

**THE TOWN OF
SOUTH KINGSTOWN, RHODE ISLAND**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**



PREPARED BY: FINANCE DEPARTMENT

TOWN OF SOUTH KINGSTOWN

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

YEAR ENDED JUNE 30, 2009

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Town of South Kingstown, Rhode Island

180 High Street
Wakefield, RI 02879
Tel. 401-789-9331

FINANCE DEPARTMENT

December 22, 2009

To the Citizens of the Town of South Kingstown, Rhode Island:

The comprehensive annual financial report of the Town of South Kingstown, Rhode Island, for the fiscal year ended June 30, 2009, is hereby submitted as mandated by both state statutes and the Town charter. State laws require that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants licensed to practice in the State of Rhode Island.

This report consists of management's representations concerning the finances of the Town of South Kingstown. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of South Kingstown has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of South Kingstown's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of South Kingstown's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of South Kingstown's financial statements have been audited by Braver PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of South Kingstown for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of South Kingstown's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of South Kingstown was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the single audit section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of South Kingstown's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The Town of South Kingstown, established in 1658 and incorporated as a Town in 1723, is a diversified community in a rural, suburban area of southern Rhode Island approximately 30 miles from Providence. The geography of the Town includes farmland, wetlands, salt marshes, waterfront areas, woodland, and many natural and scenic attractions. The total area is 62.3 square miles, consisting of 56.8 square miles of land and 5.5 square miles of inland water. The Town, fronting on the Atlantic Ocean, is part of the South County summer vacation area. The Town is empowered to levy a property tax on both real and personal properties located within its boundaries. The Town is also authorized to assess and collect excise taxes on registered motor vehicles and trailers.

The Town has a home-rule charter and operates under the Council-Manager form of government. The Town Council is elected by popular vote every two years and is responsible for, among other things, passing ordinances, adopting a budget, appointing committees, and hiring both the Town Manager and Town Solicitor. The Town Manager is responsible for carrying out the policies of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing all other employees, except for School Department personnel.

The Town provides a full range of municipal services including public safety protection, the construction and maintenance of highways, streets, and other infrastructure, libraries, recreational activities, planning and zoning, education and administrative services. In addition, the Town operates water, sewer and solid waste utility systems.

The annual budget serves as the foundation for the Town of South Kingstown's financial planning and control. All departments of the Town are required to submit requests for appropriation and revenue estimates to the Town Manager on or before the last day of January each year. The Town Manager uses these requests as the starting point for developing a proposed budget. Based on amendments to the Town Charter, approved by South Kingstown voters in November 2006, the financial town meeting was eliminated. The 2008-2009 fiscal year budget was the second year that the budget was approved under the new procedures. It is the responsibility of the Town Manager to submit a proposed budget for the following fiscal year to the Town Council on or before March 1st of each year. The Town Council holds several budget work sessions in March to discuss the details of his proposed budget document. The Town Council may revise and adopt a preliminary budget not later than March 22nd of each year. Two public hearings are required to be conducted on the preliminary budget prior to April 18th.

Following adoption of the Preliminary Budget by the council, any qualified elector of the town may circulate a petition requesting the council to increase or decrease by any amount any item of expenditure in the said budget or to insert a new item of expenditure. The council, before final adoption of the budget, shall consider and vote upon each such petition(s) which were submitted on or before April 21st containing no less than twenty-five (25) valid signatures of qualified electors of the town.

The council shall, on or before May 1st of each year, complete its consideration of any petitions and make any final changes in the Preliminary Budget it may deem advisable, and give final approval to the Budget by a vote of a majority of all the members of the council.

PROFILE OF THE GOVERNMENT (Continued)

Following final approval of the budget by the Town Council, any qualified elector of the town may circulate a petition requesting that a referendum be held on the appropriation for the general fund or the school fund in the budget as approved. Such petition may propose a reduction or increase in the total appropriation for said funds.

The town clerk shall cause a referendum by ballot to be held on all budget changes requested on petitions provided that each such petition shall contain signatures of no less than two hundred of the qualified electors of the town and shall request an increase or decrease of a sum of at least \$250,000.00. The qualified electors shall be instructed to vote either for the original total of for one (1) of the proposed increases or reductions thereof. The appropriation receiving the most votes shall be declared to have been adopted.

The appropriated budget is prepared by fund, major program function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers within a major program function may be made by the Town Manager, provided that proper notification is given to the Town Council. Contingency funds available at year-end are authorized by resolution of the Town Council to cover any deficits within general classifications.

Budget-to-actual comparisons are provided in this report for the general fund and the school unrestricted fund on pages 22-25 and page 26 respectively as part of the basic financial statements.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of South Kingstown operates.

Local economy. The economy is centered on the University of Rhode Island, which has an enrollment in excess of 15,900 and employs more than 2,450 people. South County Hospital and tourism trade are also key components of the South Kingstown economy. According to the latest employment data available for the 2008 calendar year, as reported by the RI Department of Labor and Training, the Town experienced an increase in private sector employment between 2002 and 2008 amounting to 1,480 new jobs. Total annual employment in the private sector increased from 8,414 to 9,894.

In December 2008 the University of Rhode Island (URI) completed construction of a new \$60,000,000 Center for Biotechnology and Life Sciences facility. The building totals 140,000 square foot. A new College of Pharmacy building is scheduled to begin construction in the Fall of 2009. Estimated cost of the new pharmacy facility is \$75,000,000. Conceptual plans for a Research and Technology Park are currently under review. The 2008 Capital Improvement Plan for the University includes \$290 million dollars in active projects.

Economic development continues at the "Village at South County Commons", a planned, mixed-use development along Route 1. South County Commons was originally approved in March of 2000 and development of the multi-building/use facility is now nearing completion. Recent developments include: a 100-room Hampton Inn hotel and meeting facility, which opened in March of 2008 and a new bank facility completed in October 2008. A recent analysis completed by the Town Manager and Planning Director indicated that the Village at South County Commons has provided a net positive tax yield (minus municipal service costs) of \$1,263, 697 in the 2008-2009 fiscal year.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

Applied Services Associates (ASA), a global science and technology solutions company, recently opened its United States headquarters at the South County Commons location. ASA services and products are specialized in the analysis of marine, freshwater, air, and land resources; computer modeling of physical, chemical, and biological processes; geographic information systems (GIS); operational research; and data management.

A statistical profile of the Town is provided below to show local population, housing, and economic trends and conditions that influence the demand for public services and facilities and the ability of the Town to support needed services. The following indicators highlight the magnitude of change that has taken place in South Kingstown in recent years:

- According to the 2000 Census, the Town's population grew by 3,309 people from 24,612 to 27,921, an increase of 13.5 percent from 1990 to 2000. The Town experienced the largest numerical population increase among all Rhode Island cities and towns with the exception of the City of Providence. The 2009 estimated population is 30,437.
- The median sale price of a single-family home in South Kingstown dropped to \$282,500 in the first half of 2009, compared to the mid-year 2008 median sales price of \$330,000. This represents a ten year increase of \$129,500 from the year 1999, when a median priced house was selling for \$153,000.
- With the issuance of 74 building permits for new housing units in 2008, the Town's total year-round housing count has reached 13,030. Construction activity since 1999 has resulted in the addition of 1,896 units or an average of 190 new units annually over the ten-year period. Single family and duplex housing construction amounted to 1,190 units or an average of 119 houses per year.
- Estimated local median family income in 2008 was \$88,696, which is \$18,509 or 26.3 percent more than the statewide median income of \$70,187.
- Private sector jobs totaled 9,894 in 2008, of which 2,566 were in Health Care and Social Assistance, 1,420 were in Retail Trade, 1,230 were in Accommodations and Food Service and 793 were in manufacturing jobs.
- The size of the resident workforce increased from 14,685 to 15,565 between 1999 and September 2009. The number of employed residents declined slightly from 14,182 to 14,123. The September 2009 unemployment rate for South Kingstown was reported at 9.3 percent, compared to the statewide average of 12.3 percent.
- Fifty-three percent (53%) of South Kingstown residents, older than age 25, had a college degree in 2000, another 38% had completed high school and 9% did not have a high school diploma.

Long-term capital financial planning. As a part of the annual budget process, the Town Manager prepares and presents a six-year capital improvement plan. This plan identifies costs and financing methods for those capital projects that the Town anticipates funding over the next six years. The 2009-2010 fiscal year capital improvement plan projects needs through fiscal year 2015. The plan provides for the needs of the general government and addresses such issues as infrastructure, major equipment replacement, school facilities, public safety, recreation and open space purchases.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

This plan estimates total project cost over the six-year period of approximately \$20,008,200. Financing, net of third party sources for these projects by debt issuance, approximates \$11,315,000. In addition, \$13,664,000 in capital projects to be funded on a "pay as you go" basis are projected over the same six-year period. The total estimated cost of the two components of the six-year capital improvement plan is \$33,672,200.

Major projects to be bonded in the plan include: Recreation and open space programs for \$9,540,000; general municipal improvements for \$7,553,200; and school building improvements for \$2,915,000.

Cash management policies and practices. It is the policy of the Town to invest funds in a manner which will provide the highest investment return, with the maximum amount of security, while meeting the daily cash flow needs of the Town and conforming to all state statutes governing the investment of municipal funds. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury and money market mutual funds. In addition, some trust funds held corporate stocks and bonds in their investment portfolios. The maturities of the investments range from 1 day to 30 years. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk management. The Town is a member of the Rhode Island Inter-Local Risk Management Pool. The cooperative pool was formed in 1986 to address the insurance needs of Rhode Island municipalities. South Kingstown became a member on July 1, 1988. The pool provides all property, liability and worker's compensation insurance policies for the Town. Property and liability claims are subject to a \$2,500 deductible with the exception of public officials' liability claims, which are subject to a \$5,000 deductible. The pool's self-insured retention levels range from \$10,000 to \$1,000,000 depending on the type of coverage provided. In addition to the self-insurance provided by the pool, there is also reinsurance through third party sources for claims up to \$5,000,000. In addition to the insurance coverage provided, the pool also provides various educational and training seminars to promote safety training and loss control efforts. Additional information on the Town of South Kingstown's risk management activity can be found in Note 3 on pages 46-47 of the notes to the financial statements.

Pension and other post-employment benefits. The Town of South Kingstown participates in the Municipal Employees' Retirement System of the State of Rhode Island (MERS), an agent multiple employer defined benefit pension plan for all permanent employees, who work in excess of 20 hours per week, except for certified school department employees. The Town has separate plans for general municipal and non-certified school employees, police and emergency medical personnel. Each year, an independent actuary engaged by the MERS calculates the amount of the annual contribution that the Town of South Kingstown must make to each pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Town of South Kingstown fully funds each year's annual required contribution to the pension plan as determined by the actuary. The actuarial assumptions and methods used in the actuary's report comply with the parameters for disclosure that appear in Governmental Accounting Standards Board Statement No. 25 (GASB 25). As of June 30, 2008, which is the latest information available, the Town of South Kingstown has funded 97.9 percent of the present value of the projected benefits earned by general municipal and non-certified school employees; 99.0 percent of the present value of the projected benefits earned by police employees; and 174.3 percent of the present value of the projected benefits earned by emergency medical personnel. Several actuarial assumptions were changed as a result of an experience study, which was performed by an outside consultant and approved by the Retirement Board for the period covering June 30, 2000 to June 30, 2006. Changes were made to the termination, retirement, and disability rates and salary increase assumptions.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

The Town of South Kingstown participates in the Employees' Retirement System of the State of Rhode Island (ERSRI), a cost-sharing multiple employer defined benefit pension plan for all certified School Department personnel. Annual contributions by both employers and the State on behalf of those employees are determined by an annual actuarial review and are assessed as a percentage of the participant's payroll. The required contributions include (a) normal costs, (b) payments to amortize the unfunded frozen actuarial accrued liability over thirty years, and (c) interest on the unfunded frozen actuarial liability. The actuarial assumptions and methods used in the actuary's report comply with the parameters for disclosure that appear in (GASB 50). In June 2006, the Rhode Island legislature passed bill H5270 Article 7SUB A, which was signed by the governor on June 30, 2006. The bill modifies benefits under ERSRI for future hires and for members with less than ten years of contributory service as of June 30, 2006.

The Town of South Kingstown also provides postretirement healthcare benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 77 retired employees receiving these benefits. The Town is considered a phase two government and accordingly, GASB Statement 45 is applicable for the fiscal year ending June 30, 2009. The Town has completed an actuarial valuation of the OPEB obligations and implemented the requirements in the Town's financial statements for the fiscal year ending June 30, 2009. The Town has established an irrevocable trust fund for the funding of Other Post Employment Benefits and as such the financial statements for the fiscal year ended June 30, 2009 include an OPEB Trust Fund and the related disclosure requirements and required supplementary information in accordance with GASB Statement 45.

Additional information on the Town of South Kingstown's pension arrangements and post-employment benefits can be found in Note 12 on pages 62-69 and Note 17 on pages 71-74 respectively in the notes to the financial statements.

COMMITMENTS AND CONTINGENCIES

On October 4, 1989, the US Environmental Protection Agency (USEPA) notified the Town of South Kingstown that the Rose Hill Regional Landfill had been placed on the National Priorities List (NPL) for contaminated sites requiring clean-up actions. The landfill was previously operated by the Towns of South Kingstown and Narragansett (The Towns).

A "Record of Decision" (ROD) was issued in December 1999, which delineates EPA's approved remediation strategy for the site. Consent Decree negotiations with EPA and the Rhode Island Department of Environmental Management (RIDEM) began in November 2000 and were completed in January 2003. The Consent Decree designates RIDEM as the lead agency to oversee the remediation design and remediation action for the site. The initial waste consolidation phase commenced in June 2005 and was completed in September 2008. The RIDEM solicited bids during the spring of 2008 for the second phase of the project, which will include construction of a gas collection system and multi-layer cap. Construction of the second phase began in November 2006 and was completed in October 2007.

The Towns have paid \$4,125,000 to settle all past and future federal liabilities associated with the Rose Hill site. South Kingstown's \$2,000,000 payment to the Federal Government was funded with a 20-year general obligation bond sold in September 2002 at an interest rate of 1.648%. Repayment of the debt service associated with this bond will be provided from funds held in reserve within the Solid Waste Fund and from property taxes. South Kingstown also paid \$504,932 for natural resource damages associated with the landfill contamination.

COMMITMENTS AND CONTINGENCIES(Continued)

The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. These costs will also be shared equally between the two Towns. The estimated cost of reimbursing the State, over a 27-year period beginning in fiscal year 2011, is \$3,925,000, of which South Kingstown is responsible for \$1,962,525. The estimated liability of \$1,962,525 has been included in the government-wide financial statements at June 30, 2009.

In addition to the Rose Hill Regional Landfill site, the West Kingstown/URI Disposal Area Landfills, located on Plains Road, were added to the NPL on July 29, 1992. The West Kingstown town dump began operation in the 1950's and ceased operations in 1978. The University of Rhode Island (URI) and the Towns of South Kingstown and Narragansett agreed to participate as a Potentially Responsible Parties (PRP) Group in the remediation of the site under State landfill closure regulations.

The final cost for the site remediation at this location is \$7,072,692. In addition, there will be ongoing operation and maintenance costs paid out on an annual basis. These costs will be included as part of the annual operating budget.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of South Kingstown for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town of South Kingstown has received a Certificate of Achievement for the last nineteen consecutive fiscal years (fiscal years ended June 30, 1990-2008). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the efficient and dedicated services of the entire staff of the Finance Department, and in particular Susan Macartney and Frank Xavier. I sincerely appreciate their efforts in assisting me with preparing this comprehensive annual financial report.

In closing, I would like to express my appreciation to the Town Manager and the Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



Alan R. Lord,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of South Kingstown
Rhode Island

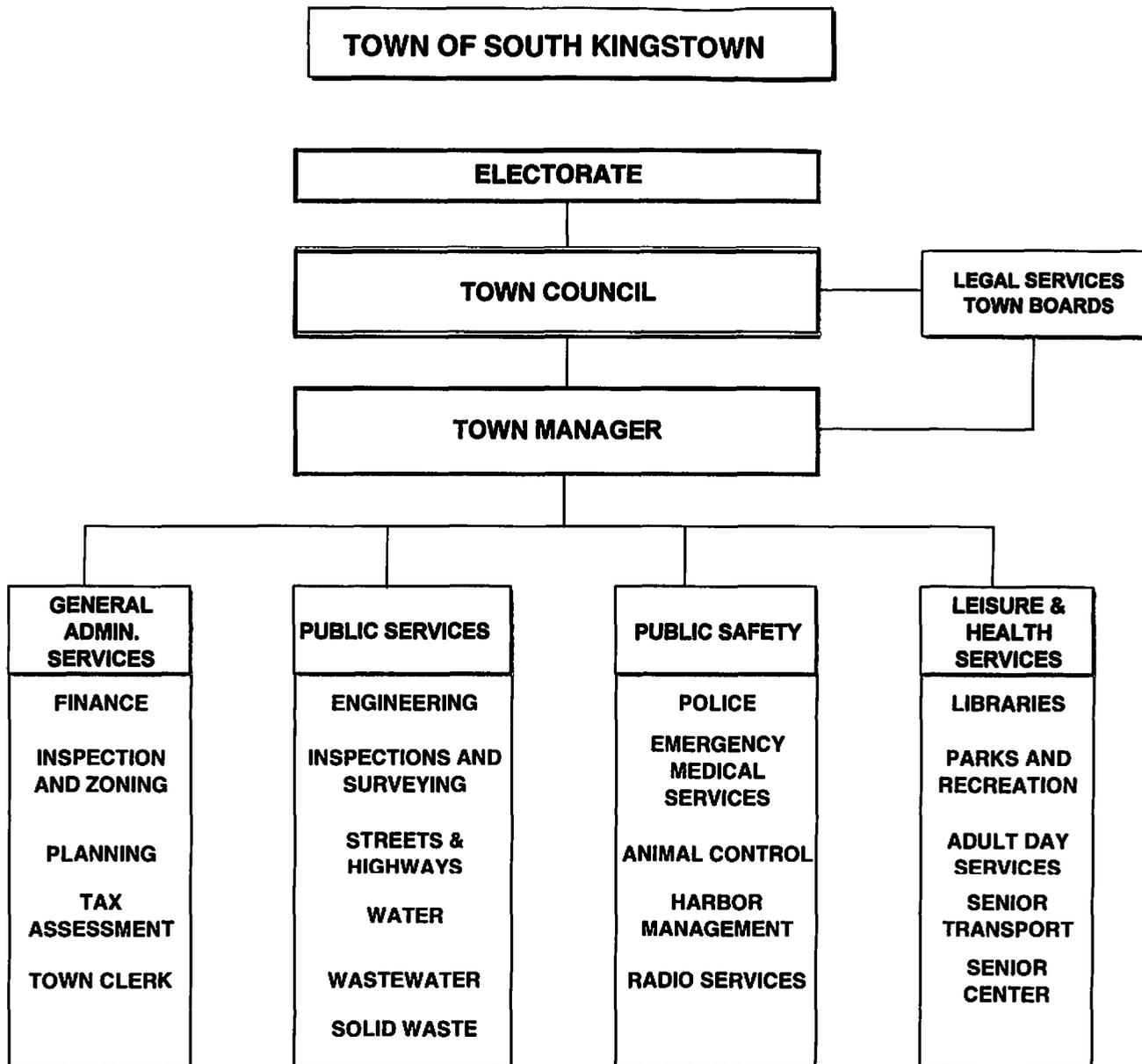
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
TOWN OFFICIALS
June 30, 2009**

TOWN COUNCIL

Kathleen A. Fogarty, President

Mary S. Eddy, Vice President
Carol Hagan McEntee

James W. O'Neill
Ella M. Whaley

TOWN MANAGER

Stephen A. Alfred

TOWN ATTORNEYS

Michael Ursillo
Andrew Teitz
Terrence G. Simpson
Nancy Letendre

PROBATE JUDGE

Stephen R. White

DEPARTMENT HEADS

Building Inspection Official
Data Processing Manager
Finance Director
Library Director
Planning Director
Police Chief
Recreation Director
Tax Assessor
Town Clerk
Public Services Director

Russell W. Brown
Frank G. Goudailler
Alan R. Lord
Shirley D. Long
L. Vincent Murray
Vincent Vespia, Jr.
Andrew E. Nota
Jean-Paul Bouchard
Dale S. Holberton
Jon R. Schock

TOWN OF SOUTH KINGSTOWN

FINANCIAL SECTION

- INDEPENDENT AUDITORS REPORT
 - MANAGEMENT'S DISCUSSION AND ANALYSIS
 - BASIC FINANCIAL STATEMENTS
 - SUPPLEMENTARY INFORMATION
-

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council
Town of South Kingstown, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Kingstown, Rhode Island as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the statements of revenues, expenditures and changes in fund balances – budget and actual – budgetary basis (General Fund and School Unrestricted Fund) of the Town of South Kingstown, Rhode Island, for the year ended June 30, 2009, as displayed in the Town's financial statements. These financial statements are the responsibility of the Town of South Kingstown, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as the budget and actual – budgetary basis statements of the Town of South Kingstown, Rhode Island as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2009 on our consideration of the Town of South Kingstown, Rhode Island's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Schedule of Funding Progress for Pension Plans, and the Schedule of Funding Progress for OPEB Plans on pages 3 through 15, and pages 75 and 76, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements. The Introductory Section, Combining Fund Financial Statements, Capital Asset Exhibits, Other Exhibits, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of South Kingstown, Rhode Island. The Combining Fund Financial Statements, Capital Asset Exhibits, Other Exhibits, and Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Braver PC
Providence, Rhode Island
December 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of South Kingstown, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report as well as the Town's basic financial statements that follow this section. All amounts in the tables in this MD&A are expressed in thousands. All amounts in the narrative portion are expressed in real dollars.

Financial Highlights

- The assets of the Town of South Kingstown exceeded its liabilities at the close of the most recent fiscal year by \$123,708,134 (net assets). Of this amount, \$29,859,170 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,579,671.
- As of the close of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$41,652,676. Approximately 69.8% of ending fund balances, \$29,081,927 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$11,535,780. Of this amount, \$9,335,780 is available for spending at the government's discretion within the General Fund. The remaining balance consists of \$1,200,000 designated to finance the 2010 fiscal year budget and \$1,000,000 designated for Superfund site cleanup costs.
- The remaining unreserved fund balance of \$17,546,147 includes \$399,600 designated to help finance the 2009-2010 fiscal year budgets for the School Fund and the Neighborhood Guild Fund, \$5,732,649 for Special Revenue Funds, \$9,966,576 earmarked for Capital Project Funds, and \$1,447,322 for Permanent Purpose Trust Funds.
- The Town's total bonded debt declined by \$3,871,014 (10.6 percent) during the current fiscal year. The key factor in this decline was the retirement of \$3,871,014 in bonds combined with no new debt being issued during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of South Kingstown's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Overview of the Financial Statements (Continued)

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of South Kingstown's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cashflows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of South Kingstown that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, streets and highways, libraries, education and recreation. The business-type activities of the Town include a water fund, a wastewater operations fund, a solid waste fund and a school cafeteria fund.

The government-wide financial statements include only the activities of the Town of South Kingstown. There are no component units within the Town's jurisdiction.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of South Kingstown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (Continued)

Governmental funds (Continued)

The Town of South Kingstown maintains fifty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, school fund, and the school trust funds, all of which are considered to be major funds. Data from the other fifty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in other supplementary information.

The Town of South Kingstown adopts an annual appropriated budget for its general fund and school fund. A budgetary comparison statement has been provided for the general fund and school fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-26 of this report.

Proprietary funds. The Town of South Kingstown maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of South Kingstown uses enterprise funds to account for its water fund, wastewater operations fund, solid waste fund and school cafeteria fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund, the health care management fund, to account for its medical costs incurred by persons covered by the health insurance plans of the Town, and to pay expenses incurred in connection with administering the plan. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, wastewater operations fund, solid waste fund and school cafeteria fund, all of which are considered to be major funds of the Town of South Kingstown. The internal service fund is also shown as a major fund in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 27-30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of South Kingstown's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-74 of this report.

Overview of the Financial Statements (Continued)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of South Kingstown's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 75 and 76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 77-89.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of South Kingstown, assets exceeded liabilities by \$123,708,134 at the close of the most recent fiscal year.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND NET ASSETS

For the Fiscal Year ending June 30, 2009 (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 51,700	\$ 51,568	\$ 5,948	\$ 5,421	\$ 57,648	\$ 56,989
Capital Assets	87,673	88,950	25,239	26,047	112,912	114,997
Total Assets	139,373	140,518	31,187	31,468	170,560	171,986
Long-Term Liabilities	30,085	33,731	3,141	3,414	33,226	37,145
Other Liabilities	12,233	11,206	1,393	1,507	13,626	12,713
Total Liabilities	42,318	44,937	4,534	4,921	46,852	49,858
Net Assets:						
Invested in capital assets net of related debt	58,268	55,955	21,953	22,481	80,221	78,436
Unrestricted	25,159	23,644	4,700	4,066	29,859	27,710
Restricted	13,628	15,982			13,628	15,982
Total Net Assets	\$ 97,055	\$ 95,581	\$ 26,653	\$ 26,547	\$ 123,708	\$ 122,128

By far the largest portion of the Town's net assets (64.8%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of South Kingstown's net assets (11 percent or \$13,627,269) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$29,859,170) may be used to meet the government's ongoing obligations to citizens and creditors.

Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the Town of South Kingstown, with one exception, is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The one exception is the Cafeteria Fund, a business-type activity, which has a deficit position of \$61,333 in net assets.

The Town's net assets increased by \$1,579,671 during the current fiscal year. Of this amount, governmental activities accounted for \$1,473,673 of the increase while business-type activities accounted for an increase of \$105,998.

Governmental activities. Governmental activities increased the Town of South Kingstown's net assets by \$1,473,673, thereby accounting for 93 percent of the total growth in the net assets of the Town.

Key elements of this increase are as follows:

- Property taxes are the largest revenue source for governmental activities accounting for approximately 72.3 percent of total revenues. Operating grants and contributions and charges for services, fees, and licenses provide approximately 16.9 percent and 6.7 percent of total revenues respectively.

Major revenue factors included:

- Property tax revenues recorded for the fiscal year 2009 reflect an increase in the Town's tax rate of 4.0% and growth in the total assessed value of taxable property of .76%. The combination of these two factors resulted in an additional \$3,034,431 of property taxes being levied. The property tax rate increased from \$11.51 to \$11.97 per thousand dollars of assessed value. Total taxable property increased by \$39,806,770 from \$5,215,698,720 to \$5,255,505,490.
- Charges for services declined by \$538,470, which was directly related to significant declines in several revenue sources. Building inspection fees, town clerk recording fees, real estate conveyance fees, police departmental revenues, impact fees, fees open space purchases, wastewater connection fees and school miscellaneous fees all declined sharply in the 2009 fiscal year. Somewhat offsetting the above reductions in charges for services were increases in EMS billing charges, rental payments from tenants leasing property at Marina Park and miscellaneous fees collected by Town departments.
- Operating grants and contributions declined by \$1,349,907 from the previous year. The decrease in this revenue source was mainly attributable to a reduction in funding of State aid (\$1,569,466) for the School Department and grant funding for the EPA Wastewater Management program (\$465,550) (project ended in fiscal 2008), offset by an increase in the initial receipt of federal stabilization funds for the School department (\$656,514).
- Investment earnings declined from \$1,073,334 in the prior fiscal year to a loss of \$834,736 in the fiscal year ended June 30, 2009. The decline of \$1,908,070 was attributable to a significant reduction of \$1,137,961 in the School Trust Funds' investment income. The decline was the result of unfavorable equity market conditions, which produced significant losses in the fund's portfolio. In addition, the General Fund generated \$545,892 less in investment earnings, as compared to the previous year, due to lower interest rates. The remaining balance of \$224,217 of the decline was distributed amongst the other governmental funds based on a significant reduction in interest rates earned on idle funds.

