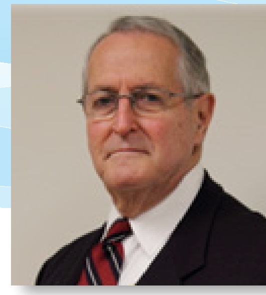
Bristol County Water Authority

Managing a Regional Water Utility

Fiscal Year 2014 Annual Report

A Message From the Chairman



By Allen C. Klepper, Chairman BCWA

Thirty years ago, in 1984, shortly after the vote to purchase the water supply system from a private company, the Town Councils of Barrington, Warren and Bristol appointed the first nine members to serve on the Board of Directors of the newly formed Bristol County Water Authority. The mission of this tri-town water utility has not changed since its inception – "To provide the highest quality water to all our customers. " It is a simply stated, straightforward mission. To achieve this mission however, is a complex and multifaceted undertaking.

The system now includes 233 miles of water pipes and mains, five storage tanks, 1,820 gate valves, 897 public fire hydrants, three pump stations, 16,864 customers and 3.12 million gallons of water used every day. Water quality monitoring is a continuous endeavor. System maintenance and the development of a Capitol Plan are essential. Maintaining and training a staff of 34 is an important investment. Accurate and timely billing and collections are expected business practices. Proper financial and accounting controls along with water system funding and maintaining proper cash flow and cash reserves are critical to assuring financial stability. Keeping knowledge of and complying with the ever changing regulatory requirements takes considerable time and resources. All of these essential and critical endeavors of a modern day water utility, as important as they may be, are secondary to one overriding requirement – the provision of or access to an ample, reliable, deliverable, clean, high quality supply of water that meets all federal and state health and water quality regulations. All of the Board's efforts to maintain an effective and efficient system are for naught if we do not maintain access to the quantity and quality of the water supply we need to serve our customers.

Modern society has a habit of taking for granted continuity of essential services. All too often it is not until a calamity strikes and supplies of food, electricity, gasoline, water, or other essential items are interrupted do people fully appreciate the value of continuity. The Board of the BCWA does not take our water supply for granted. It is at the core of our responsibilities. The Board and staff have spent considerable time over the past few years analyzing, studying, planning and contemplating what steps should be taken to assure an adequate, reliable and high quality supply of water for our system and customers. This issue is at the heart of what we do. It is the core of our mission.

BCWA is increasingly dependent on a single source of water supply. It is a very good supply but comes to us via a steel pipeline that was constructed 16 years ago under the Providence River. The water supply source (the Providence Water Supply Board and the Scituate Reservoir) serves 60% of the state. The alternate source we maintain for backup supply has become problematic.

"All of the Board's efforts to maintain an effective and efficient system are for naught if we do not maintain access to the quantity and quality of the water supply we need to serve our customers."

A Message From the Chairman

It originates in another state (Swansea and Rehoboth, MA), is subject to Massachusetts regulations, is limited in quantity, of poor quality, difficult to treat, and requires BCWA to pay for the maintenance of dams and other facilities in the state of Massachusetts. Our former ground water supplies originating from the well fields along Nayatt Road cannot be counted as viable supply any longer due to salt water intrusion and iron contamination.

Reliance on Massachusetts sources would require an undesirable and substantial investment in the construction of, and an annual operating cost for, a new treatment plant. The existing plant was closed in 2011 due to the high operational cost of complying with health and environmental regulations with significant reduced capacity.

The Board and staff of BCWA have spent considerable time, resources and energy studying this issue. We have consulted with nationally recognized engineering firms, worked with the Rhode Island Water Resources Board and others to help us assess this situation and arrive at a viable solution. We are of the opinion that we must continue our efforts to develop access to an alternative source of water supply for our system. Importantly we believe we have found an answer with the proposed interconnection with the Pawtucket Water Supply Board (PWSB). That water system recently completed construction of an entirely new state-of-the-art advanced water treatment facility. With a safe yield of 22 million gallons per day and a demand of only 8 million gallons per day, PWSB has ample excess supply in northern Cumberland and welcomes an interconnection with us. We believe this to be the best alternative supply for our water needs. This logical solution must now work its way through a myriad of governmental, political, financial and infrastructure considerations to become a reality. For the sake of the continuity and security of our water supply the BCWA will continue to work toward this goal.

A clean water supply is the single most important determinant of public health. It is our core mission. We will do everything we can to achieve this goal.

Report of the Executive Director & Chief Engineer

By: Pamela M. Marchand, P.E.

Traditionally the Executive Director's annual report contains an assessment of the water system including details about the water supply, water treatment, distribution system, fire protection, staffing, financial matters and other operational items. This year I would like to share how we use science to improve water quality and ensure that it meets all required federal and state regulations.

During my 20 years as a water utility executive, the issues surrounding the science of water quality have become increasingly important. System operators are responsible for safeguarding all aspects of water quality. We routinely perform scientific analyses of water samples to ensure that they conform to accepted chemical and microbiological parameters and industry standards, investigating possible exceedances, consulting with regulators and taking actions to remedy problems. My education and experience in environmental engineering and chemical technology have been invaluable to me in performing my duties as Executive Director.

Water chemistry is actually more complicated than one would think. Knowing and monitoring the pH level of our water is the first and most important step in understanding the dynamics of our water quality. Knowing the precise pH level helps us identify potential threats to the water quality and guides us in determining the optimal treatment. pH affects corrosion control, disinfection and other chemical reactions in the distribution system. It can be a challenge to provide a balanced treatment system – pH levels optimum for the control of lead corrosion, for example, are not optimum for control of iron corrosion (from the cast iron pipes). pH levels are the first key to unlocking the answers in the analysis of our water.

Adding chlorine to water as a means to disinfect it from bacteria, microbes and viruses began in the early 1900s. Since that time public water systems have routinely used chlorine for water purification. It remains the most studied, safest, most commonly used disinfectant for treating water. Because of chlorination, water-borne diseases such as cholera, dysentery, and typhoid fever have been nearly eliminated as public health hazards. However, the use of chlorine results in the creation of disinfection byproducts.

One of the issues of recent concern for BCWA is Trihalometanes (THM) in the water. Trihalometanes is a big and scary word. It is however not something that is a result of industrial pollution or a contaminate which has been spilled into our water system. THM comes from the interaction of chlorine with naturally occurring organic compounds found in water supplies, such as decaying plants and leaves.

BCWA's entire water supply comes from the Scituate Reservoir, one of the highest quality reservoir systems in the country. That body of water, like all others, contains organic compounds that form when vegetation in the watershed area decays. The water temperature, pH level and the length of time the chlorine in the water is in contact with these organic compounds all contribute to the THM levels. During the summer, the rise in temperature and distance that the water travels from Scituate affects THM levels for some of the areas we serve and we have to consistently monitor them so they don't exceed EPA standards.

When it comes to drinking water it is best to be safe. The Environmental Protection Agency (EPA) recently lowered its standard for allowable THM levels in drinking water. It has been determined that long term exposure to high levels of THMs may cause cancer in some individuals. The standard has become more stringent, now set at 80 parts per billion. Yes, that is a very low amount, but again we need to be safe when it comes to our drinking water.

BCWA has and will continue to make further investments in our system with new equipment that will monitor and reduce the amount of THM in our water. We need to optimize our use of chlorine for THM control and other reasons. We have already installed a new automatic chlorine monitoring and injection system on the main connection to our water supply from Providence. This equipment will closely control the amount of chlorine added to the water. In addition, water quality monitoring efforts have been strengthened to include an analysis of background bacteria in water samples to provide a better indication of when chlorine levels need to be adjusted.

The BCWA Strategic plan and Capital plan includes the installation of a THM removal system in our storage tanks. THMs can be removed by a combination of a thorough mixing of the water, aeration and atmospheric transfer. The two-million gallon Bay View storage tank was the first tank to receive this equipment. Designed and constructed predominately by BCWA personnel, the system was successfully placed in operation in September, 2013. Cutting into our storage tank and installing additional equipment is not something we take lightly. We are doing so because our ongoing monitoring and analysis of our water quality has identified a potential problem and we are taking corrective action.

There is much more to the science of what we do here at the BCWA. I wanted to highlight this area and discuss the THM issue as it is a prime example of what we do to continue to provide the water quality the residents and businesses of Barrington, Warren and Bristol deserve.

> *"During my 20 years as a water utility executive, the issues surrounding the science of water quality have become increasingly important."*

Bristol County Water Authority Mission and Vision

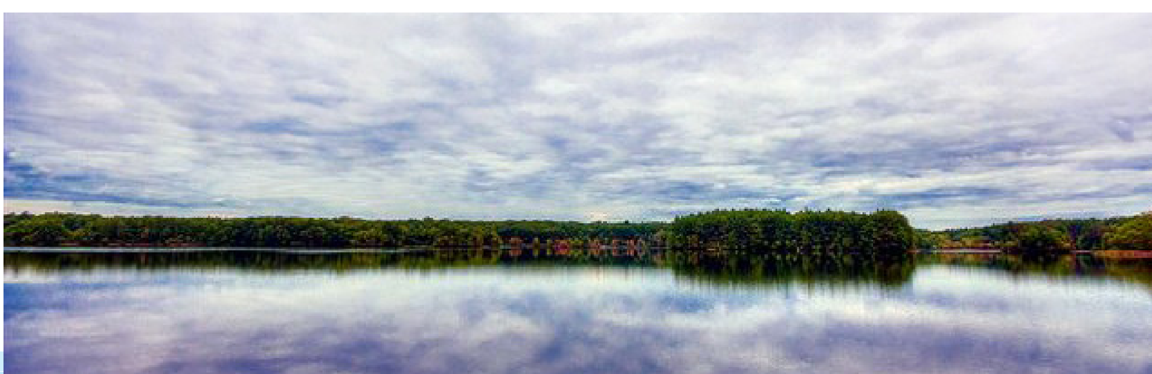
Thirty years ago the people and elected officials of the towns of Barrington, Bristol and Warren banded together to take control of the local water system. The private operator who owned the system was not providing satisfactory performance and there were persistent problems with the operation and product. A clean, high quality water supply is the single most important determinant of public health. The three towns would no longer tolerate inferior service and inferior water quality. The consensus opinion was the most optimal way to correct this situation was to join together as one and continue with a regional water system. All involved realized there were efficiencies and benefits to be gained by putting aside individual wants and preferences in favor of a joint cooperative endeavor. The three towns joined together, provided for the purchase of the water system, evenly assigned the governance for an independent authority and endeavored to establish one system which would benefit all. This spirit of a single system serving all three towns as one combined entity is the legacy of the BCWA.

To that end the Board of Directors of the BCWA formally adopted a Mission Statement and a Vision.

They are as follows;

Mission: *To provide the highest quality water to all our customers.*

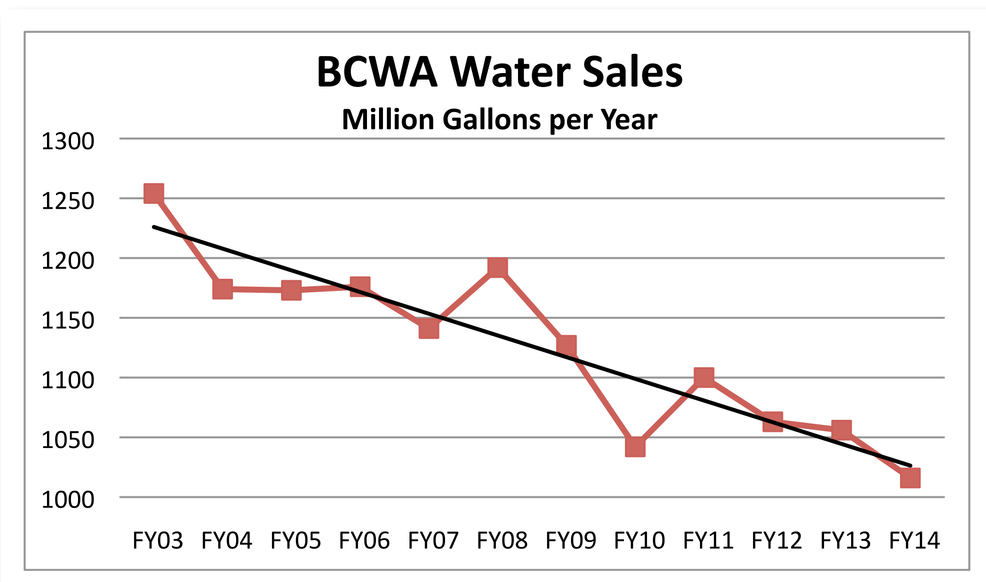
Vision: *BCWA will be a model regional water utility, recognized for its customer focus, water quality, and system reliability.*



The Challenge of Declining Sales

Water consumption has decreased steadily and significantly over the past ten years. The decline can be attributed to conservation, much slower growth, the loss of industry, smaller family size and price elasticity. Lower water consumption resulting in declining sales means less revenue for BCWA. The mission of the BCWA goes far beyond accounting and numbers as we deliver an essential service and product for our communities. But from a business perspective any organization that is experiencing declining sales is faced with serious challenges. This is particularly true for an entity that must deliver on demand as much product as every customer wants, 24 hours a day, seven days a week and deliver the product directly to the home or business. The distribution systems to accomplish such a feat are vast and expensive to install and maintain. The cost of the distribution system does not decline with reduced sales. In fact, the cost of maintaining a century old distribution system continues to increase. As the length of time the water sits in the pipes increases, maintaining water quality becomes more complicated - requiring additional monitoring, treatment systems, and flushing programs.

