

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

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

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-8
Financial Statements:	
Statements of Net Position	9-10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to the Financial Statements	13-32
Required Supplementary Information:	
Schedule of the Water Supply Board's Proportionate Share of the Net Pension Liability	33
Schedule of Employer Contributions	34
Schedule of the Water Supply Board's Proportionate Share of the Net OPEB Liability	35
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 <i>Government Auditing Standards</i>	36-37



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Water Supply Board's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Water Supply Board, as of June 30, 2025 and 2024 and the changes in 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 Opinion

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 opinion.

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, 2025 and 2024, 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.

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.

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

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 opinion. 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

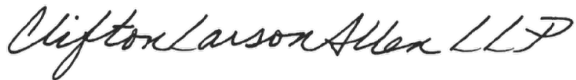
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of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

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

Management has omitted the ratio of covered payroll as a percentage of the Total OPEB Liability that Accounting Principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2025, 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
February 20, 2026

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

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, 2025, and 2024.

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, 2025 AND 2024**

Condensed Financial Information

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total current assets	\$ 103,286,889	\$ 109,836,537	\$ 97,623,449
Total long-term assets	588,098,947	545,511,566	518,479,920
Total assets	<u>691,385,836</u>	<u>655,348,103</u>	<u>616,103,369</u>
Deferred outflows of resources	<u>4,548,658</u>	<u>4,950,085</u>	<u>6,868,719</u>
Total current liabilities	26,441,227	25,836,634	21,629,497
Total long-term liabilities	230,595,955	220,147,062	207,302,870
Total liabilities	<u>257,037,182</u>	<u>245,983,696</u>	<u>228,932,367</u>
Deferred inflows of resources	<u>10,817,027</u>	<u>11,651,177</u>	<u>13,004,147</u>
Net position:			
Net investment in capital assets	375,296,042	351,705,165	359,601,759
Restricted fund	53,472,608	64,400,166	64,066,548
Unrestricted fund	<u>(688,365)</u>	<u>(13,442,016)</u>	<u>(42,632,733)</u>
Total Net Position	<u>\$ 428,080,285</u>	<u>\$ 402,663,315</u>	<u>\$ 381,035,574</u>
Total operating revenue	<u>\$ 91,107,572</u>	<u>\$ 88,038,391</u>	<u>\$ 94,491,834</u>
Total operating expenses	53,236,095	54,353,720	52,456,497
Depreciation	13,141,050	12,195,639	11,490,558
Total operating expenses including depreciation	<u>66,377,145</u>	<u>66,549,359</u>	<u>63,947,055</u>
Operating income	24,730,427	21,489,032	30,544,779
Nonoperating expense	(1,140,856)	(784,927)	(1,671,591)
Capital grants and contributions	<u>1,827,399</u>	<u>923,636</u>	<u>1,116,593</u>
Change in Net Position	<u>\$ 25,416,970</u>	<u>\$ 21,627,741</u>	<u>\$ 29,989,781</u>

Financial Highlights

During the fiscal year 2025, Providence Water had operating revenues that exceeded operating expenses by \$37.9 million. These are primarily due to careful management of operating costs, and unexpended revenues allocated for restricted funds. Total assets and deferred outflows were \$695.9 million, up \$35.6 million from last year's total assets of \$660.3 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, decreased by \$6.5 million, and net plant increased by \$42.6 million.

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

Providence Water's net position totaled \$428 million on June 30, 2025, an increase of \$25.4 million from June 30, 2024. The increase in the net investment in capital assets is the result of unexpended revenue allocated for restricted funds. Also reflected in the change to our net position is net operating income of \$24.7 million, net non-operating expenses of \$1.1 million, and capital contributions of \$1.8 million.

Providence Water's net position totaled \$402.6 million on June 30, 2024 an increase of \$21.6 million from June 30, 2023. 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 \$21.5 million, net non-operating expenses of \$0.8 million, and capital contributions of \$0.9 million.

Providence Water's total operating revenues were \$91.1 million for fiscal year 2025, a \$3.1 million or 3.4% increase over the prior year. The reason for the increase is based on a larger amount of revenue received from maintenance charges and fire protection services. Total operating expenses of the water system amounted to \$66.3 million, a \$0.2 million decrease over the prior year's amount of \$66.5 million. The decrease is primarily attributable to updated controls and review process for spending over this fiscal year.

