

KENT COUNTY WATER AUTHORITY

BOARD MEETING MINUTES

October 21, 2010

The Board of Directors of the Kent County Water Authority held its monthly meeting in the Joseph D. Richard Board Room at the office of the Authority on October 21, 2010.

Chairman, Robert B. Boyer opened the meeting at 3:35 p.m. Board Members, Mr. Gallucci, Mr. Giorgio, Mr. Inman and Mr. Masterson, were present together with the General Manager, Timothy J. Brown, Director of Administration and Finance, Joanne Gershkoff, Technical Service Director, John R. Duchesneau and Legal Counsel, Maryanne Bevans and other interested parties. Board Member Gallucci led the group in the pledge of allegiance.

The minutes of the Board meeting of September 16, 2010 and September 23, 2010 were moved for approval by Board Member Masterson and seconded by Board Member Gallucci and were unanimously approved.

GUESTS:

High Service Requests

Paul Krikorian, 25 Sharon Drive, Coventry

The owner of the single family residence informed the Board that he had installed a point well in 1995 and thereafter, all property owners on Sharon Drive contributed to a water line to service the area. Mr. Krikorian did not connect to the service as he had an operating well. He stated that the well water is now generating rust and has replaced the filters on numerous occasions and the water and clothing are stained. He stated that he was concerned it poses a health risk. He iterated that the water service exists for his home and he is now requesting domestic water service. The Chairman cited health and safety issues for permitting domestic service to the owner.

It was moved by Board Member Inman and seconded by Board Member Gallucci to conditionally approve the request for water supply to service a single family home due to health and safety issues with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority (KCWA) is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third party commitments made by a applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.

2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, the KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers of KCWA.

3. Ventures, commitments or agreements are at the applicant's sole risk if supply or existing infrastructure is found to be insufficient to support service. The applicant may afford the Authority with system improvements to facilitate adequate service.

4. The applicant shall file a formal single family home application. The applicant/customer understands that any undetected error in any calculation or drawing or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.

5. Only conservation-wise plumbing fixtures are to be installed including but not limited to low flow shower heads, low flow toilets and low flow aerators on faucets.

6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping technique and/or proper planting bed (high water holding capacity) soil preparation shall be employed throughout the project.

And it was unanimously,

VOTED: To conditionally approve the request for water supply to service a single family home due to health and safety issues with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority (KCWA) is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third party commitments made by a applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.
2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, the KCWA is in the process of

planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers of KCWA.

3. Ventures, commitments or agreements are at the applicant's sole risk if supply or existing infrastructure is found to be insufficient to support service. The applicant may afford the Authority with system improvements to facilitate adequate service.
4. The applicant shall file a formal single family home application. The applicant/customer understands that any undetected error in any calculation or drawing or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.
5. Only conservation-wise plumbing fixtures are to be installed including but not limited to low flow shower heads, low flow toilets and low flow aerators on faucets.
6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping technique and/or proper planting bed (high water holding capacity) soil preparation shall be employed throughout the project.

Sanford J. Resnick, Resnick & Caffrey, The Oaks Subdivision

Legal Counsel stated that on October 21, 2010 she received correspondence dated October 15, 2010 from Attorney Resnick, counsel for the developer requesting a continuance of this matter to the November Board meeting due to his unavailability on October 21, 2010. The Chairman stated that, therefore, this matter will be continued to November 18, 2010.

Braver, PC, Jim Wilkinson

Mr. Wilkinson presented "Audit Results" to the Board as evidenced and attached as "A" dated June 30, 2010 and "Communication of Matters Prescribed by Statement on Auditing Standard #114" dated September 27, 2010 as evidenced and attached as "B". Mr. Wilkinson informed the Board that the audit results are a report card on management. He informed the board that no significant audit adjustments are proposed. Thorough discussion followed.

LEGAL MATTERS

G-Tech

The hearing date was held on April 27, 2009 and the DPUC issued a Division Order on May 20, 2009 which states that the Complaint filed by GTECH Corporation on July 22, 2008 against Kent County Water Authority is hereby denied and dismissed. The deadline for GTECH to file an appeal is June 20, 2009. GTECH filed an appeal on June 19, 2009 in the Providence County Superior Court to the Decision of the Division of Public Utilities and Carriers of May 20, 2009 which ruled in favor of Kent County Water Authority. Kent County Water Authority answered the complaint on June 29, 2009 and Legal Counsel will engage in that portion of this continuing litigation. The parties have filed a consent order with the Court for the schedule of the briefs. GTECH brief was received on October 2, 2009 and Kent County Water Authority brief is due November 16, 2009. Kent County Water Authority filed their brief on November 16, 2009. GTECH did not file a reply brief and it is now up for order by the Court. Legal Counsel filed a Motion to Assign to a Judge and the assignment motion was scheduled for February 25, 2010 and was ordered on even date. The matter has been assigned to Judge Vogel, but no hearing date has been set. Legal Counsel requested that the Clerk of the Court schedule a hearing to conclude this matter and a conference with Judge Vogel was held on August 24, 2010 who stated that the Court will be rendering a decision and will give the parties notice.

