

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023



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

To the Board of Directors of
Providence Water Supply Board
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, 2024 and 2023, 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, 2024 and 2023 and the changes in its financial position and its cash flows thereof 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. 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 present 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, 2024 and 2023, the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

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

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.

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

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 financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2024, 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 27, 2024

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

This Management's Discussion and Analysis of the Providence Water Supply Board (Providence Water) financial statements provides a narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2024, and 2023.

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 Providence Water is improving or deteriorating.
- The statements of revenues, expenses, and changes in net position report the operating and nonoperating revenues and expenses of Providence Water 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, 2024 AND 2023**

Condensed Financial Information

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total current assets	\$ 109,836,537	\$ 97,623,449	\$ 85,422,219
Total long-term assets	<u>545,511,566</u>	<u>518,479,920</u>	<u>498,580,888</u>
Total assets	<u>655,348,103</u>	<u>616,103,369</u>	<u>584,003,107</u>
Deferred outflows of resources	<u>4,950,085</u>	<u>6,868,719</u>	<u>9,830,455</u>
Total current liabilities	25,836,634	21,629,497	23,916,391
Total long-term liabilities	<u>220,147,062</u>	<u>207,302,870</u>	<u>213,289,804</u>
Total liabilities	<u>245,983,696</u>	<u>228,932,367</u>	<u>237,206,195</u>
Deferred inflows of resources	<u>11,651,177</u>	<u>13,004,147</u>	<u>5,581,574</u>
Net position:			
Net investment in capital assets	351,705,165	359,601,759	357,814,656
Restricted fund	64,400,166	64,066,548	50,278,871
Unrestricted fund	<u>(13,442,016)</u>	<u>(42,632,733)</u>	<u>(57,047,734)</u>
Total Net Position	<u>\$ 402,663,315</u>	<u>\$ 381,035,574</u>	<u>\$ 351,045,793</u>
Total operating revenue	\$ 88,038,391	\$ 94,491,834	\$ 88,824,578
Total operating expenses	54,353,720	52,456,497	51,152,317
Depreciation	<u>12,195,639</u>	<u>11,490,558</u>	<u>10,745,008</u>
Total operating expenses including depreciation	<u>66,549,359</u>	<u>63,947,055</u>	<u>61,897,325</u>
Operating income	21,489,032	30,544,779	26,927,253
Nonoperating expense	(784,927)	(1,671,591)	(1,192,718)
Capital grants and contributions	<u>923,636</u>	<u>1,116,593</u>	<u>789,048</u>
Change in Net Position	<u>\$ 21,627,741</u>	<u>\$ 29,989,781</u>	<u>\$ 26,523,583</u>

Financial Highlights

During the fiscal year 2024, Providence Water had operating revenues that exceeded operating expenses by \$33.7 million. These are primarily due to careful management of operating costs, and unexpended revenues allocated for restricted funds. Total assets and deferred outflows were \$660.3 million, up \$37.3 million from last year's total assets of \$623.0 million because of the amount of work performed on the transmission and distribution system, and continued maintenance and replacement of the aging current infrastructure. Current assets, principally cash and cash investments, increased by \$12.2 million, and net plant increased by \$27 million.

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Providence Water's net position totaled \$402.7 million on June 30, 2024, an increase of \$21.6 million from June 30, 2023. 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 \$21.5 million, net non-operating expenses of \$0.8 million, and capital contributions of \$0.9 million.

Providence Water's net position totaled \$381.0 million on June 30, 2023 an increase of \$30.0 million from June 30, 2022. The increase is also due to unexpended revenue allocated for restricted funds. Also reflected in the change to our net position is net operating income of \$30.5 million, net non-operating expenses of \$1.7 million, and capital contributions of \$1.1 million.

Providence Water's total operating revenues were \$88.0 million for fiscal year 2024, a \$6.5 million or 6.9% decrease over the prior year. The primary reason for the decline is a decrease in consumption across all customer classes and the increase in operating expenses during a period of economic uncertainty. Total operating expenses of the water system amounted to \$66.5 million, a \$2.6 million increase over the prior year's amount of \$63.9 million. The increase is primarily attributable to increased costs of services and materials, project expenditures, and infrastructure upgrades.

Providence Water's total operating revenues were \$94.5 million for fiscal year 2023, a \$5.7 million or 6.4% increase over the prior year. This increase is mainly due to new rates approved by the Rhode Island Public Utilities Commission as part of the step two increase filed in Docket 4994. Another factor is the increase in consumption, primarily due to higher temperatures during the summer season. Total operating expenses of the water system amounted to \$63.9 million, a \$2.0 million increase over the prior year's amount of \$61.9 million. The 3.3% increase is primarily attributable to an increase in material costs.

Capital Assets and Debt Administration

Capital Assets:

On June 30, 2024, Providence Water had \$545.5 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 \$27.0 million, or 5.2%, over the prior year.