Government-wide Financial Analysis (Continued)

**TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
CHANGES IN NET ASSETS**

For the Fiscal Years ending June 30, 2009 and 2008 in 000's

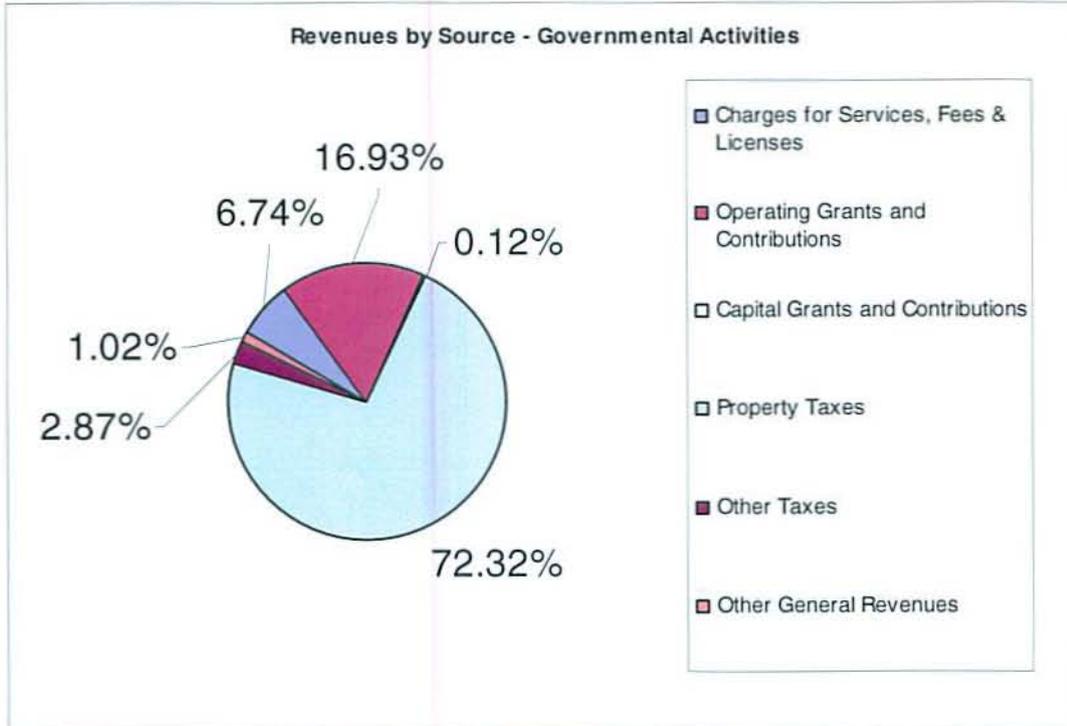
	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,965	\$ 6,503	\$ 5,221	\$ 5,482	\$ 11,186	\$ 11,985
Operating Grants and Contributions	14,972	16,322	266	505	15,238	16,827
Capital Grants and Contributions	106	272	0	307	106	579
General Revenues:						
Property taxes	63,974	60,903			63,974	60,903
Other taxes						
Motor vehicle phase-out taxes	2,178	2,168			2,178	2,168
Telephone and hotel taxes	357	340			357	340
Grants and aid not restricted for a specific program	1,737	2,295			1,737	2,295
Unrestricted investment earnings	(835)	1,074	109	182	(726)	1,256
Miscellaneous	0	0			0	0
Total Revenues	\$ 88,454	\$ 89,877	\$ 5,596	\$ 6,476	\$ 94,050	\$ 96,353
Expenses:						
General Government	\$ 8,773	\$ 8,807			\$ 8,773	\$ 8,807
Public Safety	6,810	6,784			6,810	6,784
Public Works	3,381	2,905			3,381	2,905
Human Service Agencies	189	184			189	184
Public Libraries	1,039	1,040			1,039	1,040
Education	63,200	62,854			63,200	62,854
Recreation	2,301	2,323			2,301	2,323
Interest on long-term debt	1,369	1,521			1,369	1,521
Wastewater			\$ 3,153	\$ 3,145	3,153	3,145
Solid Waste			477	946	477	946
Water			785	836	785	836
School Cafeteria			993	1,041	993	1,041
Total Expenses	87,062	86,418	5,408	5,968	92,470	92,386
Increase in net assets before transfers	1,392	3,459	188	508	1,580	3,967
Transfers	82	(880)	(82)	880	0	0
Increase in net assets	1,474	2,579	106	1,388	1,580	3,967
Net assets 7/1/08	95,581	93,002	26,547	25,159	122,128	118,161
Net assets 6/30/09	\$ 97,055	\$ 95,581	\$ 26,653	\$ 26,547	\$ 123,708	\$ 122,128

Changes in Net Assets (Continued)

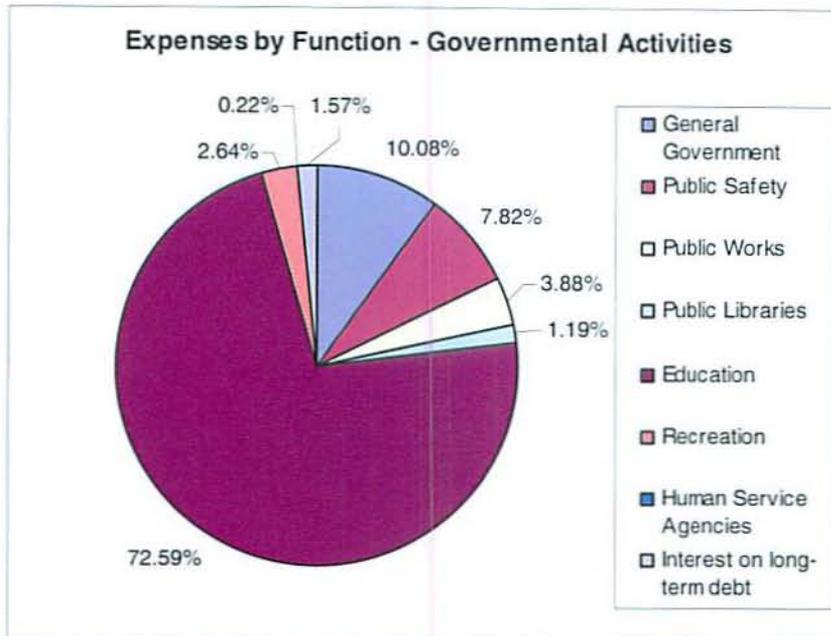
Education expenses account for approximately 72.6 percent of the total expenses within the governmental funds of the Town of South Kingstown. Public safety and general government expenses account for approximately 7.8 percent and 10.1 percent respectively of the total expenses for the 2009 fiscal year.

For the most part, increases in expenses closely paralleled inflation, wage and benefit cost increases and the difference between the accounting recognition of budgetary basis expenditures versus GAAP basis expenditures. Major expense factors included:

- Increases in employee full-time wages and fringe benefit costs resulting from negotiated step and cost of living increases.
- The difference between the accounting recognition of budgetary basis expenditures versus GAAP basis of \$378,161 in the public works category. Overall public works expenditures increased by \$476,023.
- An increase of \$345,504 for education related expenditures. There were several large variances, both positive and negative, which accounted for the increase.
- Interest on long term debt declined by \$151,575 due to the Town's aggressive debt service schedule combined with the fact that no new debt was issued during the previous fiscal year.



Changes in Net Assets (Continued)



Business-type activities. Net assets in business-type activities increased by \$105,998 resulting in a .4% increase in business-type net assets.

Charges for services for business-type activities accounted for 93.3% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions (4.8%) and from investment earnings (1.9%).

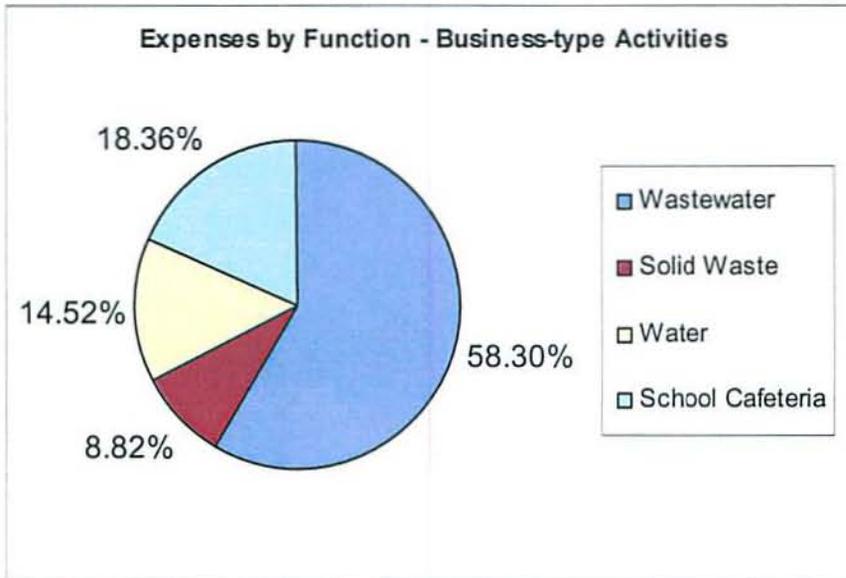
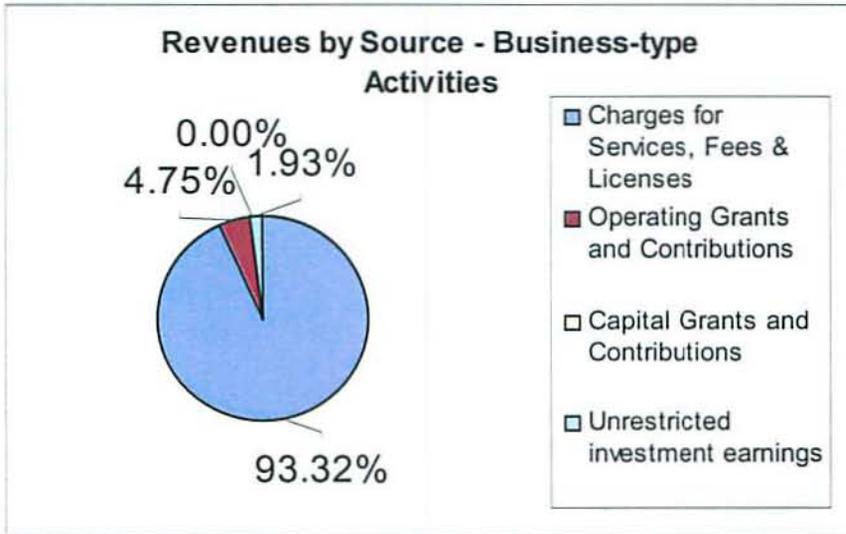
Wastewater treatment expenses account for approximately 58.3% of the total expenditures within the business-type activities of the Town. Solid waste, school cafeteria operations and water fund expenses account for approximately 8.8%, 18.4% and 14.5% respectively of the total business-type activities expenditures for the 2009 fiscal year.

Charges for services for business-type activities declined from \$5,482,211 to \$5,221,399 or 4.8%. The wastewater fund had an increase of \$15,514. The increase in the wastewater fund was attributable to greater usage revenues from residents, offset by a reduction in fees from the two other regional partners. Capital contributions declined by \$307,075 due to the fact that there was no new infrastructure assets contributed by subdivision developers during the 2009 fiscal year. Charges for services for the water fund increased by \$73,530, while the solid waste fund experienced a reduction of \$310,815 in these program revenues. The increase in the water fund charges was the result of greater usage revenues from residents and an increase in cell antenna lease receipts. Solid waste fees declined based on a reduction in the sale of residential use stickers, a decline in tipping fee reimbursements, and rental income from the transfer station operation. The reduction in charges for services in the solid waste fund were offset by a corresponding reduction in tipping fees charged by the State landfill. Operating grants declined by \$250,000 in the solid waste fund. Charges for services for the cafeteria fund declined by \$39,041. Operating grants and contributions increased by \$11,170 in the cafeteria fund. Unrestricted investment earnings declined from \$182,029 to \$108,359 for all business-type activities. Lower interest rates earned on investments were responsible for generating the decline in this revenue source.

Expenses in the wastewater fund rose slightly by \$8,109 due to costs for electricity, chemicals, and sludge disposal fees all increasing. For the most part the increases were offset by several minor positive variances. The 6.1% decline in water fund expenses was due to several changes in spending patterns from the previous year.

Changes in Net Assets (Continued)

The 50% decline in expenses for the solid waste fund was attributable to a major reduction in the amount of waste hauled to the Johnston Central landfill. Costs to operate the cafeteria fund declined by \$48,852 or 4.6%.



Financial Analysis of the Government's Funds

As noted earlier, the Town of South Kingstown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of South Kingstown's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of South Kingstown's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Financial Analysis of the Government's Funds (Continued)

As of the end of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$41,652,676. Approximately 69.8 percent of this total amount, \$29,081,927 constitutes unreserved fund balance of which \$9,335,780 is available for spending at the government's discretion within the Town's General Fund. The remaining unreserved fund balance of \$19,746,147 includes \$1,599,600 designated to help finance the 2009-2010 fiscal year budgets, \$1,000,000 designated to help pay for Superfund remediation costs, \$5,732,649 for Special Revenue Funds, \$9,966,576 earmarked for Capital Project Funds, and \$1,447,322 for Permanent Purpose Trust Funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$336,490), 2) reserved for various endowments (\$12,179,947), and 3) reserved for future expenses, which have been prepaid (\$24,312).

The general fund is the chief operating fund of the Town of South Kingstown. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11,535,780 while total fund balance reached \$11,581,568. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund budgeted expenditures. Unreserved fund balance represents 15.7 percent of the 2010 FY Adopted General Fund Expenditure Budget, while total fund balance represents 15.8 percent of that same amount.

The fund balance of the Town of South Kingstown's general fund declined by \$781,728 during the current fiscal year. Key factors in this reduction are as follows:

- The Town designated \$1,200,000 of fund balance to help finance the 2008-2009 general fund budget. The planned drawdown of fund balance was consistent with prior year use of fund balance.
- A budgetary basis operating surplus in the general fund of \$580,088. Expenditures under budget contributed \$701,343 to the surplus, while other financing sources finished the fiscal year with a \$5,741 surplus. Revenues under budget reduced the surplus by \$126,996.
- The difference between the GAAP basis of accounting and the budgetary basis of accounting is the result of recognizing the fund balance designation of \$1,200,000, as a revenue under the budgetary basis but not the GAAP basis. In addition, accounting for encumbrances resulted in another \$161,816 in budgetary basis expenditures being less than the GAAP basis.
- A negative variance of \$505,975 in state aid was the most significant reason for the overall general fund budget finishing with a shortfall on a GAAP basis. In addition, shortfalls in licenses and fees of \$54,916, investment income of \$31,132 and departmental revenues of \$82,697 further compounded the revenue shortfall. Based on an aggressive tax collection program property tax revenues helped offset the above negative variances by finishing the fiscal year with a \$499,263 surplus to budget.
- Mid-year cutbacks in expenditures, which included a hiring freeze of non-essential positions, and an overall reduction to department's budgeted appropriations, allowed the Town to achieve savings of \$701,343 on the expenditure side. Favorable expenditure variances of significance included savings in the public safety accounts (\$261,371), general government accounts (\$117,514), public works (\$159,118), recreation (\$91,714) and library accounts (\$29,736). The expenditure reductions allowed the Town to finish with a budgetary surplus of \$580,088.

The school fund has a total fund balance of \$2,408,143 of which \$82,681 is committed to liquidate contracts and purchase orders of the prior period, \$13,572 is reserved for prepaid expenditures and \$374,600 is designated to help finance the 2009-2010 fiscal year budget. The remaining balance of \$1,937,290 is available to help finance future years' school budgets.

Financial Analysis of the Government's Funds (Continued)

Proprietary Funds. The Town of South Kingstown's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets in the water fund at the end of the fiscal year amounted to \$1,007,565, an increase of \$275,922. Unrestricted net assets in the wastewater fund increased by \$502,092 to a total of \$2,367,970. The solid waste fund finished the year with unrestricted net assets of \$1,396,018, which was a decrease in value of \$141,325, while the school cafeteria operations decreased by \$2,868 to a deficit position of \$71,740.

Other factors concerning the finances of these four funds have already been addressed in the discussion of the Town of South Kingstown's business-type activities.

General Fund Budgetary Highlights

Overall the Town finished the 2008-2009 fiscal year with a \$580,088 budgetary surplus. Differences between the original budget and the final amended budget were relatively minor and only involved transferring funds from departments with expenditure surpluses to departments with expenditure deficits.

Capital Asset and Debt Administration

Capital assets. The Town of South Kingstown's investment in capital assets for its governmental and business type activities as of June 30, 2009 amounts to \$112,912,077 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, infrastructure, and construction in progress. The total decline in the Town of South Kingstown's investment in capital assets for the current fiscal year was 1.8 percent (a 1.4 percent decrease for governmental activities and a 3.1 percent decline for business-type activities).

Major capital asset events during the current fiscal year included the following:

- The Saugatucket River walkway project was completed and capitalized at a cost of \$1,594,752. The project included the installation of a boardwalk along the Saugatucket River, the re-decking of the Saugatucket River pedestrian bridge and the reconstruction of the bridge approach.
- A variety of road construction projects were completed and capitalized. Projects capitalized as infrastructure totaled \$267,294 and included the road reconstruction work completed on Pond Street and a drainage culvert installed on Liberty Lane.
- Various school building improvements were completed at a cost of \$883,596, including renovations to the South Kingstown High School Auditorium. In addition, lighting fixture upgrades to several schools, the renovation of the Hazard Field athletic practice area and roof repairs at the Hazard School were completed.
- Construction in progress at June 30, 2009 totaled \$254,059 based on several ongoing projects.

Capital Asset and Debt Administration (Continued)

Town of South Kingstown's Capital Assets
(Net of depreciation) in 000's

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 12,405	\$ 12,340	\$ 1,586	\$ 1,586	\$ 13,991	\$ 13,926
Land Improvements	7,898	7,650	2,290	2,344	10,188	9,994
Buildings	18,126	18,736	4,462	4,667	22,588	23,403
Building Improvements	24,944	25,310	1,998	2,084	26,942	27,394
Equipment	3,654	3,778	2,687	2,905	6,341	6,683
Vehicles	2,191	2,467	65	78	2,256	2,545
Infrastructure	18,202	17,365	12,150	12,384	30,352	29,749
Construction in Progress	254	1,304	-	-	254	1,304
Total	\$ 87,674	\$ 88,950	\$ 25,238	\$ 26,048	\$ 112,912	\$ 114,998

Additional information on the Town of South Kingstown's capital assets can be found in note 6 on pages 50-52 of this report.

Long-term debt. At the end of the current fiscal year, the Town of South Kingstown had total bonded debt outstanding of \$32,690,382, entirely backed by the full faith and credit of the Town. Bonds authorized but unissued totaled an additional \$13,915,000.

State statutes limit the amount of general obligation bonded debt a town can issue to 3 percent of net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. At June 30, 2009, the Town had a debt limit of \$157,665,165. Of the Town's \$32,690,382 in debt outstanding, \$6,564,785 is subject to the Town's legal debt limit. A balance of \$151,100,380 exists within the legal limit for additional bonds to be issued.

Town of South Kingstown, Rhode Island's
Outstanding Debt
General Obligation Bonds in 000's

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$29,405	\$32,995	\$3,285	\$3,566	\$32,690	\$36,561

The Town's total bonded debt declined by \$3,871,014 (10.6 percent) during the 2009 fiscal year. During the year principal payments of \$3,871,014 were made to reduce existing debt. The Town did not issue any new debt during the fiscal year.

Capital Asset and Debt Administration (Continued)

On May 6, 2006, the Town received notice from Moody's Investors Services that the Town's bond rating had been upgraded to Aa2 from Aa3. The Town had previously received upgrades from A to A-1 in 1991 and from A-1 to Aa3 in 2002. South Kingstown is one of only four Rhode Island communities that have a bond rating of Aa2. The Moody's credit report sighted the following factors for the upgrade:

- The ongoing growth trend in the Town's tax base.
- The economic stability provided by the University of Rhode Island and South County Hospital.
- The Town's well-managed financial operations including healthy and stable reserves within the General Fund, and strong reserve levels within the Capital Project Funds. Prudent budget practices were also identified as a positive.
- The Town's outstanding collection rate on property taxes.
- A favorable debt position, with a low debt burden and a rapid repayment schedule of principal.
- The Town's comprehensive six-year Capital Improvement Plan.
- Wealth levels for income and full values per capita that exceed state averages.

Additional information on the Town of South Kingstown's long-term debt can be found in note 8 on pages 53-56 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town of South Kingstown, as of September 2009, was 9.3 percent, which is an increase from a rate of 7 percent a year ago. This compares favorably to the state's unemployment rate of 12.3 percent and the national rate of 9.5 percent for the same time period.
- The State of Rhode Island continues to have significant budget deficit problems, which could result in a loss of state-aid received by the Town and the School Department.
- Property tax revenues for the fiscal year 2010 reflect an increase in the Town's tax rate of 1.01% and growth in the total assessed value of taxable property of .50%. The combination of these two factors resulted in an additional \$758,278 of property taxes being levied. The property tax rate increased from \$11.97 to \$12.09 per thousand dollars of assessed value. Total taxable property increased by \$26,459,087 from \$5,255,505,490 to \$5,281,964,577.

Based on the difficult economic environment in which the Town was operating in, the 2010 fiscal year budget was reduced by \$794,317 in comparison to the 2009 fiscal year budget.

During the current fiscal year, unreserved fund balance in the general fund declined to \$11,535,780. The Town of South Kingstown has designated \$1,200,000 of this amount for spending in the 2010 fiscal year budget. It is intended that this use of available fund balance will help reduce the amount of property taxes necessary to fund the 2010 fiscal year budget. In addition, the Town has designated \$1,000,000 of the unreserved fund balance for Superfund site cleanup costs.

Requests for Information: This financial report is designed to provide a general overview of the Town of South Kingstown's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 180 High Street, Town Hall, Wakefield, Rhode Island, 02879

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TOWN OF SOUTH KINGSTOWN

BASIC FINANCIAL STATEMENTS



TOWN OF SOUTH KINGSTOWN, RHODE ISLANDStatement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 35,175,783	\$ 5,156,374	\$ 40,332,157
Investments	12,184,962		12,184,962
Accounts receivable	1,117,620	913,775	2,031,395
Internal balances	167,659	(167,659)	-
Due from federal and state governments	2,195,611	29,131	2,224,742
Prepays	24,312	-	24,312
Total Current Assets	50,865,947	5,931,621	56,797,568
Noncurrent Assets:			
Deferred charges - refunding	467,293		467,293
Deposits	151,000		151,000
Deferred charges - bond issuance	215,717	17,321	233,038
Capital assets not being depreciated	12,658,968	1,586,529	14,245,497
Capital assets, net of accumulated depreciation	75,014,261	23,652,319	98,666,580
Total Noncurrent Assets	88,507,239	25,256,169	113,763,408
TOTAL ASSETS	139,373,186	31,187,790	170,560,976
LIABILITIES:			
Current Liabilities:			
Accounts payable	1,811,084	344,991	2,156,075
Accrued liabilities	3,864,788	48,573	3,913,361
Due to federal and state governments	32,545	48,760	81,305
Unearned revenue	941,663	549,820	1,491,483
Deposits held in custody of others	91,915	-	91,915
Current portion of compensated absences	1,946,000	113,000	2,059,000
Current portion of claims and judgements	-	-	-
Current portion of bonds	3,545,000	288,217	3,833,217
Total Current Liabilities	12,232,995	1,393,361	13,626,356
Noncurrent Liabilities:			
Compensated absences	2,262,811	143,985	2,406,796
Accrued claims and judgements	1,962,525	-	1,962,525
General obligation bonds, net	25,860,000	2,997,165	28,857,165
Total Noncurrent Liabilities	30,085,336	3,141,150	33,226,486
TOTAL LIABILITIES	42,318,331	4,534,511	46,852,842
NET ASSETS:			
Invested in capital assets net of related debt	58,268,229	21,953,466	80,221,695
Restricted for:			
Endowments:			
Expendable	2,087,214		2,087,214
Nonexpendable	11,540,055		11,540,055
Unrestricted	25,159,357	4,699,813	29,859,170
TOTAL NET ASSETS	\$ 97,054,855	\$ 26,653,279	\$ 123,708,134

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes In Net Assets			
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 8,773,435	\$ 3,170,376	\$ 814,319	\$ 51,741	\$ (4,736,999)		\$ (4,736,999)
Public safety	6,809,682	881,568	-	-	(5,928,114)		(5,928,114)
Public works	3,381,225	65,465	250,538	-	(3,065,222)		(3,065,222)
Human service agency contributions	188,927	-	-	-	(188,927)		(188,927)
Public libraries	1,039,152	30,186	232,059	-	(776,907)		(776,907)
Education	63,199,438	988,731	13,369,801	-	(48,840,906)		(48,840,906)
Recreation	2,301,367	821,301	16,659	54,090	(1,409,317)		(1,409,317)
Interest on long-term debt	1,369,147	-	295,216	-	(1,073,931)		(1,073,931)
Total governmental activities	87,062,373	5,957,627	14,978,592	105,831	(66,020,323)		(66,020,323)
Business-type activities:							
Wastewater	3,152,653	3,080,743	-	-		\$ (71,910)	(71,910)
Solid Waste	477,435	478,540	-	-		1,105	1,105
Water	784,999	940,327	-	-		155,328	155,328
School Cafeteria	992,566	721,789	265,866	-		(4,911)	(4,911)
Total business-type activities	5,407,653	5,221,399	265,866	-	-	79,612	79,612
Total	\$ 92,470,026	\$ 11,179,026	\$ 15,244,458	\$ 105,831	\$ (66,020,323)	79,612	(65,940,711)
General revenues:							
Property taxes					63,974,336		63,974,336
Motor vehicle phase-out taxes					2,178,075		2,178,075
Telephone and hotel taxes					357,171		357,171
Grants and aid not restricted for a specific program					1,737,177		1,737,177
Unrestricted investment earnings					(834,736)	108,359	(726,377)
Transfers					81,973	(81,973)	-
Total general revenues and transfers					67,493,996	26,386	67,520,382
Change in Net assets					1,473,673	105,998	1,579,671
Net assets - beginning of year					95,581,182	26,547,281	122,128,463
Net assets - ending of year					\$ 97,054,855	\$ 26,653,279	\$ 123,708,134