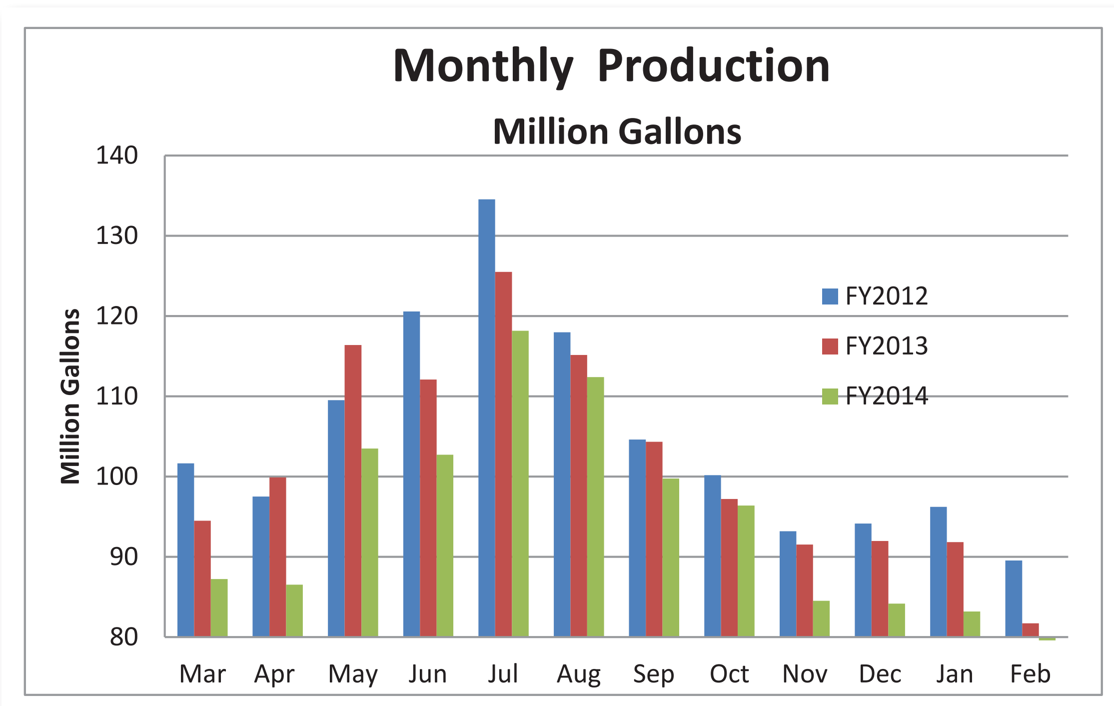
Budget planning, cash flow, capital budgets, operating cost, new regulatory requirements and customer service expenses all become extremely challenging when sales are declining. The Authority has been successful in reducing expenses, driving efficiencies and innovating to manage its operations with minimal rate increases.



Impacts of Wide Swings in Monthly Sales

The bar graph below illustrates the monthly water usage of the BCWA for our fiscal years 2012 and 2013. As shown in the chart below our water usage varies by as much as 50% in different months. Demand peaks significantly in the summer months and is greatly affected by the weather. The BCWA has more seasonality in its sales than many retail stores do during the 4th quarter holiday shopping season. Unlike retail stores who get paid at the point and time of the sale, BCWA bills it customers quarterly.

When one overlays quarterly billing with the unavoidable lag in getting 67,000 bills processed and paid over widely varied monthly sales one can begin to see the complexity inherent in BCWA's budget planning, cash flow analysis and customer activities. BCWA has invested in improvements to our data management computer systems. This system assist us with financial management, billing, reporting, asset management, customer technical details, field work, system control instrumentation and more.



Bristol County Water Authority Fights Huge Proposed Wholesale Rate Increase

BCWA purchases 100% of its water supply from the Providence Water Supply Board (PWSB). The purchase of water is one of the most expensive components of the operations of the BCWA. The purchase price is the wholesale rate charged to us by the PWSB and regulated by the Rhode Island Public Utilities Commission (PUC). The PUC is a quasi-judicial department of state government. The PUC conducts hearings and a “trial” to establish a record of evidence from which to make decisions on rate increase requests. In addition to setting the “revenue requirement” (the total funds the utility is allowed to collect from its customers) the PUC determines the prices for individual classes of customers (residential, commercial, industrial and wholesale).

In August of 2013 the PWSB submitted a request for a rate increase proposed to take effect in February of 2014. This filing requested a 33.8% increase in the wholesale rate. If approved this new rate would increase BCWA costs for water by over $622,000.

This staggering increase request was deemed unacceptable by the BCWA Board of Directors. Therefore, the Board decided to formally and legally intervene in this rate case. Formal intervention in these legal proceedings can be a time consuming and expensive undertaking. The Board authorized funding to retain legal counsel, which is required in these hearings. Executive Director Marchand served as the expert witness to present BCWA’s arguments and was subject to cross examination from the parties with opposing views.

This is the first time the BCWA has formally intervened in a PUC rate filing docket where the PWSB was requesting an increase in the wholesale rate. This effort was highly successful. The evidence and arguments presented by the BCWA against such a large proposed increase were effective. The PUC’s final decision raised the wholesale rate by only 2%! The increase in water costs are predicted to be only in the $30,000 range thus saving the BCWA approximately $600,000.

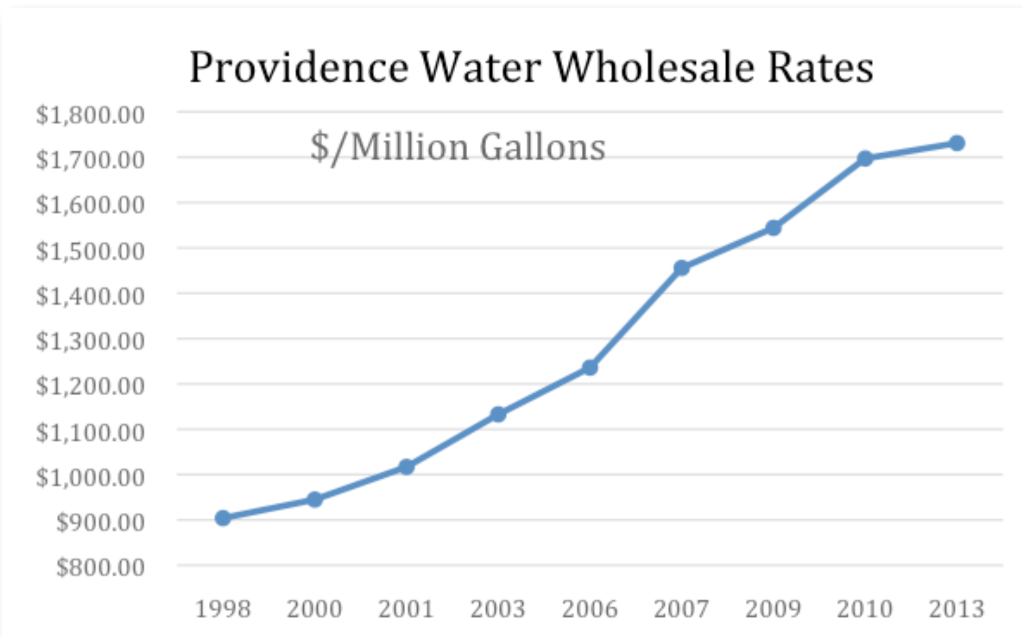
Providence Water Wholesale Rate History

	Effective Date	Wholesale Rate/MM Gal	Rate Increase $	Rate Increase %
5/1/1998	1998	$904.08		
2/1/2000	2000	$945.00	$40.92	4.53%
1/1/2001	2001	$1,017.00	$72.00	7.62%
1/1/2003	2003	$1,132.89	$115.89	11.40%
1/1/2006	2006	$1,236.00	$103.11	9.10%
11/1/2007	2007	$1,455.77	$219.77	17.78%
10/5/2009	2009	$1,544.14	$88.37	6.07%
4/27/2010	2010	$1,697.16	$153.02	9.91%
12/7/2013	2013	$1,731.16	$34.00	2.00%

The Increasing Cost of the Water Supply

The cost of the water supply is one of the major components of the BCWA budget. In May of 1998 the pipeline under the Providence River was completed and the BCWA began receiving water supply from the Providence Water Supply Board (PWSB). BCWA purchases water under the PWSB wholesale rate. Originally the rate was $904 per million gallons. Since 1998 the PWSB has increased the wholesale rate eight times. In 2007 alone the wholesale rate was increased a staggering 18%.

The wholesale rate is now $1,731 per million gallons which is almost double what the rate was when this interconnection began. The BCWA has no control over the frequency and magnitude of the rate increases. BCWA has no choice but to pass these rate increases on to its customers. The Board of the BCWA feels strongly an alternative source of water supply should be developed.



Bristol County Water Authority Fact Sheet

2014 System Information

Water Purchased – average day 3.12 million gallons

Miles of Pipe – 233

Number of Service Connections:

Residential	15,641
Commercial	1,112
Industrial	18
Government	88
Other	15
Total	16,874

Residential Population Served – 49,875 (per 2010 U.S Census)

Average Annual Household Demand – 63 HCF = 47,140 gallons/year

Gallons/Person/Day – 40.5

Average Annual Water Bill - $498

Average Cost per gallon = $498/47,140 = $0.0105/gallon = 1c/gallon

Cost of Providence Water = $1,731.16/MG x 1140MGY = $1.974M/yr = 16% of budget

The Infrastructure of the Bristol County Water Authority System

The transmission and distribution water main system is made up of 233 miles of large diameter polyethylene pipe, cast iron, ductile iron and asbestos concrete pipe. Most of the system was installed as cast iron, until ductile iron became available in the 1950's. The unlined cast iron pipe (cement lined pipe was not available until the late 1940's) is subject to interior deterioration that can cause discolored water and require higher levels of chlorine for disinfection.

The system has five water storage tanks, used for maintaining system pressures, additional supply during daily peak flow periods and for firefighting. One storage is located in Barrington, with the Hope Street, Bay View and the elevated Metacom and Ferry Road storages located in Bristol. The two million gallon Bay View storage sets the pressure for most of the Warren and Bristol systems, based on the elevation of water in the tank.

The Barrington pump station pumps the water from the Providence Water Supply Board to the Hope Street and Bay View storages. The supply to Barrington is controlled by a pressure reducing valve at the pump station. The high elevation area of Bristol is pumped water from the Bay View system to the elevated Metacom tank. The Ferry Road tank is supplied from the Bay View system.

There are approximately 17,000 metered service connections, 5 control valves, 1,820 operating valves and 897 hydrants in the system today.

A chlorine monitoring and injection system is in place on Nayatt Road at the location of the interconnection of the BCWA system with the pipeline that delivers water from the Providence Water Supply Board.

A Trihalometanes removal system has been installed in the two-million gallon Bay View storage tank with an additional system to be installed in the Barrington tank.

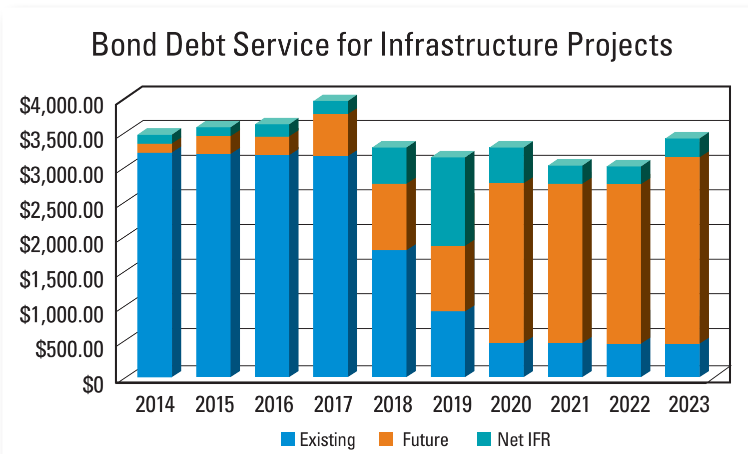
BCWA is undergoing a major water main rehabilitation project begun in 2014 to improve water quality and the structural integrity of the system. This capital improvement project involves the in-house development of design documents for cleaning/lining projects in Barrington and Warren, replacement of old cast-iron mains, and tying together dead end mains. A recently developed technology of "slip-linning" asbestos concrete mains with a structural liner will be utilized for a project in Barrington and one in Bristol to save on the cost of replacement.