On June 30, 2023, Providence Water had \$518.5 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 \$19.9 million, or 4.0%, 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, 2024 AND 2023**

Major project expenditures in fiscal year 2024 (included in millions):

. Water Main Rehabilitation	\$10.7
. Pine Hill Tank (Golden View Tank Replacement)	\$ 5.5
. Lead Services Replacement	\$ 4.8
. Treatment Plant Architectural Upgrades	\$ 3.5
. Treatment Plant Residual Management System Upgrades	\$ 3.2
. Various Treatment Improvements	\$ 2.4
. Billing System Replacement	\$ 0.9
. Various Pump Station and Storage Facility Improvements	\$ 0.8
. Various Distribution Facilities Projects	\$ 0.7
. Various Support System Facilities Improvements	\$ 0.7
. IFR General Planning	\$ 0.5
. Various Transmission System Improvements	\$ 0.3
. Various Raw Water Supply Improvements	\$ 0.2

Providence Water’s fiscal year 2024 capital budget included project expenditures of \$35.9 million for infrastructure and capital projects. The major projects were the continuation of the main water replacements and upgrades, the Pine Hill tank, the replacement of lead services, and upgrades to the treatment plant residual management system. The majority of infrastructure projects are financed on a pay-as-you-go, cash basis from rate revenues. The water main rehabilitation/replacement project was funded from bond proceeds issued through the Rhode Island Infrastructure Bank (RIIB). New major capital investments that will benefit ratepayers for many years are generally funded with long-term debt financing.

Water Main Rehabilitation

Providence Water operates an aging distribution system composed mainly of unlined cast iron pipes. Providence Water is committed to renewing and/or replacing much of the buried infrastructure. Water main rehabilitation improves water quality, reduces pipe breaks and the resulting loss of service, curtail leakage, and improves hydraulic capacity as needed for residential, commercial, and industrial users and fire protection. Providence Water Main Replacement/Rehabilitation Program (WMR) targets areas of high iron and lead corrosion as indicated by LCR compliance sites and additional water quality monitoring within the distribution system. In FY 2024, Providence Water rehabilitated 3 miles at a cost of approximately \$10.7 million.

Pine Hill Tank

The Pine Hill Tank is funded directly out of our Infrastructure replacement program. The total project costs are estimated to be about \$14 Million. The project includes the construction of a brand new 1 million gallon glass fused storage tank that will replace the existing 750 thousand gallon steel tank that was taken over from the Town of Johnston a few years ago. The existing tank is in poor condition and has reached the end of its useful life and will be taken out of service permanently when the new tank is brought online in the spring. The tank sits on a pedestal 110 feet above the ground and will provide service to the western parts of Johnston and Cranston.

**PROVIDENCE WATER SUPPLY BOARD
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Private Side Lead Service Line Replacement Program:

In February of 2017, the RIPUC approved, as part of the application for new rates (RIPUC Docket 4618) \$250,000 of rate revenue per year to be used to finance a 0% interest loan with a 3-year repayment schedule program to assist homeowners to 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 RIPUC 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 aims to reduce the amount of lead found in homes that could be harmful to residents, especially children.

The program entered its first loan in April 2018, and through June 30, 2024, 1,010 loans had been executed in the amount of approximately \$4.0 million. A 0% interest loan for \$1 million and a second loan for \$3 million from the RIIB allowed Providence Water to capitalize these loans at an accelerated rate.

In 2021, Congress passed the Bipartisan Infrastructure Law, which authorized billions of dollars to be used to improve critical infrastructure throughout the country through subsidized loans through the US EPA State Revolving Fund programs and straight grants.

Providence Water worked with RIIB and the US EPA to secure more than \$6.4 million in grants to expand the private-side lead service line replacement program. In fiscal year 2024, 510 private-side lead services, at \$2.2 million, were replaced through this grant.

Debt

Providence Water continues to meet its obligations by paying its debt principal and interest when they are due. On June 30, 2024, Providence Water had \$159.7 million in bonds and notes outstanding versus \$143.5 million in the previous year. This represented an increase of \$16.2 million or 11.3%. This is due to a combination of paying down the principals of previously issued debt and a new debt of \$26.3 million authorized by the RIPUC from the Drinking Water Revolving Fund through RIIB.

On June 30, 2023, Providence Water had \$143.5 million in bonds and notes outstanding versus \$140.4 million in the previous year. This represented a decrease of \$3.1 million or 2.2%. This is due to a combination of paying down the principals of previously issued debt and two new debts totaling \$11.0 Million received in fiscal year 2023, which has been used for the water main rehabilitation/replacement project and energy-efficient building project

Subsequent Events

On November 26, 2024, Providence Water filed a general rate filing with the Public Utilities Commission to collect additional revenue of \$8,208,990, an overall increase of 9.36%, effective July 1, 2025, to support a total cost of service of \$95,898,832. The second phase, to become effective July 1, 2026, seeks to collect an additional \$2,341,788 in revenue to support Providence Water's cost of service of \$98,240,620.