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2009*

	General Fund	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 24,625,218	\$ 724	\$ 803,763	\$ 8,496,714	\$ 33,926,419
Investments			11,449,680	735,282	12,184,962
Accounts and other receivable	1,022,398	21,099	273	73,850	1,117,620
Due from federal and state governments		1,216,692		978,919	2,195,611
Prepaid expenditures	2,604	13,572		8,136	24,312
Due from other funds	1,507,910	4,449,496		7,758,801	13,716,207
TOTAL ASSETS	\$ 27,158,130	\$ 5,701,583	\$ 12,253,716	\$ 18,051,702	\$ 63,165,131
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 757,073	\$ 840,722		\$ 166,921	\$ 1,764,716
Retainage payable	-			1,802	1,802
Accrued liabilities	860,554	2,368,969		92,107	3,321,630
Due to federal & state governments	32,545			-	32,545
Due to other funds	13,021,579	76,114	\$ 98,670	1,730,703	14,927,066
Deferred revenues	812,896	7,635	-	552,250	1,372,781
Deposits held in custody for others	91,915				91,915
TOTAL LIABILITIES	15,576,562	3,293,440	98,670	2,543,783	21,512,455
FUND BALANCES:					
Reserved for prepaid expenditures	2,604	13,572	-	8,136	24,312
Reserved for encumbrances	43,184	82,681		240,625	366,490
Reserved for endowments			11,495,801	684,146	12,179,947
Unreserved:					
Designated for General fund	2,200,000				2,200,000
Designated for special revenue funds		374,600		25,000	399,600
General fund	9,335,780				9,335,780
Special revenue funds		1,937,290		3,795,359	5,732,649
Capital project funds				9,966,576	9,966,576
Permanent Purpose Trust funds			659,245	788,077	1,447,322
TOTAL FUND BALANCES	11,581,568	2,408,143	12,155,046	15,507,919	41,652,676
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,158,130	\$ 5,701,583	\$ 12,253,716	\$ 18,051,702	\$ 63,165,131

(CONTINUED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

EXHIBIT B-1 (Continued)

**Balance Sheet
Governmental Funds
June 30, 2009**

Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:

Total Fund Balance reported in Exhibit B-1	\$ 41,652,676
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	87,673,229
Deferred bond issuance costs and other debt charges resulting from issuance of refunding and advance refunding bonds. These charges have been included in the governmental activities in the Statement of Net Assets.	683,010
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Assets.	(35,576,336)
Deferred tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	602,121
Internal Service funds are recorded as proprietary funds in the fund financial statements but are recorded as governmental activities on the government-wide financial statements.	2,191,158
Net premium on refunding has been recorded as deferred revenue on the Statement of Net Assets	<u>(171,003)</u>
Total Net Assets reported in Exhibit A-1	<u>\$ 97,054,855</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year the Ended June 30, 2009**

	General Fund	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	\$ 63,897,316				\$ 63,897,316
Intergovernmental	4,799,698	\$ 9,635,746		\$ 2,367,534	16,802,978
Licenses and fees	1,083,084			706,300	1,789,384
Investment income (loss)	743,868		\$ (1,707,563)	110,042	(853,653)
Fines and charges				1,114,872	1,114,872
Departmental	1,028,183				1,028,183
Contributions				113,000	113,000
State on behalf pension contribution		2,439,868			2,439,868
Other	359,395	988,731		39,745	1,387,871
TOTAL REVENUES	71,911,544	13,064,345	(1,707,563)	4,451,493	87,719,819
EXPENDITURES:					
Current:					
General government	2,732,722				2,732,722
Public safety	6,383,435				6,383,435
Public works	2,219,582				2,219,582
Human service agency contributions	188,927				188,927
Public libraries	936,811				936,811
Education		60,238,803		1,537,481	61,776,284
Recreation	1,272,417			759,598	2,032,015
Other	4,919,136		57,937	1,808,927	6,786,000
Debt Service:					
Principal	3,535,000			55,000	3,590,000
Interest and other costs	1,276,917			15,175	1,292,092
Capital:					
Capital expenditures	82,915			1,362,093	1,445,008
TOTAL EXPENDITURES	23,547,862	60,238,803	57,937	5,538,274	89,382,876
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	48,363,682	(47,174,458)	(1,765,500)	(1,086,781)	(1,663,057)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,011,723	47,928,900	-	3,140,000	52,080,623
Transfers out	(50,157,133)	(340,647)	(460,300)	(1,040,570)	(51,998,650)
TOTAL OTHER FINANCING SOURCES (USES)	(49,145,410)	47,588,253	(460,300)	2,099,430	81,973
NET CHANGE IN FUND BALANCES	(781,728)	413,795	(2,225,800)	1,012,649	(1,581,084)
FUND BALANCE AT BEGINNING OF YEAR	12,363,296	1,994,348	14,380,846	14,495,270	43,233,760
FUND BALANCE AT END OF YEAR	\$ 11,581,568	\$ 2,408,143	\$ 12,155,046	\$ 15,507,919	\$ 41,652,676

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND***Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2009***

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ (1,581,084)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,196,361)
Governmental funds do not recognize gains or losses on the sale or disposal of capital assets. The statement of activities includes losses on the disposal of fixed assets during 2009.	(80,358)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	3,590,000
Governmental funds do not report estimated accrued claims and judgements as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the increase in the estimate from the amount reported at June 30, 2008	(44,525)
Governmental funds report debt issuance costs and premiums on debt financing when they occur. The net effect of these transactions on the statement of activities and changes in net assets was.	(109,665)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Net deferred tax revenue increased from fiscal 2008.	77,020
Excess of internal service funds' revenues over expenses, reported as governmental fund activity in the statement of activities and changes in net assets.	673,423
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	<u>145,223</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 1,473,673</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis**

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues and Designated Fund Balance:				
Property taxes:				
Current taxes	\$ 62,523,893	\$ 62,523,893	\$ 62,794,188	\$ 270,295
Prior taxes	325,000	325,000	515,650	190,650
Total taxes current and prior	62,848,893	62,848,893	63,309,838	460,945
Interest on taxes	325,000	325,000	340,606	15,606
Payment in lieu of taxes	224,160	224,160	246,872	22,712
Total property taxes	63,398,053	63,398,053	63,897,316	499,263
State aid - Town:				
General state aid	935,822	935,822	508,948	(426,874)
Telephone tax	271,798	271,798	245,156	(26,642)
Meals and Beverage tax	490,000	490,000	507,472	17,472
Chapter 26 - School housing	1,099,827	1,099,827	1,009,808	(90,019)
State library construction	48,564	48,564	48,562	(2)
State library general aid	167,913	167,913	166,635	(1,278)
State library endowment aid	21,749	21,749	23,027	1,278
State motor vehicle phase-out	2,200,000	2,200,000	2,178,075	(21,925)
Hotel tax	70,000	70,000	112,015	42,015
Total state aid - Town	5,305,673	5,305,673	4,799,698	(505,975)
Licenses, fees and rents:				
Business licenses and fees	419,000	419,000	357,653	(61,347)
Nonbusiness licenses and fees	364,000	364,000	368,743	4,743
Real Estate conveyance fees	85,000	85,000	65,502	(19,498)
Rental of Town properties	270,000	270,000	291,186	21,186
Total licenses, fees and rents	1,138,000	1,138,000	1,083,084	(54,916)
Investment income - short term	775,000	775,000	743,868	(31,132)
Departmental revenues:				
Police department revenues	333,750	333,750	254,833	(78,917)
Park rental revenue	16,000	16,000	19,733	3,733
Town beach parking	80,250	80,250	86,102	5,852
Boat and mooring	13,500	13,500	12,700	(800)
Animal control fees	4,000	4,000	3,570	(430)
Libraries	29,800	29,800	30,186	386
Dog/cat licenses and fines	4,000	4,000	4,682	682
Planning department	400	400	145	(255)
Recreation department	188,350	188,350	197,177	8,827
Recreation self-support program	110,100	110,100	98,075	(12,025)
Wastewater department	33,500	33,500	33,500	-
Water department	18,200	18,200	18,200	-
Solid waste department	13,765	13,765	13,765	-
Guild	5,000	5,000	5,000	-
Fire alarm	14,000	14,000	3,955	(10,045)
Interfund computer	101,235	101,235	101,460	225
Peace Dale office	2,800	2,800	2,800	-
Stepping stone - creative	61,080	61,080	65,621	4,541
Stepping stone - self supported	6,000	6,000	3,537	(2,463)
Recreation Dept - Outside Sponsors	16,450	16,450	15,440	(1,010)
Narragansett - Dog Pound	57,200	57,200	57,200	-
Geographic information systems program	1,500	1,500	502	(998)
Total departmental revenues	1,110,880	1,110,880	1,028,183	(82,697)

(CONTINUED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous revenues:				
School crossing guards	81,400	81,400	75,000	(6,400)
Payroll and accounting	6,000	6,000	6,000	-
School field maintenance reimbursement	48,134	48,134	48,134	-
Energy savings	40,000	40,000	56,543	16,543
Heat detector	3,400	3,400	3,400	-
Miscellaneous - Town	112,000	112,000	139,402	27,402
Copy charges	20,000	20,000	30,916	10,916
Total miscellaneous	310,934	310,934	359,395	48,461
Use of June 30, 2008 designated fund balance	1,200,000	1,200,000	1,200,000	-
Total revenues and designated fund balance	73,238,540	73,238,540	73,111,544	(126,996)
Expenditures:				
General government:				
Town council	12,950	13,452	13,452	-
Financial town meeting	9,419	9,419	7,329	2,090
Legal staff	163,216	163,216	154,216	9,000
Probate judge	4,000	4,000	4,000	-
Town clerk	265,607	265,607	259,973	5,634
Public information	4,847	4,847	4,373	474
Canvassing authority	79,263	86,164	86,164	-
Town manager's office	312,809	266,606	266,606	-
Personnel administration	85,092	76,196	68,700	7,496
League of cities and towns	11,115	11,115	11,115	-
Town hall operations	222,455	222,455	211,342	11,113
Finance department	464,190	464,190	438,249	25,941
Tax assessor's office	240,184	240,184	239,557	627
Assessment board of review	430	430	270	160
Data processing division	235,422	235,422	221,761	13,661
Geographic information systems	113,980	113,980	85,838	28,142
Post year audit	19,275	19,275	13,150	6,125
Planning board	4,680	4,680	3,160	1,520
Planning department	321,836	294,271	294,271	-
Zoning board of review	14,050	14,050	8,521	5,529
Zoning/building inspection	278,375	320,636	320,636	-
Miscellaneous boards and agencies	33,100	33,100	33,098	2
Total general government	2,896,295	2,863,295	2,745,781	117,514
Public safety:				
Police department	5,237,138	5,087,138	4,906,351	180,787
Animal control - RD/shelter	230,777	230,572	205,110	25,462
Radio/communication	222,834	223,039	223,039	-
Harbor patrol	40,600	40,600	36,714	3,886
Fire company donation	3,600	3,600	3,600	-
Emergency medical services	1,059,857	1,059,857	1,008,621	51,236
Total public safety	6,794,806	6,644,806	6,383,435	261,371
Public works:				
Public works administration	258,055	253,723	202,430	51,293
Streets and highway	1,764,535	1,714,535	1,628,651	85,884
Tree warden	30,984	35,317	35,317	-
Street lighting	174,000	174,000	152,059	21,941
Total public works	2,227,574	2,177,575	2,018,457	159,118

(CONTINUED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis**

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Human service agency contributions:				
South Shore Mental Health	20,157	20,157	20,157	-
Visiting Nurses Association	33,000	33,000	33,000	-
R.I. Rape Crisis Center	2,000	2,000	2,000	-
Sympatico	18,000	18,000	18,000	-
South County Community Action	30,900	30,900	30,900	-
NRI Community Services	1,000	1,000	1,000	-
Literacy Volunteers	1,000	1,000	1,000	-
Washington County Coalition for Children	500	500	500	-
Cane Day Care Center	11,000	11,000	11,000	-
Hospice of Washington County	2,000	2,000	2,000	-
Washington County Adult Learning Center	4,120	4,120	4,120	-
Jonnycake Center	20,000	20,000	20,000	-
Women Resource Center	5,000	5,000	5,000	-
Volunteers in Action	750	750	750	-
Health Center of South County	33,000	33,000	33,000	-
Galilee Mission	1,000	1,000	1,000	-
The Samaritans	500	500	500	-
S C Emergency Shelter	5,000	5,000	5,000	-
Total human service agency contributions	188,927	188,927	188,927	-
Recreation:				
Recreation department	1,356,631	1,356,631	1,265,317	91,314
Celebrations	7,500	7,500	7,100	400
Total recreation	1,364,131	1,364,131	1,272,417	91,714
Public libraries	966,547	966,547	936,811	29,736
Capital improvements/projects	264,000	113,000	109,165	3,835
Miscellaneous:				
Insurance	230,000	211,795	211,795	-
Unemployment insurance	10,000	34,898	34,898	-
Contingency	75,000	97,743	97,743	-
FICA	824,669	766,538	766,538	-
Contribution to Town retirement	893,836	893,549	858,294	35,255
Health insurance	2,775,138	2,775,138	2,775,138	-
Police pension	20,750	20,750	20,749	1
Workers' compensation	200,000	153,981	153,981	-
Total miscellaneous	5,029,393	4,954,392	4,919,136	35,256
Debt Service	4,898,716	4,814,716	4,811,917	2,799
Total expenditures	24,630,389	24,087,389	23,386,046	701,343
Excess of revenues and designated fund balance over expenditures	48,608,151	49,151,151	49,725,498	574,347

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis**

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources (uses):				
Operating transfers:				
From Capital Project Funds	522,984	522,984	522,984	-
From School Trust Funds	16,000	16,000	16,153	153
From Permanent Trust Funds	27,000	27,000	31,016	4,016
From Special Revenue Funds	440,000	440,000	441,570	1,570
To Compensated Absences Special Revenue Fund	-	(100,000)	(100,000)	-
To Wastewater Fund	(24,155)	(24,155)	(24,155)	-
To Elderly Services Fund	(414,052)	(414,052)	(414,050)	2
To Municipal Planning Services	(20,000)	(20,000)	(20,000)	-
Tax transfer to School Fund	(47,909,928)	(47,909,928)	(47,909,928)	-
To Special Revenue Funds	(40,000)	(332,000)	(332,000)	-
To Capital Project Funds	(1,206,000)	(1,357,000)	(1,357,000)	-
Total other financing uses	(48,608,151)	(49,151,151)	(49,145,410)	5,741
Excess of revenues, other sources and uses of designated fund balance over expenditures and other financing uses	\$ -	\$ -	\$ 580,088	\$ 580,088

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Unrestricted Fund - Budgetary Basis**

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
State aid	\$ 10,548,698	\$ 10,548,698	\$ 8,979,232	\$ (1,569,466)
State Fiscal Stabilization Funds - Federal Funds	-	-	656,514	656,514
Tuition	125,185	125,185	131,059	5,874
Miscellaneous	843,223	843,223	857,672	14,449
Total revenues	11,517,106	11,517,106	10,624,477	(892,629)
Expenditures:				
Salaries	34,051,088	34,051,088	34,141,636	(90,548)
Employee benefits	15,045,249	15,045,249	14,048,469	996,780
Purchased services	8,912,854	8,912,854	8,384,583	528,271
Supplies and materials	1,143,505	1,143,505	1,004,019	139,486
Capital outlay	380,987	380,987	366,011	14,976
Other	158,351	158,351	148,265	10,086
Total expenditures	59,692,034	59,692,034	58,092,983	1,599,051
Excess of revenues over (under) expenditures before other financing sources (uses)	(48,174,928)	(48,174,928)	(47,468,506)	706,422
Other financing sources (uses):				
Operating transfer from Town of South Kingstown General Fund	47,909,928	47,909,928	47,909,928	0
Operating transfer from Town of South Kingstown Trust Funds	20,000	20,000	18,972	(1,028)
Transfer to School Improvement Capital Project Fund	(175,000)	(175,000)	(97,353)	77,647
Use of June 30, 2008 designated fund balance	420,000	420,000	368,422	(51,578)
Total other financing sources (uses)	48,174,928	48,174,928	48,199,969	25,041
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 731,463	\$ 731,463

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities-Enterprise Funds								Governmental	
	Wastewater (current year)	Wastewater (prior year)	Solid Waste (current year)	Solid Waste (prior year)	Water (current year)	Water (prior year)	School Cafeteria (current year)	School Cafeteria (prior year)	Totals (current year)	Health Care Management Internal Service Fund
ASSETS:										
Current Assets:										
Cash and cash equivalents	\$ 2,878,673	\$ 2,036,780	\$ 1,308,737	\$ 1,382,845	\$ 910,582	\$ 674,373	\$ 58,382	\$ 36,346	\$ 5,156,374	\$ 1,249,364
Investments	606,597	678,374	77,480	68,055	199,581	194,578	30,117	21,035	913,775	-
Accounts and other receivables, net	3,024	83,916	40,755	250,329	-	-	26,107	27,682	29,131	-
Due from federal and state governments	-	-	-	-	-	-	9,280	3,348	50,035	1,378,518
Due from other funds	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Total Current Assets	3,488,294	2,799,070	1,426,972	1,701,229	1,110,163	868,951	123,886	88,411	6,149,315	2,627,882
Noncurrent Assets:										
Deposits	-	-	-	-	-	-	-	-	-	151,000
Capital assets not being depreciated	169,651	169,651	1,005,003	1,005,003	411,875	411,875	-	-	1,588,529	-
Capital assets, net of accumulated depreciation	17,185,323	17,753,189	2,275,050	2,338,108	4,181,539	4,357,409	10,407	12,450	23,652,319	-
Total Noncurrent Assets	17,354,974	17,922,840	3,280,053	3,343,111	4,593,414	4,769,284	10,407	12,450	25,238,848	151,000
TOTAL ASSETS	20,843,268	20,721,910	4,707,025	5,044,340	5,703,577	5,638,235	134,293	100,861	31,388,163	2,778,882
LIABILITIES:										
Current Liabilities:										
Accounts payable	85,600	104,069	36,027	169,854	27,738	47,649	195,626	157,283	344,991	44,566
Accrued liabilities	42,584	27,427	-	-	5,989	5,099	-	-	48,573	543,158
Due to federal and state governments	48,760	15,733	-	-	-	-	-	-	48,760	-
Due to other funds	189,797	13,302	-	-	27,897	42,681	-	-	217,694	-
Deferred revenue	549,820	575,925	-	-	-	-	-	-	549,820	-
Current portion of compensated absences	85,000	103,300	3,000	2,775	25,000	17,000	-	-	113,000	-
Current portion of bonds	78,555	76,791	131,662	128,223	78,000	76,000	-	-	288,217	-
Total Current Liabilities	1,080,116	916,547	170,689	300,652	164,624	188,429	195,626	157,283	1,611,055	587,724
Noncurrent Liabilities:										
General obligation bonds, net of current portion	543,842	622,398	2,207,323	2,338,984	246,000	324,000	-	-	2,997,165	-
Deferred bond issuance costs, net	(5,806)	(7,007)	(11,715)	(12,425)	-	-	-	-	(17,321)	-
Compensated absences	124,369	100,443	3,642	3,682	15,974	24,879	-	-	143,985	-
Total Noncurrent Liabilities	662,605	715,834	2,199,250	2,330,241	261,974	348,879	-	-	3,123,829	-
TOTAL LIABILITIES	1,742,721	1,632,381	2,369,939	2,631,093	426,598	537,308	195,626	157,283	4,734,884	587,724
NET ASSETS:										
Invested in capital assets, net of related debt	16,732,577	17,223,651	941,068	875,904	4,269,414	4,369,284	10,407	12,450	21,953,466	-
Unrestricted	2,367,970	1,865,878	1,396,018	1,537,343	1,007,565	731,643	(71,740)	(88,872)	4,699,813	2,191,158
TOTAL NET ASSETS	\$ 19,100,547	\$ 19,089,529	\$ 2,337,086	\$ 2,413,247	\$ 5,276,979	\$ 5,100,927	\$ (61,333)	\$ (56,422)	\$ 26,653,279	\$ 2,191,158

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities-Enterprise Funds								Governmental	
	Wastewater (current year)	Wastewater (prior year)	Solid Waste (current year)	Solid Waste (prior year)	Water (current year)	Water (prior year)	School Cafeteria (current year)	School Cafeteria (prior year)	Totals (current year)	Health Care Management Internal Service Fund
OPERATING REVENUES:										
Charges for usage and service	\$ 2,674,856	\$ 2,695,241	\$ 369,265	\$ 715,011	\$ 913,335	\$ 838,003	\$ 721,789	\$ 760,830	\$ 4,679,245	\$ 10,936,272
Other revenues	405,887	369,888	109,275	74,344	26,992	28,794			542,154	
Total Operating Revenues	3,080,743	3,065,229	478,540	789,355	940,327	866,797	721,789	760,830	5,221,399	10,936,272
OPERATING EXPENSES:										
Wells					145,674	150,256			145,674	
Pumping	367,869	366,837			10,637	8,865			378,506	
Distribution					22,582	13,341			22,582	
Treating and sludge	1,378,224	1,297,238							1,378,224	
Transportation and disposal			297,899	630,570					297,899	
Residential recycling program			-	143,872					-	
Other operating	128,919	124,681	3,504	2,682					132,423	
Administrative and general	596,913	629,114	70,840	73,766	398,469	411,346			1,066,222	309,100
Health care management									-	9,972,666
Depreciation and amortization	591,006	588,543	63,768	43,313	180,091	157,973	2,043	2,660	836,908	
School cafeteria operations							990,523	1,038,758	990,523	
Repairs and maintenance	73,306	104,234			27,301	92,457			100,607	
Total Operating Expenses	3,136,237	3,110,647	436,011	894,203	784,754	834,238	992,566	1,041,418	5,349,568	10,281,766
OPERATING INCOME (LOSS)	(55,494)	(45,418)	42,529	(104,848)	155,573	32,559	(270,777)	(280,588)	(128,169)	654,506
NONOPERATING REVENUES (EXPENSES):										
Investment income	58,773	94,645	28,862	60,459	20,724	26,925			108,359	18,917
Contributions	-	307,075						1,000	-	
Loss on disposal of capital assets	-	(18,983)	-	(7,886)	(245)	(1,675)			(245)	
State and federal grants				250,000			265,866	253,696	265,866	
Interest expense	(16,416)	(16,914)	(41,424)	(43,507)					(57,840)	
Net Nonoperating Revenues	42,357	367,823	(12,562)	259,066	20,479	25,250	265,866	254,696	316,140	18,917
INCOME (LOSS) BEFORE CONTRIBUTIONS	(13,137)	322,405	29,967	154,218	176,052	57,809	(4,911)	(25,892)	187,971	673,423
Transfers in	24,155	23,615		900,209					24,155	
Transfers (Out)		-	(106,128)	(43,678)					(106,128)	
CHANGE IN NET ASSETS	11,018	346,020	(76,161)	1,010,749	176,052	57,809	(4,911)	(25,892)	105,998	673,423
TOTAL NET ASSETS - BEGINNING	19,089,529	18,743,509	2,413,247	1,402,498	5,100,927	5,043,118	(56,422)	(30,530)	26,547,281	1,517,735
TOTAL NET ASSETS - ENDING	\$ 19,100,547	\$ 19,089,529	\$ 2,337,086	\$ 2,413,247	\$ 5,276,979	\$ 5,100,927	\$ (61,333)	\$ (56,422)	\$ 26,653,279	\$ 2,191,158

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009**

	Business-type Activities- Enterprise Funds					Governmental
	Wastewater	Solid Waste	Water	School Cafeteria	Totals	Health Care Management Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 3,207,307	\$ 469,115	\$ 935,324	\$ 712,707	\$ 5,324,453	
Cash received from providing services					-	\$ 10,439,604
Cash paid to suppliers for goods and services and other operating payments	(1,757,265)	(435,230)	(226,105)	(952,180)	(3,370,780)	
Cash paid to employees	(576,130)	(70,655)	(413,268)		(1,060,053)	
Cash paid for claims					-	(9,536,942)
Cash paid for other operating expenses					-	(309,100)
Net cash provided (used) by operating activities	873,912	(36,770)	295,951	(239,473)	893,620	593,562
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers to (from) other funds	24,155	(106,128)	-		(81,973)	-
Nonoperating grants received		-		267,442	267,442	
Increase in due to (from) other funds		209,574		(5,933)	203,641	
Net cash provided (used) by noncapital financing activities	24,155	103,446	-	261,509	389,110	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	(21,739)	-	(4,466)	-	(26,205)	
Principal paid on bonds	(76,792)	(128,222)	(76,000)		(281,014)	
Interest paid on bonds	(16,416)	(41,424)			(57,840)	
Net cash provided (used) for capital and related financing activities	(114,947)	(169,646)	(80,466)	-	(365,059)	0
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	58,773	28,862	20,724	-	108,359	18,917
Net cash provided (used) by investing activities	58,773	28,862	20,724	-	108,359	18,917

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009**

	Business-type Activities- Enterprise Funds					Governmental Activities
	Wastewater	Solid Waste	Water	School Cafeteria	Totals	Health Care Management Internal Service Fund
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	841,893	(74,108)	236,209	22,036	1,026,030	612,479
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,036,780	1,382,845	674,373	36,346	4,130,344	636,885
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,878,673	\$ 1,308,737	\$ 910,582	\$ 58,382	\$ 5,156,374	\$ 1,249,364
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (55,494)	\$ 42,529	\$ 155,573	\$ (270,777)	\$ (128,169)	\$ 654,506
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	591,006	63,768	180,091	2,043	836,908	
Increase in compensated absences	5,626	185	(905)		4,906	
(Increase) decrease in accounts receivable	71,777	(9,425)	(5,003)	(9,082)	48,267	
(Increase) decrease in due from other funds	-				-	(496,668)
(Increase) decrease in due from federal and state governments	80,892				80,892	
(Increase) decrease in prepaid expenses	-				-	
Increase (decrease) in accounts payable	(18,469)	(133,827)	(19,911)	38,343	(133,864)	43,566
Increase (decrease) in accrued liabilities	15,157	-	890		16,047	392,158
Increase (decrease) in due to other funds	176,495	-	(14,784)		161,711	-
Increase (decrease) in due to federal and state governments	33,027				33,027	
Increase (decrease) in deferred revenue	(26,105)				(26,105)	
Net cash provided (used) by operating activities	\$ 873,912	\$ (36,770)	\$ 295,951	\$ (239,473)	\$ 893,620	\$ 593,562

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Cemetery Care Private - Purpose Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 187,474		\$ 334,794
Other receivables	-	\$ 512,900	
Investments	-		11,321
TOTAL ASSETS	<u>187,474</u>	<u>512,900</u>	<u>346,115</u>
LIABILITIES			
Accounts payable and accrued expenses	1,434		
Deposits held in custody for others			346,115
TOTAL LIABILITIES	<u>1,434</u>	<u>-</u>	<u>346,115</u>
NET ASSETS			
Funds held in trust	<u>\$ 186,040</u>	<u>\$ 512,900</u>	<u>\$ -</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2009**

	Cemetery Care Private -Purpose <u>Trust Fund</u>	OPEB <u>Trust Fund</u>
ADDITIONS:		
Charges for services	\$ 2,650	
Employer contributions		\$ 512,900
Investment income	4,166	
TOTAL ADDITIONS	<u>6,816</u>	<u>512,900</u>
DEDUCTIONS:		
Operating expenses in accordance with agreement	8,335	
TOTAL DEDUCTIONS	<u>8,335</u>	<u>-</u>
CHANGE IN NET ASSETS	(1,519)	512,900
NET ASSETS - BEGINNING OF YEAR	187,559	-
NET ASSETS - END OF YEAR	<u>\$ 186,040</u>	<u>\$ 512,900</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Reporting Entity

The Town of South Kingstown was incorporated in 1723. The Town operates under a council/town manager form of government, with a five member Town Council headed by a Council President. The Town Manager exercises the executive power of Town government and is responsible to the Town Council for day to day operation of the Town's affairs. All legislative powers of the Town are vested in the Town Council.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 39, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

- Test 1 – The primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit;
- Test 2 – The potential component is fiscally dependent upon the primary government; or
- Test 3 – The financial statements would be misleading if data from the potential component unit were not included.