Bristol County Water Authority Capital Plan

Financing Infrastructure Renovation/Replacement Projects

Our 10 year Finance Plan was developed to keep water expenses relatively stable for the capital improvements designated for the period. A combination of bond debt service, infrastructure fund reserves (IFR), and annual cash income is budgeted for the projects. (See graph).

The 10 Year Capital Plan anticipates $37,000,000 of investment for computer information systems, remote data collection and instrumentation control systems (for pump stations, control valves and storages); pump station, storage, and facility improvements; dam repairs, a new source of supply pipeline to Pawtucket Water; equipment; and cleaning and lining or replacement of water mains. More than 62% of the total capital budget is dedicated to water main improvements. (See table.)



Bristol County Water Authority / 10 Year Capital Plan Summary

Fiscal Year (March 1)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Projects	$325,000	$320,000	$200,000	$170,000	$200,000	$160,000	$160,000	$170,000	$160,000	$320,000	$2,185,000
Computer Program/SCADA											
Facilities	$337,000	$550,000	$335,000	$235,000	$373,500	$312,000	$625,000	$120,000	$50,000	$163,500	$3,101,000
Pump Station Rehab/ PRVs Dist/WTP/Admin/Dams											
Supply	$110,000	$110,000	$60,000	$60,000	$5,050,000	$0	$0	$0	$0	$50,000	$5,440,000
Alt/ Treatment											
Distribution	$425,000	$1,562,400	$1,737,500	$2,360,400	$2,246,500	$2,593,000	$3,160,000	$3,110,000	$3,180,000	$2,600,000	$22,974,800
Tanks, Mains, Services, Equip											
Miscellaneous	$150,000	$390,000	$400,000	$410,000	$320,000	$310,000	$300,000	$330,000	$340,000	$345,000	$3,295,000
Meters, Insp & Leak Detect											
Total all Projects	$1 ,347,000	$2,932,400	$2,732,500	$3,235,400	$8,190,000	$3,375,000	$4,245,000	$3,730,000	$3,730,000	$3,478,500	$36,995.800

The History of the Bristol County Water Authority System

The BCWA presently provides drinking water to the three Rhode Island communities of Barrington, Bristol and Warren. Each town appoints three members of the Authority's Board of Directors.

The BCWA traces its origins to two private 19th century water companies. The Bristol and Warren Water Works (BWWW) was originally formed in 1882. The system then served a population of about 6,000 with water from the Kickemuit River delivered through 14 miles of cast iron mains. The Barrington Water Company (BWC), formed in 1887, served a population of about 1,400 through a system comprising 3 miles of wrought iron and concrete pipe.

The Warren Water Treatment Plant was constructed in 1908 to treat water from the Kickemuit River. In the late 1800's bacteria was discovered to be the cause of waterborne diseases such as cholera, which led to the construction of water treatment plants to filter out the bacteria. Then the use of chlorine in the early 1900's essentially eliminated waterborne disease in the areas served by the treated water.

In 1933 the BWWW acquired its neighboring system, and in 1934 changed its name to Bristol County Water Company (BCWC).

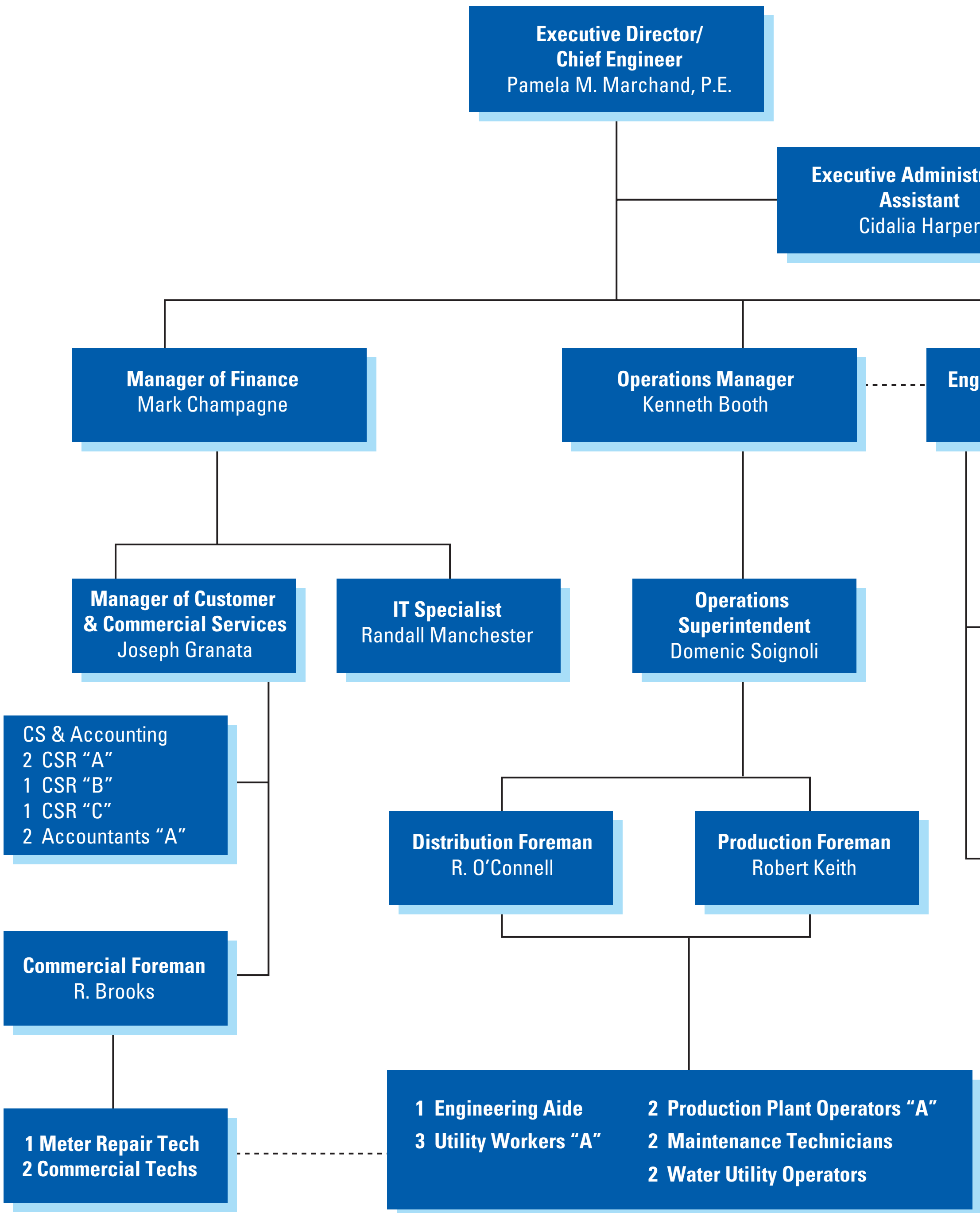
The current Authority was formed in 1984 by the Rhode Island legislature to address water supply problems that had persisted in Bristol County for many years. In 1986 the Authority acquired the BCWC from a private company and assumed responsibility for managing the region's water supply system.

In 1993, the BCWA received state approval and partial funding for the construction of the East Bay Pipeline, which would connect to the Providence water supply, and the start of a comprehensive system improvement program. The program included replacement of the Shad Factory transmission main and rehabilitation of the BCWA water treatment plant in Warren.

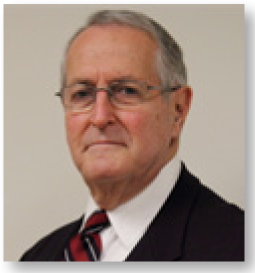
The East Bay Pipeline was put into operation in 1998, providing Bristol County with a secure source of high quality Providence (Scituate Reservoir) water. Although the Warren Water Treatment Plant was shut down in 2011, BCWA maintains it as an emergency supply source until alternate sources of water are in service.

The BCWA water rates include the debt service for the purchase of the water system in 1986 and the construction of the Cross Bay Pipeline in 1998, in the amount of $153 per service connection per year. If this amount is subtracted from the average residential bill of $498 per year, BCWA rates are among the lowest in Rhode Island.

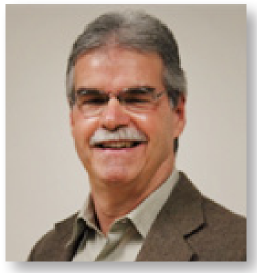
Bristol County Water Authority Organization



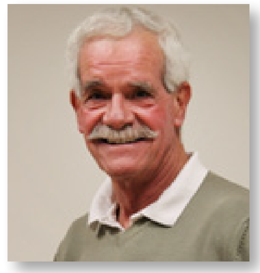
Bristol County Water Authority Board Members FY2014



Mr. Allan C. Klepper
Chairman of the Board
Barrington Representative
Term Ending: 2/28/14



Mr. William F. Gosselin
Vice-Chairman of the Board
Warren Representative
Term Ending: 2/28/16

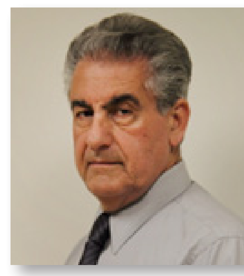


Mr. Frank Sylvia
Treasurer
Bristol Representative
Term Ending: 2/28/15

Dr. Paul L. Bishop
Bristol Representative
Term Ending: 2/28/14

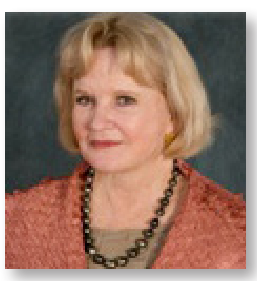
Mr. John M. Jannitto
Warren Representative
Term Ending: 2/28/14

Mr. Joel Hellman
Barrington Representative
Term Ending: 2/28/15



Mr. Raymond F. Palmieri, Sr.
Warren Representative
Term Ending: 2/28/14

Mr. Bradford N. Louison
Barrington Representative
Term Ending: 2/28/16



Ms. Georgina Macdonald
Bristol Representative
Term Ending: 2/28/16

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Customer Service: 401-245-2022 E-mail: customerservice@bcwari.com
bcwari.com

Bristol County Water Authority Five Year Financial Comparison

ITEM	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
# Customers:					
Residential	15,656*	14,723	14,404	14,386	14,348
Commercial	1,112	1,998	2,255	2,264	2,249
Industrial	18	18	18	18	17
Municipal	88	92	107	108	115
Total:	**16,874**	**16,831**	**16,784**	**16,776**	**16,729**
# Employees (FTE's):	**31****	**29**	**34**	**34**	**34**
Consumption: (Thousands of Gallons)					
Residential	737,578	732,578	748,614	778,306	738,689
Commercial	255,067	279,748	290,420	294,951	275,108
Industrial	5,326	5,534	4,981	6,308	8,597
Municipal	18,213	18,993	18,542	20,276	19,986
Total:	**1,016,184**	**1,036,853**	**1,062,557**	**1,099,841**	**1,042,380**
Unaccounted for Water (%):	**7.2%**	**14.8%**	**13.4%**	**15.0%**	**15.9%**
Rate Increases (%):	**11.0%**	**3.00%**	**3.00%**	**9.00%**	**3.00%**

FINANCIAL	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Operating Revenue:	**$12,140,723**	**$10,863,626**	**$10,441,946**	**$10,684,419**	**$9,348,706**
Operating Expenses:	**$ 8,198,494**	**$8,784,510**	**$8,564,071**	**$9,024,830**	**$8,615,512**
Operating Income:	**$ 3,942,229**	**$2,079,116**	**$1,877,875**	**$1,659,589**	**$733,194**
Net Assets	**$55,049,605**	**$51,485,162**	**$50,149,990**	**$48,583,589**	**$47,240,583**
Margin	**$ 3,431,239**	**$1,436,417**	**$1,566,401**	**$1,343,006**	**$(136,371)**
Accounts Receivable (A/R)	**$ 2,086,105**	**$1,691,357**	**$1,613,981**	**$1,871,554**	**$1,724,309**

KEY RATIOS	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Revenue/Employee	**$ 391,636**	**$374,608**	**$307,116**	**$314,248**	**$274,962**
Revenue/Net Assets	**0.2205**	**0.2110**	**0.2082**	**0.2199**	**0.1979**
Operating Income/Net Assets	**0.0716**	**0.0404**	**0.0374**	**0.0342**	**0.0155**
Margin/Revenue	**0.2826**	**0.1322**	**0.1500**	**0.1257**	**(0.0146)**
Admin & Engineering /Revenue	**0.2204**	**0.2466**	**0.2447**	**0.2637**	**0.2890**
A/R / Revenue	**0.1718**	**0.1557**	**0.1546**	**0.1752**	**0.1844**
Debt Coverage Ratio	**1.77**	**1.56**	**1.41**	**1.27**	**1.26**

*Reclassified approximately 900 accounts from commercial to residential
**Full time equivalents

BRISTOL COUNTY WATER AUTHORITY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED FEBRUARY 28, 2014 AND 2013
AND
INDEPENDENT AUDITOR'S REPORT

BRISTOL COUNTY WATER AUTHORITY

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YEARS ENDED FEBRUARY 28, 2014 AND 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bristol County Water Authority
Warren, Rhode Island

We have audited the accompanying financial statements of Bristol County Water Authority, as of and for the years ended February 28, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bristol County Water Authority, as of February 28, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2014, the Authority adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplementary pension and post employment benefit information on pages 4 – 18 and on pages 44 - 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bristol County Water Authority's basic financial statements. The other supplementary information on pages 46 – 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2014, on our consideration of the Bristol County Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bristol County Water Authority's internal control over financial reporting and compliance.