Providence Water's total operating revenues were \$88.0 million for fiscal year 2024, a \$6.5 million or 6.8% 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 4% increase is primarily attributable to an increase in material costs.

Capital Assets and Debt Administration

Capital Assets:

On June 30, 2025, Providence Water had \$588.1 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 \$42.6 million, or 7.8%, over the prior year.

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.

**PROVIDENCE WATER SUPPLY BOARD
 (AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2025 AND 2024**

Major project expenditures in fiscal year 2025 (included in millions):

. Lead Services Replacements	\$16.7
. Water Main Rehabilitation	\$11.9
. Pine Hill Tank (Golden View Tank Replacement)	\$ 6.5
. Western Johnston Transmission Improvements	\$ 3.5
. Treatment Plant Residual Management System Upgrades	\$ 3.3
. IFR General Planning	\$ 2.9
. Various Support System Facilities Improvements	\$ 2.4
. Various Distribution Facilities Projects	\$ 1.3
. Various Treatment Improvements	\$ 1.2
. Billing System Replacement	\$ 0.9
. Various Pump Station and Storage Facility Improvements	\$ 0.9
. Various Raw Water Supply Improvements	\$ 0.3
. Various Transmission System Improvements	\$ 0.1

Providence Water’s fiscal year 2025 infrastructure budget included project expenditures of \$51.9 million for infrastructure projects. The major projects were the replacement of lead services, the continuation of the main water rehabilitation, the completion of the new Pine Hill tank, 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 lead service replacement projects and water main rehabilitation projects were mostly funded from bond proceeds issued through the Rhode Island Infrastructure Bank (RIIB). New major investments that will benefit ratepayers for many years are sometimes funded with long-term debt financing.

Lead Service Line Replacement Program:

Providence Water engaged an external Program Manager to facilitate lead service line replacements at an accelerated pace. Providence Water utilized funds from the Bipartisan Infrastructure Law, grants, and pay-as-you-go to replace 2,243 lead service lines in FY 2025.

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 2025, Providence Water rehabilitated 3 miles at a cost of approximately \$11.9 million.

**PROVIDENCE WATER SUPPLY BOARD
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

Pine Hill Tank

The Pine Hill Tank was funded directly out of our Infrastructure replacement program. The total project costs are estimated to be about \$14 Million. The project included 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 was in poor condition and reached the end of its useful life and was taken out of service permanently when the new tank was brought online. The tank sits on a pedestal 110 feet above the ground and will provide service to the western parts of Johnston and Cranston.

Debt

Providence Water continues to meet its obligations by paying its debt principal and interest when they are due. On June 30, 2025, Providence Water had \$174.6 million in bonds and notes outstanding versus \$159.7 million in the previous year. This represented an increase of \$14.9 million or 9.4%. 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, 2024, Providence Water had \$159.7 million in bonds and notes outstanding versus \$143.5 million in the previous year. This represented a 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.

Subsequent Events

In July 2025, the Rhode Island Public Utilities Commission approved new rates effective August 1, 2025. The approved filing includes two phases of rate increases. The first phase represents an overall rate increase of 8.46 percent. A second phase is anticipated to take effect on July 1, 2026, with an additional increase of 2.39 percent.

During fiscal year 2025, the Division of Public Utilities and Carriers approved Providence Water's application for authorization to borrow up to \$21 million from the Drinking Water State Revolving Fund through the Rhode Island Infrastructure Bank (RIIB) primarily to fund improvements to the Providence Water distribution system and appurtenances within the system, including but not limited to the cleaning, lining, repair and replacement of water mains, transmission lines, service lines and valves. The \$21 million loan closed on December 11, 2025.

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, 2025, through June 30, 2028.