Union Contract

The labor force of the Water Supply Board, except for management, is covered by a union contract that is effective from 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, 2024 AND 2023**

Contacting Providence Water's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of Providence Water's finances and to illustrate Providence Water's accountability for the monies it receives. If you have questions about this report or need additional financial information, please contact the Director of Finance, 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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Assets:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 1,433,470	\$ 4,027,755
Cash held by fiscal agent	33,958,018	14,836,472
Accounts receivable, net of allowance for uncollectible accounts of \$1,331,243 in 2024 and \$1,483,512 in 2023	9,877,160	11,069,708
Accounts receivable - unbilled	1,897,083	1,674,933
Inventory	2,497,628	2,993,853
Other assets	-	152,790
Total current unrestricted assets	<u>49,663,359</u>	<u>34,755,511</u>
Current restricted assets:		
Cash and cash equivalents	56,998,989	59,724,466
Accounts receivable	2,991,113	2,964,766
Notes receivable - short term	183,076	178,706
Total current restricted assets	<u>60,173,178</u>	<u>62,867,938</u>
Total current assets	<u>109,836,537</u>	<u>97,623,449</u>
Capital assets:		
Land	27,280,363	26,914,625
Building and improvements	160,415,330	153,461,243
Improvements other than buildings	547,179,642	522,644,090
Machinery and equipment	57,457,253	54,814,074
Scituate Reservoir Project	18,681,695	18,681,695
Construction in progress	43,553,109	38,641,304
	<u>854,567,392</u>	<u>815,157,031</u>
Less accumulated depreciation and amortization	309,055,826	296,860,187
Total capital assets, net	<u>545,511,566</u>	<u>518,296,844</u>
Other noncurrent assets:		
Notes receivable - long term	-	183,076
Deferred Outflows of Resources:		
OPEB-related deferred outflows of resources	2,880,085	3,750,719
Pension-related deferred outflows of resources	2,070,000	3,118,000
Total deferred outflows of resources	<u>4,950,085</u>	<u>6,868,719</u>
Total assets and deferred outflows of resources	<u>660,298,188</u>	<u>622,972,088</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 NET POSITION (CONTINUED)
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Liabilities:		
Current:		
Accounts payable	\$ 1,631,477	\$ 778,106
Accrued liabilities	3,153,306	3,313,500
Due to City of Providence General Fund	958,548	1,290,509
Current portion of long-term debt	11,318,494	10,551,125
Current portion of OPEB liability	4,364,745	4,318,941
Total current unrestricted liabilities	<u>21,426,570</u>	<u>20,252,181</u>
Amounts to be paid from current restricted assets:		
Due to Water Resources Board	230,857	275,228
Amounts payable from restricted assets	4,179,207	1,102,088
Total current restricted liabilities	<u>4,410,064</u>	<u>1,377,316</u>
Total current liabilities	<u>25,836,634</u>	<u>21,629,497</u>
Noncurrent liabilities:		
General revenue bonds	148,346,813	132,945,706
Net pension liability	57,855,239	60,270,021
Total OPEB liability	13,945,010	14,087,143
Total noncurrent liabilities	<u>220,147,062</u>	<u>207,302,870</u>
Total liabilities	<u>245,983,696</u>	<u>228,932,367</u>
Deferred Inflows of Resources:		
OPEB-related deferred inflows of resources	8,713,177	11,129,147
Pension-related deferred inflows of resources	2,938,000	1,875,000
Total deferred inflows of resources	<u>11,651,177</u>	<u>13,004,147</u>
Net Position:		
Net investment in capital assets	351,705,165	359,601,759
Restricted	64,400,166	64,066,548
Unrestricted	<u>(13,442,016)</u>	<u>(42,632,733)</u>
Total Net Position	<u>\$ 402,663,315</u>	<u>\$ 381,035,574</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Charges for services:		
Water sales:		
General customers	\$ 62,096,466	\$ 67,294,383
Other local water suppliers	18,368,074	19,532,012
Fire protection services	3,982,932	4,037,729
Maintenance charges and other revenue	3,590,919	3,627,710
Total operating revenues	<u>88,038,391</u>	<u>94,491,834</u>
Operating Expenses:		
Source of supply	995,658	625,604
Pumping operations	540,030	1,896,292
Water treatment	10,622,738	8,136,833
Transmission and distribution	8,218,111	6,117,106
Charge for services provided by other City departments	839,167	839,167
Customer accounts and service	3,512,334	3,384,540
Administrative and general	20,845,616	22,873,074
Depreciation	12,195,639	11,490,558
Property taxes - other local governments	8,780,066	8,583,881
Total operating expenses	<u>66,549,359</u>	<u>63,947,055</u>
Operating Income	<u>21,489,032</u>	<u>30,544,779</u>
Nonoperating Revenue (Expense):		
Interest income	2,640,986	1,488,560
Interest expense and other	(3,452,040)	(3,160,151)
Gain (loss) on sale of asset	26,127	-
Net nonoperating expense	<u>(784,927)</u>	<u>(1,671,591)</u>
Capital Grants and Contributions	<u>923,636</u>	<u>1,116,593</u>
Total capital grants, contributions and special items	<u>923,636</u>	<u>1,116,593</u>
Change in Net Position	21,627,741	29,989,781
Net Position - Beginning of Year	<u>381,035,574</u>	<u>351,045,793</u>
Net Position - End of Year	<u>\$ 402,663,315</u>	<u>\$ 381,035,574</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 89,130,862	\$ 93,380,009
Payments to vendors	(28,343,105)	(29,172,028)
Payments to employees	(24,061,503)	(25,858,490)
Net cash provided by operating activities	<u>36,726,254</u>	<u>38,349,491</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(39,410,361)	(31,568,296)
Interest and issuance costs paid on debt	(3,452,040)	(3,160,151)
Proceeds from bond issuance	26,300,000	12,463,730
Principal payments on long-term debt	(10,131,524)	(9,371,349)
Proceeds from note receivable	178,706	187,927
Capital grants	923,636	1,116,593
Net cash provided used in capital and related financing activities	<u>(25,591,583)</u>	<u>(30,331,546)</u>
Cash Flows from Investing Activities:		
Investment income	2,640,986	1,488,560
Proceeds from sale of assets	26,127	-
Net cash provided by investing activities	<u>2,667,113</u>	<u>1,488,560</u>
Net Increase in Cash and Cash Equivalents	13,801,784	9,506,505
Cash and Cash Equivalents - Beginning of Year	<u>78,588,693</u>	<u>69,082,188</u>
Cash and Cash Equivalents - End of Year	<u>\$ 92,390,477</u>	<u>\$ 78,588,693</u>
Unrestricted Cash and Cash Equivalents	\$ 35,391,488	\$ 18,864,227
Restricted Cash and Cash Equivalents	<u>56,998,989</u>	<u>59,724,466</u>
	<u>\$ 92,390,477</u>	<u>\$ 78,588,693</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 21,489,032	\$ 30,544,779
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	12,195,639	11,490,558
Provision for doubtful accounts	152,269	327,609
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	791,782	(3,211,133)
(Increase) decrease in inventories	496,225	(1,506,302)
(Increase) decrease in other assets	152,790	1,762,478
(Increase) decrease in deferred outflows of resources	1,918,634	2,961,736
Increase (decrease) in due to other funds	(331,961)	138,674
Increase (decrease) in accounts payable and accrued expenses	3,725,925	(3,915,812)
Increase (decrease) net pension liability	(2,414,782)	1,625,342
Increase (decrease) net OPEB liability	(96,329)	(9,291,011)
Increase (decrease) in deferred inflows of resources	<u>(1,352,970)</u>	<u>7,422,573</u>
Net Cash Provided by Operating Activities	<u>\$ 36,726,254</u>	<u>\$ 38,349,491</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)
NOTES TO FINANCIAL STATEMENTS**