Cayer Caccia, LLP

May 23, 2014

2014 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Authority's annual financial report presents our analysis of the Authority's financial performance during the fiscal years that ended on February 28, 2014 and February 28, 2013. Please read it in conjunction with the Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS – 2014

- The Authority's net position increased by $3.5 million or 6. 7 percent.
- During the year the Authority's revenues increased to $12.1 million or by 11.0 percent, while expenses decreased to $8.7 million or by 8.4% as a result of interest savings on the bond refunding late last year and a non-recurring write off last year.
- The Authority made an initial deposit of $75K to the newly established OPEB Irrevocable Trust during Fiscal Year 2014.
- The computed Debt Service Ratio increased favorably to 1.77% up from 1.56% last year.
- The Authority's capital contributions remained at $0.1 million as a result of a continued low level of developer projects.

FINANCIAL HIGHLIGHTS – 2013

- The Authority's net position increased by $1.5 million or 3.0 percent.
- During the year the Authority's revenues increased to $10.9 million or by 4.8 percent, while expenses increased to $9.5 million or by 2.1%.
- The Authority refinanced the 1997 and 1998 bond issues from a rate just under 5% to a rate under 2% for the approximate remaining 5 year amortization period saving the Authority about $0.5 million in interest during that period.
- The Authority, with savings from the refinancing above, was able to secure a $0.5 million bond from RICWFA to complete the Franklin Street Relining project in Bristol and keep the debt service at a level close to the previous year.
- The Authority's capital contributions decreased $0.4 million as a result of a decrease in developer projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the Financial Statements.

REQUIRED FINANCIAL STATEMENTS

Proprietary Funds

The Proprietary Fund financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the net position of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. Proprietary Fund financial statements also require the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Fiduciary Funds

The Fiduciary Fund financial statements are used to account for resources held for the benefit of parties other than the Authority. These funds are not available to fund Authority operations and therefore are not reflected in the Proprietary Fund financial statements. The Authority established an Other Post Employment Benefits trust fund in 2014. The basic fiduciary fund financial statements and footnotes can be found on pages 23 – 24 and 40 – 42, respectively, of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on page 19 of the Financial Statements. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in it. You can think of the Authority's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth and weather conditions.

NET POSITION

To begin our analysis, a summary of the Authority's Statements of Net Position is presented in Table A-1.

TABLE A-1
Condensed Statements of Net Position
(In Millions of Dollars)

	FY 2014	FY 2013	Total Percent Change (2014-2013)
Current and Other Assets	$10.6	$9.4	12.7%
Deferred outflows of resources	0.1	0.1	0.0%
Capital Assets	62.8	63.0	(0.3%)
Total Assets and Deferred Outflows of Resources	**73.5**	**72.5**	**1.3%**
Long-term Debt Outstanding	14.8	17.4	(14.9%)
Other Liabilities	3.7	3.6	2.7%
Total Liabilities	**18.5**	**21.0**	**(11.9%)**
Net Investment in Capital Assets	48.1	45.5	5.7%
Restricted for Capital Activity and Debt Service	6.7	6.0	11.6%
Unrestricted Net Position	0.2	0.0	100%
Total Net Position	**$55.0**	**$51.5**	**6.7%**

As can be seen from the table above, the net position increased $3.5 million to $55.0 million in Fiscal 2014 up from $51.5 million in Fiscal 2013.

Looking more carefully at the table you can see that most of the change in the net position was in the net investment in capital assets which increased $2.6 million in Fiscal 2014 and the reduction of long term debt of $2.6 million.

A further review shows that the restricted net position (appropriated net income – that established by debt covenants, enabling legislation, or other legal requirements) increased by $0.7 million in Fiscal 2014. Net investments in capital assets increased by $2.6 million. Unrestricted net position (which can be used to finance day to day operations) increased $0.2 million in Fiscal 2014 as a result of $2.6 million being used for capital assets and $3.5 million from a favorable result of operations and contributed capital.

NET POSITION (Continued)

TABLE A-1
Condensed Statements of Net Position
(In millions of dollars)

	FY 2013	FY 2012	Total Percent Change (2013-2012)
Current and Other Assets	$9.4	$8.8	6.8%
Deferred outflows of resources	0.1	0.1	0.0%
Capital Assets	63.0	63.6	(0.9%)
Total Assets and Deferred Outflows of Resources	**72.5**	**72.5**	**0.0%**
Long-term Debt Outstanding	17.4	19.1	(8.9%)
Other Liabilities	3.6	3.4	5.8%
Total Liabilities	**21.0**	**22.5**	**(6.6%)**
Net Investment in Capital Assets	45.5	44.5	2.2%
Restricted for Capital Activity and Debt Service	6.0	5.5	9.0
Unrestricted Net Position	0.0	0.0	0.0
Total Net Position	**$51.5**	**$50.0**	**3.0%**

As can be seen from the table above, the net position increased $1.5 million to $51.5 million in Fiscal 2013 up from $50.0 million in Fiscal 2012.

Looking more carefully at the table you can see that most of the change in the net position was in the net investment in capital assets which increased $1.0 million in Fiscal 2013.

A further review shows that the restricted net position (appropriated net income – that established by debt covenants, enabling legislation, or other legal requirements) increased by $0.5 million in Fiscal 2013. Net investments in capital assets increased by $1.0 million. Unrestricted net position (which can be used to finance day to day operations) remained unchanged in Fiscal 2013 as a result of $1.0 million being used for capital assets and $1.5 million from a favorable result of operations and contributed capital.

NET POSITION (Continued)

TABLE A-2
Condensed Statements of Revenues, Expenses and Changes in Net Position
(In millions of dollars)

	FY 2014	FY 2013	Total Percent Change (2014-2013)
Operating Revenues	$12.1	$10.9	11.0%
Non-operating Revenues	0.0	0.0	0.0%
Total Revenues	**12.1**	**10.9**	**11.0%**
Depreciation Expense	1.2	1.2	0.0%
Other Operating Expense	7.0	7.6	(7.8%)
Non-operating Expense	0.5	0.7	(28.5%)
Total Expenses	**8.7**	**9.5**	**(8.4%)**
Increase (Decrease) in Net Position Before Contributed Capital	**3.4**	**1.4**	**142.8%**
Capital Contributions	**0.1**	**0.1**	**0.0%**
Change in Net Position	**3.5**	**1.5**	**133.3%**
Beginning Net Position, as restated	**51.5**	**50.0**	**3.0%**
Ending Net Position	**$55.0**	**$51.5**	**6.7.%**

While the Statements of Net Position show the change in the financial position of the Authority, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes. As can be seen in Table A-2 above, Net Revenue (Total Revenues less Total Expenses), at $3.4 million in Fiscal 2014 and $1.4 million in Fiscal 2013, increased by 143%.

A closer examination of the source of changes in net position reveals that the Authority's operating revenues increased by $1.2 million to $12.1 million in Fiscal 2014 from $10.9 million in Fiscal 2013. Non-operating revenues remained the same. Total expenses decreased to $8.7 million from $9.5 million in 2013. This included a $0.2 million non-reoccurring write off expense relative to the Shad pipeline in 2013 and a $0.2 reduction in bond interest in FY 2014 due to the refunding of bonds late in FY 2013. With the increase in operating revenues and the decrease of expenses the Authority was able to recover its costs.

NET POSITION (Continued)

TABLE A-2
Condensed Statements of Revenues, Expenses and Changes in Net Position
(In millions of dollars)

	FY 2013	FY 2012	Total Percent Change (2013-2012)
Operating Revenues	$10.9	$10.4	4.8%
Nonoperating Revenues	0.0	0.0	0.0%
Total Revenues	**10.9**	**10.4**	**4.8%**
Depreciation Expense	1.2	1.1	9.0%
Other Operating Expense	7.6	7.4	2.7%
Nonoperating Expense	0.7	0.8	(12.5%)
Total Expenses	**9.5**	**9.3**	**2.1%**
Increase (Decrease) in Net Position Before Contributed Capital	**1.4**	**1.1**	**27.2%**
Capital Contributions	**0.1**	**0.5**	**(80.0%)**
Change in Net Position	**1.5**	**1.6**	**(6.2%)**
Beginning Net Position, as restated	**50.0**	**48.4**	**3.3%**
Ending Net Position, as restated	**$51.5**	**$50.0**	**3.0%**

While the Statements of Net Position show the change in the financial position of the Authority, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes. As can be seen in Table A-2 above, Net Revenue (Total Revenues less Total Expenses), at $1.4 million in Fiscal 2013 and $1.1 million in Fiscal 2012, increased by 27%.

A closer examination of the source of changes in net position reveals that the Authority's operating revenues increased by $0.5 million to $10.9 million in Fiscal 2013 from $10.4 million in Fiscal 2012. Non-operating revenues remained the same. Total expenses increased to $9.5 million from $9.3 million in 2012. This included a $0.2 million non-reoccurring write off expense relative to the Shad pipeline in 2013. With the increase in operating revenues and the stability of expenses the Authority was able to recover its costs.

BUDGETARY HIGHLIGHTS

As required by its bylaws, the Authority adopts an Operations and Maintenance and a Capital Budget prior to the start of its fiscal year. The budgets remain in effect the entire year and are usually not revised as is the case in many governments. A Fiscal 2014 and 2014 budget comparison and analysis are presented in the interim financial statements; however, they are not reported on nor shown in the audited financial statement section of this report.

TABLE A-3
Budget vs. Actual
(In millions of dollars)

	FY 2014 Budget	FY 2014 Actual	Budget Variance
Revenues:			
From Operations	$12.0	$12.1	$0.1
Non-operating	0.0	0.0	0.0
Total	**12.0**	**12.1**	**0.1**
Operating Expenses:			
Water Production	4.5	3.6	(0.9)
Insurance, Taxes & Employee Benefits	1.7	1.8	0.1
Depreciation & Amortization	1.3	1.2	(0.1)
Customer Service & Accounting	0.7	0.6	(0.1)
Administration	1.0	1.0	0.0
Non-operating Expenses	0.6	0.5	(0.1)
Total Expenses	**9.8**	**8.7**	**(1.1)**
Income Before Contributed Capital	**2.2**	**3.4**	**1.2**
Contributed Capital	**0.0**	**0.1**	**0.1**
Change in Net Position	**2.2**	**3.5**	**1.3**
Beginning Net Position, as restated	**51.6**	**51.5**	**(0.1)**
Ending Net Position	**$53.8**	**$55.0**	**$1.2**

As can be seen from Table A-3, the Authority's revenues from operations of $12.1 million were $0.1 million over budget. Water Rates increased 11% during the fiscal year. Non-operating revenues were the same as budgeted. During this same time, expenses were $1.1 million under budget. Insurance, taxes and employee benefits expenses were $0.1 over budget. Water production expenses were under budget by $0.9 million as a result of the anticipated major rate increase from Providence Water did not materialize as budgeted and only amounted to 2% at the end of the fiscal year. Contributed capital is over budget by $0.1 million as a result of new service contributions received in Fiscal 2014.