Harris Mills

The company has gone into receivership. Kent County Water Authority is owed \$3,676.58. Legal Counsel will monitor for proof of claim filing. A permanent receiver was appointed. A proof of claim prepared and forwarded to the General Manager for signature on September 17, 2008 and will be filed in the Kent County Superior Court and sent to the receiver. Proof of Claim was filed and sent to Receiver on September 19, 2008. The proof of claim deadline was December 1, 2008. Legal counsel will continue to monitor for payment on claim. As of May 12, 2009, there has been no change in status. Petition to sell was filed by Receiver in Kent County Superior Court on June 5, 2009. Offer to property made which will allow for partial payment of claims. Legal Counsel will monitor progress of sale.

There has been no further progress regarding the sale of the Harris Mill complex in the receivership matter. Legal Counsel to contact the Receiver for a status report. New offers to purchase have come in which could allow Kent County Water Authority claim in this matter to be paid out of the receivership proceeds. As of September 14, 2009 the previous offer did not materialize. A new offer is being pursued. Legal Counsel will continue to monitor the progress of the sale. The receivership case is in the Supreme Court. On October 1, 2010 the Court approved the sale of the property and the allowed disbursements including payment of Kent County Water Authority bill. This office will continue to monitor payment.

Hope Mill Village Associates

The company is in receivership. Kent County Water Authority is owed \$1,632.44. Legal Counsel to prepare and file Proof of Claim. Proof of Claim was prepared and was forwarded to the General Manager for signatures. Proof of Claim was filed in Kent County Superior Court and was sent to the receiver on August 28, 2008 and as of this date this case is still pending. Hope Mill filed Chapter 11 Bankruptcy on August 20, 2008. Kent County Water Authority was not listed as a creditor. The proof of claim was prepared and signed by the General Manager on November 14, 2008 and was filed with the Bankruptcy Court on November 18, 2008. The proof of claim filing deadline was the end of November, 2008. Pursuant to the plan of reorganization filed by Debtor on November 22, 2008, Kent County Water Authority will be paid in full upon confirmation of the plan by the Bankruptcy Court and Legal Counsel will continue to monitor. As of February 17, 2009 the Court has not scheduled a hearing for confirmation of plan. Debtor will be filing an Amended Plan in March 2009. Legal Counsel will continue to monitor. As of July 16, 2009 the Debtor has not filed an Amended Plan.

The Bankruptcy Court hearing was to be held on August 19, 2009 regarding a motion filed by Hope Mill to convert Chapter 11 to Chapter 7. Legal counsel will monitor the hearing and how the disposition of the hearing will affect the claim of Kent County Water Authority. The hearing was held on December 17, 2009. Assets purchased pursuant to Asset Purchase Agreement. Kent County Water Authority charges to be paid pursuant to Asset Purchase Agreement. Legal Counsel will follow up regarding timetable of payment to Kent County Water Authority. Legal Counsel spoke with Attorney DeAngelis on February 17, 2010 for status on payment to Kent County Water Authority.

Legal Counsel spoke with Attorney DeAngelis on May 13, 2010 and Mr. DeAngelis stated that a final closing has yet to be scheduled, but should be scheduled in the near future. There has been no further progress on scheduling a closing as of October 19, 2010, however, it will continue to be monitored.

West Greenwich Technology Tank/Rockwood

This matter may be in litigation in that Rockwood Corporation had failed to take any steps and continually denied Kent County Water Authority efforts to take any steps in the painting issues inside of the tank and on February 16, 2009 their surety, Lincoln General Insurance Company, denied the claim as well. The matter was reviewed between the General Manager and Legal Counsel. Rockwood sent a proposal to Legal Counsel on March 31, 2009 and the General Manager weighed the same and a response was sent to Rockwood on April 24, 2009. On May 2, 2009 Rockwood sent another proposal and the General Manager responded to the same on May 8, 2009 requesting a written remedial plan proposal within ten days. On May 8, 2009 Rockwood responded by asking the General Manager to reconsider his position. On May 12, 2009 the General Manager sent correspondence to Rockwood stating the Authority will await Rockwood comments to KCWA letter of May 8, 2009. On May 13, 2009 Rockwood provided an additional response to the KCWA letter of May 8, 2009

with questions. On May 13, 2009 the General Manager sent correspondence agreeing to provide Rockwood with more time to complete a plan of remediation for an additional 10 days. On May 14, 2009, Rockwood sent a response and the General Manager, Merithew and Rockwood to have an informal meeting to work out details. The meeting took place and the Authority is monitoring the efforts of Rockwood to remedy the situation. The tank was recently dry inspected and the vendor remediated the same. Kent County Water Authority is awaiting final inspection of the tank with respect to the remediation. Rockwood has performed work at the site and it is necessary to have a final inspection after the tank has been filled. The tank has been filled and inspection is moving forward. This has been concluded. However, inspection followed which disclosed that there were more paint issues. On July 22, 2010, Legal Counsel notified the Bonding Company regarding action to correct. This will be further discussed by the General Manager in IFR projects. This matter is being discussed which may include litigation.