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Assets:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 161,959	\$ 1,433,470
Cash held by fiscal agent	38,156,091	33,958,018
Accounts receivable, net of allowance for uncollectible accounts of \$1,468,949 in 2025 and \$1,331,243 in 2024	9,654,683	9,877,160
Accounts receivable - unbilled	2,166,785	1,897,083
Inventory	2,744,372	2,497,628
Other assets	-	-
Total current unrestricted assets	<u>52,883,890</u>	<u>49,663,359</u>
Current restricted assets:		
Cash and cash equivalents	47,484,992	56,998,989
Accounts receivable	2,918,006	2,991,113
Notes receivable - short term	-	183,076
Total current restricted assets	<u>50,402,998</u>	<u>60,173,178</u>
Total current assets	<u>103,286,888</u>	<u>109,836,537</u>
Capital assets:		
Land	27,868,696	27,280,363
Building and improvements	164,735,544	160,415,330
Improvements other than buildings	587,224,619	547,179,642
Machinery and equipment	59,622,055	57,457,253
Scituate Reservoir Project	18,681,695	18,681,695
Construction in progress	52,163,214	43,553,109
	<u>910,295,823</u>	<u>854,567,392</u>
Less accumulated depreciation and amortization	<u>322,196,876</u>	<u>309,055,826</u>
Total capital assets, net	<u>588,098,947</u>	<u>545,511,566</u>
Deferred Outflows of Resources:		
OPEB-related deferred outflows of resources	2,858,658	2,880,085
Pension-related deferred outflows of resources	1,690,000	2,070,000
Total deferred outflows of resources	<u>4,548,658</u>	<u>4,950,085</u>
Total assets and deferred outflows of resources	<u>695,934,493</u>	<u>660,298,188</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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
Liabilities:		
Current:		
Accounts payable	\$ 1,362,155	\$ 1,631,477
Accrued liabilities	3,226,324	3,153,306
Due to City of Providence General Fund	1,569,266	958,548
Current portion of long-term debt	12,744,913	11,318,494
Current portion of OPEB liability	4,468,959	4,364,745
Total current unrestricted liabilities	<u>23,371,617</u>	<u>21,426,570</u>
Amounts to be paid from current restricted assets:		
Due to Water Resources Board	226,912	230,857
Amounts payable from restricted assets	2,842,697	4,179,207
Total current restricted liabilities	<u>3,069,609</u>	<u>4,410,064</u>
Total current liabilities	<u>26,441,226</u>	<u>25,836,634</u>
Noncurrent liabilities:		
General revenue bonds	161,901,900	148,346,813
Net pension liability	56,951,431	57,855,239
Total OPEB liability	11,742,624	13,945,010
Total noncurrent liabilities	<u>230,595,955</u>	<u>220,147,062</u>
Total liabilities	<u>257,037,181</u>	<u>245,983,696</u>
Deferred Inflows of Resources:		
OPEB-related deferred inflows of resources	8,546,027	8,713,177
Pension-related deferred inflows of resources	2,271,000	2,938,000
Total deferred inflows of resources	<u>10,817,027</u>	<u>11,651,177</u>
Net Position:		
Net investment in capital assets	375,296,043	351,705,165
Restricted	53,472,607	64,400,166
Unrestricted	<u>(688,365)</u>	<u>(13,442,016)</u>
Total Net Position	<u>\$ 428,080,285</u>	<u>\$ 402,663,315</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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Charges for services:		
Water sales:		
General customers	\$ 63,264,068	\$ 62,096,466
Other local water suppliers	18,995,620	18,368,074
Fire protection services	4,193,390	3,982,932
Maintenance charges and other revenue	<u>4,654,494</u>	<u>3,590,919</u>
Total operating revenues	<u>91,107,572</u>	<u>88,038,391</u>
Operating Expenses:		
Source of supply	1,582,979	995,658
Water treatment	9,442,530	10,622,738
Transmission and distribution	7,418,741	8,218,111
Charge for services provided by other City departments	839,167	839,167
Customer accounts and service	4,342,226	3,512,334
Administrative and general	20,638,764	21,385,646
Depreciation	13,141,050	12,195,639
Property taxes - other local governments	<u>8,971,688</u>	<u>8,780,066</u>
Total operating expenses	<u>66,377,145</u>	<u>66,549,359</u>
Operating Income	<u>24,730,427</u>	<u>21,489,032</u>
Nonoperating Revenue (Expense):		
Interest income	3,136,412	2,640,986
Interest expense and other	(4,277,268)	(3,452,040)
Gain (loss) on sale of asset	-	26,127
Net nonoperating expense	<u>(1,140,856)</u>	<u>(784,927)</u>
Capital Grants and Contributions	<u>1,827,399</u>	<u>923,636</u>
Total capital grants, contributions and special items	<u>1,827,399</u>	<u>923,636</u>
Change in Net Position	25,416,970	21,627,741
Net Position - Beginning of Year	<u>402,663,315</u>	<u>381,035,574</u>
Net Position - End of Year	<u>\$ 428,080,285</u>	<u>\$ 402,663,315</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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 91,316,530	\$ 89,130,862
Payments to vendors	(34,295,963)	(28,343,105)
Payments to employees	(23,730,696)	(24,061,503)
Net cash provided by operating activities	<u>33,289,871</u>	<u>36,726,254</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(111,201,010)	(39,410,361)
Interest and issuance costs paid on debt	(4,277,268)	(3,452,040)
Proceeds from bond issuance	26,300,000	26,300,000
Principal payments on long-term debt	(11,318,494)	(10,131,524)
Proceeds from note receivable	183,076	178,706
Capital grants	1,827,399	923,636
Net cash provided used in capital and related financing activities	<u>(98,486,297)</u>	<u>(25,591,583)</u>
Cash Flows from Investing Activities:		
Investment income	3,136,412	2,640,986
Proceeds from sale of assets	-	26,127
Net cash provided by investing activities	<u>3,136,412</u>	<u>2,667,113</u>
Net Increase in Cash and Cash Equivalents	(62,060,014)	13,801,784
Cash and Cash Equivalents - Beginning of Year	<u>92,390,477</u>	<u>78,588,693</u>
Cash and Cash Equivalents - End of Year	<u>\$ 30,330,463</u>	<u>\$ 92,390,477</u>
Unrestricted Cash and Cash Equivalents	\$ 38,318,050	\$ 35,391,488
Restricted Cash and Cash Equivalents	<u>47,484,992</u>	<u>56,998,989</u>
	<u>\$ 85,803,042</u>	<u>\$ 92,390,477</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 24,730,427	\$ 21,489,032
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	13,141,050	12,195,639
Provision for doubtful accounts	(137,706)	152,269
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	163,588	791,782
(Increase) decrease in inventories	(246,744)	496,225
(Increase) decrease in other assets		152,790
(Increase) decrease in deferred outflows of resources	401,427	1,918,634
Increase (decrease) in due to other funds	610,718	(331,961)
Increase (decrease) in accounts payable and accrued expenses	(1,536,759)	3,725,925
Increase (decrease) net pension liability	(903,808)	(2,414,782)
Increase (decrease) net OPEB liability	(2,098,172)	(96,329)
Increase (decrease) in deferred inflows of resources	<u>(834,150)</u>	<u>(1,352,970)</u>
Net Cash Provided by Operating Activities	<u>\$ 33,289,871</u>	<u>\$ 36,726,254</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, 2025 and 2024, 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
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
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 2025, the \$57,793 in fees that had been collected was recognized by the Water Supply Board as revenue. In 2024, the \$24,568 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, 2025 and 2024, 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, 2025 and 2024, 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
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
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.

