375.00	-
06/01/23	-	-	5,500,000.00	13,704.17	-	1,375.00	-
07/01/23	-	-	5,500,000.00	13,704.17	-	1,375.00	-
08/01/23	-	-	5,500,000.00	13,704.17	-	1,375.00	-
09/01/23	-	(204,000.00)	5,296,000.00	13,704.17	75,829.74	1,375.00	7,608.33
10/01/23	-	-	-	-	-	-	-
11/01/23	-	-	-	-	-	-	-
12/01/23	-	-	-	-	-	-	-
01/01/24	-	-	-	-	-	-	-
02/01/24	-	-	-	-	-	-	-
03/01/24	-	-	-	-	-	-	-
04/01/24	-	-	-	-	-	-	-
05/01/24	-	-	-	-	-	-	-
06/01/24	-	-	-	-	-	-	-
07/01/24	-	-	-	-	-	-	-
08/01/24	-	-	-	-	-	-	-
09/01/24	-	-	-	-	-	-	-
10/01/24	-	-	-	-	-	-	-
11/01/24	-	-	-	-	-	-	-
12/01/24	-	-	-	-	-	-	-
01/01/25	-	-	-	-	-	-	-
02/01/25	-	-	-	-	-	-	-
03/01/25	-	-	-	-	-	-	-
04/01/25	-	-	-	-	-	-	-
05/01/25	-	-	-	-	-	-	-
06/01/25	-	-	-	-	-	-	-
07/01/25	-	-	-	-	-	-	-
08/01/25	-	-	-	-	-	-	-
09/01/25	-	-	-	-	-	-	-
10/01/25	-	-	-	-	-	-	-
11/01/25	-	-	-	-	-	-	-
12/01/25	-	-	-	-	-	-	-
01/01/26	-	-	-	-	-	-	-
02/01/26	-	-	-	-	-	-	-
03/01/26	-	-	-	-	-	-	-
04/01/26	-	-	-	-	-	-	-
05/01/26	-	-	-	-	-	-	-
06/01/26	-	-	-	-	-	-	-
	<u>5,500,000.00</u>	<u>(204,000.00)</u>		<u>75,829.74</u>	<u>75,829.74</u>	<u>7,608.33</u>	<u>7,608.33</u>

(1) Interest rate represents the weighted average loan rate for the entire loan amortization.