Comptroller of the Currency

On October 16, 2008, Kent County Water Authority resolved to change the Trustee from US Bank to Bank of NY Mellon regarding 2001/2002/2004 bond issue trust administration to be effective January 23, 2009. That on October 17, 2008, Kent County Water Authority timely notified US Bank concerning the transfer of trusteeship. On approximately January 20, 2009, the US Bank announced that it would require \$6,650.00 as transfer fees to accomplish ownership to the Bank of NY Mellon. Additionally, the US Bank kept \$1,667.67 of fees that were previously unused. That in order for the closing and transfer to take place, Kent County Water Authority on January 22, 2009 paid the sum of \$6,650.00 under protest and stated its displeasure with the US Bank and thereby stating that it would not jeopardize its bondholders and therefore paid the same and also sent a copy to the Controller of the Currency. On March 4, 2009 the Controller of the Currency stated that the US Bank would be replying directly to Kent County Water Authority. On March 11, 2009 Kent County Water Authority received a response from US Bank which was totally unsatisfactory. On March 31, 2009, Kent County Water Authority notified the Controller of the Currency concerning the unsatisfactory response of US Bank dated March 11, 2009 and reiterated its position. On June 30, 2009 US Bank sent a check in the amount of \$1,666.67 and it was received by Legal Counsel on July 6, 2009, saying that the same was a bookkeeping error as exhibited on the check. That on July 7, 2009 Kent County Water Authority sent a letter to US Bank with a copy to the Controller of the Currency that the amount for advance services paid was acknowledged and that Kent County Water Authority has not acknowledged its exception to extracting at the 11th hour ransom of \$6,650.00 on January 12, 2009 and it will continued pursuit of its claim with the Controller of the Currency. A follow up letter was sent to the Controller of the Currency on August 21, 2009 and will await a response. A follow up letter was sent on December 17, 2009. The General Manager received a response from the Comptroller of the Currency on January 8, 2010 and on January 11, 2010, Legal Counsel received a response letter from the Comptroller of the Currency which deemed that the complaint is still active. Legal Counsel has been monitoring the status via the website provided

by the Comptroller and there is no updated status as of May 20, 2010 and Legal Counsel sent follow up letters on May 20, 2010, September 15, 2010 and October 8, 2010. There has been no response received to the follow-up letters.

Spectrum Properties, The Oaks, Coventry, Rhode Island

Legal Counsel for the developer forwarded on July 13, 2009 to Kent County Water Authority Legal Counsel for comment on the proposed form of easement deeds with respect to the residential subdivision. On July 29, 2009, Legal Counsel for Kent County Water Authority sent a response to Attorney William Landry setting forth comments to the proposed form of deeds. Legal Counsel received revised deeds from Attorney Landry on September 10, 2009 and they have been forwarded to the General Manager for review and have been approved by the General Manager. On September 24, 2009, Legal Counsel forwarded to Attorney Landry correspondence stating that the form of easement deed has been approved by Kent County Water Authority and for Attorney Landry to forward the original executed deeds to Kent County Water Authority for execution of acceptance. Legal Counsel has not received the deeds to date therefore Legal Counsel forwarded status inquiry correspondence to Attorney Landry on November 18, 2009. Attorney Landry replied to Legal Counsel on November 23, 2009 stating that the developer is in the midst of scheduling a final approval hearing with the Town and Attorney Landry will provide Legal Counsel for KCWA with the anticipated timetable for final approval and recording of the deeds upon Mr. Landry's receipt of this information.

Legal Counsel pursuing Attorney Landry for status of his receipt of timetable for municipal approvals. Legal Counsel telephoned Attorney Landry and left a voicemail message as to status and subsequently forwarded correspondence to Attorney Landry on March 11, 2010. On May 11, 2010, Legal Counsel forwarded subsequent correspondence to Attorney Landry inquiring as to the status of the matter. The Developer contacted Legal Counsel directly and informed her that final approvals have not been received. Sanford J. Resnick, Esq. forwarded correspondence on September 17, 2010 to the Chairman informing of his representation of the developer and a request to appear before the Board to discuss inspection fees. The correspondence further stated that the municipal approval process is underway.

257A Mishnock Road, West Greenwich, RI

Legal Counsel was contracted by Thomas Goldberg, Esq., Attorney for Wendy Lasalle, current owner of property formerly owned by her late father, Robert Broadhurst. The subject property was occupied by Mr. Broadhurst for over 40 years and is landlocked. Ms. Lasalle is now desirous of selling the real estate and Anthony Q. Cofone, Esq., represents the prospective buyer and is requesting an ingress/egress easement from Kent County Water Authority over its Mishnock land. There is an existing, unimproved roadway formerly utilized by Mr. Broadhurst for access to the property. Attorney Cofone provided Legal Counsel with some recorded maps showing access to the site and Legal Counsel met with Mr. Cofone on June 16, 2010 to review title as Mr. Cofone claims pre-existing rights of way/access. Legal Counsel requested

Mr. Cofone memorialize in writing the claim for pre-existing access rights for presentment to the Board. On July 19, 2010, Legal Counsel received correspondence from Attorney Coffone setting forth the title issue and request for easement. On July 29, 2010, Kent County Water Authority informed Attorney Coffone via writing that the prescriptive easement rights set forth in his July 16, 2010 correspondence obviates the need for Kent County Water Authority to provide easement rights to the owner with respect to the wellhead protection land of Kent County Water Authority.

As of October 19, 2010 no response has been received from Attorney Coffone.

DPUC: Mai Tai Investments Docket No.: D10-111

Mai Tai Investments of Coventry filed a complaint against Kent County Water Authority because of a billing dispute. The matter is new and Kent County Water Authority has responded with a data request and a hearing will be held thereafter. On September 23, 2010, Mr. Iacono requested an extension of 30 days to response or object to KCWA data requests in order to seek counsel. This matter is on hold until Mr. Iacono retains counsel.