BUDGETARY HIGHLIGHTS (Continued)

TABLE A-3
Budget vs. Actual
(In millions of dollars)

	FY 2013 Budget	FY 2013 Actual	Budget Variance
Revenues:			
From Operations	$11.1	$10.9	($0.2)
Non-operating	0.0	0.0	0.0
Total	**11.1**	**10.9**	**(0.2)**
Operating Expenses:			
Water Production	3.8	3.3	(0.5)
Repairs & Maintenance	0.7	0.7	(0.0)
Insurance, Taxes & Employee Benefits	1.6	2.0	0.4
Depreciation	1.2	1.3	0.1
Customer Service & Accounting	0.6	0.6	0.0
Administration	0.8	0.9	0.1
Non-operating Expenses	0.9	0.7	(0.2)
Total Expenses	**9.6**	**9.5**	**(0.1)**
Income Before Contributed Capital	**1.5**	**1.4**	**(0.1)**
Contributed Capital	**0.0**	**0.1**	**0.1**
Change in Net Position	**1.5**	**1.5**	**0.0**
Beginning Net Position, as restated	**50.1**	**50.0**	**(0.1)**
Ending Net Position	**$51.6**	**$51.5**	**($0.1)**

As can be seen from Table A-3, the Authority's revenues from operations were to $10.9 million, down $0.2 million from budget. Rates were increased 3% and water consumption was down resulting in decreased operating revenue from budget. Non-operating revenues were the same as budgeted. During this same time, expenses decreased to $9.5 million. Insurance, taxes and employee benefits expenses were over budget by $0.4 million due primarily to the recording of a net OPEB obligation required by GASB 45 of $0.4 million. Water production expenses were under budget by $0.5 million as a result of the anticipated rate increase from Providence Water not enacted in Fiscal 2013. Contributed capital is over budget by $0.1 million as a result of new service contributions received in Fiscal 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of Fiscal 2014, the Authority had invested $62.8 million in a broad range of infrastructure including reservoirs, dams, water plants and facilities, maintenance and administration facilities, water lines, vehicles and equipment as shown in Table A-4.

TABLE A-4
Capital Assets
(In millions of dollars)

	FY 2014	FY 2013	Total Percent Change (2014-2013)
Land & Improvements	$2.7	$2.7	0.0%
Treatment, Storage and Administrative Facilities	8.5	8.4	1.1%
Distribution System	64.1	63.6	0.7%
Equipment	7.5	7.4	1.3%
Construction in Progress	0.9	0.6	50.0%
Subtotal	**83.7**	**82.7**	**1.2%**
Less Accumulated Depreciation	20.9	19.7	6.0%
Net Capital Assets	**$62.8**	**$63.0**	**(0.3%)**

	FY 2013	FY 2012	Total Percent Change (2013-2012)
Land & Improvements	$2.7	$2.7	0.0%
Treatment, Storage and Administrative Facilities	8.4	8.4	0.0%
Distribution System	63.6	63.4	0.3%
Equipment	7.4	7.1	4.2%
Construction in Progress	0.6	0.5	20.0%
Subtotal	**82.7**	**82.1**	**0.7%**
Less Accumulated Depreciation	19.7	18.5	6.5%
Net Capital Assets	**$63.0**	**$63.6**	**(0.9%)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

The following is a summary of some of the major improvements to the system during **Fiscal 2014**.

This year's major capital assets additions include (dollars in millions):
• $0.1 million for the purchase of meters and hydrants. • $0.6 million for mains and services. • $0.3 million for construction in progress of mostly mains and services.

The following is a summary of some of the major improvements to the system during **Fiscal 2013**.

This year's major capital assets additions include (dollars in millions):
• $0.2 million for mains and services. • $0.3 million for the purchase of meters and hydrants. • $0.4 million for construction in progress of mostly mains and services.

In Table A-5, the Authority's Fiscal 2015 Capital Budget projects spending approximately $4.9 million for capital projects, principally for distribution improvements. The Authority believes that some of these projects can be financed from available resources based on projected cash flows. However, new debt will be required to provide approximately $4.0 million leaving $0.9 million to be provided by the Authority.

TABLE A-5
Fiscal Year 2015 Capital Budget
(In millions of dollars)

	FY 2015
Computer Systems	$0.2
Facilities	0.6
Supply & Distribution	3.5
Equipment/Meters	0.6
Total	**$4.9**

LONG-TERM DEBT

At **February 28, 2014**, the Authority had $14.8 million in long-term debt down from $17.4 million in Fiscal 2013 for a decrease of $2.6 million or 14.9 percent. Although anticipated in Fiscal 2013, the Authority incurred no new long-term debt in Fiscal 2014. The Authority's long-term debt decreased by $2.6 million as a result of principal payments on outstanding debt plus or minus amortization of bond premiums, discounts and other related items. More detailed information about the Authority's long-term liabilities is presented in the Notes to Financial Statements on pages 32 – 36. The Authority does plan on issuing new debt in Fiscal 2015 to finance major capital improvements and will be reviewing bond market conditions for possible refinancing of outstanding issues.

At **February 28, 2013**, the Authority had $17.4 million in long-term debt down from $19.1 million in Fiscal 2012 for a decrease of $1.7 million or 8.9 percent. The Authority refunded the 1997 and 1998 bond issues during Fiscal Year 2013 resulting in an interest rate reduction from just under 5% to a new rate just under 2% thereby saving the Authority approximately $0.5 million over the remaining 5 year amortization period of the bonds. The Authority incurred new long-term debt of $0.5 million in Fiscal 2013 to finance $0.5 million in capital improvements. More detailed information about the Authority's long-term liabilities is presented in the Notes to Financial Statements on pages 32 -36. The Authority does plan on issuing new debt in Fiscal 2014 to finance major capital improvements and will be reviewing bond market conditions for possible refinancing of outstanding issues.

BOND RATINGS	**LIMITATIONS ON DEBT**
The 2004 outstanding bond carries an "Aaa" and "AAA" rating from Moody's and Standard & Poor's respectively, based upon municipal bond insurance policies. The 2008 outstanding bonds are rated "A" by Standard and Poor's.	Bond Covenants allow for the issuance of additional debt, provided certain debt service ratio conditions are met. The major criteria are that the revenue fund plus net revenue of the Authority must be at least **1.25** times the highest combined debt service requirement. The Authority currently has a debt service coverage ratio of **1.77**, up from last year's ratio of **1.56** and up from a coverage ratio of **1.41** in Fiscal 2012.

LONG-TERM DEBT (Continued)

TABLE A-6
Debt Service Coverage Ratio
(In millions of dollars)

	FY 2014	FY 2013	Total Percent Change (2014-2013)
Revenue Fund Balance	**$1.8**	**$1.2**	**50.0%**
Revenues Collected from Operations	12.1	11.1	9.0%
Interest Income (excludes construction funds)	0.01	0.02	(50.0%)
Total Revenue Available	**13.9**	**12.3**	**13.0%**
Total Operating Expenses (cash)	**8.2**	**7.5**	**9.3%**
Net Revenue Available	**$5.7**	**$4.8**	**18.7%**
Debt Service Requirement	**$3.2**	**$3.1**	**3.2%**
Debt Service Coverage Ratio	**1.77**	**1.56**	**13.4%**
Debt Service Required Ratio	**1.25**	**1.25**	**0.0%**

LONG-TERM DEBT (Continued)

TABLE A-6
Debt Service Coverage Ratio
(In millions of dollars)

	FY 2013	FY 2012	Total Percent Change (2013-2012)
Revenue Fund Balance	**$1.2**	**$0.8**	**50.0%**
Revenues Collected from Operations	11.1	11.1	0.0%
Interest Income (excludes construction funds)	0.02	0.01	100.0%
Total Revenue Available	**12.3**	**11.9**	**3.4%**
Total Operating Expenses (cash)	**7.5**	**7.5**	**0.0%**
Net Revenue Available	**$4.8**	**$4.4**	**9.1%**
Debt Service Requirement	**$3.1**	**$3.2**	**(3.1)%**
Debt Service Coverage Ratio	**1.56**	**1.41**	**10.6%**
Debt Service Required Ratio	**1.25**	**1.25**	**0.0%**

LONG-TERM DEBT (Continued)

TABLE A-7
Cost of Capital
(In millions of dollars)

Refinancing the 1995 bond issue in Fiscal 2005 at lower interest rates has resulted in a net present value savings of approximately $0.6 million. The Authority refunded the 1997 and 1998 bond issues during fiscal year 2013 resulting in an interest rate reduction from just under 5% to a new rate just under 2% thereby saving the Authority approximately $0.5 million over the remaining 5 year amortization period of the bonds. The market timing of the Authority's five latest debt issues (2004, 2008, 2011, 2012A, and 2012B) resulted in low average coupon rates of 3.3, 3.2, 2.7, 1.9, and 1.2 percent, respectively. As can be seen in Table A-7, the Authority's current average cost of capital is 2.7 percent on outstanding debt.

TABLE A-7
Cost of Capital

	Debt Balance February 28, 2014	Average Coupon Rate	Debt Balance February 28, 2013	Average Coupon Rate
2004 Bonds	$3.8	3.3%	$4.9	3.3%
2008 Loan	4.7	3.2%	4.9	3.2%
2011 Loan	0.5	2.7%	0.5	2.7%
2012 Loan (Refunding)	5.5	1.9%	6.7	1.9%
2012 Loan	0.3	1.2%	0.4	1.2%
Total	**$14.8**	**2.7%**	**$17.4**	**2.7%**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority's Board of Directors and management considered many factors when setting the Fiscal 2015 budget, user fees, and charges.

Inflation in the Bristol County area is considered to be comparable to the National Consumer Price Index (CPI) increase. The Authority uses regional average wage increases and wage increases in accordance with its collective bargaining agreement when considering employment cost increases.

These indicators were taken into consideration when adopting the Authority budget for Fiscal 2015. However, historical financial data also plays a large part in its formulation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)

TABLE A-8
FY 2015 Budget vs. FY 2014 Actual
(In millions of dollars)

	Budget FY 2015	Actual FY 2014	Dollar Change	Total Percent Change
Operating Revenues	$ 12.1	$12.1	$0.0	0.0%
Non-operating Revenues	0.0	0.0	0.0	0.0%
Total Revenues	**12.1**	**12.1**	**0.0**	**0.0%**
Depreciation Expense	1.3	1.2	0.1	8.3%
Other Operating Expense	8.0	7.0	1.0	14.2%
Non-operating Expense	0.7	0.5	0.2	40.0%
Total Expenses	**10.0**	**8.7**	**1.3**	**14.9%**
Income Before Contributed Capital	**2.1**	**3.4**	**(1.3)**	**(38.2%)**
Contributed Capital	0.0	0.1	(0.1)	(0.0%)
Change in Net Position	**2.1**	**3.5**	**(1.4)**	**(40.0%)**
Beginning Net Position	**55.2**	**51.5**	**3.7**	**7.1%**
Ending Net Position	**$57.3**	**$55.0**	**$2.3**	**4.1%**

As shown in Table A-8 above, operating revenues available for recovering operating costs are projected to be $12.1 million, remaining the same as Fiscal 2014 revenues. A rate increase of 4% has been budgeted for Fiscal 2015. The Authority is again projecting a slight decrease in consumption in Fiscal 2015 due to conservation. These projections will be reviewed for propriety each year and/or when operating changes having a financial impact dictate. Budget expenses are expected to increase in Fiscal 2015 to $10.0 million. The Authority is always making efforts to reduce costs and will continue to do so in Fiscal 2015.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Bristol County Water Authority's Manager of Finance, P. O. Box 447, Warren, Rhode Island 02885.

BRISTOL COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION
PROPRIETARY FUND
FEBRUARY 28, 2014 AND 2013

	2014	2013
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 1,249,828	$ 1,152,559
Accounts receivable, less allowance for doubtful accounts of $20,000 in 2014 and 2013		
Billed	821,567	761,814
Unbilled	1,264,538	929,543
Total accounts receivable	2,086,105	1,691,357
Inventory and other assets	289,355	300,511
Restricted current assets:		
Funds held by trustee	2,962,550	2,981,153
Total current assets	6,587,838	6,125,580
Noncurrent assets:		
Restricted assets:		
Funds held by trustee	3,991,445	3,320,969
Property, plant and equipment, net of accumulated depreciation	62,838,441	63,006,469
Total noncurrent assets	66,829,886	66,327,438
Deferred outflows of resources	45,994	79,732
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	73,463,718	72,532,750

SEE NOTES TO FINANCIAL STATEMENTS.

BRISTOL COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION
PROPRIETARY FUND
FEBRUARY 28, 2014 AND 2013

	2014	2013
LIABILITIES:		
Current liabilities:		
Accounts payable	698,404	723,560
Accrued expenses	417,469	336,323
Amounts to be paid from restricted assets:		
Accounts payable	52,798	108,592
Accrued interest expense	151,752	166,561
Long-term debt due within one year	2,758,000	2,706,000
Total amounts to be paid from restricted assets	2,962,550	2,981,153
Total current liabilities	4,078,423	4,041,036
Other liabilities:		
Net pension obligation	241,926	281,971
Customer extension deposits	100,087	142,961
Net other post employment benefit obligation	1,976,240	1,823,831
Total other liabilities	2,318,253	2,248,763
Long-term debt due after one year	12,017,437	14,757,789
TOTAL LIABILITIES	18,414,113	21,047,588
NET POSITION:		
Net investment in capital assets	48,063,004	45,542,680
Restricted for capital activity and debt service	6,749,445	6,026,969
Unrestricted	237,156	(84,487)
TOTAL NET POSITION	$ 55,049,605	$ 51,485,162

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS.