The following entities were considered for classification as component units for fiscal year 2009.

- South Kingstown School Department
- Narragansett Library Association

Although these entities meet certain criteria of the tests listed above, neither entity is deemed to have a separate legal status apart from the Town. As a result, the financial data of the above entities have been included in the Governmental Funds within the Town's financial statements. There are no component units of the Town at June 30, 2009.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered a major fund if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type,
and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Permanent Funds

The Permanent Funds account for assets held by the Town pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

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 Proprietary Funds include both Enterprise and Internal Service Funds. The Town has one Internal Service Fund which is used to pay medical and dental costs incurred by persons covered by the health benefit plan of the Town and to pay expenses incurred in connection with administering the plan.

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds at June 30, 2009. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Unclaimed Estates
- Student Activities Fund

Private-purpose Trust Funds

Private-purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has two private-purpose trust funds, the Cemetery-Care Fund and the OPEB Trust Fund. The net assets of these funds are utilized for the care and maintenance of cemeteries within the Town, and for funding future OPEB obligations.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
Major: General Fund:	See above for description
Special Revenue Funds: School Unrestricted Fund	 This fund is used to report all financial transactions of the South Kingstown School Department, which are not legally required to be accounted for separately.
Permanent Funds: School Trust Funds	This fund reports the activity of various trust funds established for recreational and educational purposes.
Proprietary Funds: Wastewater	Accounts for the operations of the regional wastewater treatment facility.
Solid Waste	Accounts for the solid waste disposal operations of the Town.
Water	Accounts for the supply of public water to the South Shore area of Town.
School Cafeteria	Accounts for the operation of the school breakfast and lunch program of the South Kingstown School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds (Continued)

<u>Fund</u>	<u>Brief Description</u>
Non-Major:	
Special Revenue Funds:	Affordable Housing, Alcohol Grant, Animal Shelter Benefit Fund, Asset Forfeiture Fund, Community Development Block Grants, Compensated Absences Reserve Fund, Drug Free Communities Grants, Elderly Services, EMS Billing Services Fund, Governor's Justice Commission Grants, Historical and Vital Recording Fees, Municipal Planning Services Reserve, Narragansett Library Association, Neighborhood Guild, Onsite Wastewater Plan Implementation, Peacedale Office Building, Property Revaluation Reserve Fund, RI Emergency Management Grant, RI Resources Recovery Grant, Seat Belt Enforcement Grants, South Road School Reserve Fund, Substance Abuse, Tobacco Compliance Investigation Project, Nancy Brown Memorial Fund, and School Restricted Funds.
Capital Project Funds:	Animal Shelter Addition, Bike Path Maintenance, Bridge Improvement, Capital Equipment & Replacement Fund, Data Processing Improvement, Downtown Intermodal Enhancement Project, Impact Fee Reserve, Land Use Reserve, Library Building Construction, Open Space Reserve, Police Building Construction, Public Service Office Building Improvement, Public Works Improvement, Recreation Development and Restoration, Recreation Improvement, Saugatucket River Walkway Construction, School Improvement, Senior Services Center Construction, Town Hall Improvement, and Wastewater Construction Fund.
Permanent Funds:	Hazard Memorial Trust, Gertrude S. Parker Trust, Oliver Watson Home Fund, Walter W. Watson Trust, and Kingston Free Library Trust Fund.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below and the accrual basis of accounting.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end. Grant revenue of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such is recognized as revenue when received.
- (b) The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, agency funds, and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts reported as program revenues include charges to customers or applicants for licenses, fees, goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the enterprise funds are charges for services provided in accordance with the fund's purpose. Operating expenses for the enterprise funds include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Fund Equity

Cash

Cash and cash equivalents are carried at cost. Cash equivalents include amounts invested in certificate of deposits as management believes that these certificates can be accessed at any point in time. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the \$250,000 which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

State statutes and the Town charter authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments

The Town invests in various types of investments, which are stated at fair value.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$553,702 at June 30, 2009. The allowance for uncollectible accounts includes \$535,202 for property taxes and \$18,500 for enterprise fund service fees. Major receivable balances for the governmental activities include property taxes (89% of balance). Business-type activities report service fees as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Property Taxes

Real and personal property taxes are based on values assessed as of each December 31 (lien date) and attach as an enforceable lien on property as of July 1 (levy date). Taxes are due in equal quarterly installments on August 1, November 1, February 1, and May 1 following the levy date. The taxpayer may elect to pay the taxes in full by September 1, annually. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax. An automatic lien is placed on the taxpayer's property if payment has not been received by the tax due date. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the fund financial statements.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepays recorded in governmental type funds do not reflect current appropriated resources and, thus, an equivalent portion of the fund balance is reserved.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements as discussed below.

Government-Wide Statements

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

The government-wide financial statements include all infrastructure assets in accordance with GASB Statement #34. The Town was required to implement the inclusion of the infrastructure assets effective July 1, 2006. The Town was able to obtain the required information in advance and as a result decided to early implement the reporting of infrastructure assets in the June 30, 2006 financial statements.

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20 - 40 years
Land improvements	10 - 40 years
Building improvements	10 - 40 years
Equipment	3 - 30 years
Vehicles	3 - 30 years
Infrastructure	10 - 75 years

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity (Continued)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

Deferred Revenues

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property tax receivables which are assessed on December 31, 2007 and prior and are not collected within 60 days of June 30, 2009. Net deferred taxes included in the fund financial statements were \$602,121 at June 30, 2009.

Interfund Transactions

Interfund activity within and among the funds of the Town have been classified and reported as follows:

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.
- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds transfers are reported after nonoperating revenues and expenses.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities the general fund is used to satisfy this liability as it becomes due, while each enterprise fund accounts for all its settlement of business-type liabilities for compensated absences. Compensated absences are accrued at varying amounts based on the collective bargaining unit contracts of the various unions.

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$35,576,336 are as follows:

Bonds payable	\$29,405,000
Accrued claims and judgments.....	1,962,525
Compensated absences	<u>4,208,811</u>
Total	<u>\$35,576,336</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this (\$1,196,361) difference are as follows:

Capital outlays	\$2,610,949
Depreciation expense	<u>(3,807,310)</u>
Net adjustment	<u>(\$1,196,361)</u>

Another element of the reconciliation states that "the governmental fund reflects this activity when it is paid with measurable and available resources." The details of the \$100,698 are as follows:

Increase in estimated claims and judgments.....	(\$ 44,525)
Decrease in liability for compensated absences.....	<u>145,223</u>
Net adjustment	<u>\$ 100,698</u>

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this \$77,020 difference are as follows:

Net deferred tax revenue - ending	\$602,121
Net deferred tax revenue – beginning	<u>(525,101)</u>
Net adjustment (increase net asset)	<u>\$ 77,020</u>

Recently Issued Accounting Standards

The following are recently issued governmental accounting standards which will be implemented by the Town in future years.

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011.

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

Effective with fiscal 2009 the Town implemented GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension. During fiscal 2009 the Town established an Irrevocable Trust Fund in order to maintain contributions to the Trust in accordance with actuarially determined amounts.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. BUDGETARY PROCESS

(a) Adoption

Based on amendments to the Town Charter, approved by South Kingstown voters in November 2006, the financial Town meeting was eliminated. The 2007-2008 fiscal year budget was the first budget approved under the new procedures. The new budget process is as follows. It is the responsibility of the Town Manager to submit a proposed budget for the following fiscal year to the Town Council on or before March 1st of each year. The Town Council may revise and adopt a recommended budget no later than March 22nd of each year. Two public hearings are required to be conducted on the preliminary budget prior to April 18th.

Following adoption of the Preliminary Budget by the Council, any qualified elector of the town may circulate a petition requesting the council to increase or decrease by any amount any item of expenditure in the said budget or to insert a new item of expenditure. The Council, before final adoption of the budget, shall consider and vote upon each such petition(s) which were submitted on or before April 21st containing no less than twenty-five (25) valid signatures of qualified electors of the town.

The Council shall, on or before May 1st of each year, complete its consideration of any petitions and make any final changes in the Preliminary Budget it may deem advisable, and give final approval to the Budget by a vote of a majority of all the members of the Council.

Following final approval of the budget by the Town Council, any qualified elector of the town may circulate a petition requesting that a referendum be held on the appropriation for the general fund or the school fund in the budget as approved. Such petition may propose a reduction or increase in the total appropriation for said funds.

The Town Clerk shall cause a referendum by ballot to be held on all budget changes requested on petitions provided that each such petition shall contain signatures of no less than two hundred of the qualified electors of the town and shall request an increase or decrease of a sum of at least \$250,000.00. The qualified electors shall be instructed to vote either for the original total of for one (1) of the proposed increases or reductions thereof. The appropriation receiving the most votes shall be declared to have been adopted.

The Town Manager may transfer part or all of any unencumbered appropriation balances among departments within a major program function and shall report such transfers to the Council in writing in a timely manner. Major program functions within the General Fund are identified as follows:

- Town general government
- Public safety program
- Public works program
- Human service agency contributions
- Recreation department
- Library services
- Insurances, fund contingency, and employment benefits program
- Capital improvement program
- Debt services program
- Transfer to schools

Based on state statutes, the School Committee is also authorized to spend funds up to the total amount appropriated for the Unrestricted Fund, which is considered the fund level.

The budget of the School Unrestricted Fund is prepared annually and submitted to the School Committee for approval. The amount of the annual transfer from the Town's General Fund to the School Unrestricted Fund is ultimately determined through the adoption of the General Fund budget.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. BUDGETARY PROCESS (Continued)

(b) General Fund

Actual General Fund expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) (Exhibit C-1) are adjusted to reflect the budgetary basis of accounting which differs from actual expenditures recognized for the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit B-2) in that encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes. Encumbrances for fiscal year 2009 and 2008 were \$43,184 and \$205,000, respectively, resulting in a net difference of (\$161,816) (GAAP expenditures in excess of budgetary expenditures). The total expenditures on a GAAP basis (\$23,547,862) exceed the budgetary basis expenditures (\$23,386,046) by \$161,816.

In addition, use of the previous year's fund balance designated for future operations is recognized as revenue on the budgetary basis but not on a GAAP basis. The amount of revenue recognized as such for the fiscal year ended June 30, 2009 was \$1,200,000.

As a result of the accounting for encumbrances and use of prior years' fund balance, the increase in fund balance of the General Fund as reported on a budgetary basis (Exhibit C-1) exceeds the increase in fund balance as reported in the fund statements (Exhibit B-2) by \$1,361,816.

(c) Special Revenue Funds

The actual revenues and expenditures of Special Revenue Funds included in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – School Unrestricted Fund – (Exhibit C-2) are presented on the budgetary basis of accounting which differs from actual revenues and expenditures recognized for the School Unrestricted Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit B-2) in that encumbrances are considered to be expenditures for budgetary purposes but not for GAAP purposes, and on behalf pension contributions by the State of Rhode Island are reported as both revenue and expenditures in the funds statements.

Encumbrances for fiscal year 2009 and 2008 were \$82,681 and \$31,927, respectively, resulting in a net difference of \$50,754 between actual expenditures on the fund statements and actual expenditures on a budgetary basis. Only the revenues and expenditures of special revenue funds which have legally adopted annual budgeted appropriations are included in Exhibit C-2. The Unrestricted School Fund is the only Special Revenue Fund classified as a major fund (as defined in Note 1, page 34) which legally adopts an annual budget.

A reconciliation of the School Unrestricted Fund revenues and expenditures and other financing sources (uses), as reported on Exhibits B-2 and C-2, is presented below:

REVENUES

Total School Unrestricted revenues, from Exhibit B-2.....	\$13,064,345
Adjustments:	
State on behalf pension contribution not budgeted.....	<u>(2,439,868)</u>
Total budgetary basis revenues, from Exhibit C-2	<u>\$10,624,477</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds (Continued)

EXPENDITURES

Total School Unrestricted expenditures, from Exhibit B-2	\$60,238,803
Adjustments:	
Increase in encumbrances	50,754
State on behalf pension contribution not budgeted.....	(2,439,868)
Add transfer to School Restricted Fund reported as an expenditure for budgetary purposes.....	<u>243,294</u>
Total budgetary basis expenditures from Exhibit C-2	<u>\$58,092,983</u>

OTHER FINANCING SOURCES (USES)

Total other financing sources (uses), from Exhibit B-2	\$47,588,253
Adjustments:	
Add transfer to School Restricted Fund reported as an expenditure for budgetary purposes	243,294
Add use of June 30, 2008 designated fund balance as another financing source for budgetary purposes	<u>368,422</u>
Total budgetary basis other financing sources (uses) from Exhibit C-2	<u>\$48,199,969</u>

Exhibit B-2 includes the School Trust Fund as a major fund of the Town of South Kingstown, Rhode Island. The School Trust Fund is a Permanent Fund; however, the Town does not legally adopt a budget for this fund. Accordingly, at June 30, 2009, there are no differences between GAAP and budgetary reporting of this fund.

3. RISK MANAGEMENT

The Town is a member of the Rhode Island Inter-Local Risk Management Trust. This cooperative pool with other Rhode Island cities and towns provides insurance coverage for the Town's risks of loss.

South Kingstown became a member on July 1, 1988. The Trust provides all property, liability and workers' compensation insurance coverage for the Town. Property and liability claims are subject to a \$2,500 deductible with the exception of public officials' liability claims, which are subject to a \$5,000 deductible. The Trust's self-insured retention levels range from \$10,000 to \$1,000,000 depending on the type of coverage provided. In addition to the self-insurance provided by the Trust, there is also reinsurance through third party sources for claims up to \$5,000,000.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

3. RISK MANAGEMENT (Continued)

The Trust is a non-profit organization which is governed by a Board of Trustees composed of officials of member organizations or their representatives. In addition to insurance coverage, the Trust provides risk management services with emphasis on loss control, risk management, education and training, claims administration and other services to its members.

Upon joining the Trust, members sign a participation agreement which outlines the rights and responsibilities of both the members and the Trust. The agreement states that for premiums paid by members, the Trust will assume financial responsibility for members' losses up to the maximum amount of insurance purchased, minus members' deductible amounts. Additionally, should a member decide to withdraw from the Trust, the participation agreement requires three months notice and the payment of a severance penalty.

There have been no reductions in insurance coverage from coverage in the previous year. Settlements have not exceeded insurance coverage since becoming a member of the Trust on July 1, 1988.

4. CASH AND INVESTMENTS

The State of Rhode Island requires, that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized. The Town has adopted a "statement of investment objectives, goals and policy guidelines" for investments held in the School Trust Fund. In addition the Town has guidelines for deposits authorized by Town Code Sec. 4233.H.

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2009 was \$40,854,425 (including Fiduciary Funds) while the bank balance was \$42,035,325. Of the bank balance, \$2,799,700 was covered by federal depository insurance and \$39,235,625 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$39,235,085 of the uninsured balance at June 30, 2009 was collateralized by securities held by the financial institutions and/or third parties in the name of the Town. The remaining uninsured balance of \$540 was held in money market and other accounts which were not covered by collateralization agreements.

Investments

At June 30, 2009 the Town's investments totaled \$12,196,283 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair</u> <u>Value</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u>	<u>Rating</u>
Domestic Common Stock	\$4,442,605	n/a	n/a	not rated
Foreign Common Stock.....	137,493	n/a	n/a	not rated
Mutual Funds.....	1,757,124	n/a	n/a	not rated
Asset Backed Securities.....	409,801	4.134-6.015%	2/2011-6/2047	AAA
Foreign Bonds	36,267	4.875%	6/2019	AAA
Foreign Bonds	45,452	4.625-4.875%	5/2011-5/2018	A+
Foreign Bonds	51,611	5.8-7.75%	2/2010-7/2036	A-
Foreign Bonds	55,839	5.625-9.625%	11/2017-3/2019	BBB+
Foreign Bonds	36,412	5.7-9.85%	5/2017-6/2019	BBB

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

4. CASH AND INVESTMENTS (Continued)

Investments (Continued)

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Corporate Bonds.....	266,675	1.625-5.125%	3/2011-1/2021	AAA
Corporate Bonds.....	27,003	6.88%	1/2039	AA+
Corporate Bonds.....	89,490	3.875-5.25%	9/2009-9/2035	AA
Corporate Bonds.....	145,223	4.5-5.5%	1/2011-8/2013	AA-
Corporate Bonds.....	313,907	5.25-10.375%	2/2010-11/2019	A+
Corporate Bonds.....	612,303	2.25-8.125%	8/2009-2/2039	A
Corporate Bonds.....	205,303	5.125-8.75%	9/2013-4/2033	A-
Corporate Bonds.....	282,491	4.95-8.375%	4/2011-8/2036	BBB+
Corporate Bonds.....	268,310	5.25-6.875%	9/2011-3/2018	BBB
Corporate Bonds.....	106,517	5.125-8.125%	1/2011-2/2019	BBB-
Corporate Bonds.....	50,693	9.00%	9/2009	Aa3
Corporate Bonds.....	31,623	7.85%	5/2010	A2
Corporate Bonds.....	62,457	6.25-8.25%	6/2010-9/2017	A1
Corporate Bonds.....	55,046	6.125-7.85%	10/2009-2/2011	Baa3
Corporate Bonds.....	37,721	6.25%	6/2012	Baa2
Corporate Bonds.....	47,803	n/a	n/a	n/a
Federal National Mortgage Assoc.	484,769	5.375-6.5%	6/2017-10/2037	AAA
Federal Home Loan Mtge Corp.	335,276	4.5-6.5%	9/2020-4/2037	AAA
Federal Farm Credit Bank	75,141	4.13%	7/2009	AAA
United States Treasury Notes	1,325,426	.875-3.125%	5/2011-5/2019	AAA
United States Treasury Bonds	362,523	0-4.5%	5/2030-5/2038	AAA
GNMA	11,321	5.5%	11/2032	AAA
Municipal Bond	<u>26,658</u>	5.10%	6/2033	AA-
Total Investments	<u>\$ 12,196,283</u>			

Interest Rate Risk

As noted above, approximately 40% of the Town's investments are in long-term Corporate Bonds, Government Bonds, and Asset Backed Securities which have interest rates that are fixed for long periods and are subject to more variability in their fair value as a result of future changes in interest rates. The remaining 60% of the investments are held in common stock and mutual funds. These investments do not specify an interest rate rather the rate of return is dependent on operating results and economic conditions.

Concentration of Credit Risk

At June 30, 2009 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although 60% of the investments were held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

4. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the Town. Additionally, the Town's deposit policy requires that deposits be placed in financial institutions that are FDIC insured up to \$250,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$250,000, and if the capital ratios are currently acceptable but appear to be in jeopardy, the Town will engage an outside rating agency to determine status of the institution. The Town also ensures that all deposits greater than \$250,000 are collateralized.

5. PROPERTY TAXES

The Town completed a statistical revaluation of real property and tangible personal property as of December 31, 2006. The latest assessed values were effective for the property tax levy beginning with fiscal year 2007-2008. The assessed value of motor vehicles is determined annually by the state vehicle value commission.

During the year ended June 30, 2009, the Town received \$2,178,075 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$18.71 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008 and 2008-2009 fiscal years.

The State of Rhode Island has also passed legislation to phase-out wholesale and retail inventory tax over a ten-year period effective July 1, 1999. The phase-out of this tax was supposed to be supplemented through an increase in General Revenue Sharing (GRS). The GRS was supposed to be increased from the effective rate of 1% on June 30, 1998 to 4.7% on June 30, 2009. Based on fiscal problems with the State budget over the last few years the program did not increase as scheduled in the 2006, 2007, 2008, or 2009 fiscal years. In fiscal 2004, 2.7% of total State tax revenues were earmarked for GRS to cities and towns. In fiscal 2005 an additional \$1 million was added to the total GRS to cities and towns rather than the planned increase to 3% of the State tax revenues. In fiscal 2006 GRS was increased to 3% of the State tax revenues. In Fiscal 2007 GRS was increased by \$137,875 and then cut by \$10,000,000 in fiscal 2008. During the 2009 fiscal year GRS was cut by another \$25,111,876 through the final adopted supplemental State budget. For fiscal 2010 the Governor's budget has eliminated all GRS to Cities and Towns resulting in a loss of \$25,000,000.

An automatic lien is placed on the taxpayer's property if payment has not been received by the due date. Interest is charged on past due accounts at a rate of 12% per annum calculated on the unpaid portion of the total tax.

Net property taxes levied for the fiscal year 2009 were based on a net assessed value of approximately \$5,255,505,490 at December 31, 2007 and amounted to approximately \$63,727,000. Collections through June 30, 2009 amounted to approximately \$62,409,000, which represents approximately 97.9% of the total tax levy.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

5. PROPERTY TAXES (Continued)

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2009 (\$1,310,471) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$317,198. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2009 are recorded as deferred revenue and amounted to \$602,121 at June 30, 2009. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2009 (due to their collection within the 60 days immediately following June 30, 2009) amounted to \$391,152

On June 30, 2009, the Town levied property taxes for its next fiscal year based on the December 31, 2008 assessment as follows (unaudited):

	<u>Taxable Assessment</u>	<u>Exemptions</u>	<u>Net Taxable Assessments</u>	<u>Rate Per \$1,000</u>	<u>Net Levy</u>
Real property.....	\$4,947,116,630	\$12,312,284	\$4,934,804,346	\$12.0876	\$59,649,942
Motor vehicle.....	99,835,185	490,929	99,344,256	18.71	1,858,732
Tangible property.....	<u>247,815,975</u>	<u>0</u>	<u>247,815,975</u>	<u>12.0876</u>	<u>2,995,500</u>
Total.....	<u>\$5,294,767,790</u>	<u>\$12,803,213</u>	<u>\$5,281,964,577</u>		<u>\$64,504,174</u>

Taxes are due in equal quarterly installments on August 1, November 1, February 1, and May 1 during the fiscal year although they may be paid in full by September 1, at the option of the taxpayer.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balances 7/1/08</u>	<u>Additions</u>	<u>Retirements & Disposals</u>	<u>Balances 6/30/09</u>
Governmental Activity:				
Nondepreciable Assets:				
Land.....	\$ 12,339,801	\$ 65,108	\$ 0	\$12,404,909
Construction in progress.....	1,303,935	2,261,034	3,310,910	254,059
Depreciable Assets:				
Buildings.....	30,284,552	0	0	30,284,552
Building improvements.....	37,973,060	718,149	0	38,691,209
Equipment.....	11,149,808	625,866	735,407	11,040,267
Vehicles.....	4,738,657	169,934	128,389	4,780,202
Infrastructure.....	31,445,381	1,762,052	0	33,207,433
Land improvements.....	8,920,562	319,716	0	9,240,278
Total cost.....	<u>138,155,756</u>	<u>5,921,859</u>	<u>4,174,706</u>	<u>139,902,909</u>
Accumulated Depreciation:				
Land improvements.....	(1,270,459)	(71,884)	0	(1,342,343)
Buildings.....	(11,548,365)	(610,125)	0	(12,158,490)
Building improvements.....	(12,663,313)	(1,083,948)	0	(13,747,261)
Equipment.....	(7,372,130)	(688,743)	(674,344)	(7,386,529)
Vehicles.....	(2,271,038)	(427,462)	(109,094)	(2,589,406)
Infrastructure.....	<u>(14,080,503)</u>	<u>(925,148)</u>	<u>0</u>	<u>(15,005,651)</u>
Total accumulated depreciation.....	<u>(49,205,808)</u>	<u>(3,807,310)</u>	<u>(783,438)</u>	<u>(52,229,680)</u>
Net capital assets.....	<u>\$ 88,949,948</u>	<u>\$ 2,114,549</u>	<u>\$3,391,268</u>	<u>\$87,673,229</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

6. CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>7/1/08</u>	<u>Additions</u>	<u>Retirements &</u> <u>Disposals</u>	<u>Balances</u> <u>6/30/09</u>
Business-type Activities:				
Nondepreciable Assets:				
Land	\$ 1,586,529	\$ 0	\$ 0	\$ 1,586,529
Depreciable Assets:				
Land improvements	2,682,148	0	0	2,682,148
Buildings	10,507,763	0	0	10,507,763
Building improvements.....	2,663,881	0	0	2,663,881
Equipment.....	6,466,996	22,965	5,342	6,484,619
Vehicles	487,696	0	0	487,696
Infrastructure.....	<u>19,326,250</u>	<u>3,240</u>	<u>0</u>	<u>19,329,490</u>
Total cost	<u>43,721,263</u>	<u>26,205</u>	<u>5,342</u>	<u>43,742,126</u>
 Accumulated Depreciation:				
Land improvements	(337,909)	(54,179)	0	(392,088)
Buildings	(5,840,880)	(204,657)	0	(6,045,537)
Building improvements.....	(580,305)	(85,246)	0	(665,551)
Equipment.....	(3,562,072)	(240,627)	(4,809)	(3,797,890)
Vehicles	(409,946)	(13,249)	0	(423,195)
Infrastructure.....	<u>(6,942,466)</u>	<u>(236,551)</u>	<u>0</u>	<u>(7,179,017)</u>
Total accumulated depreciation	<u>(17,673,578)</u>	<u>(834,509)</u>	<u>(4,809)</u>	<u>(18,503,278)</u>
 Net capital assets	 <u>\$26,047,685</u>	 <u>\$(808,304)</u>	 <u>\$533</u>	 <u>\$25,238,848</u>

Depreciation expense for the year ended June 30, 2009 was charged to the following functions/programs of the Town:

Governmental Activities:	
General government.....	\$ 106,790
Education	1,695,799
Public safety.....	417,367
Public works.....	1,143,321
Recreation.....	274,467
Public libraries.....	109,899
Elderly services.....	<u>59,667</u>
Total	<u>\$3,807,310</u>
 Business-type Activities:	
Wastewater Fund.....	\$ 589,317
Solid Waste Fund.....	63,058
Water Fund	180,091
School Cafeteria Fund	<u>2,043</u>
Total	<u>\$ 834,509</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress for the Governmental Activities at June 30, 2009:

Bridge Improvement	\$ 86,992
Saugatucket Walkway	13,000
Recreation Improvements	72,977
Downtown Intermodal Enhancement Project	13,739
Animal Shelter Addition	<u>67,351</u>
Total	<u>\$ 254,059</u>

7. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from/to federal and state governments represent balances on contracts and grants as well as for services provided and consisted of the following at June 30, 2009:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
State of Rhode Island	\$ 0	\$ 32,545
School Unrestricted Fund:		
State of Rhode Island – Department of Education	1,030,215	0
State of Rhode Island – EDS – Medicaid Funding	174,427	0
Various local school districts – tuition	12,050	0
Other Governmental Funds:		
State of Rhode Island – Department of Education	429,708	0
State of Rhode Island – various departments.....	549,211	0
Wastewater Fund:		
University of Rhode Island	3,024	0
Town of Narragansett	0	33,887
State of Rhode Island - DEM	0	14,873
School Cafeteria Fund:		
State of Rhode Island	<u>26,107</u>	<u>0</u>
Total all fund types	<u>\$2,224,742</u>	<u>\$ 81,305</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM DEBT