West Greenwich/RI 2009 Pilot

On September 22, 2010, correspondence was received from the Solicitor for the Town of West Greenwich forwarding a PILOT for real estate acquired by Kent County Water Authority in 1997. The Town is requesting payment in the amount of \$4,228.26 for the 2009 PILOT. Legal Counsel and the General Manager reviewed historical files with respect to the PILOT and Legal Counsel has forwarded a letter to the Tax Assessor requesting a meeting to further review this matter.

Director of Finance Report:

The General Manager stated that the poor state of the economy continues to hamper the collection process and Kent County Water Authority is working very diligently on collections.

Joanne Gershkoff, Finance Director, explained and submitted the financial report and comparative balance sheets, statements of revenues, expenditures, cash receipts, disbursements attached as "C" through September, 2010, and after thorough discussion, especially with regard to the sales and revenue shortfalls,

Board Member Gallucci moved and seconded by Board Member Masterson to accept the reports and attach the same as an exhibit and that the same be incorporated by reference and be made a part of these minutes and it was unanimously,

VOTED: That the financial report, comparative balance sheet and statement of revenues, expenditure, cash receipts, disbursements attached as "C" through September, 2010 be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege and Communications:

None

GENERAL MANAGER/CHIEF ENGINEER'S REPORT

New Business

Asphalt Paving Bid Approval

The General Manager stated there were four bids for asphalt paving services and that three of the bidders did not comply with the bid requirements and that International Paving was the lowest bidder and met the requirements of the contract documents and it was fair and reasonable and he recommended acceptance of the bid for asphalt paving services as evidenced and attached as "D".

It was moved by Board Member Gallucci and seconded by Board Member Masterson to award the proposal for asphalt paving services to International paving in the amount of \$182,630.00 as evidenced and attached as "D" and it was unanimously,

VOTED: To award the proposal for asphalt paving services to International Paving in the amount of \$182,630.00 as evidenced and attached as "D".

Staff Shortages – Action on Compensation

The General Manager informed the Board that the positions of Chief of Systems and Chief of Facilities are currently open due to sickness and existing staff members are covering. The General Manager suggested that those staff members be compensated at the rate equal to their regular rate. One would receive compensation for 40 hours and the other would be compensated for eight hours.

Board Member Gallucci recused himself from the vote.

It was moved by Board Member Inman and seconded by Board Member Giorgio to approve compensation to the two (2) staff members working additional hours to fill the currently open positions at their regular rate for the number of additional hours worked by the respective staff members and it was unanimously voted by the remaining Board Members:

VOTED: To approve compensation to the two (2) staff members for working additional hours to fill the currently open positions at their regular rate for the number of additional hours worked by the respective staff members.

September Revenue – Winter Expectations

The General Manager presented his September 2010 Revenue report as evidenced and attached as “E”. He stated that due to the economic downturn, Kent County Water Authority revenues and expenditures are lower. He reminded all that the PUC requires the submission of the report by November 1, 2010. The General Manager stated that albeit the revenues are down, if collections increase, Kent County Water Authority could be solvent until the summer season when revenues may increase.

Hydrant Flushing Results

The General Manager stated he was pleased with the results and that the flushing program was completed on October 21, 2010 and that most of the lines were flushed within 15 to 20 minutes.

Hillside Area Paving Issues, Coventry

The General Manager sent notice to the Town of Coventry and the Board of Kent County Water Authority that Kent County Water Authority will not be responsible for drainage issues.

Pension Assets as of September 30, 2010

The General Manager presented the Board with a Portfolio Review for the period ending September 30, 2010 as evidenced and attached as “F”. The value of the pension increased due to the market activity. The investments are diversified and there is currently \$3.5 million in the pension plan. The General Manager opined that the Performance Table depicted in the report is working well and this is another example of the Authority due diligence.

Engineer Position Discussion

The Chairman opined that long range planning is necessary to address the position of engineer as it may require a number of years for an engineer to become familiar with the operation of the Kent County Water Authority system. He suggested that an engineer be hired to be mentored. The Chairman opined that the Authority could advertise for an “assistant” engineer and review applications to determine the level of preferable experience. The General Manager stated that a “junior” engineer with less than five years experience would be preferable in the future, however, such a position would not be necessary at this time now due to the economic downturn. The General Manager further agreed that he raised this issue a few years ago, however, given the economic downturn, there is no necessity to fill this position at this time. The General Manager stated that in the event of a vacancy, the current staffing would be capable of operating the system. He iterated that the Department of Health regulations

do not require a licensed engineer rather, a D4 and T2 certified operator is required. He further stated that employees of Kent County Water Authority are licensed even though the Department of Health does not require the same and that many other utilities currently operate without licensed employees unlike Kent County Water Authority. The General Manager stated that he has reviewed management plans to avoid any vulnerabilities in the event of a vacancy. The Chairman reiterated that it is better to have a replacement on board in the event of a vacancy. Board Member Inman inquired of the existence of a successor or "strategic" plan. The General Manager replied that a management study and strategic plan were performed approximately four years ago and that an additional strategic plan will be going forward but the management study is still valid. The General Manager raised further concern over a new engineer hire with a respect to the economy, especially in the current environment of reduced expenses. The General Manager stated that if revenues increase, then the hire of a new engineer could be a possibility. The Chairman requested the position of engineer be advertised in order to address a vacancy. Board Member Gallucci suggested that the matter be continued for further discussion, however, he concurred that a "back up" vacancy plan should be in place. Board Member Gallucci further suggested that the Board await the staff organization of the General Manager for review and this matter be revisited at that time.