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, 2024 and 2023, 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
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS**

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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NOTES TO FINANCIAL STATEMENTS**

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 2024, the \$24,568 in fees that had been collected was recognized by the Water Supply Board as revenue. In 2023, the \$33,781 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 statement 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, 2024 and 2023, 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 statement of net position can report deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2024 and 2023, 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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NOTES TO FINANCIAL STATEMENTS**

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 statement 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.

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

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.

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
- 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 the bank balances as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,838,239	\$ 4,533,594
Restricted cash and cash equivalents	<u>57,838,581</u>	<u>61,232,802</u>
	<u>\$ 59,676,820</u>	<u>\$ 65,766,396</u>

**PROVIDENCE WATER SUPPLY BOARD
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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, 2024 of \$59,676,820, \$500,000 is covered by Federal Deposit Insurance Corporation (FDIC) insurance and \$59,176,820 of the balance is covered by the collateral agreements. Of the cash and cash equivalent balances at June 30, 2023 of \$65,766,396, \$500,000 is covered by FDIC insurance and \$65,266,396 of the balance is covered by the collateral agreements.

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

4. CAPITAL ASSETS

The following is a summary of the activity in capital assets as of June 30, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 26,914,625	\$ 365,738	\$ -	\$ 27,280,363
Scituate Reservoir Project	18,681,695	-	-	18,681,695
Construction in progress	38,641,304	38,314,459	33,402,654	43,553,109
Total capital assets not being depreciated	<u>84,237,624</u>	<u>38,680,197</u>	<u>33,402,654</u>	<u>89,515,167</u>
Capital assets being depreciated:				
Buildings and improvements	153,461,243	6,954,087	-	160,415,330
Sewer and infrastructure	522,644,090	24,535,552	-	547,179,642
Equipment	54,814,074	2,643,179	-	57,457,253
Total capital assets being depreciated	<u>730,919,407</u>	<u>34,132,818</u>	<u>-</u>	<u>765,052,225</u>
Less accumulated depreciation for:				
Buildings and improvements	93,078,026	2,709,660	-	95,787,686
Sewer and infrastructure	165,005,525	6,830,419	-	171,835,944
Equipment	38,776,636	2,655,560	-	41,432,196
Total accumulated depreciation	<u>296,860,187</u>	<u>12,195,639</u>	<u>-</u>	<u>309,055,826</u>
Total capital assets being depreciated, net	<u>434,059,220</u>	<u>21,937,179</u>	<u>-</u>	<u>455,996,399</u>
Capital Assets, Net	<u>\$ 518,296,844</u>	<u>\$ 60,617,376</u>	<u>\$ 33,402,654</u>	<u>\$ 545,511,566</u>

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

The following is a summary of the activity in capital assets as of June 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 26,598,062	\$ 316,563	\$	\$ 26,914,625
Scituate Reservoir Project	18,681,695			18,681,695
Construction in progress	33,568,043	30,728,751	25,655,490	38,641,304
Total capital assets not being depreciated	<u>78,847,800</u>	<u>31,045,314</u>	<u>25,655,490</u>	<u>84,237,624</u>
Capital assets being depreciated:				
Buildings and improvements	153,112,529	348,714		153,461,243
Sewer and infrastructure	498,684,637	23,959,453		522,644,090
Equipment	52,943,769	1,870,305		54,814,074
Total capital assets being depreciated	<u>704,740,935</u>	<u>26,178,472</u>	<u>-</u>	<u>730,919,407</u>
Less accumulated depreciation for:				
Buildings and improvements	90,528,043	2,549,983		93,078,026
Sewer and infrastructure	158,492,263	6,513,262		165,005,525
Equipment	36,349,323	2,427,313		38,776,636
Total accumulated depreciation	<u>285,369,629</u>	<u>11,490,558</u>	<u>-</u>	<u>296,860,187</u>
Total capital assets being depreciated, net	<u>419,371,306</u>	<u>14,687,914</u>	<u>-</u>	<u>434,059,220</u>
Capital Assets, Net	<u>\$ 498,219,106</u>	<u>\$ 45,733,228</u>	<u>\$ 25,655,490</u>	<u>\$ 518,296,844</u>