(a) At June 30, 2009, the Town's long-term debt outstanding and activity consisted of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2009</u>	<u>Due Within One Year</u>
Governmental Activities:									
General obligation bonds:									
School/public improvement	06/15/98	\$2,075,000	06/15/18	4.2% - 6.5%	\$1,025,000		\$105,000	\$ 920,000 (a)	\$ 105,000
Refunding	06/15/98	8,240,000	12/15/11	4.15% - 5.75%	2,140,000		585,000	1,555,000 (b)	580,000
Public improvement	06/15/99	2,060,000	06/15/19	3.5% - 5.2%	1,115,000		105,000	1,010,000 (c)	105,000
School	06/15/00	10,000,000	06/15/20	5.50% - 6.25%	1,000,000		500,000	500,000 (d)	500,000
School public improvement	06/15/02	3,925,000	06/15/22	3.0% - 4.9%	2,695,000		205,000	2,490,000 (e)	200,000
Advance refunding	10/01/02	6,740,000	06/01/14	2.5% - 5.0%	3,110,000		570,000	2,540,000 (f)	565,000
School/Open Space	06/15/03	1,400,000	06/15/23	3.0% - 5.0%	1,050,000		70,000	980,000 (g)	70,000
Advance refunding	06/15/03	6,560,000	11/15/15	2.0% - 2.25%	2,810,000		560,000	2,250,000 (h)	405,000
School/Open Space/Public Improv.	06/15/04	2,875,000	06/15/24	3.75% - 5.0%	2,295,000		145,000	2,150,000 (i)	145,000
School improvements	06/15/05	1,000,000	06/15/25	3.25% - 5.5%	850,000		50,000	800,000 (j)	50,000
Advance refunding	06/15/05	9,440,000	06/15/20	3.25% - 5.5%	8,315,000		335,000	7,980,000 (k)	460,000
Advance refunding	06/15/06	5,000,000	06/15/26	4.0% - 5.0%	4,500,000		250,000	4,250,000 (l)	250,000
School/Open Space/Public Imp.	06/15/07	<u>2,200,000</u>	06/15/27	4.0% - 5.5%	<u>2,090,000</u>		<u>110,000</u>	<u>1,980,000 (m)</u>	<u>110,000</u>
Total general obligations bonds		<u>\$61,515,000</u>			32,995,000	\$ 0	3,590,000	29,405,000	3,545,000
Compensated absences					4,354,034	1,936,944	2,082,167	4,208,811	2,085,000
Claims and judgments					<u>1,918,000</u>	<u>44,525</u>	<u>0</u>	<u>1,962,525</u>	<u>0</u>
Governmental activities long-term Liabilities					<u>\$39,267,034</u>	<u>\$1,981,469</u>	<u>\$5,672,167</u>	<u>\$35,576,336</u>	<u>\$5,630,000</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM DEBT (Continued)

(a) Long-Term Debt Outstanding and Activity (Continued):

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2009</u>	<u>Due Within One Year</u>
Business Type Activities:									
<i>General obligation & revenue bonds:</i>									
Wastewater fund – GO bond.....	08/19/92	\$ 920,000	09/01/12	5.88%	\$ 287,188		\$ 53,791	\$ 233,397	\$ 55,555
Wastewater fund – GO bond.....	11/13/02	500,000	09/01/23	1.2%	412,000		23,000	389,000	23,000
Solid waste fund – GO bond	09/03/02	2,000,000	09/01/22	1.64%	1,598,208		87,223	1,510,985	89,662
Solid waste fund – GO bond	11/22/05	950,000	09/01/25	1.34%	869,000		41,000	828,000	42,000
Water fund – revenue bond.....	06/05/08	400,000	09/01/12	1.68%-2.55%	400,000		76,000	324,000	78,000
Total bonds		<u>\$4,770,000</u>			3,566,396	\$ 0	281,014	3,285,382	288,217
Compensated absences					252,079	117,315	112,408	256,986	113,000
Business-type activities, long-term liabilities					<u>\$3,818,475</u>	<u>\$117,315</u>	<u>\$393,422</u>	<u>\$3,542,368</u>	<u>\$401,217</u>

- a) The bonds maturing on 06/15/09 and thereafter will be subject to redemption prior to maturity at the Town's option on and after 06/15/2008.
- b) The bonds are not subject to redemption prior to maturity.
- c) The bonds maturing on 06/15/10 and thereafter will be subject to redemption prior to maturity at the Town's option on and after 06/15/2009.
- d) The bonds maturing on 06/15/11 and thereafter will be subject to redemption prior to maturity at the Town's option on and after 6/15/2010. \$5,000,000 of these bonds were refunded as part of the advance refunding dated 6/15/2005.
- e) The bonds maturing on or after June 15, 2013, shall be subject to redemption prior to their stated dates of maturity at the Town's option on or after June 15, 2012.
- f) The bonds mature on 06/01/14 and are not subject to redemption prior to maturity.
- g) The bonds maturing on 6/15/14 and thereafter will be subject to redemption prior to maturing at the Town's option on or after 6/15/13.
- h) The bonds maturing on 11/15/14 and thereafter will be subject to redemption prior to maturing at the Town's option on or after 11/15/13.
- i) The bonds maturing on or after June 15, 2015 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2014.
- j) The bonds maturing on or after June 15, 2016 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2015.
- k) The bonds maturing on or after June 15, 2016 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2015.
- l) The bonds maturing on or after June 15, 2017 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2016.
- m) The bonds maturing on or after June 15, 2018 shall be subject to redemption prior to maturity at the Town's option on or after June 15, 2017.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

Of the Town's \$32,690,382 total bonds payable (including bonds payable of the wastewater, water and solid-waste enterprise funds), approximately \$6,565,000 is subject to its legal debt limits. The \$6,565,000 outstanding does not exceed the Town's legal debt limit of approximately \$157,665,000, which is 3% of the assessed value (\$5,255,505,000) of taxable property of the Town as of December 31, 2007. The total long-term debt bond obligations of the Town (\$32,690,382) represent approximately .62% of the assessed value of the taxable property of the Town at June 30, 2009 (assessment date December 31, 2007).

The Town has remaining authorized but unissued bond authority totaling \$13,915,000. The unissued bond authority is allocated as follows: \$3,400,000 for land acquisition, \$3,000,000 for Wastewater Treatment Plant improvements, \$340,000 for School fields, \$2,325,000 for school capital improvements, \$300,000 for Town Hall improvements, \$400,000 for Capital Transportation Improvements, \$1,000,000 for Neighborhood Guild, and Community Gymnasium \$3,150,000. The Town anticipates issuance of these bonds over the next several years.

The Sewer and Superfund bonds payable presented in the financial statements as direct liabilities of the Wastewater and Solid-Waste Funds are general obligations of the Town backed ultimately by its taxing power. Because the proceeds of the bonds are used entirely for the benefits of the Wastewater and Solid-Waste Funds, the liabilities and the related debt service of these bonds are accounted for in the Business-Type Activities.

The Water Fund bonds payable presented in the financial statements as direct liabilities of the Water Fund are revenue bonds backed by the Water Funds ability to assess user fees. Because the proceeds of the bonds are used entirely for the benefits of the Water Fund, the liability and the related debt service of these bonds are accounted for in the Business-Type Activities.

(c) Debt Service Requirements

The Town's future debt service requirements relating to outstanding bond obligations consist of the following and are planned to be raised through future property tax levies, fee assessments, and state aid for school housing and library improvements:

Year ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	\$ 3,545,000	\$1,142,698	\$288,217	\$ 60,932	\$ 5,036,847
2011	3,440,000	1,005,123	295,547	54,654	4,795,324
2012	3,180,000	880,330	303,006	47,898	4,411,734
2013	2,775,000	771,046	310,600	40,734	3,897,380
2014	2,595,000	669,330	169,118	35,615	3,469,063
2015 - 2019	8,895,000	2,080,517	910,177	132,187	12,017,881
2020 - 2024	4,095,000	650,924	894,717	48,224	5,688,865
2025 - 2027	880,000	63,325	114,000	2,311	1,059,636
Total	<u>\$29,405,000</u>	<u>\$7,263,793</u>	<u>\$3,285,382</u>	<u>\$422,555</u>	<u>\$40,376,730</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. LONG-TERM DEBT (Continued)

(d) Advanced and Current Refundings and Defeased Debt

Proceeds of refunding bonds are deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, are not reflected in the financial statements of the Town of South Kingstown, Rhode Island.

As of June 30, 2009, the in-substance defeased bonds outstanding were as follows. This debt as well as the escrow trust fund assets are not reflected in the financial statements of the Town of South Kingstown, Rhode Island.

School improvement bonds - 6/15/2000	<u>\$5,000,000</u>
Total defeased bonds	<u>\$5,000,000</u>

(e) Schedule of long-term debt by purpose at June 30, 2009 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvements	\$29,405,000	75%
Superfund remediation project	2,338,985	6%
Sewer wastewater projects	622,397	2%
Water meter replacement project	324,000	1%
Claims and judgments	1,962,525	5%
Compensated absences	4,465,796	11%
Total	<u>\$39,118,703</u>	<u>100%</u>

9. INFORMATION FOR BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

(a) Solid Waste

The Town has constructed a solid waste refuse transfer station. The Town has entered into a solid waste refuse and recycling privatization contract. The contractor is responsible for operating the transfer station and hauling the refuse to a permanent disposal site, along with all associated costs.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. INFORMATION FOR BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS (Continued)

(b) Wastewater Operations

The Town operates a wastewater operations facility which serves certain sections of the Town as well as the University of Rhode Island (URI) and the Town of Narragansett. URI and the Town of Narragansett share in the cost of operations based upon their relative usage of the facilities. Such intergovernmental charges amounted to approximately \$1,220,500 during 2009.

The Town recognizes revenue for excess usage occurring during the fiscal year although the corresponding billings take place after the fiscal year end (September, 2009). At June 30, 2009, the Town recorded a receivable totaling approximately \$233,000. The receivable reflects amounts billed for excess usage as of June 30, 2009.

(c) Water Fund

The Town recognizes revenue for excess usage occurring during the fiscal year although the corresponding billings take place after the fiscal year end (September, 2009). At June 30, 2009, unbilled service charges amounted to approximately \$189,600.

(d) School Cafeteria Fund

The Town operates a Cafeteria Fund which accounts for revenues and expenses relating to the School's food service operations.

(e) Financial Information

The following summarized financial information is not required as each of these enterprise funds are classified as a major fund and stated separately in the statements of net assets and revenues, expenses and changes in fund net assets. This summarized information as of and for the year ending June 30, 2009 is presented for the reader's informational purposes only:

	<u>Solid Waste Fund</u>	<u>Wastewater Operations</u>	<u>Water Fund</u>	<u>School Cafeteria Fund</u>	<u>Total</u>
Operating revenues	\$478,540	\$3,080,743	\$940,327	\$721,789	\$5,221,399
Operating grants	0	0	0	265,866	265,866
Depreciation and amortization expense	63,768	591,006	180,091	2,043	836,908
Operating income (loss).....	42,529	(55,494)	155,573	(270,777)	(128,169)
Change in net assets	(76,161)	11,018	176,052	(4,911)	105,998
Transfer-in (out)	(106,128)	24,155	0	0	(81,973)
Capital asset additions.....	0	21,739	4,466	0	26,205
Net working capital.....	1,256,283	2,408,178	945,539	(71,740)	4,538,260
Total assets.....	4,707,025	20,843,268	5,703,577	134,293	31,388,163
Bonds payable	2,338,985	622,397	324,000	0	3,285,382
Total net assets.....	2,337,086	19,100,547	5,276,979	(61,333)	26,653,279

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

10. FUND EQUITY BALANCES (DEFICITS)

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

(a) Fund Balances

Reservations of fund balances at June 30, 2009 were as follows:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Reserved for encumbrances.....	\$	43,184
Reserved for prepaid		2,604

School Unrestricted Fund:

Reserved for encumbrances.....		82,681
Reserved for prepaid		13,572

School Trust Fund:

Reserved for endowments.....		11,495,801
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NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Reserved for prepaids		8,136
Reserved for encumbrances		154,749

Capital Project Funds:

Reserved for encumbrances		85,876
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Permanent Funds:

Reserved for endowments		684,146
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Total reservations of fund balances.....		<u>\$12,570,749</u>
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Designations of unreserved fund balances at June 30, 2009 were as follows:

General fund:

Designated for fiscal 2010 operations.....	\$1,200,000
Designated for Superfund site cleanup.....	1,000,000

School unrestricted fund:

Designated for fiscal 2010 operations	374,600
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Non-Major Special Revenue funds:

Designated for 2010 operations - Neighborhood Guild	<u>25,000</u>
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Total designations of unreserved fund balances	<u>\$2,599,600</u>
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(b) Net Assets

Unrestricted net assets at June 30, 2009 include the following designations:

Enterprise funds:

Designated for superfund	<u>\$395,000</u>
Total designations of unrestricted net assets.....	<u>\$395,000</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(c) Fund Deficits

The following funds had deficit fund equity balances at June 30, 2009:

Nonmajor Governmental Funds:

Capital Project Funds:

Downtown Intermodal Enhancement Project	\$ 13,300
School Improvement Fund	<u>1,183,318</u>
Total Nonmajor Governmental Funds	<u>\$1,196,618</u>

Business-Type Activities:

School Cafeteria	<u>\$ 61,333</u>
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The deficit fund equity balances of the Capital Project Funds noted above will be eliminated through future transfers and/or issuance of long-term debt obligations. The deficit fund equity of the School Cafeteria Fund is expected to be eliminated through cost savings and increases in user fees.

The following individual funds had deficits for the year ending June 30, 2009:

Major Governmental Funds:

General Fund	\$ 781,728
School Trust Fund	<u>2,225,800</u>
Total Major Governmental Funds	<u>\$3,007,528</u>

Business-Type Activities:

Solid Waste Fund	\$ 76,161
School Cafeteria	<u>4,911</u>
Total Business-Type Activities	<u>\$ 81,072</u>

Non-major Governmental Activities:

Special Revenue Funds:

Narragansett Library Association	\$ 11,460
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Capital Project Funds:

Animal Shelter Addition	58,361
Bike Path Maintenance	3,450
Open Space Reserve Fund	149,362
Public Service Office Building Improvement Fund	372
Saugatucket River Walkway Construction	16,999
School Improvement Fund	849,590

Permanent Funds:

Hazard Memorial Trust	22,592
Oliver Watson Home Fund	18,380
Kingston Free Library Trust Fund	<u>91,411</u>
Total deficits non-major governmental activities	<u>\$1,221,977</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. INTERFUND BALANCES AND TRANSFERS

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2009 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<i>Major Governmental Funds:</i>		
General Fund	\$ 1,507,910	\$13,021,579
School Unrestricted Fund	4,449,496	76,114
School Trust Funds	0	98,670
<i>Non-major Governmental Funds:</i>		
Affordable Housing	10,000	0
Alcohol Grant	0	2,898
Animal Shelter Benefit Fund	523,858	0
Asset Forfeiture Fund	29,490	0
Community Development Block Grants	0	34,503
Compensated Absences Reserve Fund	506,440	0
Drug Free Communities Grant	0	7,773
Elderly Services	0	80,281
EMS Billing Services Fund	0	2,431
Governor Justice Commission Grants	0	1,800
Historical & Vital Recording Fees	142,911	0
Municipal Planning Services Reserve	148,000	0
Neighborhood Guild	88,750	14,947
Onsite Wastewater Plan Implementation	0	770
Peacedale Office Building	0	1,885
Property Revaluation Reserve Fund	479,018	0
RI Resources Recovery Grant	22,917	0
Seat Belt Enforcement Grant	0	7,958
South Road School Reserve	337,133	0
Substance Abuse	4,906	0
Tobacco Compliance Investigation	19	0
School Restricted Fund	64,720	420,048
Animal Shelter Addition Fund	14,139	0
Bike Path Maintenance Fund	1,712	0
Bridge Improvement Fund	250,410	0
Capital Equipment & Replacement Fund	514,481	0
Data Processing Improvement Fund	91,813	0
Downtown Intermodal Enhancement Project	0	13,300
Impact Fee Reserve Fund	1,314,290	0
Land Use Reserve Fund	135,476	0
Library Building Construction	28,783	0
Open Space Reserve Fund	419,416	0

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

11. INTERFUND BALANCES AND TRANSFERS (Continued)

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<i>Non-major Governmental Funds:</i>		
Police Building Construction Fund.....	311,941	0
Public Service Office Building Improvement	7,710	0
Public Works Improvement Fund	1,724,172	0
Recreation Development & Restoration Fund.....	308,827	0
Recreation Improvement Fund	47,335	0
Saugatucket River Walkway Construction Fund	10,875	0
School Improvement Fund	0	1,142,109
Senior Services Center Construction Fund	95,000	0
Town Hall Improvement Fund	124,259	0
Total governmental funds.....	13,716,207	14,927,066
<i>Proprietary Funds:</i>		
Solid Waste.....	40,755	0
Wastewater Fund.....	0	189,797
Internal Service Fund.....	1,378,518	0
Water Fund	0	27,897
School Cafeteria	9,280	0
Total proprietary funds.....	1,428,553	217,694
 TOTAL ALL FUNDS.....	 15,144,760	 15,144,760

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>	<u>Non-major Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total Transfer Out</u>
General Fund		\$47,909,928	\$2,223,050	\$ 24,155	\$50,157,133
School Unrestricted Fund.....			340,647		340,647
School Trust Fund.....	\$ 16,153	18,972	425,175		460,300
Nonmajor Governmental Funds..	995,570		45,000		1,040,570
Enterprise Funds.....			106,128		106,128
Total transfer in	1,011,723	47,928,900	3,140,000	24,155	52,104,778

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

The Town of South Kingstown participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and EMT personnel. All full-time Town and non-certified School Department general employees participate in the System.

The payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$11,998,000 and the Town wide payroll was approximately \$47,825,000.

Plan Description

The following eligibility and benefit provisions are established by State Statute. The System generally provides retirement benefits equal to 2 percent of final average salary per year of service with a maximum benefit of 75 percent of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, and severance pay. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. The plan also provides nonservice-connected disability benefits after 5 years of service, service-connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits after 10 years of service. Benefits are established by State Statute.

Contributions Required and Contributions Made

General employees are required by State Statute to contribute 7 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2006.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2009 was approximately \$937,000 for general employees. This contribution represents 7.81% of covered payroll. General municipal employees were required to contribute approximately \$840,000. This contribution represents 7% of covered payroll for the period July 1, 2008 to June 30, 2009.

There were no current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented at the end of this note disclosure and in required supplemental information.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(a) General Municipal Employees' Pension Plan (Continued)

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$563,000	100%	\$0
2008	\$802,800	100%	\$0
2009	\$937,000	100%	\$0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2008 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

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 the General Municipal Employees' Pension Plan with a valuation date of June 30, 2008 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$42,087,185	- Actuarial accrued liability - \$42,973,921
- Unfunded actuarial accrued liability (UAAL) - \$886,736	
- Funded Ratio - 97.9%	- Annual covered payroll - \$11,911,417
- UAAL as percentage of payroll - 7.4%	

(b) Municipal Police and EMT Pension Plan

The Town of South Kingstown participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and firemen. All full-time police and EMT employees participate in the System.

The payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$3,375,000 (\$2,683,000 for police officers and \$692,000 for EMT's), and the Town wide payroll was approximately \$47,825,000.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police and EMT Pension Plan (Continued)

Plan Description

The following eligibility and benefit provisions are established by State Statute. The System provides the following retirement benefits to employees at or after age 55 with 10 years of service or after 20 years of service with no restriction on age:

Police – 2.5% of final average salary per year of service accrued after July 1, 1993 and 2% of final average salary per year of service accrued prior to July 1, 1993 with a maximum benefit of 75% of final average salary.

Emergency Medical Technicians – 2.5% of final average salary per year of service with a maximum benefit of 75% of final average salary.

Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3 percent, not compounded, to allow for increases in the cost of living.

Contributions Required and Contributions Made

Police and EMT personnel are required by State Statute to contribute 9 percent until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2006.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2009 was approximately \$431,300, which consisted of the Town's contribution for police of \$386,200 and EMTs of \$45,100. These contributions represent 14.39% and 6.53% of covered payroll respectively. Employees were required to contribute approximately \$303,800 (\$241,500 for police employees and \$62,300 for EMTs). This employee contribution represents 9% of covered payroll.

There were no current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirements. Significant actuarial assumptions and other actuarial information are presented in the following required supplemental information.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Police and EMT Pension Plan (Continued)

Trend Information

Municipal Police Pension Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$364,000	100%	\$0
2008	\$441,000	100%	\$0
2009	\$386,200	100%	\$0

EMT Pension Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$66,000	100%	\$0
2008	\$71,400	100%	\$0
2009	\$45,100	100%	\$0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2008 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

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 the Municipal Police and EMT Pension Plans with a valuation date of June 30, 2008, which is the most recent report available from the State who administers this plan.

Municipal Police Pension Plan:

- Actuarial value of assets - \$21,285,185
- Actuarial accrued liability - \$21,490,986
- Unfunded actuarial accrued liability (UAAL) - \$205,801
- Funded Ratio - 99.0%
- Annual covered payroll - \$2,780,711
- UAAL as percentage of payroll - 7.4%

EMT Pension Plan:

- Actuarial value of assets - \$2,153,528
- Actuarial accrued liability - \$1,235,410
- Unfunded actuarial accrued liability (UAAL) - (\$918,118) - assets exceed UAAL
- Funded Ratio - 174.3%
- Annual covered payroll - \$656,978
- UAAL as percentage of payroll - (139.7%)

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

	General Municipal Employees <u>Pension Plan</u>		Municipal Police and EMT <u>Pension Plan</u>	
Valuation Date	6/30/07		6/30/07	
Actuarial Cost Method.....	Entry Age Normal Cost		Entry Age Normal Cost	
Amortization Method	Level Percent Closed – 30 year from June 30, 1999		Level Percent Closed –30 year from 6/30/99	
Remaining Amortization Period	22 years		22 years	
Asset Valuation Method.....	5-year Smoothed Market Value		5-Year Smoothed Market Value	
Actuarial assumptions:				
Investment rate of return.....	8.25%, compounded annually		8.25%, compounded annually	
Projected Salary Increases.....	4.5% to 8.5%, compounded annually		4.75% to 14.75%, compounded annually	
Inflation Adjustment	3%		3%	
Cost-of-living Adjustments	3%, not compounded, beginning on the January 1 following participant's retirement		3%, not compounded, beginning on the January 1 following participant's retirement	
Participant Information (June 30, 2008).	Active Employees	366	Active Employees	71
	Retirees and beneficiaries	<u>120</u>	Retirees and beneficiaries	<u>38</u>
		<u>486</u>		<u>109</u>

Note: General Municipal and Police Employees have adopted COLA Plan B.
EMT employees have adopted COLA Plan C.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

12. **DEFINED BENEFIT PENSION PLANS (Continued)**

(c) **Teacher's Pension Plan**

All South Kingstown School Department certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$27,612,000, which consisted of approximately \$429,000 for employees charged to federal programs and \$27,183,000 for all other certified employees. The School Department's total payroll was approximately \$35,236,000. The Town wide payroll for the year ended June 30, 2009 was approximately \$47,825,000.

Plan Description

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, of title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws. The plan provides a two tier benefit structure referred to as schedules A and B as follows:

Schedule A Benefits: Schedule A benefits are available to members who possess 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years of service; 3.0% per year for each of the next fourteen years; and 2% for the 35th year. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age 62 and a reduced amount thereafter. The reduced amount is equal to the benefit before age 62, including cost-of-living increases, minus the member's estimated social security benefit payable at age 62. The maximum benefit is 80% of "final average" (FAC) earnings after 35 years of service. Final average earnings are the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided independent of actual changes in the consumer price index. The plan also provides nonservice-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirements; vested benefits after ten years of service; survivor's benefits for service connected death; and certain lump sum death benefits. For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A for services through September 30, 2009 and on Schedule B for services after September 30, 2009. Maximum benefit is 80% of FAC.

Schedule B Benefits: Schedule B benefits are provided to members who have less than 10 years of contributory service on or before July 1, 2005. For Schedule B members, the plan provides unreduced benefits of 1.6% of earnings for each of the first ten years of service; 1.8% for each of the next ten years; 2.0% per year for years 21 through 25 inclusive; 2.25% per year for years 26 through 30 inclusive; 2.5% per year for years 31 through 37 inclusive and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of his or her average highest three years of compensation after 38 years of service. Such benefits are available to members at least age 65 with 10 years of service, or after 29 years of service and age 59. Actuarially reduced retirement is available at age 55 and 20 years of service, the benefit is reduced actuarially for each month that the age of the member is less than sixty-five years. On the month following the third anniversary date of the retirement, and on the month following the anniversary date of each succeeding year, a cost of living increase of 3% (compounded annually) or the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less is provided for Schedule B members.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

Plan Description (Continued)

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2008 which can be found at www.ersri.org.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The School Department was required to contribute 11.886%, 13.04%, and 11.62% for all full-time certified employees for fiscal years 2009, 2008, and 2007, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- (a) **Mortality** – 1994 Group Annuity Mortality Tables
- (b) **Investment return** – 8.25 percent, compounded annually.
- (c) **Salary increase** - Salaries will increase at a rate of 4.5 – 13.25 percent, compounded annually.
- (d) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- (e) **Cost of living adjustments** – Schedule A members – 3% compounded; Schedule B members 2.5%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2009, actuarial required contributions were 20.07% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 8.18% of non-federally reimbursable payrolls totaling \$2,439,868 for the fiscal year ended June 30, 2009. The School Department contributed the remaining 11.89% of the required 20.07%.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contributions for the year ended June 30, 2008 represented approximately 1.4% percent of total contributions required of all participating entities for the fiscal year ended June 30, 2008 (latest available information).

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Teacher's Pension Plan (Continued)

The amounts contributed to the plan were as follows:

<u>Years Ending June 30,</u>	<u>Employee</u>	<u>Town's Portion of Annual Required Contributions</u>	<u>Percentage Contributed</u>
2009	\$2,623,201	\$3,317,000	100%
2008	\$2,569,900	\$3,547,400	100%
2007	\$2,490,307	\$3,060,000	100%

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the School Department has determined that there are no assets or liabilities relating to the funding requirements of the plan.

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2008 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

13. DEFERRED COMPENSATION PLAN

The Town offers its municipal employees two deferred compensation plans established in accordance with the provisions of Internal Revenue Code Section 457 (g). The Town has not reported these plans on its financial statements in accordance with GASB No. 32, "Accounting for Internal Revenue Code Section 457 Deferred Compensation Plans", since the Town does not have fiduciary responsibility for these plans. The Plans, available to all municipal employees, permit the deferral of a portion of their salary. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

14. HEALTH CARE MANAGEMENT FUND

In September 1992, the Town established the Health Care Management Fund (an Internal Service Fund) to account for its health and dental care coverage programs.