Board Member Masterson and Board Member Inman concurred that the Board defer advertising.

Employee Review (5:00 p.m.)

The Chairman stated that the employee affected was notified in writing on October 19, 2010 at 10:32 a.m., that a discussion concerning a final review under probationary employment and job performance was to be held in executive (closed) session at 5:00 p.m. by the Board of Kent County Water Authority unless the employee affected required the proceeding to be held at an open meeting. The employee affected did respond and did appear and requested that the meeting be in executive (closed) session.

After the notice statement was read by the Chairman, the Chairman declared that it be noted in the minutes of the meeting that R.I.G.L. 42-46-5(a)(1) has been fully complied with.

Board Member Gallucci moved and Board Member Masterson seconded the motion to move into executive session for the discussion of job performance, character, physical or mental health pursuant to R.I.G.L. 42-46-4 and 42-46-5(a)(1) and it was unanimously,

VOTED: To enter into executive session for discussion of personnel matters pursuant to R.I.G.L. 42-46-4 and 42-46-5(a)(1).

Board Member Gallucci moved and Board Member Masterson seconded to exit executive session and to keep the executive session minutes closed and that the minutes shall remain under seal pursuant to R.I.G.L. 42-46-4 and 42-46-5 and it was unanimously,

VOTED: To exit executive session and to keep the executive session minutes closed and that the minutes shall remain under seal pursuant to R.I.G.L. 42-46-4 and 42-46-5.

CAPITAL PROJECTS:
INFRASTRUCTURE PROJECTS

Paving Failure IFR 2006B/IFR 2007

It was moved by Board Member Masterson and seconded by Board Member Giorgio to authorize Legal Counsel of Kent County Water Authority to move forward with cause of action against Parkside (contractor) due to breach of contract and it was unanimously,

VOTED: To authorize Legal Counsel of Kent County Water Authority to move forward with cause of action against Parkside (contractor) due to breach of contract.

Tech Park Storage Tank/R.O.V. Tank Inspection Services Contract Approval

It was moved by Board Member Gallucci and seconded by Board Member Giorgio to approve a secondary R.O. V. Tank Inspection Services Contract with a lump sum fee for the work in the amount of \$1,990.00 and the cost for interior DFT Readings in the amount of \$800.00 as evidenced and attached as “G” and it was unanimously,

VOTED: To approve a secondary R.O. V. Tank Inspection Services Contract with a lump sum fee for the work in the amount of \$1,990.00 and the cost for interior DFT Readings in the amount of \$800.00 as evidenced and attached as “G”.

All other Capital Projects and Infrastructure Projects were addressed by the General Manager and described to the Board by the General Manager with general discussion following and are evidenced and attached as “H”.

Board Member Inman made a Motion to adjourn, seconded by Board Member Giorgio and it was unanimously voted,

VOTED: To adjourn the meeting at 5:35 p.m.

Secretary Pro Tempore

EXHIBIT A

Kent County Water Board Meeting

October 21, 2010

Kent County Water Authority

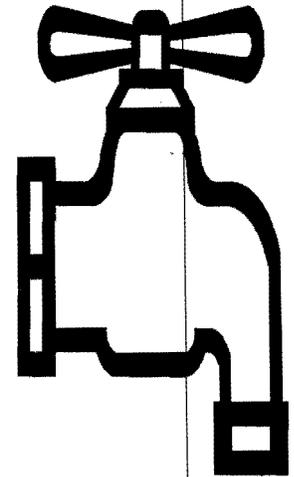
AUDIT RESULTS

These 2010 financial statements continue to demonstrate the sound and consistent operation of the Kent County Water Authority.

June 30, 2010

1. Balance Sheet:

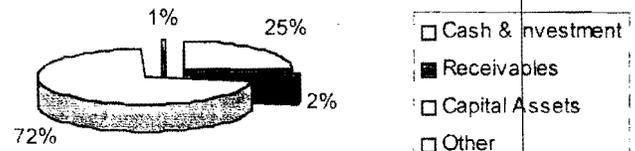
- Restricted cash of \$3.68M will be used for infrastructure replacement in compliance with the Clean Water Infrastructure Act, Chapter 46-15.6 of the General Laws of Rhode Island — money was received from operations.
- Bonds payable— Net decrease of approximately \$2.415M for principal paid during FY 2010.
- Other postemployment benefits (OPEB) obligation of \$804,106 was recognized as liability due to requirements of GASB 45.
- Net assets - overall increase of \$6.2M during fiscal 2009-10.



