

McGladrey & Pullen

Certified Public Accountants

**CITY OF PROVIDENCE, RHODE ISLAND
WATER SUPPLY BOARD**

**FINANCIAL REPORT
JUNE 30, 2006 and 2005**

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McGladrey & Pullen
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

McGladrey & Pullen, LLP

**Providence Water Supply Board
Management's Discussion and Analysis
June 30, 2006**

Financial Statements

PROVIDENCE WATER SUPPLY BOARD
 (An enterprise fund of the City of Providence, Rhode Island)
 Management's Discussion and Analysis - Required Supplementary Information
 June 30, 2006 and 2005 (000's)

Condensed Financial Information (in thousands)

	<u>2006</u>
	\$ 36,113
	176,465
Total assets	<u>212,578</u>
	17,307
	14,829
Total liabilities	<u>32,136</u>
	157,507
	16,746
	6,189
Total net assets	<u>\$ 180,442</u>
	<u>\$ 52,432</u>
	32,556
	9,890
Total operating expenses, including depreciation	<u>42,446</u>
Operating income	9,986
	(351)
	1,309
Increase in net assets	<u>\$ 10,944</u>

Financial Highlights

Capital Assets and Debt Administration

Debt

Contacting Providence Water's Financial Management

PROVIDENCE WATER SUPPLY BOARD
 (An enterprise fund of the City of Providence, Rhode Island)

STATEMENTS OF NET ASSETS
 June 30, 2006 and 2005 (000's)

	<u>2006</u>
ASSETS	
	\$ 4,200
	6,670
	4,338
	403
	-
	<u>41</u>
Total unrestricted	<u>15,652</u>
	18,079
	1,476
	373
	533
Total restricted	<u>20,461</u>
Total current assets	<u>36,113</u>
	10,289
	25,600
	163,976
	24,150
	14,728
	18,682
	<u>23,150</u>
	280,575
	<u>104,110</u>
Capital assets, net	<u>176,465</u>
Total assets	<u>212,578</u>

	<u>2006</u>
LIABILITIES	
	\$ 2,901
	2,261
	2,662
	1,639
	2,829
	915
	385
	<u>13,592</u>
	450
	<u>3,265</u>
	<u>3,715</u>
Total current liabilities	<u>17,307</u>
	11,879
Total non-current liabilities	<u>2,950</u>
	<u>14,829</u>
Total liabilities	<u>32,136</u>
NET ASSETS	
	157,507
	16,746
	6,189
Total net assets	<u>\$ 180,442</u>

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended June 30, 2006 and 2005 (000's)

	<u>2006</u>
Operating Revenues	
	\$ 35,020
	12,908
	1,514
	2,990
Total operating revenues	<u>52,432</u>
Operating Expenses	
	1,737
	724
	6,202
	3,811
	730
	2,215
	11,106
	9,891
	6,030
Total operating expenses	<u>42,446</u>
Operating income	<u>9,986</u>
Nonoperating Revenues (Expenses)	
	864
	(1,215)
Net nonoperating expenses	<u>(351)</u>
Capital Grants and Contributions	<u>1,309</u>
Change in net assets	10,944
Net Assets	<u>169,498</u>
Net Assets	<u>\$ 180,442</u>

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2006 and 2005 (000's)

	<u>2006</u>
Cash Flows From Operating Activities	
	\$ 54,914
	(12,963)
	(16,622)
Net cash provided by operating activities	<u>25,329</u>
Cash Flows From Non-Capital and Related Financing Activities	
	<u>2,297</u>
Cash Flows From Capital and Related Financing Activities	
	(16,798)
	(1,215)
	-
	-
	(330)
	(3,849)
	-
	1,309
Net cash used in capital and related financing activities	<u>(20,883)</u>
Cash Flows From Investing Activities	
	(144)
	864
Net cash provided by investing activities	<u>720</u>
Net increase (decrease) in cash and cash equivalents	7,463
Cash and cash equivalents	<u>14,816</u>
	<u>\$ 22,279</u>
	<u>\$ 4,200</u>
	<u>\$ 18,079</u>

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

STATEMENTS OF CASH FLOWS, Continued
For the Years Ended June 30, 2006 and 2005 (000's)

	<u>2006</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
	\$ 9,986
	9,891
	2,482
	755
	77
	2,055
	83
Net cash provided by operating activities	<u>\$ 25,329</u>

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005 (000's)

Note 1. Nature of Business and Significant Accounting Policies

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)

Note 2. Restricted Assets

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)

Note 3. Cash and Investments

Total

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Note 4. Pension Plans

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)

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PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)

Note 6. Transactions with City of Providence, Rhode Island

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)

Note 7. Leases

	<u>2006</u>
\$	14,728
	<u>(3,323)</u>
\$	<u><u>11,405</u></u>

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PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)

Note 8. Line of Credit

Note 9. Risk Management

	<u>2006</u>
\$	646
	(558)
	558
\$	<u>646</u>

PROVIDENCE WATER SUPPLY BOARD
 (An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2006 and 2005 (000's)

Note 10. Capital Assets

	Balance June 30, 2005	Additions	Disposals	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 10,258	\$ 31	\$ -	\$ 10,289
Scituate Reservoir Project	18,682	-	-	18,682
Construction in progress	14,618	15,384	6,852	23,150
Total capital assets not being depreciated	<u>43,558</u>	<u>15,415</u>	<u>6,852</u>	<u>52,121</u>
Capital assets being depreciated:				
Buildings and improvements	25,034	566	-	25,600
Improvements other than buildings	157,202	6,774	-	163,976
Machinery and equipment	23,255	895	-	24,150
Assets under capital lease	14,728	-	-	14,728
Total capital assets being depreciated	<u>220,219</u>	<u>8,235</u>	<u>-</u>	<u>228,454</u>
Less accumulated depreciation for:				
Buildings and improvements	16,724	2,090	-	18,814
Improvements other than buildings	57,947	6,070	-	64,017
Machinery and equipment	16,537	1,419	-	17,956
Assets under capital lease	3,011	312	-	3,323
	<u>94,219</u>	<u>9,891</u>	<u>-</u>	<u>104,110</u>
Total capital assets being depreciated, net	<u>126,000</u>	<u>(1,656)</u>	<u>-</u>	<u>124,344</u>
Total capital assets, net	<u>\$ 169,558</u>	<u>\$ 13,759</u>	<u>\$ 6,852</u>	<u>\$ 176,465</u>

**PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)**

Note 11. Post employments Benefits

Note 12. Pronouncements Issued, Not Yet Effective

PROVIDENCE WATER SUPPLY BOARD
(An enterprise fund of the City of Providence, Rhode Island)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2006 and 2005 (000's)

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