Over the past seventeen years, the Town has used a combination of the following financing plans to pay for its medical and dental programs for all eligible employees of the Town and their dependents. These plans consist of the following:

- Prospective Premium Basis – which is a fully insured plan (was used by the Town in fiscal 2008) and;
- Cost Plus Basis – under which the Town pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program.

For the 2008-2009 fiscal year the Town was under a cost plus basis plan. As of July 1, 2008 the Town switched to a Blue Cross cost plus program provided through the West Bay Community Health Collaborative.

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

14. HEALTH CARE MANAGEMENT FUND (Continued)

All funds of the Town participate in the program and make payments to the Health Care Management Fund (an Internal Service Fund) based on recommendations made by the Plan Administrator. Billings from the Health Care Management Fund to other Town funds for fiscal year 2009 were approximately \$10,298,000. At June 30, 2009 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to June 30, 2009.

IBNR at beginning of year.....	\$ 0
Claims incurred year ended June 30, 2009.....	9,973,000
Claims paid year ended June 30, 2009.....	<u>(9,430,000)</u>
IBNR at June 30, 2009	<u>\$ 543,000</u>

15. COMMITMENTS AND CONTINGENCIES

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources.

The Town has been notified by the E.P.A. that two former landfills have been placed on the Superfund list. The Rose Hill Regional Landfill was previously operated by the towns of South Kingstown and Narragansett, Rhode Island. A "Record of Decision" (ROD) was issued in December 1999, which delineates EPA's approved remediation strategy for the site. Consent Decree negotiations with EPA began in November 2000 and were completed in January 2003. The Towns have paid \$4,125,000 to settle all past and future federal liabilities associated with the Rose Hill site. South Kingstown's \$2,000,000 payment to the Federal Government was funded with a 20-year general obligation bond sold in September 2002 at an interest rate of 1.648%. Repayment of the debt service associated with this bond will be provided from funds held in reserve within the Solid Waste Fund and from property taxes. The Town of South Kingstown also paid \$504,932 for state natural resource damages and \$62,500 for its share of federal natural resource damages. The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. This cost of \$3,925,000 will also be shared equally between the two towns. The Town of South Kingstown's share of the estimated cost of reimbursing the State, over a 27-year period beginning in Fiscal Year 2011 is \$1,962,525. Accordingly, \$1,962,525 has been reported as accrued claims and judgments in the government-wide financial statements at June 30, 2009.

In addition to the Rose Hill Regional Landfill site, the West Kingston/URI Disposal Area Landfills, located on Plains Road, was added to the NPL on July 29, 1992. The West Kingston town dump began operation in the 1950's and ceased operations in 1978. The University of Rhode Island (URI) and the Towns of South Kingstown and Narragansett have agreed to participate in the remediation of the site under State landfill closure regulations. Construction of the remediation action, or multi-layer cap with passive vent gas collection system, began in August 2005, and was substantially completed in June 2006. Project costs paid to date total \$7,072,692. In addition to these costs there will be ongoing maintenance costs which will be paid out on an annual basis as part of the annual operating budget.

In addition, at June 30, 2009, the Town had several other lawsuits pending. The total maximum damages being sought from the Town relating to these cases are not known. In the opinion of the Town officials and the Town's legal counsel, the Town's ultimate liability with respect to these cases, if any, will be immaterial.

The Town has received grants from various federal and state agencies for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. Town officials are of the opinion that such disallowances, if any, would be immaterial.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

15. COMMITMENTS AND CONTINGENCIES (Continued)

On August 30, 2002, the Town entered into an agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with a \$300,000 non-restoring line-of-credit. The proceeds of the loan shall be used by the Town for the establishment of an operation of a Community Septic System Loan Program. The Program provides for the Town to make loans to property owners of the Town for the repair or replacement of failed or failing septic systems. The individual loans to be made to property owners shall be underwritten by the Town with the assistance of the Rhode Island Housing Mortgage Finance Corporation (RIHMFC). RIHMFC, on behalf of the Town, shall perform all administrative functions related to servicing the individual loans, including disbursing loans to property owners and collecting and remitting borrower loan payments. The loan has a zero interest rate to the Town and 4% to property owners. The Town is only required to make principal repayments in the event that individual property owners default on their loans. Accordingly, the potential liability has not been accrued (reported) in the Town's financial statements. As of June 30, 2009, there are \$300,000 in outstanding loans and an available (non-restoring) line-of-credit balance of \$0.

In June 2005 the Town Council authorized entering into a second agreement with the Rhode Island Clean Water Finance Agency to finance the Town's Community Septic System Loan Program. The loan agreement provides the Town with an additional \$1,000,000 non-restoring line-of-credit that will be funded in three increments of \$300,000 and a final increment of \$100,000. Each increment will be funded only upon the complete drawdown of all prior increments. The proceeds of the loan shall be used by the Town towards the operation of the Community Septic System Loan Program. The terms of the loan program are consistent with the terms described in the above noted paragraph except that the new agreement has a 2% (versus 4%) interest rate to property owners. As of June 30, 2009, there are \$815,321 in outstanding loans and an available line-of-credit balance of \$84,679 on the third of the three \$300,000 increments. Accordingly, the total available balance under this \$1,000,000 non-restoring line-of-credit is \$184,679 at June 30, 2009.

16. OPERATING LEASES

The Town has an operating lease for copier equipment for the School Department. The lease term is for 60 months and requires minimum monthly payments of \$7,853. Total lease expenditures incurred under this agreement were approximately \$94,200 for the year ended June 30, 2009.

Future minimum lease payments under this agreement are as follows:

2010	<u>\$ 31,412</u>
------------	------------------

17. OTHER POST EMPLOYMENT BENEFITS

Effective with the fiscal year ended June 30, 2009 the Town of South Kingstown adopted an Irrevocable Trust Fund for the administration of postemployment benefits (health, dental, and life insurance) in accordance with union contracts. The Town of South Kingstown OPEB Trust (the "Trust") is a single employer defined benefit plan. The Trust does not issue a stand-alone report. All information is presented as a Trust Fund in the Fiduciary Fund section of this report. The benefits, by employee group, are described below.

School Employees

The Town of South Kingstown School Department pays 100% of the cost of life, dental, and health insurance benefits for teachers and administrator retirees, who retired prior to September 1, 2008, for a period of up to five years after retirement or until the retiree reaches the age of 70. Teacher and administrator retirees, who retired after September 1, 2008, pay the amount of their employee cost-share at the time of their retirement, for health insurance only, for the five year period.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

EMS Employees

The Town pays \$4,000 per year towards health insurance for employees who have 30 years or more of service; \$2,666 per year for 25 years of service and \$1,333 for 20 years of service. The benefit is paid for three years for eligible employees.

Police Employees

The Town is obligated to provide health insurance coverage until the retiree reaches age 65, or until the retiree or spouse obtains an alternative health insurance plan. Employees retiring on or after July 1, 2007 shall contribute seventy percent (70%) of the health care premium co-share that he/she was paying as an active employee at the time of their retirement.

Town Employees

For employees hired after July 1, 2006, the Town provides health insurance as follows:

Thirty (30) years of service: For three (3) years, the Town shall pay \$4,000 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis; Twenty-five (25) years of service: For three (3) years, the Town shall pay \$2,666 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis; and Twenty (20) years of service: For three (3) years, the Town shall pay \$1,333 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis.

For employees hired before July 1, 2006, the Town provides health insurance as follows:

Thirty (30) years of service: For four (4) years, The Town shall pay \$4,500 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis; Twenty-five (25) years of service: For three (3) years, The Town shall pay \$3,500 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis; and Twenty (20) years of service: For three (3) years, The Town shall pay \$1,333 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis.

To be eligible for post-retirement benefits, the employee must be eligible to retire under the MERS.

Public Works Employees

Members of the bargaining unit hired prior to July 1, 2005 who retire will receive the same medical insurance plan and shall be subject to the same premium co-payment as active employees covered under the collective bargaining agreement until age 65. Further, members who retire due to disability after July 1, 2005 will be eligible to receive health care for a 60 month period from the date of retirement or until age 65, whichever comes first. If any such retired employee or his or her spouse has an alternative medical plan available for said retiree then this provision shall not apply.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

Public Works Employees (Continued)

Members hired after July 1, 2005 are eligible to receive health care in retirement as follows: Thirty (30) years or more of service: For three (3) years, the Town shall pay \$4,000 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis. Twenty-five (25) years or more of service: For three (3) years, the Town shall pay \$2,666 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis. Twenty (20) years or more of service: For three (3) years, the Town shall pay \$1,333 per year toward the annual cost, and the retiree shall pay the difference, payable on a monthly basis.

Eligibility:

Teachers and Administrators: Members who have retired under the Employees' Retirement System of Rhode Island, with a minimum of 10 years of service with the South Kingstown School Department, shall be eligible to receive medical and dental benefits for self and spouse. If vested by 7/1/2005 (Schedule A) eligibility is the earlier of 28 years of service, or age 60 with 10 years of service. If vested after 7/1/2005 (Schedule B) normal retirement age is the earlier of age 65 with 10 years of service, or age 59 with 29 years of service. Early retirement is age 55 with 20 years of service.

Police and EMS: Members who have retired under the Municipal Employees Retirement System for police and firefighters, shall be eligible to receive medical benefits for self and spouse. Eligibility for retirement is completion of 20 years of service regardless of age. A member of the police department may retire provided he or she has earned a retirement allowance of at least 50%.

General Employees: Members who have retired under the Municipal Employees Retirement System, shall be eligible to receive medical benefits for self and spouse. Eligibility for retirement is the earlier of completion of 30 years of service regardless of age, or age 58 with 10 years of service.

Funding Policy:

The Annual Required Contribution (ARC) for the retiree medical program consists of two pieces: A Normal Cost (the cost of benefits earned each year should be accrued in that year plus a Past Service Cost (a catch-up accrual to amortize the unfunded accrual liability). The actuarial valuation selected a 30 year amortization period for the past service costs.

The ARC for the fiscal year ended June 30, 2009 was calculated as follows:

Past service cost.....	\$ 849,300
Normal cost.....	719,500
Interest.....	<u>125,600</u>
ARC for fiscal year ended June 30, 2009	1,694,400
Expected benefit payout during fiscal 2009.....	<u>(1,181,500)</u>
Net budget impact for fiscal 2009	<u>\$ 512,900</u>

The current year expenditures for these postretirement benefits are recognized on a pay-as-you-go basis, as the monthly premiums for the benefits become due. During the year ended June 30, 2009, expenditures of approximately \$913,300 were recognized for postretirement benefits. Of this amount, \$7,000 was paid for life insurance premiums, \$564,700 was paid for health and dental insurance for 52 school retirees, \$256,500 was paid for health insurance for 22 police retirees, \$5,200 was paid for dental insurance for 7 police retirees, \$78,000 was paid for health insurance premiums for 6 public works retirees, and \$1,900 was paid for health insurance premiums for one Town retiree.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued):

In addition to the current year payouts noted above, the Town contributed \$512,900 to the Trust Fund in accordance with the required contributions noted in the actuarial valuation report dated July 1, 2007. Due to the fact that the actual expenditures incurred were less than the expected benefit payout calculated by the actuary the Town did not comply with the ARC for fiscal 2009. The Town's total contributions were \$1,426,200 (84.2% of ARC) versus the ARC of \$1,694,400 resulting in a net OPEB obligation of approximately \$268,000. The net OPEB obligation is deemed immaterial as of June 30, 2009 and therefore has been omitted from the long-term obligations of the Governmental Activities. As of the date of these financial statements the Town is obtaining an updated actuarial valuation of the Trust. The Town will continue to monitor the ARC and contribute all required amounts in future periods.

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 the OPEB Plan with a valuation date of July 1, 2007 which is the most recent report available from the Town of South Kingstown's Actuary.

- | | |
|--|--|
| - Actuarial value of assets - \$-0- | - Actuarial accrued liability - \$15,988,000 |
| - Unfunded actuarial accrued liability (UAAL) - \$15,988,000 | |
| - Funded Ratio - 0.00% | - Annual covered payroll - N/A |
| - UAAL as percentage of payroll - N/A | |

Number of Participants:

As of July 1, 2007 there were approximately 996 members enrolled in the plan. The members included 830 active employees, 95 retired members, and 71 spouses of retirees.

Actuarial Assumptions:

- a. **Actuarial Method:** Projected Unit Credit Cost Method
- b. **Payroll Growth Rate:** 4.25%
- c. **Post Retirement Mortality:** **Teachers** - GRS table based on male teacher experience. 95% of rates in a GRS table based in female teacher experience. **All Others** - 1994 Group Annuity Mortality for males and females, set forward one year for males. **Disabled** - 65% of the PBGC Table Va for disabled males eligible for Social Security disability benefits. 100% of the PBGC Table VIa for disabled families eligible for Social Security disability benefits.
- d. **Pre-retirement Mortality** - 65% of post-retirement mortality rates. 87.5% of pre-retirement deaths are assumed to be Service Connected for Police and EMS.
- e. **Discount Rate Baseline** - 8.00% - The discount rate is based on the long-term earnings potential of the investments in the Trust. The rate assumes investments are maintained 60% in stocks and 40% in bonds.
- f. **Medical Inflation Rate Baseline** -
 - Initial inflation rate - 9.00%
 - Ultimate inflation rate - 5.00%
 - Yearly decrease in inflation rate - 1.00%
 - Years until ultimate inflation rate - 4

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TOWN OF SOUTH KINGSTOWN

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress For Pension Plans
June 30, 2009
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as A percentage of Covered Payroll
General municipal employees pension plan.....	6/30/2006	\$ 33,449,613	\$ 36,166,668	\$ (2,717,055)	92.5%	\$ 10,919,738	-24.9%
	6/30/2007	\$ 37,879,928	\$ 39,465,592	\$ (1,585,664)	96.0%	\$ 11,840,906	-13.4%
	6/30/2008	\$ 42,087,185	\$ 42,973,921	\$ (886,736)	97.9%	\$ 11,911,417	-7.4%
Municipal police pension plan.....	6/30/2006	\$ 17,618,956	\$ 18,455,191	\$ (836,235)	95.5%	\$ 2,442,113	-34.2%
	6/30/2007	\$ 19,576,836	\$ 19,694,461	\$ (117,625)	99.4%	\$ 2,672,801	-4.4%
	6/30/2008	\$ 21,285,185	\$ 21,490,986	\$ (205,801)	99.0%	\$ 2,780,711	-7.4%
EMT pension plan.....	6/30/2006	\$ 1,564,636	\$ 1,072,870	\$ 491,766	145.8%	\$ 565,116	87.0%
	6/30/2007	\$ 1,888,256	\$ 1,239,119	\$ 649,137	152.4%	\$ 645,767	100.5%
	6/30/2008	\$ 2,153,528	\$ 1,235,410	\$ 918,118	174.3%	\$ 656,978	139.7%

The information included in this schedule of funding progress was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2008 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2009 report.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress OPEB Plan
June 30, 2009
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funding Excess (Deficit)	Funded Ratio	ARC for FY 2009
General Fund employees						
OPEB	7/1/2007	\$ -	\$ 7,149,400	\$ (7,149,400)	0.0%	\$ 696,200
Water Department employees						
OPEB	7/1/2007	\$ -	\$ 9,500	\$ (9,500)	0.0%	\$ 1,100
Wastewater Department employees						
OPEB	7/1/2007	\$ -	\$ 770,200	\$ (770,200)	0.0%	\$ 66,400
Neighborhood Guild employees						
OPEB	7/1/2007	\$ -	\$ 8,400	\$ (8,400)	0.0%	\$ 900
Elderly Service Fund employees						
OPEB	7/1/2007	\$ -	\$ 1,800	\$ (1,800)	0.0%	\$ 200
School Department employees						
OPEB	7/1/2007	\$ -	\$ 8,048,700	\$ (8,048,700)	0.0%	\$ 929,600
Total South Kingstown OPEB Trust	7/1/2007	\$ -	\$ 15,988,000	\$ (15,988,000)	0.0%	\$ 1,694,400

There is only one OPEB Trust Plan. The information was provided by Fund/Department to provide additional information to the user.

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated August 26, 2008 prepared by Milliman. The July 1, 2007 valuation is the most recent report available as of the date of the audited financial statements.

Note: As of June 30, 2009 there was only one valuation completed for the Trust due to fiscal 2009 being the first year for implementing GASB 45.

TOWN OF SOUTH KINGSTOWN

OTHER SUPPLEMENTARY INFORMATION



TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The following special revenue funds are reported as nonmajor governmental funds.

TOWN FUNDS

Community Development Block Grant – This fund is used to account for revenues received from the Department of Housing and Urban Development. These funds are restricted for the various objectives of the Community Development Block Grant Program.

Compensated Absences Reserve Fund – This fund was created in fiscal 2008 to establish a reserve to cover future unbudgeted payouts of accrued compensated absences resulting from retirement of long-term employees.

Elderly Services – This fund is used to account for the operations of the Senior Services Center, and for the transportation, nutrition, and adult day care programs for senior citizens residents.

EMS Billing Services - This fund is used to account for revenues received from billing services for the Emergency Medical Services Department.

Narragansett Library Association – This fund is used to account for funds restricted for library operation expenditures.

Neighborhood Guild – This fund is used to account for operations of the Neighborhood Guild facility. The Guild offers numerous recreational programs for Town residents of all ages.

Peace Dale Office Building – This fund is used to account for the operation of the Peace Dale Office Building.

Property Revaluation Reserve Fund - This fund is used to account for the periodic revaluation of property for tax assessment as mandated by State law.

RI Resource Recovery Grant Fund - This fund is used to account for revenues received from RI Resource Recovery Corporation. These funds are restricted to the Town's recycling program.

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TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

Other Town Funds – Outlined below are the remaining Special Revenue Funds which are restricted for various programs maintained by the Town.

Affordable Housing	Municipal Planning Services Reserve
Alcohol Grant	Onsite Wastewater Plan Implementation
Animal Shelter Benefit Fund	RI Emergency Management Grant
Asset Forfeiture Fund	Seat Belt Enforcement Grants
Drug Free Communities Grant	South Road School Reserve Fund
Governor's Justice Commission Grants	Substance Abuse
Historical and Vital Recording Fees	Tobacco Compliance Investigation Project

SCHOOL FUNDS

Nancy Brown Memorial Fund – This fund is used to account for the proceeds to construct a playground at Wakefield Elementary School in memory of Nancy Brown.

School Restricted Funds – These funds are financed by grants from various state and federal agencies and are restricted for specific educational programs.

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following capital project funds are reported as nonmajor governmental funds.

Animal Shelter Addition Fund - This fund is used to account for the addition to the Town's animal shelter.

Bike Path Maintenance Fund – This fund is used to account for the maintenance of the Town Bike Path.

Bridge Improvement Fund – This fund is used to account for the repairs to the 11 bridge structures in the Town.

Capital Equipment & Replacement Fund – This fund is used to account for major capital equipment acquisitions in the Town that are funded over a multi-year period.

Data Processing Improvement Fund – This fund is used to account for major enhancements to the Town's data processing system.

Downtown Intermodal Enhancement Project Fund – This fund is used to account for the construction of a mini park, including vehicle and bicycle parking, a comfort station, and benches adjacent to the South County Bike Path on Main Street.

Impact Fee Reserve Fund – This fund is used to account for the fees collected from subdivision developers for future school and recreational capital improvements.

Land Use Reserve Fund – This fund is used to account for the purchase and development of recreational properties.

Library Building Construction – This fund is used to account for building renovations to the three Town libraries.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS (Continued)

Open Space Reserve Fund – This fund is used to account for real estate conveyance taxes held for the purchase of open space.

Police Building Construction Fund – This fund was established to account for the construction and maintenance of the South Kingstown Public Safety Building.

Public Service Office Building Improvement – This fund was established to account for improvements to the Public Service Office Building.

Public Works Improvement Fund – This fund is used to account for various improvements to the Town's infrastructure system.

Recreation Development and Restoration Fund – This fund is used to account for various restoration projects to the Town's recreational facilities.

Recreation Improvement Fund – This fund is used to account for improvements to the Town's recreational facilities.

Saugatucket River Walkway Construction Fund – This fund is used to account for the construction costs of the Saugatucket River Walkway.

School Improvement Fund – This fund is used to account for the construction of various school improvements.

Senior Services Center Construction Fund – This fund is used to account for the construction costs of the Senior Services Center.

Town Hall Improvement Fund – This fund is used to account for construction improvement projects at the Town Hall.

Wastewater Construction Fund – This fund is used to account for the construction of new wastewater facilities.

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The following permanent funds are reported as nonmajor governmental funds:

Hazard Memorial Trust Fund - To account for funds available for the operations of the Peace Dale Library.

Gertrude S. Parker Trust Fund – To account for a bequest restricted for enhancement and exposure to the visual arts, music, and dance for the students of the South Kingstown School District.

Oliver Watson Home Fund – To account for the operations of the Watson Home, which was established in 1938 to provide shelter and care for elderly town residents.

Walter W. Watson Fund – To account for funds available to assist the poor and needy of South Kingstown.

Kingston Free Library Trust Fund – To account for funds available for the operations of the Kingston Free Library.

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	SPECIAL REVENUE FUNDS								
	<u>Affordable Housing</u>	<u>Alcohol Grant</u>	<u>Animal Shelter Benefit Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Community Development Block Grants</u>	<u>Compensated Absences Reserve Fund</u>	<u>Drug Free Communities Grant</u>	<u>Elderly Services</u>	<u>EMS Billing Services Fund</u>
ASSETS									
Cash and cash equivalents			\$ 711,607	\$ 569		\$ 66,526		\$ 108,184	\$ 656,880
Investments								66,291	
Accounts and other receivable									
Due from federal & state governments	\$ 2,898			4,042	\$ 194,849		\$ 51,473		
Prepays									
Due from other funds	\$ 10,000		523,858	29,490		\$ 506,440			
TOTAL ASSETS	\$ 10,000	\$ 2,898	\$ 1,235,465	\$ 34,101	\$ 194,849	\$ 572,966	\$ 51,473	\$ 174,475	\$ 656,880
LIABILITIES									
Accounts payable					\$ 1,728		\$ 3,594	\$ 10,490	\$ 3,648
Retainage payable									
Accrued liabilities			\$ 13,463					13,510	
Due to federal & state governments									
Due to other funds	\$ 2,898				34,503		7,773	80,281	2,431
Deferred revenue				\$ 34,101	158,618		40,106		
TOTAL LIABILITIES	\$ -	2,898	13,463	34,101	194,849	\$ -	51,473	104,281	6,079
FUND BALANCES									
Reserved for prepaids	-	-	-	-	-	-	-	-	-
Reserved for encumbrances					(47,520)		5,000		
Reserved for endowments									
Designated for fiscal 2010 operations									
Unreserved, undesignated	10,000	-	1,222,002	-	47,520	572,966	(5,000)	70,194	650,801
TOTAL FUND BALANCES	10,000	-	1,222,002	-	-	572,966	-	70,194	650,801
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,000	\$ 2,898	\$ 1,235,465	\$ 34,101	\$ 194,849	\$ 572,966	\$ 51,473	\$ 174,475	\$ 656,880

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	SPECIAL REVENUE FUNDS								
	Governor Justice Commission Grants	Historical & Vital Recording Fees	Municipal Planning Services Reserve	Narragansett Library Association	Neighborhood Guild	Onsite Wastewater Plan Implementation	Peacedale Office Building	Property Revaluation Reserve Fund	RI Emergency Management Grant
ASSETS									
Cash and cash equivalents				\$ 21,200	\$ 82,113		\$ 202,770		
Investments				15,357					
Accounts and other receivable					7,492		65		
Due from federal & state governments	\$ 27,346					\$ 770		\$ 110,133	\$ 452
Prepays					8,136				
Due from other funds		\$ 142,911	\$ 148,000		88,750			479,018	
TOTAL ASSETS	\$ 27,346	\$ 142,911	\$ 148,000	\$ 36,557	\$ 186,491	\$ 770	\$ 202,835	\$ 589,151	\$ 452
LIABILITIES									
Accounts payable	\$ 20,982	\$ 220			\$ 12,472		\$ 1,219	\$ 9,219	\$ 452
Retainage payable								1,802	
Accrued liabilities					11,257		3,575		
Due to federal & state governments									
Due to other funds	1,800				14,947	\$ 770	1,885		
Deferred revenue	4,564				54,411		3,100	93,249	
TOTAL LIABILITIES	27,346	220	\$ -	\$ -	93,087	770	9,779	104,270	452
FUND BALANCES									
Reserved for prepaids	-	-	-	-	8,136	-	-	-	-
Reserved for encumbrances	17,400							179,869	
Reserved for endowments									
Designated for fiscal 2010 operations					25,000				
Unreserved, undesignated	(17,400)	142,691	148,000	36,557	60,268	-	193,056	305,012	-
TOTAL FUND BALANCES	-	142,691	148,000	36,557	93,404	-	193,056	484,881	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,346	\$ 142,911	\$ 148,000	\$ 36,557	\$ 186,491	\$ 770	\$ 202,835	\$ 589,151	\$ 452

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	SPECIAL REVENUE FUNDS							Total Special Revenue Funds
	RI Resources Recovery Grant	Seat Belt Enforcement Grants	South Road School Reserve Fund	Substance Abuse	Tobacco Compliance Investigation Project	Nancy Brown Memorial Fund	School Restricted Fund	
ASSETS								
Cash and cash equivalents						\$ 3,120		\$ 1,852,969
Investments								15,357
Accounts and other receivable								73,848
Due from federal & state governments		\$ 23,631		\$ 2,553	\$ 819		\$ 429,708	848,674
Prepays								8,136
Due from other funds	\$ 22,917	-	\$ 337,133	4,906	19		64,720	2,358,162
TOTAL ASSETS	\$ 22,917	\$ 23,631	\$ 337,133	\$ 7,459	\$ 838	\$ 3,120	\$ 494,428	\$ 5,157,146
LIABILITIES								
Accounts payable	\$ 3,821			\$ 4,297	\$ 80			\$ 72,222
Retainage payable								1,802
Accrued liabilities	657	\$ 329			758		\$ 48,558	92,107
Due to federal & state governments								-
Due to other funds		7,958					420,048	575,294
Deferred revenue		15,344		3,162			25,822	432,477
TOTAL LIABILITIES	4,478	23,631	\$ -	7,459	838	\$ -	494,428	1,173,902
FUND BALANCES								
Reserved for prepaids								8,136
Reserved for encumbrances								154,749
Reserved for endowments								-
Designated for fiscal 2010 operations								25,000
Unreserved, undesignated	18,439		337,133			3,120		3,795,359
TOTAL FUND BALANCES	18,439		337,133			3,120		3,983,244
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,917	\$ 23,631	\$ 337,133	\$ 7,459	\$ 838	\$ 3,120	\$ 494,428	\$ 5,157,146