The liability for compensated absences reported in the financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

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:

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

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.

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.

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

3. CASH

The following is a summary of the bank balances as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 600,305	\$ 1,838,239
Restricted cash and cash equivalents	<u>35,259,524</u>	<u>57,838,581</u>
	<u>\$ 35,859,829</u>	<u>\$ 59,676,820</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, 2025 of \$35,859,829, \$500,000 is covered by Federal Deposit Insurance Corporation (FDIC) insurance and \$35,359,829 of the balance is covered by the collateral agreements. Of the cash and cash equivalent balances at June 30, 2024 of \$59,676,820, \$500,000 is covered by FDIC insurance and \$59,176,820 of the balance is covered by the collateral agreements.

4. CAPITAL ASSETS

The following is a summary of the activity in capital assets as of June 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 27,280,363	\$ 588,333	\$ -	\$ 27,868,696
Scituate Reservoir Project	18,681,695	-	-	18,681,695
Construction in progress	43,553,109	58,528,990	(49,918,885)	52,163,214
Total capital assets not being depreciated	<u>89,515,167</u>	<u>59,117,323</u>	<u>(49,918,885)</u>	<u>98,713,605</u>
Capital assets being depreciated:				
Buildings and improvements	160,415,330	-	4,320,214	164,735,544
Sewer and infrastructure	547,179,642	-	40,044,977	587,224,619
Equipment	57,457,253	2,164,802	-	59,622,055
Total capital assets being depreciated	<u>765,052,225</u>	<u>2,164,802</u>	<u>44,365,191</u>	<u>811,582,218</u>
Less accumulated depreciation for:				
Buildings and improvements	95,787,686	3,006,446	-	98,794,132
Sewer and infrastructure	171,835,944	7,129,499	-	178,965,443
Equipment	41,432,196	3,005,105	-	44,437,301
Total accumulated depreciation	<u>309,055,826</u>	<u>13,141,050</u>	<u>-</u>	<u>322,196,876</u>
Total capital assets being depreciated, net	<u>455,996,399</u>	<u>(10,976,248)</u>	<u>44,365,191</u>	<u>489,385,342</u>
Capital Assets, Net	<u>\$ 545,511,566</u>	<u>\$ 48,141,075</u>	<u>\$ (5,553,694)</u>	<u>\$ 588,098,947</u>