BRISTOL COUNTY WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND YEARS ENDED FEBRUARY 28, 2014 AND 2013

	2014	2013
Operating revenues (net):		
Water	$ 11,547,293	$ 10,294,001
Fire services	593,430	569,625
Total operating revenues (net)	12,140,723	10,863,626
Operating expenses:		
Operations	4,330,562	4,558,879
Operations - nonrecurring Shad Pipeline write-off of design fees		241,047
Engineering and administrative	2,676,232	2,780,324
Depreciation	1,191,700	1,204,260
Total operating expenses	8,198,494	8,784,510
Operating income	3,942,229	2,079,116
Non-operating revenues (expenses):		
Interest income	6,026	20,990
Interest expense	(516,911)	(666,918)
Gain on sale of surplus vehicles		6,225
Unrealized net loss on investments held by trustee	(105)	(2,996)
Net non-operating expenses	(510,990)	(642,699)
Increase in net position before capital contributions	3,431,239	1,436,417
Capital contributions:		
Capital contributions	117,162	77,232
Developer contributions of systems	16,042	
Total capital contributions	133,204	77,232
Increase in net position	3,564,443	1,513,649
Net position at beginning of year, as restated	51,485,162	49,971,513
Net position at end of year	$ 55,049,605	$ 51,485,162

SEE NOTES TO FINANCIAL STATEMENTS.

STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEARS ENDED FEBRUARY 28, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Cash received from customers	$ 11,951,015	$ 11,030,070
Cash paid to employees for services	(2,322,356)	(2,190,050)
Cash paid to suppliers for goods and services	(4,808,635)	(5,156,192)
Net cash provided by operating activities	4,820,024	3,683,828
Cash flows from investing activities:		
Interest income received	6,026	20,990
Purchase of securities	(59,313,589)	(53,464,818)
Proceeds from sales and maturities of securities	58,661,611	52,888,676
Net cash used for investing activities	(645,952)	(555,152)
Cash flows from capital and related financing activities:		
Proceeds from long-term debt	22,265	7,473,018
Purchase of property, plant and equipment	(890,468)	(816,045)
Proceeds from sales of vehicles		6,225
Payments on bonds and note payable	(2,706,000)	(9,046,000)
Interest payments	(502,600)	(699,285)
Net cash used for capital and related financing activities	(4,076,803)	(3,082,087)
Net increase in cash and cash equivalents	97,269	46,589
Cash and cash equivalents, beginning of year	1,152,559	1,105,970
Cash and cash equivalents, end of year	$ 1,249,828	$ 1,152,559

Reconciliation of operating income to net cash provided by operating actvities:

	2014	2013
Operating income	$ 3,942,229	$ 2,079,116
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,191,700	1,204,260
Provision for uncollectible accounts	23,636	41,667
Write-off of Shad Pipeline design fees		241,047
Change in customer extension deposits	(42,874)	5,031
Changes in operating assets and liabilities:		
Increase in accounts receivable	(418,384)	(119,043)
Decrease in inventory and other assets	11,156	34,697
Decrease in accounts payable and accrued expenses	197	(193,212)
Increase in other liabilities	112,364	390,265
Net cash provided by operating activities	$ 4,820,024	$ 3,683,828

Supplemental disclosure of cash flow information:

	2014	2013
Noncash financing activities consist of financing the purchase of depreciable assets through trade accounts payable.	$ 81,630	$ 126,903

SEE NOTES TO FINANCIAL STATEMENTS.

STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND
FEBRUARY 28, 2014 AND 2013

	Other Post-Employment Benefit Trust Fund	
	2014	2013
ASSETS:		
Cash and cash equivalents	$ 75,003	$ 0
Total assets	75,003	0
LIABILITIES	0	0
NET POSITION:		
Held in trust for other post-employment benefits	$ 75,003	$ 0

SEE NOTES TO THE FINANCIAL STATEMENTS.

BRISTOL COUNTY WATER AUTHORITY

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEARS ENDED FEBRUARY 28, 2014 AND 2013

	Other Post-Employment Benefit Trust Fund	
	2014	2013
ADDITIONS:		
Employer contributions	$ 75,000	$ 0
Investment income	3	0
Total additions	75,003	0
DEDUCTIONS	0	0
CHANGE IN NET POSITION	75,003	0
NET POSITION - BEGINNING	0	0
NET POSITION - ENDING	$ 75,003	$ 0

SEE NOTES TO THE FINANCIAL STATEMENTS.

1. BASIS OF PRESENTATION AND ORGANIZATION

The Bristol County Water Authority (the Authority) was authorized as a public corporation on May 12, 1981, by an act of the Rhode Island Legislature and was created for purposes of acquiring, constructing, improving, operating and maintaining water distribution systems in order to provide adequate water supplies to the residents of Bristol County. Bristol County includes the municipalities of Barrington, Bristol and Warren, Rhode Island. In November 1983, the voters of Bristol County approved the establishment of the Authority and, with the appointment of its members, the Authority came into existence on February 28, 1984. The Authority commenced its principal operations on November 25, 1986, with the acquisition of the Bristol County Water Company (Water Company).

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority's Proprietary Fund are accounted for on a flow of economic resources management focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into three components: net investment in capital assets, restricted for capital activity and debt service; and unrestricted net position.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable. Operating revenues consist of customer charges for usage and services. All other revenues are considered non-operating sources of revenue.

(CONTINUED)

1. BASIS OF PRESENTATION AND ORGANIZATION (Continued)

Fund Financial Statements (Continued)

Fiduciary Fund

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

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

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

Recently Issued Accounting Standards

The Authority implemented the following pronouncement for the year ended February 28, 2014:

-> GASB Statement No. 66 – Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.

The adoption of this pronouncement did not have a material effect on the Authority's financial statements.

The Authority also implemented GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The adoption of this Statement resulted in a restatement of the beginning net position resulting from the change in accounting for deferred bond issuance costs. Bond issuance costs are now expensed as incurred. In addition, this Statement requires the amounts deferred on refunding to be reported as a deferred outflow or a deferred inflow of resources on the statement of net position, rather than as an addition to or a reduction from the bond liability.

The Authority will adopt the following new accounting pronouncements in future years:

-> GASB Statement No. 67 – Financial Reporting for Pension Plans –- an amendment of GASB Statement No. 25, effective for the Authority's fiscal year ending February 28, 2015.

-> GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for the Authority's fiscal year ending February 28, 2016.

-> GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, effective for the Authority's fiscal year ending February 29, 2016.

The impact of these pronouncements on the Authority's financial statements has not been determined.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marketable Securities

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

Inventory

Materials and supplies inventory is stated at the lower of weighted average cost or market.

Depreciation

Depreciation is computed on the straight-line method over the estimated remaining useful lives of the applicable assets. The capitalization threshold is any individual item with a total cost equal to or greater than $2,500. Maintenance and repairs are charged to expenses as incurred. Major renewals or betterments are capitalized and depreciated over their estimated useful lives.

Estimated useful lives are as follows:

Equipment	5 years
Land improvements	5 – 45 years
Buildings and storage facilities	10 – 75 years
Distribution system	40 – 100 years

Debt Issuance Costs

Costs of issuance related to bonds and notes payable are recorded to administrative expenses when incurred. The Authority previously reported debt issuance costs in other assets and amortized the costs on a weighted-average basis over the life of the loans. The implementation of GASB Statement No. 65 resulted in the write-off of debt issuance costs as of March 1, 2012.

Deferred Inflows and Outflows of Resources

The Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and deferred inflows of resources, respectively, to distinguish them from assets and liabilities. For the fiscal years ending February 28, 2014 and 2013, the Authority reported deferred outflows of resources pertaining to the deferred items on its debt refunding transactions.

Revenues

Revenues include amounts billed to customers on a monthly or quarterly cycle basis and unbilled amounts based on estimated usage from the date of the latest meter reading to the end of the Authority's fiscal year.

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted for capital activity and debt service, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net assets not included in the above categories.

Taxes

The Authority is exempt from federal and state income taxes. The Authority makes payments in lieu of real and personal property taxes to the three towns served by the Authority (see Note 8).

Cash Deposits

The carrying amount of the Authority's deposits, except for petty cash of $850 at February 28, 2014 and 2013, was $528,592 and $542,468, respectively and the bank balance was $553,100 and $618,093, respectively. Of the bank balance, $462,799 and $489,412 was insured by federal depository insurance and the remaining portions, $90,301 and $128,681 were uninsured and uncollateralized as defined by the Governmental Accounting Standards Board as of February 28, 2014 and 2013, respectively.

Cash and cash equivalents consisted of the following at February 28:

Description	2014	2013
Petty cash	$ 850	$ 850
Deposits with financial institutions	528,592	542,468
Institutional money market accounts – government portfolio	720,386	609,241
Total cash and cash equivalents	$1,249,828	$1,152,559

The institutional money market funds – government portfolio had credit ratings of AAAm/Aaa-mf by Standard & Poor's and Moody's at February 28, 2014 and 2013, respectively.

Investments

In accordance with the Authority's investment policy, permitted investments include government obligations, bonds, notes or other investments wholly-owned by the United States of America, obligations issued by any state or any public agencies or municipalities which are rated in either of the two highest rating categories by Moody or Standard & Poor, commercial paper under the laws of any state of the United States of America rated A-1 by Moody or P-1 by Standard & Poor, investments in money market fund or other fund invested exclusively of obligations described above. At February 28, 2014 and 2013, the Authority's uncollateralized deposits had maturities of less than ninety (90) days and were with an institution that met the minimum capital standards.

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

At February 28, 2014, the Authority had the following investments classified as funds held by trustee:

Description	Maturity	Interest Rate	Fair Value	Rating
Abbey National NA LLC Commercial Paper	3/31/2014	0.07	$5,400,406	A-1, P-1
Federal Home Loan Bank Discount Note	6/30/2014	0.06	1,400,860	AA+, P-1
Total			$6,801,266	

At February 28, 2013, the Authority had the following investments classified as funds held by trustee:

Description	Maturity	Interest Rate	Fair Value	Rating
Abbey National NA LLC Commercial Paper	3/29/2013	0.18	$4,505,033	A-1, P-1
Federal Home Loan Bank Discount Note	7/08/2013	0.10	967,545	AA+, P-1
Total			$5,472,578	

Custodial Credit Risk: Deposits and Investments - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit or investment policy for custodial credit risk.

Interest Rate Risk – It is the policy of the Authority to limit the length of its investment maturities in order to manage the exposure to fair value losses arising from increasing changing rates.

Credit Risk – Government Money Market is not a rated security, as the fund invests in short-term obligations issued by the U.S. Treasury and invests in repurchase agreements and other instruments collateralized or secured by U.S. Treasury obligations. The U.S. Treasury does not directly or indirectly insure or guarantee the performance of the fund. Treasury obligations have historically involved minimal risk of loss if held to maturity. However, fluctuations in market interest rates may cause the value of Treasury obligations in the Fund's portfolio to fluctuate.

Concentration of Credit Risk – The Authority does not have a formal policy that limits the amount that may be invested in any one issuer. The Abbey National NA LLC Commercial Paper represents 78% of the Authority's investments.

For the purposes of the statements of cash flows, the Authority considers only cash balances in its operating cash accounts as cash. Cash and investment funds held by trustee are not considered cash equivalents due to restrictions on the use of the funds.

(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Authority purchases commercial insurance to cover the general risk of loss arising from its business activities.

Use of Estimates

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

During fiscal year ending February 28, 2014, the Authority implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which resulted in the write-off of debt issuance costs as of March 1, 2012.

Certain reclassifications have been made to the financial statements for the year ending February 28, 2013 to conform to the presentation of the financial statements for the year ending February 28, 2014.

3. FUNDS HELD BY TRUSTEE

Pursuant to the Bristol County Water Authority Bond Resolutions (Bond Resolutions) adopted November 13, 1986, and as amended, certain restricted funds that the Authority is required to maintain can be used only for the purposes specified in the Bond Resolution. Furthermore, the Authority is required to establish water rates so that net revenues, as defined in the Bond Resolution, shall equal at least the required debt service ratio of 1.25 during the fiscal year.