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2009**

	CAPITAL PROJECT FUNDS								
	<u>Animal Shelter Addition Fund</u>	<u>Bike Path Maintenance Fund</u>	<u>Bridge Improvement Fund</u>	<u>Capital Equipment & Replacement Fund</u>	<u>Data Processing Improvement Fund</u>	<u>Downtown Intermodal Enhancement Project Fund</u>	<u>Impact Fee Reserve Fund</u>	<u>Land Use Reserve Fund</u>	<u>Library Building Construction</u>
ASSETS									
Cash and cash equivalents			\$ 125,294					\$ 175,014	\$ 107,742
Investments									
Accounts and other receivable									
Due from federal & state governments									
Prepays									
Due from other funds	\$ 14,139	\$ 1,712	250,410	\$ 514,481	\$ 91,813		\$ 1,314,290	135,476	28,783
TOTAL ASSETS	\$ 14,139	\$ 1,712	\$ 375,704	\$ 514,481	\$ 91,813	\$ -	\$ 1,314,290	\$ 310,490	\$ 136,525
LIABILITIES									
Accounts payable									
Retainage payable									
Accrued liabilities									
Due to federal & state governments									
Due to other funds						\$ 13,300			
Deferred revenue									
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	13,300	\$ -	\$ -	\$ -
FUND BALANCES									
Reserved for prepaids	-		-						
Reserved for encumbrances	16,618		26,491			5,700			15,052
Reserved for endowments									
Designated for fiscal 2010 operations									
Unreserved, undesignated	(2,479)	1,712	349,213	514,481	91,813	(19,000)	\$ 1,314,290	310,490	121,473
TOTAL FUND BALANCES	14,139	1,712	375,704	514,481	91,813	(13,300)	1,314,290	310,490	136,525
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,139	\$ 1,712	\$ 375,704	\$ 514,481	\$ 91,813	\$ -	\$ 1,314,290	\$ 310,490	\$ 136,525

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2009

	CAPITAL PROJECT FUNDS								
	Open Space Reserve Fund	Police Building Construction Fund	Public Service Office Building Improvement	Public Works Improvement Fund	Recreation Development & Restoration Fund	Recreation Improvement Fund	Saugatucket River Walkway Construction Fund	School Improvement Fund	Senior Services Center Construction Fund
ASSETS									
Cash and cash equivalents	\$ 734,943						\$ 18,346	\$ -	\$ 89,160
Investments									
Accounts and other receivable					\$ 119,773		10,472		
Due from federal & state governments									
Prepays	419,416	\$ 311,941	\$ 7,710	\$ 1,724,172	308,827	\$ 47,335	10,875		95,000
Due from other funds									
TOTAL ASSETS	\$ 1,154,359	\$ 311,941	\$ 7,710	\$ 1,724,172	\$ 428,600	\$ 47,335	\$ 39,693	\$ -	\$ 184,160
LIABILITIES									
Accounts payable		\$ 50,000			\$ 3,360			\$ 41,209	
Retainage payable									
Accrued liabilities									
Due to federal & state governments									
Due to other funds								1,142,109	
Deferred revenue					119,773				
TOTAL LIABILITIES	-	50,000	\$ -	\$ -	123,133	\$ -	\$ -	1,183,318	\$ -
FUND BALANCES									
Reserved for prepaids	-	-	-	-	-	-	-	-	-
Reserved for encumbrances					10,000		12,015		
Reserved for endowments									
Designated for fiscal 2010 operations									
Unreserved, undesignated	1,154,359	261,941	7,710	1,724,172	295,467	47,335	27,678	(1,183,318)	184,160
TOTAL FUND BALANCES	1,154,359	261,941	7,710	1,724,172	305,467	47,335	39,693	(1,183,318)	184,160
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,154,359	\$ 311,941	\$ 7,710	\$ 1,724,172	\$ 428,600	\$ 47,335	\$ 39,693	\$ -	\$ 184,160

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	CAPITAL PROJECT FUNDS			PERMANENT FUNDS					Total Nonmajor Governmental Funds	
	Town Hall Improvement Fund	Wastewater Construction Fund	Total Capital Project Funds	Hazard Memorial Trust	Gertrude S. Parker Trust	Oliver Watson Home Fund	Walter W. Watson Trust	Kingston Free Library Trust Fund		Total Permanent Funds
ASSETS										
Cash and cash equivalents		\$ 4,640,820	\$ 5,891,319	\$ 176,378	\$ 10,897	\$ 236,605	\$ 196,433	\$ 132,113	\$ 752,426	\$ 8,496,714
Investments			-	212,146				507,779	719,925	735,282
Accounts and other receivable			-	2					2	73,850
Due from federal & state governments			130,245						-	978,919
Prepays			-						-	8,136
Due from other funds	\$ 124,259		5,400,639						-	7,758,801
TOTAL ASSETS	\$ 124,259	\$ 4,640,820	\$ 11,422,203	\$ 388,526	\$ 10,897	\$ 236,605	\$ 196,433	\$ 639,892	\$ 1,472,353	\$ 18,051,702
LIABILITIES										
Accounts payable			\$ 94,569			\$ 130			\$ 130	\$ 166,921
Retainage payable			-						-	1,802
Accrued liabilities			-						-	92,107
Due to federal & state governments			-						-	-
Due to other funds			1,155,409						-	1,730,703
Deferred revenue			119,773						-	552,250
TOTAL LIABILITIES	\$ -	\$ -	\$ 1,369,751	\$ -	\$ -	130	\$ -	\$ -	130	2,543,783
FUND BALANCES										
Reserved for prepaids			-						-	8,136
Reserved for encumbrances			85,876						-	240,625
Reserved for endowments			-	3,915			40,339	639,892	684,146	684,146
Designated for fiscal 2010 operations			-						-	25,000
Unreserved, undesignated	124,259	4,640,820	9,966,576	384,611	10,897	236,475	156,094		788,077	14,550,012
TOTAL FUND BALANCES	124,259	4,640,820	10,052,452	388,526	10,897	236,475	196,433	639,892	1,472,223	15,507,919
TOTAL LIABILITIES AND FUND BALANCES	\$ 124,259	\$ 4,640,820	\$ 11,422,203	\$ 388,526	\$ 10,897	\$ 236,605	\$ 196,433	\$ 639,892	\$ 1,472,353	\$ 18,051,702

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	SPECIAL REVENUE FUNDS								
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Community Development Block Grants	Compensated Absences Reserve Fund	Drug Free Communities Grant	Elderly Services	EMS Billing Services Fund
REVENUES:									
Interest and investment income			\$ 15,983					\$ 1,016	\$ 14,967
Fines and charges									615,319
Fees and assessments			11,175					87,532	
Intergovernmental Contributions		\$ 8,218		\$ 841	\$ 135,145		\$ 106,609	295,572	
Other			21,198	3,872	12,530			893	
Total revenues	\$ -	8,218	48,356	4,713	147,675	\$ -	106,609	385,013	630,286
EXPENDITURES:									
Current:									
Recreation									
Education									
Other expenses		8,218	1,392	4,713	147,675		106,609	754,861	143,856
Debt Service:									
Debt service principal									
Interest expense									
Capital improvements									
Total expenditures	-	8,218	1,392	4,713	147,675	-	106,609	754,861	143,856
Excess (deficiency) of revenues over (under) expenditures	-	-	46,964	-	-	-	-	(369,848)	486,430
OTHER FINANCING SOURCES (USES)									
Transfers in						125,000		434,050	
Transfers out								(25,000)	(375,000)
Total other financing sources (uses)	-	-	-	-	-	125,000	-	409,050	(375,000)
Net change in fund balances	-	-	46,964	-	-	125,000	-	39,202	111,430
Fund balances - beginning of year	10,000	-	1,175,038	-	-	447,966	-	30,992	539,371
Fund balances - end of year	\$ 10,000	\$ -	\$ 1,222,002	\$ -	\$ -	\$ 572,966	\$ -	\$ 70,194	\$ 650,801

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	SPECIAL REVENUE FUNDS								
	Governor Justice Commission Grants	Historical & Vital Recording Fees	Municipal Planning Services Reserve	Narragansett Library Association	Neighborhood Guild	Onsite Wastewater Plan Implementation	Peacedale Office Building	Property Revaluation Reserve Fund	RI Emergency Management Grant
REVENUES:									
Interest and investment income				\$ (10,934)	\$ 2,726		\$ 4,329		
Fines and charges					386,899		68,210		
Fees and assessments		\$ 37,422							
Intergovernmental	\$ 30,357					\$ 317		\$ 16,883	\$ 78,753
Contributions				66,064	16,659		9,287		
Other									
Total revenues	30,357	37,422	\$ -	55,130	406,284	317	81,826	16,883	78,753
EXPENDITURES:									
Current:									
Recreation					759,598				
Education									
Other expenses	30,357	17,161		20		317	63,348	18,684	78,753
Debt Service:									
Debt service principal					55,000				
Interest expense					15,175				
Capital Improvements							2,736		
Total expenditures	30,357	17,161	-	20	829,773	317	66,084	18,684	78,753
Excess (deficiency) of revenues over (under) expenditures	-	20,261	-	55,110	(423,489)	-	15,742	(1,801)	-
OTHER FINANCING SOURCES (USES)									
Transfers in			53,000		425,175			299,000	
Transfers out			-	(66,570)					
Total other financing sources (uses)	-	-	53,000	(66,570)	425,175	-	-	299,000	-
Net change in fund balances	-	20,261	53,000	(11,460)	1,686	-	15,742	297,199	-
Fund balances - beginning of year	-	122,430	95,000	48,017	91,718	-	177,314	187,682	-
Fund balances - end of year	\$ -	\$ 142,691	\$ 148,000	\$ 36,557	\$ 93,404	\$ -	\$ 193,056	\$ 484,881	\$ -

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009**

	SPECIAL REVENUE FUND							
	RI Resources Recovery Grant	Seat Belt Enforcement Grants	South Road School Reserve Fund	Substance Abuse	Tobacco Compliance Investigation Project	Nancy Brown Memorial Fund	School Restricted Fund	Total Special Revenue Funds
REVENUES:								
Interest and investment income						\$ 6		\$ 28,093
Fines and charges			\$ 44,444					1,114,872
Fees and assessments								136,129
Intergovernmental Contributions	\$ 250,538	\$ 27,955		\$ 37,499	\$ 819		\$ 1,294,187	2,283,693
Other					19			92,010
Total revenues	250,538	27,955	44,444	37,499	838	6	1,294,187	3,693,309
EXPENDITURES:								
Current:								
Recreation								759,598
Education							1,537,481	1,537,481
Other expenses	338,227	27,955		37,499	838			1,780,483
Debt Service:								
Debt service principal								55,000
Interest expense								15,175
Capital Improvements			6,909					9,645
Total expenditures	338,227	27,955	6,909	37,499	838	-	1,537,481	4,157,382
Excess (deficiency) of revenues over (under) expenditures	(87,689)	-	37,535	-	-	6	(243,294)	(464,073)
OTHER FINANCING SOURCES (USES)								
Transfers in	106,128						243,294	1,685,647
Transfers out								(466,570)
Total other financing sources (uses)	106,128	-	-	-	-	-	243,294	1,219,077
Net change in fund balances	18,439	-	37,535	-	-	6	-	755,004
Fund balances - beginning of year	-	-	299,598	-	-	3,114	-	3,228,240
Fund balances - end of year	\$ 18,439	\$ -	\$ 337,133	\$ -	\$ -	\$ 3,120	\$ -	\$ 3,983,244

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	CAPITAL PROJECT FUNDS								
	Animal Shelter Addition Fund	Bike Path Maintenance Fund	Bridge Improvement Fund	Capital Equipment & Replacement Fund	Data Processing Improvement Fund	Downtown Intermodal Enhancement Project Fund	Impact Fee Reserve Fund	Land Use Reserve Fund	Library Building Construction
REVENUES:									
Interest and investment income			\$ 3,544					\$ 3,931	\$ 2,358
Fines and charges									
Fees and assessments							\$ 250,198		
Intergovernmental Contributions	\$ 1,490		29,751						19,500
Other									
Total revenues	1,490	\$ -	33,295	\$ -	\$ -	\$ -	250,198	3,931	21,858
EXPENDITURES:									
Current:									
Recreation									
Education									
Other expenses									
Debt Service:									
Debt service principal									
Interest expense									
Capital Improvements	59,851	3,450	40,872						14,861
Total expenditures	59,851	3,450	40,872	-	-	-	-	-	14,861
Excess (deficiency) of revenues over (under) expenditures	(58,361)	(3,450)	(7,577)	-	-	-	250,198	3,931	6,997
OTHER FINANCING SOURCES (USES)									
Transfers in			100,000	371,000	10,000				
Transfers out							(197,984)		
Total other financing sources (uses)	-	-	100,000	371,000	10,000	-	(197,984)	-	-
Net change in fund balances	(58,361)	(3,450)	92,423	371,000	10,000	-	52,214	3,931	6,997
Fund balances - beginning of year	72,500	5,162	283,281	143,481	81,813	(13,300)	1,262,076	306,559	129,528
Fund balances - end of year	\$ 14,139	\$ 1,712	\$ 375,704	\$ 514,481	\$ 91,813	\$ (13,300)	\$ 1,314,290	\$ 310,490	\$ 136,525

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	CAPITAL PROJECT FUNDS								
	Open Space Reserve Fund	Police Building Construction Fund	Public Service Office Building Improvement	Public Works Improvement Fund	Recreation Development & Restoration Fund	Recreation Improvement Fund	Saugatucket River Walkway Construction Fund	School Improvement Fund	Senior Services Center Construction Fund
REVENUES:									
Interest and investment income	\$ 17,694					\$ 514		\$ 2,067	
Fines and charges									
Fees and assessments	223,052								
Intergovernmental Contributions					\$ 43,618	10,472			
Other					175	1,000	\$ 58		
Total revenues	240,746	\$ -	\$ -	\$ -	43,793	\$ -	11,986	58	2,067
EXPENDITURES:									
Current:									
Recreation									
Education									
Other expenses									
Debt Service:									
Debt service principal									
Interest expense									
Capital Improvements	65,108	72,439	10,372	54,615	52,580	28,985	947,001	2,314	
Total expenditures	65,108	72,439	10,372	54,615	52,580	-	28,985	947,001	2,314
Excess (deficiency) of revenues over (under) expenditures	175,638	(72,439)	(10,372)	(54,615)	(8,787)	-	(16,999)	(946,943)	(247)
OTHER FINANCING SOURCES (USES)									
Transfers in		130,000	10,000	580,000	106,000	10,000		97,353	20,000
Transfers out	(325,000)	-							
Total other financing sources (uses)	(325,000)	130,000	10,000	580,000	106,000	10,000	-	97,353	20,000
Net change in fund balances	(149,362)	57,561	(372)	525,385	97,213	10,000	(16,999)	(849,590)	19,753
Fund balances - beginning of year	1,303,721	204,380	8,082	1,198,787	208,254	37,335	56,692	(333,728)	164,407
Fund balances - end of year	\$ 1,154,359	\$ 261,941	\$ 7,710	\$ 1,724,172	\$ 305,467	\$ 47,335	\$ 39,693	\$ (1,183,318)	\$ 184,160

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	CAPITAL PROJECT FUNDS			PERMANENT FUNDS					Total Permanent Funds	Total Nonmajor Governmental Funds
	Town Hall Improvement Fund	Wastewater Construction Fund	Total Capital Project Funds	Hazard Memorial Trust	Gertrude S. Parker Trust	Oliver Watson Home Fund	Walter W. Watson Trust	Kingston Free Library Trust Fund		
REVENUES:										
Interest and investment income		\$ 101,190	\$ 131,298	\$ (6,612)	\$ 164	\$ 5,635	\$ 4,974	\$ (53,510)	(49,349)	\$ 110,042
Fines and charges			-						-	1,114,872
Fees and assessments		96,921	570,171						-	706,300
Intergovernmental			83,841						-	2,367,534
Contributions			20,990						-	113,000
Other			1,233						-	39,745
Total revenues	\$ -	198,111	807,533	(6,612)	164	5,635	4,974	(53,510)	(49,349)	4,451,493
EXPENDITURES:										
Current:										
Recreation			-						-	759,598
Education			-						-	1,537,481
Other expenses			-	15,980		4,015	1,564	6,885	28,444	1,808,927
Debt Service:										
Debt service principal			-						-	55,000
Interest expense			-						-	15,175
Capital improvements			1,352,448						-	1,362,093
Total expenditures	-	-	1,352,448	15,980	-	4,015	1,564	6,885	28,444	5,538,274
Excess (deficiency) of revenues over (under) expenditures	-	198,111	(544,915)	(22,592)	164	1,620	3,410	(60,395)	(77,793)	(1,086,781)
OTHER FINANCING SOURCES (USES)										
Transfers in	20,000		1,454,353						-	3,140,000
Transfers out	-		(522,984)			(20,000)		(31,016)	(51,016)	(1,040,570)
Total other financing sources (uses)	20,000	-	931,369	-	-	(20,000)	-	(31,016)	(51,016)	2,099,430
Net change in fund balances	20,000	198,111	386,454	(22,592)	164	(18,380)	3,410	(91,411)	(128,809)	1,012,649
Fund balances - beginning of year	104,259	4,442,709	9,665,998	411,118	10,733	254,855	193,023	731,303	1,601,032	14,495,270
Fund balances - end of year	\$ 124,259	\$ 4,640,820	\$ 10,052,452	\$ 388,526	\$ 10,897	\$ 236,475	\$ 196,433	\$ 639,892	\$ 1,472,223	\$ 15,507,919

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

AGENCY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, and other governments. The following funds are reported in this section:

Unclaimed Estates – To account for unclaimed estates that are in probate.

Student Activities Fund – To account for funds held in various school programs.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

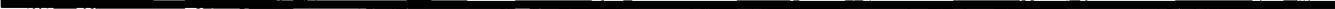
Statement of Changes in Assets and Liabilities
 Agency Funds
 Year ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Unclaimed Estates</u>				
ASSETS:				
Cash	\$ 118,571	\$ 577	\$ 75,411	\$ 43,737
TOTAL ASSETS	<u>\$ 118,571</u>	<u>\$ 577</u>	<u>\$ 75,411</u>	<u>\$ 43,737</u>
LIABILITIES:				
Deposits held in custody for others	\$ 118,571	\$ 577	\$ 75,411	\$ 43,737
TOTAL LIABILITIES	<u>\$ 118,571</u>	<u>\$ 577</u>	<u>\$ 75,411</u>	<u>\$ 43,737</u>
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 224,329	\$ 772,002	\$ 705,274	\$ 291,057
Investments	10,560	761		11,321
TOTAL ASSETS	<u>\$ 234,889</u>	<u>\$ 772,763</u>	<u>\$ 705,274</u>	<u>\$ 302,378</u>
LIABILITIES:				
Deposits held in custody for others	\$ 234,889	\$ 772,763	\$ 705,274	\$ 302,378
TOTAL LIABILITIES	<u>\$ 234,889</u>	<u>\$ 772,763</u>	<u>\$ 705,274</u>	<u>\$ 302,378</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 342,900	\$ 772,579	\$ 780,685	\$ 334,794
Investments	10,560	761	-	11,321
TOTAL ASSETS	<u>\$ 353,460</u>	<u>\$ 773,340</u>	<u>\$ 780,685</u>	<u>\$ 346,115</u>
LIABILITIES:				
Deposits held in custody for others	353,460	773,340	780,685	346,115
TOTAL LIABILITIES	<u>\$ 353,460</u>	<u>\$ 773,340</u>	<u>\$ 780,685</u>	<u>\$ 346,115</u>

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TOWN OF SOUTH KINGSTOWN

CAPITAL ASSETS



TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)**

	<u>2009</u>	<u>2008</u>
Governmental funds capital assets:		
Land	\$ 12,404,909	\$ 12,339,801
Buildings	30,284,552	30,284,552
Improvements	47,931,487	46,893,622
Machinery and equipment	15,820,469	15,888,465
Infrastructure	33,207,433	31,445,381
Construction in progress	254,059	1,303,935
	<hr/>	<hr/>
Total governmental funds capital assets	\$ 139,902,909	\$ 138,155,756
	<hr/>	<hr/>
Investments in governmental funds capital assets by source:		
General fund	\$ 9,573,013	\$ 9,664,330
Special revenue funds	6,594,971	6,808,549
Capital project funds	123,734,925	121,682,877
	<hr/>	<hr/>
Total governmental funds capital assets	\$ 139,902,909	\$ 138,155,756
	<hr/>	<hr/>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2009**

<u>Function and activity</u>	<u>Land</u>	<u>Building</u>	<u>Improvements</u>	<u>Machinery And Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:							
Council				\$ 52,563			\$ 52,563
Clerk			\$ 99,977	115,667			215,644
Manager				61,384			61,384
Building and grounds	\$ 54,298	\$ 200,361	1,658,867	58,920			1,972,446
Finance and administration				207,648			207,648
Planning				135,406			135,406
Inspector				64,517			64,517
Other - unclassified	46,500	22,049		55,499			124,048
Total general government	100,798	222,410	1,758,844	751,604	-	-	2,833,656
Schools	337,705	20,334,627	37,403,226	6,214,743	-	-	64,290,301
Public Safety:							
Police	542,982	5,096,175		2,012,656			7,651,813
Fire and alarms	48,000	105,677	6,646	562,955	387,260		1,110,538
Emergency management				666,099			666,099
Total public safety	590,982	5,201,852	6,646	3,241,710	387,260	-	9,428,450
Streets and highways	10,250	777,822	487,641	3,049,712	32,783,588	-	37,109,013
Recreation and parks	11,235,174	1,914,108	5,123,769	1,715,278	36,585	-	20,024,914
Public libraries	75,000	129,000	2,837,097	565,105	-	-	3,606,202
Elderly services	55,000	1,704,733	314,264	282,317	-	-	2,356,314
Construction in progress	-	-	-	-	-	\$ 254,059	254,059
Total general capital assets	\$ 12,404,909	\$ 30,284,552	\$ 47,931,487	\$ 15,820,469	\$ 33,207,433	\$ 254,059	\$ 139,902,909

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Function and Activity</u>	<u>Balance July 1, 2008</u>	<u>Additions & Transfers In</u>	<u>Deductions & Transfers Out</u>	<u>Balance June 30, 2009</u>
General government:				
Council	\$ 52,050	\$ 513		\$ 52,563
Clerk	217,803	965	\$ 1,265	217,503
Manager	72,610	3,232	15,300	60,542
Buildings and grounds	1,974,299		1,853	1,972,446
Finance and administration	224,778	19,117	39,761	204,134
Planning	130,804	8,538	1,439	137,903
Inspector	64,517			64,517
Other - unclassified	123,923	125		124,048
Total general government	2,860,784	32,490	59,618	2,833,656
Schools	63,427,473	1,351,485	488,657	64,290,301
Public safety:				
Police	7,471,168	296,985	116,340	7,651,813
Fire and alarms	1,169,043	-	58,505	1,110,538
Emergency management	671,209	50,941	56,051	666,099
Total public safety	9,311,420	347,926	230,896	9,428,450
Streets and highways	35,332,903	1,782,512	6,402	37,109,013
Recreation and parks	19,935,794	103,602	14,482	20,024,914
Public libraries	3,601,810	37,494	33,102	3,606,202
Elderly services	2,381,637	5,316	30,639	2,356,314
Construction in progress	1,303,935	2,261,034	3,310,910	254,059
Total general capital assets	\$ 138,155,756	\$ 5,921,859	\$ 4,174,706	\$ 139,902,909

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TOWN OF SOUTH KINGSTOWN

OTHER EXHIBITS

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Year</u>	<u>Mill Rate</u>	<u>Property Taxes Receivable July 1, 2008</u>	<u>Current Year Assessment</u>	<u>Transfers Addendums (Net)</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Collections Net of Refunds</u>	<u>Property Taxes Receivable June 30, 2009</u>
2008	\$11.97		\$ 63,726,992	\$ 95,903	\$ 412,626	\$ 63,410,269	\$ 62,408,509	\$ 1,001,760
2007	11.51	\$ 914,690		744	9,731	905,703	845,133	60,570
2006	13.65	69,794			358	69,436	44,898	24,538
2005	13.13	43,089			1,904	41,185	14,331	26,854
2004	12.58	32,558			1,708	30,850	7,243	23,607
2003	19.91	32,108			2,194	29,914	2,803	27,111
2002	19.02	29,504			2,056	27,448	3,140	24,308
2001	17.90	31,891			881	31,010	2,322	28,688
2000	20.75	20,555			994	19,561	842	18,719
1999	20.75	31,057			1,978	29,079	833	28,246
1998	19.38	47,666			4,610	43,056	1,116	41,940
1997	18.71	39,215			38,843	372	73	299
1996	17.79	35,856			35,856	-	-	-
1995	16.84	36,019			34,566	1,453	-	1,453
1994	15.92	35,218			32,840	2,378	-	2,378
1993	27.31	60,071			60,071	-	-	-
1992	26.92	66,860			66,860	-	-	-
1991	26.92	67,670			67,670	-	-	-
1990	24.54	71,490			71,490	-	-	-
1989	22.92	51,346			51,346	-	-	-
1988	21.96	42,658			42,658	-	-	-
Subtotal		1,759,315	\$ 63,726,992	\$ 96,647	\$ 941,240	\$ 64,641,714	\$ 63,331,243	1,310,471
Less: estimated allowance for uncollectable accounts		<u>821,656</u>						<u>317,198</u>
Net property taxes receivable		\$ 937,659						\$ 993,273

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Schedule of Net Assessed Property Value by Category</u>			<u>Reconciliation of Current Year Property Tax Revenue</u>	
<u>Description of Property</u>	<u>Assessed December 31, 2007</u>			
	<u>Valuations</u>	<u>Levy</u>		
Real property	\$ 4,916,170,101	\$ 58,842,624	Current year collections	\$ 63,331,243
Motor vehicles	122,641,096	2,294,616	Revenue received 60 days subsequent to fiscal year ending June 30, 2009	391,153
Tangible property	230,002,495	2,752,947	Subtotal	63,722,396
Wholesale and retail inventory	-	-	Prior year revenue received in current year (2008 60 day rule)	(412,558)
Total	5,268,813,692	63,890,187	Current year property tax revenue	\$ 63,309,838
Exemptions and adjustments	13,308,202	163,195		
Net assessed value	\$ 5,255,505,490	\$ 63,726,992		

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN

STATISTICAL SECTION

This part of the Town's comprehensive annual financial report presents information to supplement and provide multi-year trend information to enable readers to gain a better understanding of the Town's financial health.

Financial Trends: Schedules 1 through 4 contain trend information to help the reader understand changes in financial performance over a period of time.

Revenue Capacity: Schedules 5 through 7 contain information to help the reader assess the factors affecting the Town's ability to generate property tax revenue.

Debt Capacity: Schedules 8 through 10 contain information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic Information: Schedules 11 and 12 contain demographic information to help the reader understand the environment in which the Town's financial activities take place.