5. LONG-TERM DEBT

The following is the long-term debt activity as of June 30, 2024:

	2024				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 143,496,831	\$ 26,300,000	\$ 10,131,524	\$ 159,665,307	\$ 11,318,494
Net pension liability	60,270,021		2,414,782	57,855,239	
Total OPEB liability	<u>18,406,084</u>		<u>96,329</u>	<u>18,309,755</u>	<u>4,364,745</u>
Long-Term Liabilities	<u>\$ 222,172,936</u>	<u>\$ 26,300,000</u>	<u>\$ 12,642,635</u>	<u>\$ 235,830,301</u>	<u>\$ 15,683,239</u>

**PROVIDENCE WATER SUPPLY BOARD
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The following is the long-term debt activity as of June 30, 2023:

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 140,404,450	\$ 12,463,730	\$ 9,371,349	\$ 143,496,831	\$ 10,551,125
Net pension liability	58,644,679	1,625,342		60,270,021	
Total OPEB liability	<u>27,697,095</u>		<u>9,291,011</u>	<u>18,406,084</u>	<u>4,318,941</u>
Long-Term Liabilities	<u>\$ 226,746,224</u>	<u>\$ 14,089,072</u>	<u>\$ 18,662,360</u>	<u>\$ 222,172,936</u>	<u>\$ 14,870,066</u>

The following is a summary of bonds and notes outstanding at June 30, 2024 and 2023:

Description	Amount of Interest Rate (%)	Outstanding June 30, 2024	Outstanding June 30, 2023
Safe Drinking Water Bonds (CWFA FY2008)	2.85%	\$ 13,050,000	\$ 14,963,000
Safe Drinking Water Bonds (CWFA FY2010)	.0410% to 3.14%	3,939,250	4,428,250
Safe Clean Water Bonds (CWFA FY2012)	.072% to 3.26%	1,524,000	1,671,000
Safe Clean Water Bonds (CWFA FY2013)	.019% - 2.53%	2,328,000	2,529,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 2.63%	15,162,000	16,330,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 3.01%	4,864,000	5,237,000
Safe Drinking Water Bonds (CWFA FY2015)	.022% - 3.01%	20,454,000	21,889,000
Safe Drinking Water Bonds (CWFA FY2017)	.022% to 1.95%	11,850,095	12,615,095
Safe Drinking Water Bonds (RIIB- FY2018)	0.00%	-	
Safe Drinking Water Bonds (CWFA FY2019)	.022% to 1.95%	12,189,000	12,830,000
Safe Drinking Water Bonds (CWFA FY2020)	1.17%	16,359,000	17,278,000
Safe Drinking Water Bonds (CWFA FY2021)	.070% to 2.09%	18,968,000	19,985,000
Safe Drinking Water Bonds (RIIB- FY2020)	0.00%	1,809,941	2,280,494
RIIB Bond FY2023 \$5.5 Mill Series 2023 EB	2.13%-2.49%	5,164,000	5,500,000
RIIB Bond FY2023 \$5.5 Mill Series 2023 WM	2.65% - 3.53%	5,291,000	5,500,000
Safe Drinking Water Bonds LSRL (CWFA FY2024)	2.44% - 3.85%	26,299,000	-
East Smithfield Water District DWSRF Bonds Series 2009A (RIIB- FY2009 Bond)	3.51%	27,650	42,238
East Smithfield Water District DWSRF Loan Series 2009A (RIIB- FY2009 Loan)	3.00%	60,000	70,000
East Smithfield Water District DWSRF Bond Series 2014A (RIIB- FY2014 Bond)	1.30% - 3.43%	<u>326,371</u>	<u>348,754</u>
Total		<u>\$ 159,665,307</u>	<u>\$ 143,496,831</u>

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Scheduled principal maturities at June 30, 2024 of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>ARRA / SRF Principal Forgiveness</u>	<u>Interest and Fees</u>	<u>Total</u>
2025	\$ 11,318,494	\$ (1,362,638)	3,050,293	\$ 13,006,149
2026	11,517,913	(1,389,808)	2,878,497	13,006,602
2027	11,657,828	(1,418,097)	2,645,955	12,885,686
2028	11,897,291	(1,447,739)	2,393,388	12,842,940
2029	12,173,676	(1,479,204)	2,144,066	12,838,538
2030-2034	52,279,009	(7,432,165)	6,943,494	51,790,338
2035-2039	34,710,095	(6,904,184)	2,035,799	29,841,710
2040-2044	14,111,001	(4,787,468)	235,046	9,558,579
Total	\$ <u>159,665,307</u>	\$ <u>(26,221,303)</u>	\$ <u>22,326,538</u>	\$ <u>155,770,542</u>

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, 2024 and 2023. This amount is established by the City, approved by the Water Supply Board and ultimately approved by the PUC. The Water Supply Board also provides services to various City funds and departments, the charges for which have been included as revenue in the accompanying financial statements. Included within the due to City of Providence General Fund balance on the statements of net position are the related balances due for the services described above. The balance also includes payments for pension and post-employment benefits. The total balance due to the City of Providence General Fund at June 30, 2024 and 2023 totaled \$958,548 and \$1,290,509, respectively.