The assets of these funds are pledged as security for the bonds. Restricted assets at February 28 are as follows:

	2014	2013
Revenue fund	$2,681,770	$1,818,382
Debt service fund	1,414,530	1,382,371
Operations and maintenance reserve fund	1,304,935	1,305,019
Debt service reserve fund 2012A	550,112	676,064
Debt service reserve fund 2012B	52,639	51,002
Debt service reserve fund 2011	80,540	79,564
Debt service reserve fund 2008	491,747	494,771
Debt service reserve fund 2004	377,556	494,527
	6,953,829	6,301,700
Plus accrued interest income	166	422
Total	$6,953,995	$6,302,122

(CONTINUED)

3. *FUNDS HELD BY TRUSTEE (Continued)*

The funds held by the trustee are invested in cash and long and short-term securities that meet the requirements of the Bond Resolution for permitted investments. These investments include money market accounts and commercial paper. These funds are generally collateralized with securities held by the trustee's trust department and are generally uninsured and unregistered securities held by the trustee's trust department as agent for the Authority. The fair value of investments at February 28, 2014 and 2013 were as follows:

	2014	2013
Money market fund	$ 152,563	$ 829,122
Federal Home Loan Bank Discount Note	1,400,860	967,545
Commercial paper	5,400,406	4,505,033
Total	$6,953,829	$6,301,700

4. *PROPERTY, PLANT AND EQUIPMENT*

Capital asset activity during the year ended February 28, 2014 was as follows:

	Balance at February 28, 2013	Additions	Disposals	Transfers	Balance at February 28, 2014
Land and improvements	$ 2,719,877				$ 2,719,877
Treatment, storage and administrative facilities	8,404,592	$ 45,237			8,449,829
Distribution system	63,525,056	110,675		$ 462,708	64,098,439
Equipment	7,384,872	93,517		47,749	7,526,138
Capital assets in service	82,034,397	249,429	$0	510,457	82,794,283
Construction in progress	643,369	774,243		(510,457)	907,155
Total capital assets	82,677,766	1,023,672	0	0	83,701,438
Accumulated depreciation	(19,671,297)	(1,191,700)	0	0	(20,862,997)
Net capital assets	$63,006,469	$ (168,028)	$0	$ 0	$62,838,441

Additions of capital assets include contributions of $133,204 for the year ended February 28, 2014.

(CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Capital asset activity during the year ended February 28, 2013 was as follows:

	Balance at February 29, 2012	Additions	Disposals	Transfers	Balance at February 28, 2013
Land and improvements	$ 2,716,440			$ 3,437	$ 2,719,877
Treatment, storage and administrative facilities	8,404,592				8,404,592
Distribution system	63,336,191	$ 108,996		79,869	63,525,056
Equipment	7,087,447	272,938		24,487	7,384,872
Capital assets in service	81,544,670	381,934	$ 0	107,793	82,034,397
Construction in progress	284,871	466,291		(107,793)	643,369
Shad factory in progress	241,047		(241,047)		
Total capital assets	82,070,588	848,225	(241,047)	0	82,677,766
Accumulated depreciation	(18,467,037)	(1,204,260)	0	0	(19,671,297)
Net capital assets	$ 63,603,551	$ (356,035)	$(241,047)	$ 0	$63,006,469

Additions of capital assets include capital contributions of $77,232 for the year ended February 28, 2013.

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The major components of accounts payable and accrued expenses as of February 28, 2014 and 2013 were as follows:

	2014	2013
Suppliers	$ 423,075	$ 431,387
Employee expenses	256,761	203,362
Customer deposits	310,471	305,922
Contractor costs	81,630	126,903
Other	96,734	100,901
Total	$1,168,671	$1,168,475

6. LONG-TERM DEBT

a) Bonds Payable

In December 1995, the Authority issued a 1995 Series A General Revenue Bond (the "1995 Bonds") with a face value of $17,790,000. The net proceeds of approximately $17.3 million (after bond issue costs and discount) were used to refund the 1986 Series A General Revenue Bond (the "1986 Bonds") with an outstanding principal balance of $16,950,000 (plus accrued interest).

(CONTINUED)

6. LONG-TERM DEBT (Continued)

a) Bonds Payable (Continued)

The refunding resulted in a difference between the redemption price, which includes a 3% call premium and the net carrying amount of the old debt of approximately $1.1 million. The Authority completed the refunding to reduce its total debt service payments by $3.8 million over the next 20 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $2.1 million.

In July 1997, the Authority issued a 1997 Series A General Revenue Bond (the "1997 Bonds") with a face value of $12,195,000. The net proceeds of approximately $11,900,000 (after bond issue costs and discount) were used to complete the construction of the East Bay Pipeline and Emergency Connection projects and other distribution improvements.

In August 1998, the Authority issued a 1998 Series A General Revenue Bond (the "1998 Bonds) with a face value of $6,090,000. The net proceeds of approximately $5,881,000 (after bond issue costs and premium) were used to complete the construction of the East Bay Pipeline and Emergency Connection projects and other distribution improvements.

In November 2004, the Authority issued a 2004 Refunding Series A General Bond (the "2004 Bonds") with a face value of $11,295,000. The net proceeds of approximately $11 million (after bond issue costs and premium) were used to refund part of the 1995 Series A General Revenue Bond (the "1995 Bonds") with an outstanding principal balance of $10,695,000 (plus accrued interest).

The refunding resulted in a difference between the redemption price, which includes a 2% call premium and the net carrying amount of the old debt of approximately $474,600. The Authority completed the refunding to reduce its total debt service payments by $798,920 over the next 12 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $603,402.

In August 2012, the Authority issued a 2012 Refunding Series A General Bond (the "2012A Bonds") with a face value of $6,735,000. The net proceeds of approximately $6,665,000 (after bond issue costs) were used to refund the 1997 Series A (the "1997 Bonds") and 1998 Series A (the "1998 Bonds") General Revenue Bonds with combined outstanding principal balances of $6,600,000 (plus accrued interest).

The Authority completed the refunding to reduce its total debt service payments by $525,617 over the next six years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $512,451.

(CONTINUED)

6. LONG-TERM DEBT (Continued)

a) Bonds Payable (Continued)

Bonds due at February 28, 2014 consisted of:

	Balance at February 28, 2013	Increases	Decreases	Balance at February 28, 2014
Bonds outstanding	$11,680,000		$(2,405,000)	$ 9,275,000
Unamortized bond discount/premium	18,187		(4,618)	13,569
Total bonds payable	11,698,187	$ 0	(2,409,618)	9,288,569
Current portion due	(2,405,000)	(45,000)		(2,450,000)
Total bonds due after one year	$ 9,293,187	$(45,000)	$(2,409,618)	$6,838,569

Bonds due at February 28, 2013 consisted of:

	Balance at February 29, 2012	Increases	Decreases	Balance at February 28, 2013
Balance outstanding	$13,745,000	$6,735,000	$(8,800,000)	$11,680,000
Unamortized bond discount/premium	47,309		(29,122)	18,187
Total bonds payable	13,792,309	6,735,000	(8,829,122)	11,698,187
Current portion due	(2,200,000)	(205,000)		(2,405,000)
Total bonds due after one year	$11,592,309	$6,530,000	$(8,829,122)	$9,293,187

Interest on the 2004 bonds is paid semiannually on December 1 and June 1. Principal payments are made annually on December 1. Maturities and interest rates on the 2004 bonds outstanding at February 28, 2014 are as follows:

Year Ended February 28,	Interest Rate	Interest	Principal
2015	3.50%	$135,376	$1,215,000
2016	3.50	92,850	1,260,000
2017	3.75	48,750	1,300,000
Total		$276,976	$3,775,000

(CONTINUED)

6. LONG-TERM DEBT (Continued)

a) Bonds Payable (Continued)

Interest on the 2012A bonds is paid semiannually on July 1 and January 1. Principal payments are made annually on July 1. Maturities and interest rates on the 2012A bonds outstanding at February 28, 2014 are as follows:

Year Ended February 28,	Interest Rate	Interest	Principal
2015	1.97%	$ 97,420	$1,235,000
2016	1.97	72,551	1,255,000
2017	1.97	47,448	1,275,000
2018	1.97	21,514	1,305,000
2019	1.97	4,259	430,000
Total		$243,192	$5,500,000

b) Loans Payable

In June 2008, the Authority obtained a twenty-one year, $5,500,000 loan from Rhode Island Clean Water Finance Agency. The outstanding balance under the loan agreement at February 28, 2014 was $4,677,000.

Interest on the loan payable is paid semiannually on September 1 and March 1. Principal payments are made annually on September 1. Maturities and interest rates on the loan payable outstanding at February 28, 2014 are as follows:

Year Ended February 28,	Interest Rate	Interest Only	Principal
2015	2.71%	$ 177,766	$ 221,000
2016	2.81	170,672	228,000
2017	2.89	163,125	236,000
2018	2.98	155,124	244,000
2019	3.07	146,633	252,000
2020 – 2024	3.15 – 3.40	587,401	1,406,000
2025 – 2029	3.44 – 3.59	291,969	1,702,000
2030	3.63	16,025	388,000
Total		$1,708,715	$4,677,000

(CONTINUED)

6. LONG-TERM DEBT (Continued)

b) Loans Payable (Continued)

In October 2011, the Authority obtained a twenty-year, $1,000,000 loan from Rhode Island Clean Water Finance Agency of which $572,321 was drawn down as of February 28, 2014. The outstanding balance at February 28, 2014 was $495,321. The balance remaining to be drawn down is $427,679.

Interest on the loan payable is paid semiannually on September 1 and March 1. Principal payments are made annually on September 1. Maturities and interest rates on the loan payable at February 28, 2014 are as follows:

Year Ended February 28,	Interest Rate	Interest and Fees	Principal
2015	1.42%	$ 31,945	$ 40,000
2016	1.57	31,177	40,000
2017	1.79	30,349	41,000
2018	2.04	29,410	42,000
2019	2.25	28,343	43,000
2020 – 2024	2.48 – 3.14	121,368	236,000
2025 – 2029	3.28 – 3.54	75,699	281,000
2030 – 2032	3.59 – 3.67	16,924	200,000
Total		$365,215	$923,000

In November 2012, the Authority obtained a ten-year, $500,000 loan from Rhode Island Clean Water Finance Agency of which $361,547 was drawn down as of February 28, 2014. The outstanding balance at February 28, 2014 was $314,547. The balance remaining to be drawn down is $138,453.

Interest on the loan payable is paid semi-annually on September 1 and March 1. Principal payments are made annually on September 1. Maturities and interest rates on the loan payable at February 28, 2014 are as follows:

Year Ended February 28,	Interest Rate	Interest and Fees	Principal
2015	0.56%	$ 8,306	$ 47,000
2016	0.70	7,807	48,000
2017	0.87	7,231	48,000
2018	1.06	6,574	49,000
2019	1.27	5,809	50,000
2020 – 2023	1.50 – 2.12	13,009	211,000
Total		$48,736	$453,000

7. PENSION PLAN

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Bristol County Water Authority. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Plan assigns the authority to amend benefit provisions to the employer. The Plan issues a stand-alone financial report that includes financial statements and required supplementary information.

(CONTINUED)

7. PENSION PLAN

Plan Description (Continued)

Effective July 1, 2008, the Plan was amended and restated into a contributory defined benefit plan to incorporate the amendments made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) as well as other changes to the Plan, and to include provisions relating to the contributory portion of the Plan.

Funding Policy

The contribution requirements are established by the Authority. Plan members are not required to contribute to the Plan. The Authority is responsible for funding the cost of all benefits. Investment costs of the Plan are financed through investment earnings. Administrative costs are paid by the Authority.

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of a valuation dated July 1, 2012, which is the most recent report available:

Actuarial Value of Assets	$4,007,116
Actuarial Accrued Liability (AAL)	4,517,064
Unfunded AAL (UAAL)	509,948
Funded Ratio	88.7%
Covered Payroll	2,079,772
UAAL as a percentage of covered payroll	24.5%

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employees and management) and include the type of benefit provided at the time of each valuation. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Annual Pension Cost and Net Pension Obligation

The Authority's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	$ 293,173
Interest on net pension obligation	16,918
Adjustment to annual required contribution	(37,387)
Annual pension cost	272,704
Contributions made	(312,749)
Increase (decrease) in net pension obligation	(40,045)
Net pension obligation beginning of year	281,971
Net pension obligation end of year	$ 241,926

(CONTINUED)

7. PENSION PLAN (Continued)

Annual Pension Cost and Net Pension Obligation (Continued)

The annual required contribution for the current year was determined as part of the July 1, 2012 and July 1, 2013 actuarial valuation using the frozen entry age cost method. The actuarial assumptions included (a) 6% investment rate of return and (b) projected salary increases of 1.0% per year. The actuarial value of assets was determined using the market value of investments.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2/29/12	$192,334	129%	$269,969
2/28/13	272,002	96%	281,971
2/28/14	272,704	115%	241,926

8. COMMITMENTS AND CONTINGENCIES

Payment in Lieu of Taxes

The Authority has entered into an agreement with the towns of Bristol County providing for annual payments of $463,600, by the Authority in lieu of taxes to the towns for the years ended February 28, 2014 and 2013.

Litigation

The Authority is subject to litigation arising from its normal business operations. In the opinion of management, and legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Authority's combined financial position or results of operations.

Commitment

As of February 28, 2014 and 2013, the Authority had entered into various contracts and had a commitment of approximately $59,977 and $187,084, respectively, related to these contracts.

9. LEASE COMMITMENTS

Operating Leases

The Authority has entered into three lease agreements for office equipment. The terms of these agreements have resulted in the obligations being recorded as operating leases.