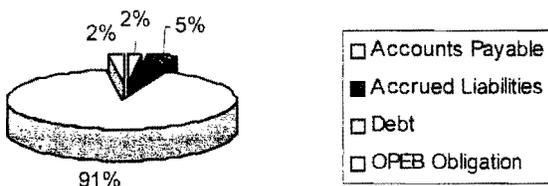
Assets 2010



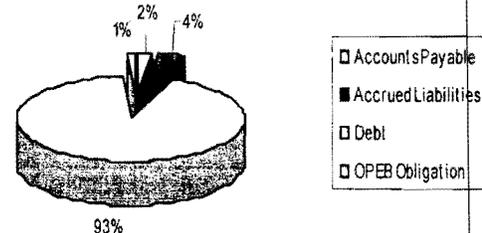
Assets 2009



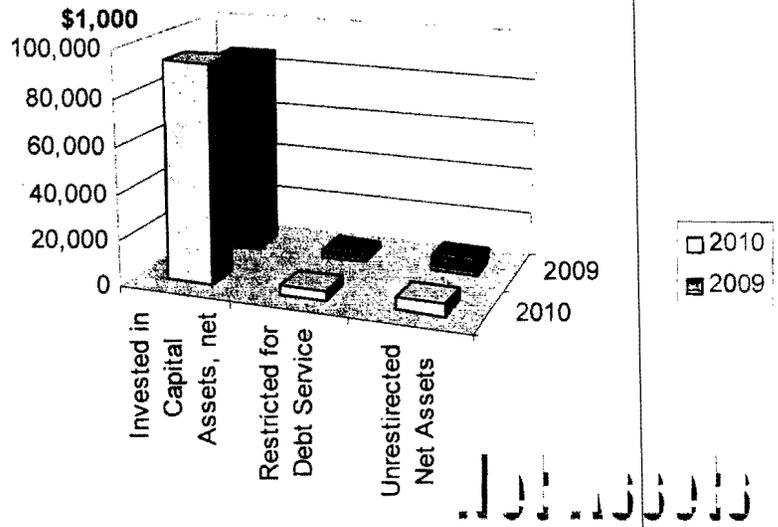
Liabilities 2010



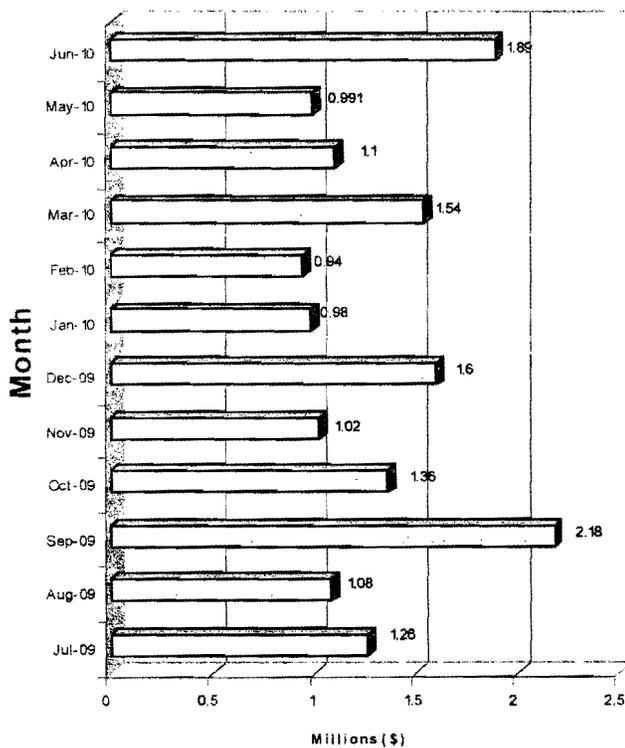
Liabilities 2009



Kent County Water Authority



Billed Amounts - 2010



2. Statement of Revenues, Expenses and Changes in Net Assets:

- a. Decrease in water sales of \$10,047 and decrease in cost of water supply of \$138,567 during fiscal year 2010.
- b. General & Admin costs decreased \$28,775, from 2009.
- c. Contributed capital infrastructure assets of \$4,356 was recognized
- d. Construction in progress portion of interest expenses = \$418,605 was capitalized, offset by interest income of \$18,783 in accordance with SFAS 62.



SAS #114

Correspondence



SAS #114 Letter - Required communication of Audit Related Matters

- No unusual items or findings to be reported.
- We received total cooperation from management and staff.
- There were no proposed journal entries that management did not agree to record as of June 30, 2010.

3. Statement of Cash Flows-

- a. This statement reconciles net income to changes in cash during the year.
- b. Depreciation (non-cash), debt retirements, interest received, and capital additions are the major reconciling items.

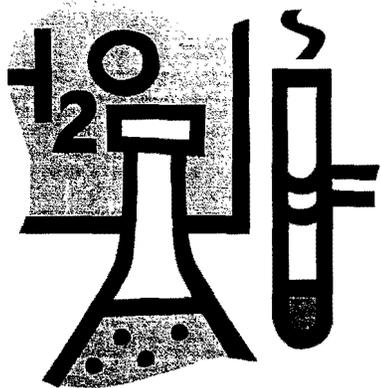
4. Control and Compliance

- a. No material weaknesses in controls or violations of laws or regulations noted.
- b. No related party transactions noted.
- c. Specific testing of unbilled revenues based on estimates made by the Authority and evaluated the audit difference. Proposed journal entry not recorded, as inconsistent with historic treatment.
- d. Specific testing for payroll cycle, water billing cycle, cash disbursements, cash receipts, and journal entries and no exceptions noted.
- e. Bidding procedures for jobs granted or services rendered reviewed, no material weakness noted.