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

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>2,643,179</u>	<u>31,489,639</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>(9,552,460)</u>	<u>31,489,639</u>	<u>455,996,399</u>
Capital Assets, Net	<u>\$ 518,296,844</u>	<u>\$ 29,127,737</u>	<u>\$ (1,913,015)</u>	<u>\$ 545,511,566</u>

5. LONG-TERM LIABILITIES

The following is the long-term liabilities activity as of June 30, 2025:

	2025				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 159,665,307	\$ 26,300,000	\$ 11,318,494	\$ 174,646,813	\$ 12,744,913
Compensated Absences	<u>1,830,043</u>	<u>76,511</u>	<u>-</u>	<u>1,906,554</u>	<u>1,906,554</u>
Long-Term Liabilities	<u>\$ 161,495,350</u>	<u>\$ 26,376,511</u>	<u>\$ 11,318,494</u>	<u>\$ 176,553,367</u>	<u>\$ 14,651,467</u>

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

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
Compensated Absences	1,771,390	58,653	-	1,830,043	1,830,043
Long-Term Liabilities	<u>\$ 145,268,221</u>	<u>\$ 26,358,653</u>	<u>\$ 10,131,524</u>	<u>\$ 161,495,350</u>	<u>\$ 13,148,537</u>

The following is a summary of bonds and notes outstanding at June 30, 2025 and 2024:

<u>Description</u>	<u>Amount of Interest Rate (%)</u>	<u>Outstanding June 30, 2025</u>	<u>Outstanding June 30, 2024</u>
Safe Drinking Water Bonds (CWFA FY2008)	2.85%	\$ 11,068,000	\$ 13,050,000
Safe Drinking Water Bonds (CWFA FY2010)	.0410% to 3.14%	3,433,250	3,939,250
Safe Clean Water Bonds (CWFA FY2012)	.072% to 3.26%	1,373,000	1,524,000
Safe Clean Water Bonds (CWFA FY2013)	.019% - 2.53%	2,123,000	2,328,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 2.63%	13,969,000	15,162,000
Safe Drinking Water Bonds (CWFA FY2013)	.022% - 3.01%	4,482,000	4,864,000
Safe Drinking Water Bonds (CWFA FY2015)	.022% - 3.01%	18,989,000	20,454,000
Safe Drinking Water Bonds (CWFA FY2017)	.022% to 1.95%	11,070,095	11,850,095
Safe Drinking Water Bonds (CWFA FY2019)	.022% to 1.95%	11,536,000	12,189,000
Safe Drinking Water Bonds (CWFA FY2020)	1.17%	15,435,000	16,359,000
Safe Drinking Water Bonds (CWFA FY2021)	.070% to 2.09%	17,947,000	18,968,000
Safe Drinking Water Bonds (RIIB- FY2020)	0.00%	1,364,452	1,809,941
RIIB Bond FY2023 \$5.5 Mill Series 2023 EB	2.13%-2.49%	4,840,000	5,164,000
RIIB Bond FY2023 \$5.5 Mill Series 2023 WM	2.65% - 3.53%	5,076,000	5,291,000
Safe Drinking Water Bonds LSRL (CWFA FY2024)	2.44% - 3.85%	25,292,000	26,299,000
Safe Drinking Water LSRL Series 2025	2.44% - 3.85%	26,300,000	-
East Smithfield Water District DWSRF Bonds Series 2009A (RIIB- FY2009 Bond)	3.51%	-	27,650
East Smithfield Water District DWSRF Loan Series 2009A (RIIB- FY2009 Loan)	3.00%	50,000	60,000
East Smithfield Water District DWSRF Bond Series 2014A (RIIB- FY2014 Bond)	1.30% - 3.43%	299,016	326,371
Total		<u>\$ 174,646,813</u>	<u>\$ 159,665,307</u>