7. COMMITMENTS AND CONTINGENCIES

Risk Management

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

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

Union Contract

The labor force of the Water Supply Board, with the exception of management, is covered by a union contract, which is effective for the period July 1, 2022 to June 30, 2025.

**PROVIDENCE WATER SUPPLY BOARD
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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.

8. 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, 2023, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	173
Active employees	<u>241</u>
 Total	 <u><u>414</u></u>

The total pension liability was determined by an actuarial valuation as of July 1, 2023 and rolled forward to June 30, 2024, 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, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 14.3%. 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, 2024 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>
	<u>100.00 %</u>	

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

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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, 2024 was \$4,657,000.

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, 2024, 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, 2024</u>	<u>June 30, 2023</u>
Total pension liability	\$ 81,187,013	\$ 81,087,537
Plan fiduciary net position	<u>23,331,774</u>	<u>20,817,516</u>
Net Pension Liability	<u>\$ 57,855,239</u>	<u>\$ 60,270,021</u>
Plan fiduciary net position as a percentage of the total pension liability	28.74%	25.67%

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Changes in the Net Pension Liability for the Water Supply Board

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of July 1, 2023	\$ 81,087,537	\$ 20,817,516	\$ 60,270,021
Changes for the year:			
Service cost	1,280,277		1,280,277
Interest on total pension liability	5,406,777		5,406,777
Differences between expected and actual experience	974,451		974,451
Changes in proportionate share	(2,694,266)	(2,694,266)	-
Employer contributions		4,657,000	(4,657,000)
Member contributions		807,168	(807,168)
Net investment income		2,618,980	(2,618,980)
Benefit payments, including refund to employee contributions	(4,867,763)	(2,865,192)	(2,002,571)
Administrative expenses		(9,432)	9,432
Net changes	<u>99,476</u>	<u>2,514,258</u>	<u>(2,414,782)</u>
Balances as of June 30, 2024	<u>\$ 81,187,013</u>	<u>\$ 23,331,774</u>	<u>\$ 57,855,239</u>

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of July 1, 2022	\$ 76,387,623	\$ 17,742,944	\$ 58,644,679
Changes for the year:			
Service cost	1,214,593		1,214,593
Interest on total pension liability	5,477,693		5,477,693
Differences between expected and actual experience	(226,460)		(226,460)
Changes in proportionate share	3,066,996	3,066,996	0
Employer contributions		4,604,000	(4,604,000)
Member contributions		775,387	(775,387)
Net investment income		1,825,621	(1,825,621)
Benefit payments, including refund to employee contributions	(4,832,908)	(7,187,519)	2,354,611
Administrative expenses		(9,913)	9,913
Net changes	<u>4,699,914</u>	<u>3,074,572</u>	<u>1,625,342</u>
Balances as of June 30, 2023	<u>\$ 81,087,537</u>	<u>\$ 20,817,516</u>	<u>\$ 60,270,021</u>

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Additional information as of the latest actuarial valuation follows:

Valuation Date	Actuarially determined contribution (ADC) rates are calculated as of the beginning of the fiscal year (July 1) for the fiscal year immediately following the current fiscal year. Actuarial valuations are performed every year. The assumptions shown below are those used in the July 1, 2022 actuarial valuation which developed the FY 2024 ADC. Assumptions used to determine contributions in the past may not have been the same.
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	8 years for the 1995 deferral liability and 17 years for the remaining unfunded liability.
Asset Valuation period	5-year smoothed market with a 20% corridor
Actuarial assumptions:	
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation rate	3.00%
Salary increases	3.00 percent, 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; capped at the lesser of (a) current base compensation of same active position and (b) 150% of RI state median income

Mortality rates were based on the following:

Pre-Retirement

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

Post Retirement

- Class A Retiree: Pub-2010 General Retiree Amount-Weighted Mortality Tables projected generationally from the 2010 base year using Scale MP-2019.
- Class B Retiree: Pub-2010 Safety Retiree Amount-Weighted Mortality Tables projected generationally from the 2010 base year using Scale MP-2019.
- Class A Beneficiary: Pub-2010 Contingent Survivor Amount-Weighted Mortality Tables projected generationally from the 2010 base year using Scale MP-2019.

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

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2024 and 2023 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 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate at June 30, 2024:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ 68,072,762	\$ 57,855,239	\$ 49,448,843

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 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate at June 30, 2023:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ 70,399,578	\$ 60,270,021	\$ 51,923,458

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

For the years ended June 30, 2024 and 2023, the Water Supply Board recognized pension expense of \$4,353,447 and \$6,654,213, respectively.