Management Letter

- No management letter comments based on the lack of significant adjustments & Authority's ability to properly prepare and interpret financial statements without error, based on newly implemented Statement of Auditing Standards 115, *Communicating of internal Control Related Matters identified in an Audit*. Strong internal control negate opportunities and susceptibility for fraudulent activity within the Authority's departments.



BRAVER, PC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

155 SOUTH MAIN STREET, SUITE 100, PROVIDENCE, RI 02903
TEL: 401-421-2710
FAX: 401-272-5230

E-mail: JWILKINSON@TIFBRAVERGROUP.COM

EXHIBIT B

Kent County Water Board Meeting

October 21, 2010

**COMMUNICATION OF MATTERS PRESCRIBED
BY STATEMENT ON AUDITING STANDARD #114**

September 27, 2010

To the Audit Committee
Kent County Water Authority
West Warwick, Rhode Island

We have audited the financial statements of Kent County Water Authority for the year ended June 30, 2010, and have issued our report thereon dated September 27, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 19, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 19, 2010.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kent County Water Authority are described in Note 2 to the financial statements. The Authority has implemented GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations, GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments and GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies, during 2010. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them October differ significantly from those expected. The most sensitive estimates affecting the financial statements were related to the reserve for finance charges, the allowance for doubtful accounts, the unbilled water receivable, the net pension obligation and net OPEB obligation. We evaluated the key factors and assumptions used to develop the allowances in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 27, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all independence-related relationships between our firm and the Authority and provide confirmation that we are independent accountant with respect to the Authority.

Confirmation of Audit Independence

We hereby confirm that as of September 27, 2010 we are independent with respect to the Authority under all relevant professional and regulatory standards.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of Kent County Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Braver PC". The signature is written in a cursive, slightly slanted style.

BRAVER PC

EXHIBIT C

Kent County Water Board Meeting

October 21, 2010

KENT COUNTY WATER AUTHORITY
CASH RECEIPTS & DISBURSEMENTS
FY 2010 - 2011

	JULY 2010	AUGUST 2010	SEPTEMBER 2010	OCTOBER 2010	NOVEMBER 2010	DECEMBER 2010	JANUARY 2011	FEBRUARY 2011	MARCH 2011	APRIL 2011	MAY 2011	JUNE 2011	RATE REVENUE FY 09-10	RATE REVENUE FY 10-11
BEGINNING MONTH BALANCE	31,638,965	29,755,919	30,254,970										JUL \$ 1,260,704.09	1,608,812.79
CASH RECEIPTS:													AUG \$ 1,086,327.67	1,588,116.69
Water Collections	2,224,217	1,692,403	1,654,242										SEP \$ 2,566,722.88	3,697,980.21
Interest Earned	24,549	243	243										OCT \$ 1,362,068.07	
Inspection Fees													NOV \$ 1,022,260.62	
Contribution in Aid-Construction													DEC \$ 1,966,266.00	
Other													JAN \$ 977,666.96	
TOTAL CASH RECEIPTS	33,887,731	31,448,565	31,909,455										FEB \$ 943,649.21	
CASH DISBURSEMENTS:													MAR \$ 1,887,332.96	
Purchased Water	444,539	656,595	553,076										APR \$ 1,106,048.00	
Electric Power	37,587	42,039	38,257										MAY \$ 991,050.62	
Payroll	151,636	133,721	163,928										JUN \$ 2,263,749.00	
Operations	58,917	81,773	46,768											
Employee Benefits	1,456	140,703	127,440											
Legal	5,102	5,295	3,102											
Materials	42,978	39,638	44,509											
Insurance	10,883	10,893	4,137											
Sales Taxes	30,244	13,081	12,698											
Refunds	86	823	17,379											
Rate Case		3,412												
Conservation														
Pilot	11,650													
Capital Expenditures (Other)		23,229												
2004 Infrastructure 278B														
Mishnock Well/Storage/Pump/Trans. 221C														
Clinton Avenue Pump Station														
E. G. Well Upgrade 464E	1,960	3,230	4,080											
Read Schoolhouse Road - Mains 234C		1,775	263,714											
Read Schoolhouse Road - Tank 236C														
Greenwich Avenue - 8" & 12" Mains														
2006A Infrastructure 239C	7,848													
Quaker Lane Pump Station 240C														
2007 Infrastructure 284B	13,462	10,735	284,084											
Gareau Street 8" 242C														
Arthur-Bleach-Jefferson 8"														
2009 Infrastructure 243C	23,451	26,654	254,978											
2010 Infrastructure 287b	290													
Tobin Street 8" 285B														
Lemoine Court 244C														
Mishnock Transmission Main 245C														
Mill Street & Hope 286B														
Prospect Street 288b														
U. S Bank - Debt Service (P. & I.)	3,218,553													
Water Protection	71,169.49		94,696											
TOTAL DISBURSEMENTS	4,131,812	1,193,595	1,912,845											
BALANCE END OF MONTH	29,755,919	30,254,970	29,996,609											

CASH RECEIPTS DISBURSEMENTS FY 2011 Detail
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CASH LOCATION
FISCAL YEAR 10-11