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

Scheduled principal maturities at June 30, 2025 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>
2026	\$ 12,744,913	\$ (1,991,038)	\$ 2,879,215	\$ 13,633,090
2027	12,941,828	(2,047,257)	2,673,416	13,567,987
2028	13,185,291	(2,078,859)	2,428,800	13,535,232
2029	13,465,676	(2,112,284)	2,177,504	13,530,896
2030	13,716,496	(2,146,532)	1,870,208	13,440,172
2031-2035	56,392,513	(10,613,212)	5,967,927	51,747,229
2036-2040	36,531,095	(10,060,124)	1,484,547	27,955,518
2041-2045	15,669,001	(6,696,360)	133,872	9,106,513
Total	\$ 174,646,813	\$ (37,745,667)	\$ 19,615,490	\$ 156,516,636

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, 2025 and 2024. 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, 2025 and 2024 totaled \$1,569,266 and \$958,548, 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
(AN ENTERPRISE FUND OF THE CITY OF PROVIDENCE, RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS**

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.

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

The approximate membership of the ERS plan for the Water Supply Board consisted of the following at July 1, 2024, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	180
Active employees	<u>241</u>
Total	<u><u>421</u></u>

The total pension liability was determined by an actuarial valuation as of July 1, 2023 and rolled forward to June 30, 2025, 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, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 11.93%. 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, 2025 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>	2.35
	<u><u>100.00 %</u></u>	

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

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, 2025 was \$5,092,000.

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, 2025, 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. At June 30, 2025, the Water Supply Board’s proportion was 4.48%, an increase of 0.04% from the prior year. At June 30, 2024 the Water Supply Board’s proportion was 4.44%, a decrease of 0.15% from the prior year.

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

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Total pension liability	\$ 84,271,903	\$ 81,187,013
Plan fiduciary net position	<u>27,320,472</u>	<u>23,331,774</u>
Net Pension Liability	<u>\$ 56,951,431</u>	<u>\$ 57,855,239</u>
Plan fiduciary net position as a percentage of the total pension liability	32.42%	28.74%

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

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, 2023 actuarial valuation which developed the FY 2025 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	7 years for the 1995 deferral liability and 16 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.

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

- 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, 2025 and 2024 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, 2025:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	\$ 67,543,094	\$ 56,951,431	\$ 48,238,684

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

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

For the years ended June 30, 2025 and 2024, the Water Supply Board recognized pension expense of \$3,900,397 and \$4,353,447, respectively.

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

At June 30, 2025, 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	\$ 712,911	\$ 54,648
Changes of assumptions		
Changes in proportion and differences between employer contributions and proportionate share of contributions	977,089	979,268
Net difference between projected and actual earning on pension plan investments		<u>1,237,084</u>
	<u>\$ 1,690,000</u>	<u>\$ 2,271,000</u>

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		<u>508,322</u>
	<u>\$ 2,070,000</u>	<u>\$ 2,938,000</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

2026	\$ 514,744
2027	(601,878)
2028	(257,747)
2029	<u>(236,119)</u>
	<u>\$ (581,000)</u>

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

Payable to the Plan

At June 30, 2025, the Water Supply Board had made full payment of the required pension contribution for the year ended June 30, 2025.

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 OPEB plan for the Water Supply as of August 1, 2024, the date of the latest actuarial valuation:

Active members	217
Retirees	42
Spouses	<u>5</u>
Total	<u><u>264</u></u>

Total OPEB Liability

For the years ended June 30, 2025 and 2024, the Water Supply Board recognized OPEB liability of \$16,211,583 and \$18,309,755, respectively. At June 30, 2025 the Water Supply Board's proportion was 2.02%, a decrease of .06% from the prior year. At June 30, 2024 the Water Supply Board's proportion was 2.08%, a decrease of 0.02% from the prior year. The City has not accumulated any assets in a fiduciary trust for payment of benefits.

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2024, the measurement date, and 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
Health care trend rates	<p>Non-Medicare medical: 7.0% decreasing by 0.25% for 10 years to an ultimate level of 4.5% per year</p> <p>Medicare medical: 6.0% decreasing by 0.25% for 6 years to an ultimate level of 4.5% per year</p> <p>Prescription drug: 9.0% decreasing by 0.25% for 18 years to an ultimate level of 4.5% per year</p> <p>Part B: 4.5%</p> <p>Administrative: 3.0%</p>
Mortality rates	<p><u>Pre-Retirement</u></p> <p>Class A Heathy: Pub-2010 General Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p> <p>Class B Heathy: Pub-2010 Safety Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p> <p>Teachers: Pub-2010 Teacher Employee Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p> <p><u>Post-Retirement</u></p> <p>Class A Heathy: Pub-2010 General Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p> <p>Class B Heathy: Pub-2010 Safety Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p> <p>Teachers Healthy: Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p> <p>Class A Disabled Retirees: Pub-2010 Non-Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p> <p>Class B Disabled Retirees: Pub-2010 Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p> <p>Teachers Disabled Retirees: Pub-2010 Non-Safety Disabled Retirees Headcount-Weighted Mortality Tables projected generationally with Scale MP-2021</p>