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At June 30, 2024, 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	\$ 991,676	\$ 108,301
Changes of assumptions		
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,078,324	2,321,377
Net difference between projected and actual earning on pension plan investments		508,322
	<u>\$ 2,070,000</u>	<u>\$ 2,938,000</u>

At June 30, 2023, 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	\$ 738,492	\$ 170,050
Changes of assumptions		
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,623,260	1,704,950
Net difference between projected and actual earning on pension plan investments		756,248
	<u>\$ 3,118,000</u>	<u>\$ 1,875,000</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

2025	\$ (574,635)
2026	527,298
2027	(583,518)
2028	(237,145)
	<u>\$ (868,000)</u>

Payable to the Plan

At June 30, 2024, the Water Supply Board had made full payment of the required pension contribution for the year ended June 30, 2024.

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9. POST EMPLOYMENT BENEFITS

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

Plan Description

The City’s Post-Employment 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 August 1, 2022:

Active members	4,255
Retirees	<u>5,305</u>
Total	<u><u>9,560</u></u>

Total OPEB Liability

For the years ended June 30, 2024 and 2023, the Water Supply Board recognized OPEB liability of \$18,309,755 and \$18,406,084, 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, 2023 was measured by an actuarial valuation as of June 30, 2022 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

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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 6 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

Pre-Retirement

Class A Healthy: Pub-2010 General Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

Class B Healthy: Pub-2010 Safety Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

Teachers: Pub-2010 Teacher Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

Post-Retirement

Class A Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

Class B Healthy: Pub-2010 Safety Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

Teachers Healthy: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

Class A Disabled Retirees: Pub-2010 Non-Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

Class B Disabled Retirees: Pub-2010 Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

Teachers Disabled Retirees: Pub-2010 Non-Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021

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Changes in the Total OPEB Liability for the Water Supply Board

	Total OPEB Liability
Balances as of July 1, 2023	\$ <u>18,406,084</u>
Changes for the year:	
Service cost	529,228
Interest on total OPEB liability	661,893
Changes in assumptions	(525,528)
Differences between expected and actual experience	215,936
Change from difference in proportionate share	(242,420)
Benefit payments	<u>(735,438)</u>
Net changes	<u>(96,329)</u>
Balances as of June 30, 2024	\$ <u><u>18,309,755</u></u>

Changes of assumptions reflect the following:

- The discount rate was increased from 3.69% as of June 30, 2023 to 3.86% as of June 30, 2024.
- The per capita health care costs, and the associated trends on the costs and contributions, were updated to reflect current experience and future expectations.

	Total OPEB Liability
Balances as of July 1, 2022	\$ <u>27,697,095</u>
Changes for the year:	
Service cost	965,177
Interest on total OPEB liability	559,060
Changes in assumptions	(5,394,410)
Differences between expected and actual experience	(6,526,973)
Change from difference in proportionate share	1,659,491
Benefit payments	<u>(553,356)</u>
Net changes	<u>(9,291,011)</u>
Balances as of June 30, 2023	\$ <u><u>18,406,084</u></u>

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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 1 percentage point lower (2.86%) or 1 percentage point higher (4.86%) than the current discount rate (3.86%) at June 30, 2024:

2024	<u>1% Decrease 2.86%</u>	<u>Current Discount Rate 3.86%</u>	<u>1% Increase 4.86%</u>
Total OPEB Liability	\$ 21,632,927	\$ 18,309,755	\$ 15,721,451

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 1 percentage point lower (2.69%) or 1 percentage point higher (4.69%) than the current discount rate (3.69%) at June 30, 2023:

2023	<u>1% Decrease 2.69%</u>	<u>Current Discount Rate 3.69%</u>	<u>1% Increase 4.69%</u>
Total OPEB Liability	\$ 21,816,184	\$ 18,406,084	\$ 15,758,269

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 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates at June 30, 2024:

2024	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 15,394,088	\$ 18,309,755	\$ 22,092,050

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 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates at June 30, 2023:

2023	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 15,564,975	\$ 18,406,084	\$ 22,089,343

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

For the year ended June 30, 2024, the City recognized OPEB expense of (\$18,639,024) and the Water Supply Board recognized OPEB expense of (\$454,452). At June 30, 2024, the Water Supply Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 172,749	\$ 3,959,803
Changes of assumptions	1,701,647	3,626,243
Changes in proportion and differences between employer contributions and proportionate share contributions	270,251	1,127,131
Contributions subsequent to measurement date	<u>735,438</u>	<u> </u>
Total	<u>\$ 2,880,085</u>	<u>\$ 8,713,177</u>

For the year ended June 30, 2023, the City recognized OPEB expense of (\$24,270,694) and the Water Supply Board recognized OPEB expense of (\$114,840). At June 30, 2023, the Water Supply Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 171,867	\$ 5,341,519
Changes of assumptions	2,596,282	4,474,625
Changes in proportion and differences between employer contributions and proportionate share contributions	429,214	1,313,003
Contributions subsequent to measurement date	<u>553,356</u>	<u> </u>
Total	<u>\$ 3,750,719</u>	<u>\$ 11,129,147</u>

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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

2025	\$	(2,442,931)
2026		(1,641,718)
2027		(2,373,481)
2028		<u>(110,400)</u>
Total	\$	<u><u>(6,568,530)</u></u>