(CONTINUED)

9. LEASE COMMITMENTS (Continued)

Operating Leases (Continued)

The terms of the lease obligations are for twenty-four, thirty-six and sixty month periods, respectively. The following is a schedule of the future minimum lease payments to be made under these agreements:

2015	$5,107
Total future minimum lease payments	$5,107

Lease expense amounted to $10,128 and $10,632 in fiscal year ended February 28, 2014 and 2013, respectively.

10. NET POSITION

Net position represents the difference between assets and liabilities. The net position amounts at February 28, 2014 and 2013 were as follows:

	2014	2013
Net investment in capital assets:		
Net capital assets in service	$62,838,441	$ 63,006,469
Less: bonds and note payable	(14,775,437)	(17,463,789)
Net investment in capital assets	48,063,004	45,542,680
Restricted for capital activity and debt service:		
Restricted funds held by trustee	6,953,995	6,302,122
Amounts to be paid from restricted assets	(204,550)	(275,153)
Total restricted for capital activities and debt service	6,749,445	6,026,969
Unrestricted	237,156	(84,487)
Total net position	$55,049,605	$ 51,485,162

Due to the implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the beginning balance of net position has been restated by $178,477 for the write-off of debt issuance costs.

Net position as of February 28, 2012 as previously reported	$50,149,990
Write-off of debt issuance costs, net	(178,477)
Net position as of February 28, 2012, as restated	$49,971,513

11. MAJOR SUPPLIER

The Authority's water purchases from one supplier for the years ended February 28, 2014 and 2013 were approximately 45% of the Authority's operations expense.

(CONTINUED)

12. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The cost of post employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB No. 45 during the year ended February 28, 2010, the Authority recognizes the cost of post employment healthcare and life insurance in the year when the employee services are rendered, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Authority's future cash flows.

The Authority's OPEB Plan is a single-employer defined benefit postretirement health and life insurance program. The Authority provides post employment benefits to eligible retirees in accordance with the various labor contracts and personnel policies. As of March 1, 2013, twenty-six active employees were participating in the Plan. An actuarial consultant, The Angell Pension Group, Inc., was hired to determine the Authority's actuarial valuation of the post retirement benefits that are offered to current and future retirees as of February 28, 2010, which was the first actuarial valuation that the Authority had in determining its OPEB obligation. The actuary, as of February 28, 2014, has updated the actuarial valuation. The plan does not issue a stand-alone report.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

In fiscal year 2014, the Authority established an OPEB trust fund to fund future OPEB liabilities. The OPEB trust fund financial statements are prepared on the accrual basis of accounting. Contributions are recognized when due, pursuant to formal budgetary commitments and contractual requirements. Investment income is recognized when earned and expenses (benefits and administration) are recognized when they are due and payable in accordance with the terms of the plan.

Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended by the Authority, subject to applicable labor contracts. Contributions are recognized when due on a pay-as-you-go basis, pursuant to formal budgetary commitments and contractual requirements.

Benefit Provisions and Contributions

Eligible retirees receive medical and dental insurance coverage under individual or individual/spouse plans. Retirees are required to contribute to the cost of health insurance at a co-pay rate of 6% in the first year of retirement. The co-pay rate gradually increases to 20% by year four of retirement and thereafter. No health coverage is available to a retiree whose spouse has similar insurance coverage available. If the participant retires earlier than age 65, or his/her spouse is under the age of 65, the Plan will reimburse the participant for full medical and dental coverage outside of the Plan under a health insurance plan that provides equivalent coverage that the Bristol County Water Authority's active health plan would have covered. At age 65, the participants enter in the Authority's Plan 65 medical coverage.

Surviving spousal coverage ends upon the death of a retired member.

Eligible retirees are covered under a $50,000 life insurance policy until age 65. The benefit is then reduced to $25,000 until age 70, when the benefit ends. As of December 1, 2012, retirees who have reached age 70 will be entitled to a $500 stipend per year for the next five years.

(CONTINUED)

12. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Classes of Employees Covered

As of March 1, 2013, (date of last actuarial valuation) membership data was as follows:

Active Employees	26
Retirees and Spouses	23
Total Plan Members	49

The Authority may contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. In February 2014, the Authority established an OPEB trust to fund its post-retirement plan. The Authority made an initial deposit of $75,000 to the OPEB trust on February 24, 2014. This event is not incorporated into the March 1, 2013 actuarial valuation as it occurred after March 1, 2013. Subsequent valuations will reflect the impact of the existence of this trust.

In addition, the Authority contributed $172,560 and $129,866, for the years ended February 28, 2014 and 2013, respectively on a pay-as-you-go basis. These costs are recognized as an expense when claims or premiums are paid. The following table shows the components of the Authority's annual OPEB cost by year, the amount actually contributed to the Plan on a pay-as-you-go basis, and changes in the Authority's net OPEB obligation.

Annual required contribution (ARC)	$ 360,671
Interest on net OPEB obligation	72,953
Adjustment to annual required contribution	(105,472)
Annual OPEB cost (expense)	328,152
Contributions made	(172,560)
Allocation for implicit rate subsidy	(3,183)
Increase in net OPEB obligation	152,409
Net OPEB obligation – February 28, 2013	1,823,831
Net OPEB obligation - February 28, 2014	$1,976,240

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for last three fiscal years are as follows:

Fiscal Year	Annual OPEB Cost (a)	Employer Contributions (b)	Allocation for Implicit Rate Subsidy (c)	Total Contribution (b) + (c)	Percentage of OPEB Cost Contributed ((b) + (c))/(a)	Net OPEB Obligation
2/29/12	$518,891	$ 86,425	$2,740	$ 89,165	17.2%	$1,445,568
2/28/13	$511,229	$129,866	$3,100	$132,966	26.0%	$1,823,831
2/28/14	$328,152	$172,560	$3,183	$175,743	53.6%	$1,976,240

(CONTINUED)

12. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress

The funded status of the Plan as of March 1, 2013 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
3/1/13	$0	$3,636,045	$3,636,045	0.0%	$1,908,876	190.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

The accompanying schedules of employer contributions present trend information about the amounts contributed to the Plan by employers in comparison to the ARC, an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The annual OPEB cost was determined as part of the actuarial valuation. Additional information and assumptions used as of the last actuarial valuation are summarized below:

Interest Rate	4.00%
Medical Trend Rate	8.00%
Ultimate Medical Trend Rate	4.50%
Year Ultimate Medical Trend Rate Reached	2020
Actuarial Cost Method	Projected Unit Credit
Amortization Period (decreasing)	30 years
Valuation Type	Closed Group

(CONTINUED)

13. DEFERRED COMPENSATION PLAN

The Authority offers eligible employees a deferred compensation plan established in accordance with the provisions of Internal Revenue Code Section 457. The Plan, available to all employees hired after September 1, 2012, permits the deferral of a portion of their salary. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan became effective on May 1, 2013.

The Authority contributed $5,821 and $0, respectively, to the deferred compensation plan for the years ended February 28, 2014 and 2013.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2014 (the date the financial statements were available to be issued) and determined that no disclosures are required.

(CONCLUDED)

REQUIRED SUPPLEMENTARY INFORMATION

BRISTOL COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED FEBRUARY 28, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	FEA* Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a) (c)	Funded Ratio (a)/(b)	Covered Payroll (d)	UAAL as % of Covered Payroll (c)/(d)
Pension Plan						
7/1/03	$3,844,981	$4,092,023	$ 247,042	94.0%	$1,661,458	14.9%
7/1/04	4,556,059	4,531,518	0	100.5	1,928,499	0.0
7/1/05	4,960,489	5,020,387	59,898	98.8	2,010,344	3.0
7/1/06	5,385,288	5,454,797	69,509	98.7	1,973,549	3.5
7/1/07	5,748,408	5,598,552	0	102.7	2,021,777	0.0
7/1/08	6,114,085	6,045,187	0	101.1	2,389,203	0.0
7/1/09	5,410,786	6,717,545	1,306,759	80.6	2,409,334	54.2
7/1/10	6,069,607	6,579,268	509,661	92.3	2,382,503	21.4
7/1/11	6,145,945	6,610,636	464,691	93.0	2,136,065	21.8
7/1/12	4,007,116	4,517,064	509,948	88.7	2,079,772	24.5
* Frozen Entry Age						
OPEB						
3/1/09	$0	$5,669,882	$5,669,882	0%	$2,409,317	235.3%
3/1/11	$0	5,580,080	5,580,080	0%	2,062,100	270.6%
3/1/13	$0	3,636,045	3,636,045	0%	1,908,876	190.5%

Schedule of Employer Contributions

Pension Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	$214,820	100%
2005	208,171	100
2006	231,264	55
2007	223,602	100
2008	198,637	100
2009	231,547	55
2010	404,931	46
2011	247,606	100
2012	183,297	105
2013	336,370	89

OPEB

Year Ended February 28		
2010	$578,614	10.9%
2011	569,423	12.1
2012	518,891	17.2
2013	511,229	26.0
2014	328,152	53.6

(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED FEBRUARY 28, 2014

Notes to Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Pension Plan

* Valuation date	7/1/2012
* Actuarial cost method	Frozen Entry Age with Costs Allocated
* Amortization method	Level Dollar - Closed over Earnings
* Remaining amortization period	7 years
* Asset valuation method	Market
* Actuarial assumptions:	
Investment rate of return	6.0% pre-retirement, 6.0% post-retirement
Projected salary increases	1.0%
* Membership:	
- Retirees and beneficiaries receiving benefits	1
- Terminated plan members entitled to but not yet receiving benefits	2
- Active plan members	29
Total	32

OPEB

* Valuation date	3/1/2013
* Actuarial cost method	Projected Unit Credit
* Amortization Period (decreasing)	30 years
* Valuation Type	Closed Group
* Actuarial assumptions:	
Discount rate	4.0%
Investment rate of return	N/A - the Plan is unfunded
Medical Trend Rate	8.0%
Ultimate Medical Trend Rate	4.5%
Year Ultimate Medical Trend Rate Reached	2020
* Membership:	
- Active Employees	26
- Retirees and Spouses	23
Total	49

(CONCLUDED)

SUPPLEMENTARY INFORMATION

BRISTOL COUNTY WATER AUTHORITY

RECEIPTS, DISBURSEMENTS AND TRANSFERS FOR FUNDS HELD BY TRUSTEE YEAR ENDED FEBRUARY 28, 2014

	Debt Service Reserve Funds	Revenue Fund	Debt Service Fund	Operations and Maintenance Reserve Fund	Total
Balance per bank at February 28, 2013	$ 1,795,928	$ 1,818,382	$ 1,382,371	$ 1,305,019	$ 6,301,700
Receipts:					
Collections from operations		12,090,000			12,090,000
Interest income	982	1,828	1,375	1,254	5,439
Transfers:					
From (to) other funds	(144,150)	(2,993,440)	3,138,928	(1,338)	0
To (from) operating cash accounts	290	(8,235,000)			(8,234,710)
Payment of principal and accrued interest on Authority's notes	(100,456)		(3,108,144)		(3,208,600)
Balance per bank at February 28, 2014	$ 1,552,594	$ 2,681,770	$ 1,414,530	$ 1,304,935	6,953,829
Accrued interest					166
Total funds held by trustee at February 28, 2014					$ 6,953,995

BRISTOL COUNTY WATER AUTHORITY

NONCAPITALIZED FEES PAID TO CONSULTANTS
YEAR ENDED FEBRUARY 28, 2014

Current operations:		
Legal	$	142,838
Engineering		24,250
Auditing		15,695
Accounting, financial and computer consulting		28,204
Total	$	210,987

DEBT SERVICE REQUIREMENT CALCULATION
(SECTION 603 - GENERAL BOND RESOLUTION)
YEAR ENDED FEBRUARY 28, 2014

Revenue fund balance per bank at March 1, 2013	$ 1,818,382
Revenue collected from operations	12,090,000
Transfers to operating cash accounts for operations and maintenance expenses	(8,234,710)
Interest income:	
Revenue fund	1,828
Operations and maintenance reserve fund	1,254
Debt service reserve funds	982
Debt service fund	1,375
Total interest income	5,439
Net revenue available for debt service requirement	$ 5,679,111
Debt service requirement	$ 3,208,600
Computed ratio	1.77
Required ratio	1.25

In accordance with Section 603 of the General Bond Resolution, the ratio of the net revenue available for debt service requirements must be equal to or greater than 1.25. The computed ratio for the year ended February 28, 2014 is 1.77.

INDEPENDENT AUDITOR'S
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
Bristol County Water Authority
Warren, 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 Bristol County Water Authority, as of and for the year ended February 28, 2014, and the related notes to the financial statements, which collectively comprise Bristol County Water Authority's basic financial statements, and have issued our report thereon dated May 23, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cayer Caccia, LLP

May 23, 2014