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

Changes of assumptions reflect the following:

- The discount rate was increased from 3.86% as of June 30, 2023 to 3.97% 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.

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 (2.97%) or 1 percentage point higher (4.97%) than the current discount rate (3.97%) at June 30, 2025:

2025	<u>1% Decrease 2.97%</u>	<u>Current Discount Rate 3.97%</u>	<u>1% Increase 4.97%</u>
Total OPEB Liability	\$ 19,059,293	\$ 16,211,583	\$ 13,971,147

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

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, 2025:

2025	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 13,814,824	\$ 16,211,583	\$ 19,294,462

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

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

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

For the year ended June 30, 2025, the City recognized OPEB expense of (\$43,953,329) and the Water Supply Board recognized OPEB expense of (\$1,127,849). At June 30, 2025, 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	\$ 125,824	\$ 4,945,708
Changes of assumptions	1,624,628	2,381,784
Changes in proportion and differences between employer contributions and proportionate share contributions	456,207	1,218,535
Benefit payments subsequent to measurement date	651,999	
Total	<u>\$ 2,858,658</u>	<u>\$ 8,546,027</u>

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

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
Benefit payments subsequent to measurement date	<u>735,438</u>	<u> </u>
Total	<u>\$ 2,880,085</u>	<u>\$ 8,713,177</u>

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

2026	\$ (2,291,776)
2027	(3,003,287)
2028	<u>(1,044,305)</u>
Total	<u>\$ (6,339,368)</u>

**CITY OF PROVIDENCE, RHODE ISLAND
EMPLOYEES RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND
SCHEDULE OF THE WATER SUPPLY BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

RSI-1

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water Supply Board's Proportion of the Net Pension Liability	4.48%	4.44%	4.59%	4.41%	4.71%	4.71%	5.01%	4.99%	5.02%	5.11%
Water Supply Board's Proportionate Share of the Net Pension Liability	\$ 56,951,431	\$ 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
Water's Covered Payroll	\$ 17,312,457	\$ 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
Water's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	328.96%	342.98%	396.52%	403.41%	407.99%	438.44%	382.64%	368.23%	387.53%	384.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.42%	28.74%	25.67%	23.23%	26.27%	22.17%	26.17%	26.07%	25.83%	25.28%

Notes:

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

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

RSI-2

	<u>2025</u>	<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>
Actuarially determined contribution	\$ 5,092,000	\$ 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
Contributions in relation to the actuarially determined contribution	<u>5,092,000</u>	<u>4,657,000</u>	<u>4,604,000</u>	<u>4,129,000</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)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>179,000</u>	\$ <u>(97,000)</u>	\$ <u>352,000</u>	\$ <u>191,246</u>	\$ <u>21,652</u>	\$ <u>402,748</u>
Covered payroll	\$ 17,312,457	\$ 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
Contributions as a percentage of covered payroll	29.41%	27.61%	30.29%	28.40%	28.68%	30.75%	28.19%	26.37%	27.85%	24.53%

Notes to Schedule

Valuation date: July 1, 2024
Measurement date: June 30, 2025
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.

**CITY OF PROVIDENCE, RHODE ISLAND
 EMPLOYEES RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND
 SCHEDULE OF THE WATER SUPPLY BOARD'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
 LAST SEVEN FISCAL YEARS***

RSI-3

	2025	2024	2023	2022	2021	2020	2019
Water Supply Board's Proportion of the Total OPEB Liability	2.02%	2.08%	2.10%	1.97%	2.11%	2.12%	2.21%
Water Supply Board's Proportionate Share of the Total OPEB Liability	\$ 16,211,583	\$ 18,309,755	\$18,406,084	\$27,697,095	\$28,681,887	\$23,843,728	\$23,457,889

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

Notes:

***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, 2025, 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 February 20, 2026.

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 were not 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
February 20, 2026



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.