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SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:										
Service cost	\$ 1,280,277	\$ 1,214,593	\$ 1,126,258	\$ 1,166,900	\$ 995,246	\$ 979,926	\$ 980,977	\$ 1,017,119	\$ 941,053	\$ 854,182
Interest	5,406,777	5,477,693	5,081,510	5,266,382	5,175,617	5,396,418	5,258,402	5,172,289	5,130,041	5,509,989
Differences between expected and actual experience	974,451	(226,460)	1,039,093	814,236	(494,321)	107,440	288,353	579,761	(223,279)	79,253
Change from difference in proportionate share	(2,694,266)	3,066,996	(8,888,340)				(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	(4,867,763)	(4,832,908)	(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	99,476	4,699,914	(6,293,437)	2,178,421	10,487,683	1,327,396	871,171	409,512	7,274,938	1,820,722
Total pension liability - beginning	81,087,537	76,387,623	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	81,187,013	81,087,537	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	4,657,000	4,604,000	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	807,168	775,387	644,642	634,891	604,613	634,544	610,831	573,624	615,760	1,037,505
Net investment income	2,618,980	1,825,621	(1,753,868)	3,893,207	(233,787)	764,455	1,198,417	1,752,168	401,320	331,724
Change from difference in proportionate share	(2,694,266)	3,066,996	(8,888,340)				(54,698)	(298,595)	1,086,733	
Benefit payments, including refunds of member contributions	(2,865,192)	(7,187,519)	(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	(9,432)	(9,913)	(10,811)	(9,815)	(9,164)	(8,608)	(11,173)	(12,559)	(9,408)	(9,367)
Net change in plan fiduciary net position	2,514,258	3,074,572	(6,854,181)	3,684,982	2,861,901	143,464	392,933	472,850	177,589	(90,877)
Plan fiduciary net position - beginning	20,817,516	17,742,944	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	23,331,774	20,817,516	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	\$ 57,855,239	\$ 60,270,021	\$ 58,644,679	\$ 58,083,935	\$ 59,590,496	\$ 51,964,714	\$ 50,780,782	\$ 50,302,544	\$ 50,365,882	\$ 43,268,533
Plan fiduciary net position as a percentage of the total pension liability	28.74%	25.67%	23.23%	29.75%	25.98%	25.78%	26.07%	25.83%	25.28%	28.04%
Covered payroll	\$ 16,868,199	\$ 15,199,561	\$ 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	342.98%	396.52%	403.41%	407.99%	438.44%	382.64%	368.23%	387.53%	384.58%	334.63%

Note:

The amounts presented for each fiscal year were determined as of a June 30 measurement date prior to the fiscal year end.

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 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST TEN FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 4,657,000	\$ 4,604,000	\$ 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 in relation to the actuarially determined contribution	<u>4,657,000</u>	<u>4,604,000</u>	<u>4,129,000</u>	<u>4,262,000</u>	<u>4,083,000</u>	<u>4,180,000</u>	<u>3,828,000</u>	<u>3,636,754</u>	<u>3,615,102</u>	<u>3,212,354</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,868,199	\$ 15,199,561	\$ 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	27.61%	30.29%	28.40%	29.94%	30.04%	30.78%	27.76%	28.02%	27.60%	24.84%

Notes to Schedule

Valuation date: July 1, 2023
 Measurement date: June 30, 2024
 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	8 years for the 1995 deferral liability and 17 years for the remaining unfunded liability.
Asset valuation method	5-year smoothed market with a 20% corridor
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.

**PROVIDENCE WATER SUPPLY BOARD
 (AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
 SCHEDULE OF INVESTMENT RETURNS
 LAST TEN FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	14.30%	11.30%	-11.10%	27.00%	-2.00%	4.50%	7.30%	12.20%	2.60%	5.56%

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 SIX FISCAL YEARS*

	<u>2024</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>
Total OPEB liability:											
Service cost	529,228	\$	965,177	\$	802,963	\$	554,830	\$	554,285	\$	519,464
Interest on the total OPEB liability	661,893		559,060		583,352		836,827		881,861		819,280
Changes of assumptions	(525,528)		(5,394,410)		275,200		4,475,237		530,902		(1,003,396)
Differences between expected and actual experience	215,936		(6,526,973)		(29,279)		(199,309)		-		1,083,932
Change from difference in proportionate share	(242,420)		1,659,491		(1,660,161)		(150,632)		(875,620)		2,221,628
Benefit payments	(735,438)		(553,356)		(956,867)		(678,794)		(705,589)		(647,982)
Net change in total OPEB liability	<u>(96,329)</u>		<u>(9,291,011)</u>		<u>(984,792)</u>		<u>4,838,159</u>		<u>385,839</u>		<u>2,992,926</u>
Total OPEB liability - beginning	<u>18,406,084</u>		<u>27,697,095</u>		<u>28,681,887</u>		<u>23,843,728</u>		<u>23,457,889</u>		<u>20,464,963</u>
Total OPEB Liability - Ending	<u>18,309,755</u>	\$	<u>18,406,084</u>	\$	<u>27,697,095</u>	\$	<u>28,681,887</u>	\$	<u>23,843,728</u>	\$	<u>23,457,889</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 they become available.

***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***

To the 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, 2024, and the related notes to the financial statements, which collectively comprise the Water Supply Board's financial statements, and have issued our report thereon dated December 27, 2024.

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.

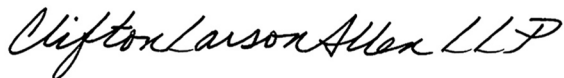
To the Board of Directors
Providence Water Supply Board
Providence, Rhode Island

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 27, 2024



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