	JUL 2010	AUG 2010	SEP 2010	OCT 2010	NOV 2010	DEC 2010	JAN 2011	FEB 2011	MAR 2011	APR 2011	MAY 2011	JUN 2011
CASH LOCATION:												
Citizens Bank - Payroll	\$ 40,000.00	40,000.00	40,000.00									
Fleet Bank - Deposit	258,444.05	349,368.84	122,231.47									
Fleet Bank - Checking	132,924.60	44,652.45	77,225.63									
	431,368.65	434,021.29	239,457.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
U. S Bank - Project Funds												
Revenue	1,267,199.91	502,656.58	428,013.03									
Infrastructure Fund	4,123,975.83	5,024,007.34	4,968,094.38									
Operation Reserve	105,911.89	130,217.20	121,524.58									
Operation & Maintenance Reserve	2,367,248.06	2,367,268.20	2,367,288.35									
Renewal & Replacement Fund	271,558.53	279,894.06	288,229.59									
Renewal & Replacement Reserve	786,040.67	786,047.43	786,054.21									
General Project - 2001												
Debt Service Fund - 2001	94,610.72	160,135.17	225,657.83									
Debt Service Reserve - 2001	781,125.00	781,125.00	781,125.00									
Cost of Issuance - 2001												
General Project - 2002	16,031,876.73	16,032,012.87	15,771,006.39									
Debt Service Fund - 2002	214,312.11	371,338.67	527,960.95									
Debt Service Reserve - 2002	1,823,560.01	1,823,560.01	1,823,560.01									
Cost of Issuance - 2002												
Debt Service Fund - 2004	178,432.27	284,187.43	389,938.98									
Debt Service Reserve - 2004	1,278,698.33	1,278,698.33	1,278,698.33									
Cost of Issuance - 2004												
Redemption Account - 2004												
	\$ 29,755,918.71	30,254,969.58	29,996,608.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

EXHIBIT D

Kent County Water Board Meeting

October 21, 2010

MEMO

To: Board
From: Timothy Brown
Subject: Asphalt Paving Services Bid Results
Date: October 7, 2010

Bids were opened for the asphalt paving services on October 6, 2010, four bids were received. Three of the bidders did not comply with the bid requirements that being Article 12, Bonds and Insurances; in particular, the insurance section. The bidder is required to provide written evidence at the time of bid submission and attach thereto that they have or will acquire prior to execution of the work or letter of engagement to the Kent County Water Authority insurances and/or bonds. Bid Bonds were provided by all bidders. However, three bidders being Hartford Paving Corporation, Piccoli Paving and Lucena Brothers did not provide the required insurance information. The only bidder to comply was International Paving. Of the bids received International Paving was the lowest responsible bidder meeting the requirements of the contract documents. Therefore, we would recommend that International Paving be awarded the bid and the other three bidders not be accepted because of their failure to comply with the invitation to bid and the bid requirements of the Kent County Water Authority.

KENT COUNTY WATER AUTHORITY
REQUEST FOR BID
ANNUAL BITUMINOUS CONCRETE PORTLAND CEMENT REPAIR SERVICES FOR
SIDEWALKS AND ROADWAYS
BID OPENING – OCTOBER 6, 2010

The Bid Opening Conference for Annual Bituminous Concrete Portland Cement Repair Services for Sidewalks and Roadways was held at 10:00 a.m., October 6, 2010 per the requirements of the Bid Invitation advertised in the Providence Journal on Wednesday, September 22, 2010. Attendance was a mandatory requirement at the pre-bid conference to submit a Bid.

The work consists of furnishing all labor, materials, equipment, supplies, appurtenances, supervision, traffic control and incidentals as necessary and required for bituminous and Portland concrete patching of sidewalks and roadways in compliance with RIDOT standard specifications for paving of State highways and the requirements of the Cities or Towns serviced by the Kent County Water Authority.

Attendees of the Pre-Bid conference were as follows:

At 10:00 a.m. the Bid Opening Conference began by John Duchesneau opening the following bids:

1. International Paving

Total Bid Price for Items 1 – 14 - \$182,630.00

Bid Bonds Included

Reference List Included

Insurance Provided

2. Hartford Paving Corporation

Total Bid Price for Items 1 – 14 - \$328,686.00

Bid Bonds Included

Reference List Provided

No Insurance Provided

3. Piccoli Paving

Total Bid Price for Items 1 – 14 - \$184,018.00

Bid Bonds Included

Reference List Provided

No Insurance Provided

4. Lucena Brothers

Total Bid Price for Items 1 – 14 - \$444,174.00

Bid Bonds Included

Reference List Provided

No Insurance Provided

At this point all bidders were allowed time to review the bids and the Bid Opening was closed at 10:20 a.m.

EXHIBIT E

Kent County Water Board Meeting

October 21, 2010

SEPTEMBER 2010 REVENUE

FIRE LINES	\$27,527.38
HYDRANTS	\$346,855.09
QUARTERLY	\$3,026,344.18
M & Q (LARGE USERS)	\$405,576.75
	<u>\$3,806,303.40</u>

SEPTEMBER QUARTER PER YEAR
CUBIC FEET

YEAR	BILLED CUBIC FEET
2010	62,060,151
2009	46,346,143
2008	58,335,350
2007	63,399,140
2006	62,582,518
2005	79,461,859
2004	77,235,087
2003	55,890,216
2002	80,494,100
2001	75,357,203
2000	75,161,731

COPY SENT TO	
MEMBERS	10/7/10
MAN	
LEGAL COUNSEL	