Operating Information: Schedules 13 through 15 contain information about the Town's operations and resources over a period of time.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 1
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS**

	Fiscal Year ended June 30			
	2006	Restated 2007	2008	2009
Governmental activities				
Invested in capital assets, net of related debt	\$ 57,027,194	\$ 53,793,454	\$ 55,954,948	\$ 58,268,229
Restricted	15,430,240	17,131,006	15,981,878	13,627,269
Unrestricted	19,337,021	22,077,926	23,644,356	25,159,357
Total governmental activities net assets	91,794,455	93,002,386	95,581,182	97,054,855
Business-type activities				
Invested in capital assets, net of related debt	21,673,567	21,425,967	22,481,289	21,953,466
Restricted	-	-	-	-
Unrestricted	3,630,933	3,732,628	4,065,992	4,699,813
Total business-type activities net assets	25,304,500	25,158,595	26,547,281	26,653,279
Primary government				
Invested in capital assets, net of related debt	78,700,761	75,219,421	78,436,237	80,221,695
Restricted	15,430,240	17,131,006	15,981,878	13,627,269
Unrestricted	22,967,954	25,810,554	27,710,348	29,859,170
Total primary government net assets	\$ 117,098,955	\$ 118,160,981	\$ 122,128,463	\$ 123,708,134

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 2
CHANGES IN NET ASSETS, LAST FOUR FISCAL YEARS
GOVERNMENTAL ACTIVITIES
(accrual basis of accounting)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Governmental activities:				
General government	\$ 7,794,143	\$ 8,559,664	\$ 8,806,804	\$ 8,773,435
Public safety	6,163,017	6,701,924	6,784,029	6,809,682
Public works	2,726,315	3,221,185	2,905,202	3,381,225
Human service agency contributions	183,015	178,356	183,987	188,927
Public libraries	953,482	988,273	1,039,669	1,039,152
Education	55,630,802	60,131,860	62,853,934	63,199,438
Recreation	2,281,584	2,319,532	2,322,764	2,301,367
Interest on long-term debt	1,499,745	1,560,963	1,520,722	1,369,147
Total governmental activities	<u>77,232,103</u>	<u>83,661,757</u>	<u>86,417,111</u>	<u>87,062,373</u>
Business-type activities:				
Wastewater	2,792,376	2,972,625	3,144,544	3,152,653
Solid Waste	893,562	948,464	945,596	477,435
Water	679,376	713,784	835,913	784,999
School Cafeteria	1,056,629	1,095,906	1,041,418	992,566
Total business-type activities	<u>5,421,943</u>	<u>5,730,779</u>	<u>5,967,471</u>	<u>5,407,653</u>
Total primary government expense	<u>\$ 82,654,046</u>	<u>\$ 89,392,536</u>	<u>\$ 92,384,582</u>	<u>\$ 92,470,026</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,534,120	\$ 3,794,768	\$ 3,617,841	\$ 3,170,376
Public safety	806,200	1,001,582	989,173	881,568
Public works	59,500	61,100	62,935	65,465
Public libraries	28,106	28,478	28,348	30,186
Education	1,203,376	1,141,449	1,003,973	988,731
Recreation	885,410	820,278	800,684	821,301
Operating grants and contributions	15,030,606	16,188,793	16,321,642	14,978,592
Capital grants and contributions	4,186,452	292,834	272,145	105,831
Total governmental activities program revenues	<u>26,733,770</u>	<u>23,329,282</u>	<u>23,096,741</u>	<u>21,042,050</u>
Business-type activities:				
Charges for services:				
Wastewater	2,474,993	2,660,233	3,065,229	3,080,743
Solid Waste	956,613	950,248	789,355	478,540
Water	814,374	749,067	866,797	940,327
School Cafeteria	795,794	787,352	760,830	721,789
Operating grants and contributions	202,997	234,927	504,696	265,866
Capital grants and contributions	404,100	-	307,075	-
Total business-type activities	<u>5,648,871</u>	<u>5,381,827</u>	<u>6,293,982</u>	<u>5,487,265</u>
Total primary government program revenues	<u>\$ 32,382,641</u>	<u>\$ 28,711,109</u>	<u>\$ 29,390,723</u>	<u>\$ 26,529,315</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 2
CHANGES IN NET ASSETS, LAST FOUR FISCAL YEARS
GOVERNMENTAL ACTIVITIES
(accrual basis of accounting)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense)/Revenue				
Governmental activities	\$ (50,498,333)	\$ (60,332,475)	\$ (63,320,370)	\$ (66,020,323)
Business-type activities	226,928	(348,952)	326,511	79,612
Total primary government net expense	<u>\$ (50,271,405)</u>	<u>\$ (60,681,427)</u>	<u>\$ (62,993,859)</u>	<u>\$ (65,940,711)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 54,828,438	\$ 58,032,552	\$ 60,903,094	\$ 63,974,336
Motor vehicle phase-out taxes	1,828,726	2,165,338	2,167,848	2,178,075
Telephone and hotel taxes	389,466	337,594	339,967	357,171
Grants and aid not restricted for a specific program	2,400,435	2,396,341	2,295,069	1,737,177
Unrestricted investment earnings	2,084,407	4,000,792	1,073,334	(834,736)
Miscellaneous	7,385	-	-	-
Transfers	1,087,993	25,197	(880,146)	81,973
Total governmental activities	<u>62,626,850</u>	<u>66,957,814</u>	<u>65,899,166</u>	<u>67,493,996</u>
Business-type activities:				
Unrestricted investment earnings	155,843	228,244	182,029	108,359
Capital contributions	-	-	-	-
Transfers	(1,087,993)	(25,197)	880,146	(81,973)
Total business type activities	<u>(932,150)</u>	<u>203,047</u>	<u>1,062,175</u>	<u>26,386</u>
Total primary government	<u>\$ 61,694,700</u>	<u>\$ 67,160,861</u>	<u>\$ 66,961,341</u>	<u>\$ 67,520,382</u>
Change in Net Assets				
Governmental activities	\$ 12,128,517	\$ 6,625,339	\$ 2,578,796	\$ 1,473,673
Business-type activities	(705,222)	(145,905)	1,388,686	105,998
Total primary government	<u>\$ 11,423,295</u>	<u>\$ 6,479,434</u>	<u>\$ 3,967,482</u>	<u>\$ 1,579,671</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 24,680	\$ 271,551	\$ 162,147	\$ 88,958	\$ 258,879	\$ 366,988	\$ 286,935	\$ 55,127	\$ 211,673	\$ 45,788
Unreserved	6,130,639	7,045,572	7,360,947	7,795,115	8,641,616	9,587,047	10,875,912	12,145,834	12,151,623	11,535,780
Total general fund	<u>\$ 6,155,319</u>	<u>\$ 7,317,123</u>	<u>\$ 7,523,094</u>	<u>\$ 7,884,073</u>	<u>\$ 8,900,495</u>	<u>\$ 9,954,035</u>	<u>\$ 11,162,847</u>	<u>\$ 12,200,961</u>	<u>\$ 12,363,296</u>	<u>\$ 11,581,568</u>
All Other Governmental Funds										
Reserved	\$ 18,115,874	\$ 15,891,233	\$ 16,168,151	\$ 15,149,953	\$ 15,536,672	\$ 15,131,361	\$ 16,183,103	\$ 16,419,082	\$ 15,431,321	\$ 12,524,961
Unreserved, reported in:										
Special revenue funds	854,751	577,866	1,465,978	1,880,251	2,106,195	2,257,829	2,974,177	3,957,611	5,025,971	6,132,249
Capital project funds	6,059,052	5,529,961	3,281,197	3,640,449	4,238,921	5,207,698	6,481,448	8,629,412	9,022,455	9,966,576
Permanent funds	9,208,375	1,692,663	1,618,618	1,427,198	1,377,532	1,341,590	1,363,510	1,390,975	1,390,717	1,447,322
Total all other governmental funds	<u>\$ 34,238,052</u>	<u>\$ 23,691,723</u>	<u>\$ 22,533,944</u>	<u>\$ 22,097,851</u>	<u>\$ 23,259,320</u>	<u>\$ 23,938,478</u>	<u>\$ 27,002,238</u>	<u>\$ 30,397,080</u>	<u>\$ 30,870,464</u>	<u>\$ 30,071,108</u>

Notes:

Permanent funds were reported as trust and agency funds prior to FY 2003

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS (1)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Property Taxes and Interest	\$ 37,557,960	\$ 39,247,159	\$ 43,288,150	\$ 46,800,191	\$ 50,233,102	\$ 51,575,179	\$ 54,798,227	\$ 57,995,337	\$ 60,825,348	\$ 63,897,316
Intergovernmental revenues	12,834,987	14,361,314	16,056,626	16,541,331	17,862,153	17,736,296	22,294,882	19,128,068	18,853,974	16,796,121
Licenses, Fees and Rents	761,209	790,718	968,096	2,469,755	2,880,916	2,783,009	3,171,720	2,350,971	2,235,837	1,789,384
Interest on Investments	925,366	1,095,358	533,019	949,062	1,425,040	1,359,435	2,076,026	3,978,764	1,059,327	(853,653)
Fines and Charges	-	-	-	909,323	877,648	930,264	1,135,148	1,229,691	1,163,767	1,114,872
Department Revenue	828,854	1,023,493	1,063,885	1,068,252	1,066,283	1,084,946	1,047,988	1,115,818	1,146,290	1,028,183
Other Revenue	1,580,235	2,163,352	2,401,353	2,984,787	1,808,323	1,594,264	1,712,282	1,679,028	1,450,458	1,507,728
State On-behalf Pension	1,140,593	963,493	880,401	1,101,980	1,273,501	1,420,597	1,393,981	2,091,234	2,406,682	2,439,868
Total revenues	55,629,204	59,644,887	65,191,530	72,824,681	77,426,966	78,483,990	87,630,254	89,568,911	89,141,683	87,719,819
Expenditures:										
Current:										
General Government	\$ 2,079,172	\$ 2,082,797	\$ 2,156,132	\$ 2,276,905	\$ 2,334,443	\$ 2,402,451	\$ 2,392,210	\$ 2,562,378	\$ 2,643,256	\$ 2,732,722
Public Safety	4,082,622	4,502,947	5,001,159	5,099,458	5,562,051	5,562,270	5,894,514	6,105,953	6,343,310	6,383,435
Public Services	1,637,910	1,490,040	1,739,524	1,969,076	1,707,808	2,110,290	1,789,493	2,140,379	1,794,767	2,219,582
Public Health Contributions	174,189	186,255	178,375	189,848	193,082	197,073	183,015	178,356	183,987	188,927
Recreation	1,507,849	1,534,520	1,638,812	1,741,754	1,878,405	1,900,685	2,023,334	2,056,094	2,044,667	2,032,015
Public Libraries	612,545	669,061	698,361	740,319	771,119	835,864	840,886	873,701	909,506	936,811
Educational	35,841,036	38,305,841	42,978,657	46,184,080	49,194,399	49,817,652	53,788,014	58,544,022	60,874,616	61,776,284
Capital Improvements	378,645	349,325	349,840	7,320,140	5,254,478	3,322,808	11,582,846	3,418,724	1,833,299	1,445,008
Miscellaneous	4,121,096	4,376,826	4,755,840	5,721,328	6,093,843	6,527,815	5,838,673	6,269,940	6,739,952	6,786,000
Debt Service: (3)	4,545,380	5,292,943	5,101,165							
Principal				3,290,000	3,430,000	3,485,000	3,690,000	3,705,000	3,715,000	3,590,000
Interest				1,922,446	1,730,728	1,813,748	1,422,690	1,506,605	1,443,667	1,292,092
Total expenditures	54,980,444	58,790,555	64,597,865	76,455,354	78,150,356	77,975,656	89,445,675	87,361,152	88,526,027	89,382,876
Excess of revenues over (under) expenditures	648,760	854,332	593,665	(3,630,673)	(723,390)	508,334	(1,815,421)	2,207,759	615,656	(1,663,057)
Other Financing Sources (Uses):										
Proceeds from borrowing	10,000,000	-	3,925,000	3,400,000	2,875,000	1,191,757	5,000,000	2,200,000	-	-
Sale of property	-	-	-	-	-	-	-	-	-	-
Operating transfers in	386,848	1,036,993	1,144,990	37,164,994	39,548,069	40,612,725	44,856,027	47,029,050	49,870,629	52,080,623
Operating transfers out	(1,352,416)	1,395,136	1,293,406	(36,819,578)	(39,539,029)	(40,580,118)	(43,768,034)	(47,003,853)	(49,850,566)	(51,998,650)
Total other financing sources (uses)	9,034,432	2,432,129	6,363,396	3,745,416	2,884,040	1,224,364	6,087,993	2,225,197	20,063	81,973
Net change in fund balances	\$ 9,683,192	\$ 3,286,461	\$ 6,957,061	\$ 114,743	\$ 2,160,650	\$ 1,732,698	\$ 4,272,572	\$ 4,432,956	\$ 635,719	\$ (1,581,084)
Debt service as a percentage of noncapital expenditures (2)	8.32%	9.06%	7.94%	7.54%	7.08%	7.10%	6.57%	6.29%	6.05%	5.63%

Notes:

(1) Includes General Fund and Special Revenue Funds only for the fiscal years 2000 to 2002. Includes all governmental funds from the 2003 fiscal year forward

(2) The percentage calculation uses the capital outlay figure from Note 1. This differs from the Capital Improvements figure due to capitalizable items included within other functional categories of current expenditures.

(3) Debt Service is broken out into the separate components beginning with fiscal year 2003.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 5
ASSESSSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Assessed Value

Fiscal Year Ended June 30	Assessed Value						Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Industrial/Utility Property	Tangible Personal Property	Inventory	Motor Vehicles			
2000	\$2,076,477,542			\$105,938,527	\$13,768,068	\$114,751,744	\$455,353,032	\$1,855,582,849	\$20.01
2001	2,104,053,904			115,326,736	13,641,517	111,244,812	457,427,944	1,886,839,025	20.28
2002	2,660,680,915			132,438,741	13,909,628	106,082,003	512,134,203	2,400,977,084	17.91
2003	2,701,261,405			148,179,398	13,945,979	96,355,727	518,265,842	2,441,476,667	18.97
2004	2,753,468,527			160,135,695	13,543,983	106,447,929	530,605,296	2,502,990,838	19.80
2005	4,340,743,030			180,488,307	13,501,930	105,413,915	620,197,948	4,019,949,234	12.72
2006	4,022,973,124	\$357,510,070	\$35,424,900	192,851,221	13,543,398	123,721,946	622,976,079	4,123,048,580	13.27
2007	4,078,647,297	365,358,470	36,285,300	235,818,415	15,560,824	115,287,225	653,769,240	4,193,188,291	13.75
2008	5,247,334,996	490,690,205	47,206,400	259,438,540	17,486,558	113,969,417	960,427,396	5,215,698,720	11.64
2009	5,185,491,136	492,945,505	46,824,460	239,650,476	0	122,641,096	832,047,183	5,255,505,490	12.13

Source: Town of South Kingstown, Rhode Island Assessor

Notes:

Prior to the adoption of Senate Bill - 3050 Sub A at the close of the 2006 legislative session, Rhode Island had a 5.5% cap on property tax growth in all cities and towns. The State's enactment of the 2006 amendments to the local property tax cap provisions revised the tax cap to apply only to the prior year levy beginning in FY 2007-2008 and to further reduce the cap to 4% by FY 2012-2013 in 0.25% increments. The tax cap was 5.00% for fiscal year 2009.

The Town had a full revaluation of real property as of December 31, 2003, effective for the 2004-05 fiscal year. The full revaluation is required by state law every 9 years. Statistical updates are required every 3 years. A statistical update of real property was completed as of December 31, 2006 for the 2007-2008 fiscal year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Inventory taxes were phased out under RI General Law 44-3-29.1. Under the law, 2008 was the final year of inventory taxation.

Total Direct Rate represents the weighted average of all individual direct rates applied by the Town. Prior to 2000, all property was taxed at the same rate. At that time, the motor vehicles tax rate was frozen at \$18.71. For fiscal year 2009, the property tax rate, exclusive of motor vehicles, was \$11.97.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 6
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

	2009			2000		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
American Power Conversion	\$ 60,514,828	1	1.15%	\$ 27,549,786	1	1.48%
Grandville At The Commons LP	44,057,300	2	0.84%			
Narragansett Electric	22,345,206	3	0.43%	10,686,480	2	0.45%
APC America Inc	20,816,500	4	0.40%			
Jerry Brown Farm Assn Inc	18,893,100	5	0.36%			
Brightview South Kingstown LLC	18,582,600	6	0.35%			
Green Tree Realty LLC	17,256,300	7	0.33%			
HCP HB2 South Bay Manor LLC	16,094,500	8	0.31%			
Wakefield Mall Associates	13,504,900	9	0.26%	8,400,000	3	0.35%
Hallkeen CDT Kingston LTD Part	10,806,900	10	0.21%			
United Water Company				5,769,020	4	0.31%
Belmar Housing Associates LP				5,001,800	5	0.27%
South Farm Limited Partnership				4,646,400	6	0.25%
AKG Inc				4,583,700	7	0.25%
Peace Dale United Housing				4,171,900	8	0.22%
Horizon of South Kingstown				3,728,100	9	0.20%
Belmont Shoppers Park Inc				3,416,140	10	0.18%
Total	\$ 242,872,134		4.62%	\$ 77,953,326		4.20%

Source: Town of South Kingstown Assessor

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 7
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

FISCAL YEAR	ACTUAL TAX RATE	GROSS LEVY	ADDENDUMS	ABATEMENTS	NET LEVY	UNCOLLECTED			
			& ADJUSTMENTS	& ADJUSTMENTS		END OF YEAR LEVY (1)	% OF NET LEVY	AS OF 8/31/09	% OF NET LEVY
2008-09	\$11.97	\$63,726,992	\$101,962	\$414,004	\$63,414,950	\$616,114	0.97%	\$616,114	0.97%
2007-08	11.51	60,692,561	115,217	510,031	60,297,747	529,770	0.88%	55,696	0.09%
2006-07	13.65	57,665,644	254,220	393,125	57,526,739	400,959	0.70%	24,247	0.04%
2005-06	13.13	54,722,908	138,292	487,838	54,373,362	358,734	0.66%	26,493	0.05%
2004-05	12.58	51,148,277	225,887	402,320	50,971,844	318,634	0.63%	23,306	0.05%
2003-04	19.91	49,568,970	236,967	255,014	49,550,923	412,527	0.83%	26,724	0.05%
2002-03	19.02	46,304,107	274,347	219,072	46,359,382	507,464	1.09%	24,257	0.05%
2001-02	17.90	43,002,755	188,310	358,553	42,832,512	545,782	1.27%	28,299	0.07%
2000-01	20.75	38,854,143	177,991	241,929	38,790,205	547,386	1.41%	18,714	0.05%
1999-00	20.12	37,136,424	151,323	152,115	37,135,632	545,324	1.47%	28,123	0.08%

Source: Town of South Kingstown Tax Collector

Notes:

(1) Reflects current year tax collection through 60 days after the close of the fiscal year.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 8
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

General Bonded Debt

Fiscal Year June 30,	General Obligation Bonds	Taxable Assessed Value	Percent of Taxable Assessed Value	U.S. Census Estimated Population	Per Capita
2000	\$ 42,950,000	\$ 1,855,582,849	2.31%	27,921	\$ 1,538
2001	39,810,000	1,886,839,025	2.11%	28,115	1,416
2002	40,620,000	2,400,977,084	1.69%	28,394	1,431
2003	41,230,000	2,441,476,667	1.69%	28,564	1,443
2004	40,599,011	2,502,990,838	1.62%	29,266	1,387
2005	36,905,000	4,019,949,234	0.92%	29,327	1,258
2006	38,215,000	4,123,048,580	0.93%	29,395	1,300
2007	36,710,000	4,193,188,291	0.88%	29,277	1,254
2008	32,995,000	5,215,698,720	0.63%	29,277	1,127
2009	29,405,000	5,255,505,490	0.56%	29,277	1,004

Business-Type Activities

Fiscal Year June 30,	Wastewater Bonds	Solid Waste Bonds	Water Bonds	Total Primary Government	Total Personal Income	Percent of Personal Income *	Per Capita
2000	\$ 660,351			\$ 43,610,351	\$ 915,054,933	4.77%	\$ 1,562
2001	618,803			40,428,803	955,544,505	4.23%	1,438
2002	575,892			41,195,892	992,029,572	4.15%	1,451
2003	531,573			41,761,573	1,037,244,532	4.03%	1,462
2004	985,800			41,584,811	1,144,563,994	3.63%	1,421
2005	916,525	\$ 1,845,898		39,667,423	1,191,526,683	3.33%	1,353
2006	845,699	2,715,600		41,776,299	1,239,645,940	3.37%	1,421
2007	773,271	2,593,058		40,076,329	1,300,864,941	3.08%	1,369
2008	699,189	2,467,208	\$ 400,000	36,561,397	Not Available	Not Available	1,249
2009	622,398	2,338,985	324,000	32,690,383	Not Available	Not Available	1,117

Notes:

Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.

* See Schedule 11 for personal income and population data used to calculate these ratios.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 9
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)**

Fiscal Year Ended June 30	Total Direct Tax Rate	Overlapping Rates		
		Union Fire District	Indian Lake Fire District	Kingston Fire District
2000	\$20.01	\$0.55	\$1.11	\$1.00
2001	20.28	0.60	1.11	1.00
2002	17.91	0.82	1.11	0.83
2003	18.97	0.54	1.49	0.95
2004	19.80	0.61	1.35	1.00
2005	12.72	0.41	1.35	0.62
2006	13.27	0.45	1.05	0.62
2007	13.75	0.54	1.13	0.67
2008	11.64	0.40	0.73	0.58
2009	12.13	0.46	0.70	0.61

Notes:

The Town's basic tax rate increase cannot exceed 5.0% of the prior year's rate unless the State of Rhode Island approves such increase.

Total Direct Rate represents the weighted average of all individual direct rates applied by the Town. Prior to 2000, all property was taxed at the same rate. See Schedule 5.

Overlapping rates are those of local fire districts that apply to property owners within the Town of South Kingstown. Not all overlapping rates apply to all Town of South Kingstown property owners. For example, although the Town's direct property tax rates apply to all Town property owners, a fire district tax applies only to those Town properties located within that district.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 10
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total assessed value	\$ 1,855,582,849	\$ 1,886,839,025	\$ 2,400,977,084	\$ 2,441,476,667	\$ 2,502,990,838	\$ 4,019,949,234	\$ 4,123,048,580	\$ 4,193,188,291	\$ 5,215,698,720	\$ 5,255,505,490
Rhode Island General Law debt limitation as % of assessed value	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Debt limit	55,667,485	56,605,171	72,029,313	73,244,300	75,089,725	120,598,477	123,691,457	125,795,649	156,470,962	157,665,165
Total net debt applicable to the limit	4,573,214	4,167,678	4,922,142	6,269,607	7,319,813	6,686,300	7,755,901	8,013,858	7,240,508	6,564,785
Legal debt margin	\$ 51,094,271	\$ 52,437,493	\$ 67,107,171	\$ 66,974,693	\$ 67,769,912	\$ 113,912,177	\$ 115,935,556	\$ 117,781,791	\$ 149,230,454	\$ 151,100,380
Total net debt applicable to the limit as a percentage of debt limit	8.22%	7.36%	6.83%	8.56%	9.75%	5.54%	6.27%	6.37%	4.63%	4.16%

Notes:

The State Legislature may by special act permit the Town to incur indebtedness outside the limitations imposed by the 3% debt limit.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 11
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year June 30,	(3) Population	Per Capita Personal Income (1)	ESTIMATED Total Personal Income (1) (thousands)	School Enrollment	Unemployment Rate (2)
2000	27,921	\$ 32,773	\$ 915,055	4,350	3.2%
2001	28,115	33,987	955,545	4,358	3.5%
2002	28,394	34,938	992,030	4,321	3.6%
2003	28,564	36,313	1,037,245	4,214	4.1%
2004	29,266	39,109	1,144,564	4,190	4.5%
2005	29,327	40,629	1,191,527	4,056	4.3%
2006	29,395	42,172	1,239,646	3,875	4.3%
2007	29,277	44,433	1,300,865	3,803	4.4%
2008	29,277	Not Available	Not Available	3,658	4.3%
2009	29,277	Not Available	Not Available	3,599	6.6%

(1) Per Bureau of Economic Analysis - Washington County. The income data released in April 2009 represents 2007 data. Personal income is only available at the county level. The Town's population is 23% of the County.

(2) Rhode Island Department of Labor and Training; not seasonally adjusted, annual average for previous calendar year.

(3) The non-census year statistics are estimates calculated by the RI Division of Planning. Most current available is 2007.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 12
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

2009 (2)				2000 (3)			
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Employees	Rank	Percentage of Total Town Employment
University of Rhode Island	2,486	1	16.1%	University of Rhode Island	2,700	1	19.6%
American Power Conversion	1,144	2	7.4%	American Power Conversion	1,500	2	10.9%
South County Hospital	970	3	6.3%	South County Hospital	600	3	4.3%
Town of South Kingstown (1)	800	4	5.2%	Town of South Kingstown (1)	584	4	4.2%
Shaw's Supermarket	160	5	1.0%	TRT Heating Products	100	5	0.7%
Arnold Lumber Co., Inc.	140	6	0.9%	Ro-Jack Food Stores Inc	100	6	0.7%
HealthTouch	110	7	0.7%				
South Kingstown Nursing & Rehab Center	110	8	0.7%				
Modine Manufacturing	100	9	0.6%				
Scallop Shell Nursing & Rehab Center	90	10	0.6%				
Total	6,110		39.5%	Total	5,584		40.5%

NOTES

(1) Includes both school and municipal full-time employees

(2) Due to computer problems, RIEDC has not completed their annual Fall database update. The most recent figures available are as of February 1, 2009.

(3) RIEDC, March 1, 2000

Source: Rhode Island Economic Development Corporation (RIEDC)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 13
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year ended June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government:	38	38	38	37	37	37	37	38	38	36
Public Safety:										
Police - Officers	43	47	53	54	54	56	54	54	54	54
Police - Civilians	21	22	22	22	22	22	22	22	22	22
Emer. Medical Services	13	13	17	17	17	17	17	17	17	17
Communications	1	1	1	1	1	3	3	3	3	3
	<u>78</u>	<u>83</u>	<u>93</u>	<u>94</u>	<u>94</u>	<u>97</u>	<u>96</u>	<u>96</u>	<u>96</u>	<u>96</u>
Public Works:										
Streets & Highways	20	20	20	20	20	20	20	19	19	19
Administration	4	4	4	4	4	4	4	4	4	4
	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>23</u>	<u>23</u>	<u>23</u>
Parks & Recreation	8	9	10	10	10	11	11	12	12	12
Libraries	11	12	12	12	12	12	12	12	11	12
TOTAL GENERAL FUND	159	166	176	177	177	181	180	181	180	179
Water	5	5	4	4	4	4	4	4	4	4
Wastewater	19	19	19	19	19	19	19	18	18	18
Neighborhood Guild	5	5	5	6	6	5	5	5	5	5
Senior Services	9	9	9	9	9	9	9	9	9	8
Other	1	1	1	1	1	1	1	1	1	1
Public education:										
Certified		336	371	374	383	379	371	381	373	368
Non-certified		160	194	199	212	205	195	207	208	205
Administrative		23	25	23	23	22	21	21	21	22
	<u>0</u>	<u>519</u> *	<u>590</u>	<u>596</u>	<u>618</u>	<u>606</u>	<u>587</u>	<u>608</u>	<u>601</u>	<u>595</u>
Total	198	724	804	812	834	825	805	827	819	810

Source: Town Budgets and School Department Budgets

* First year this information is available

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 14
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police:										
Physical arrests	601	520	1,048	1,178	1,258	1,179	856	738	667	723
Traffic violations	4,684	9,655	9,257	9,020	9,739	6,814	6,755	7,621	8,197	8,405
Parking violations	760	698	585	845	1,140	1,263	716	715	1,046	1,098
Emergency Medical Services:										
Number of calls answered	1,809	1,949	1,943 (2)	2,075	2,221	2,191	2,531	2,487	2,584	2,637
Animal Control:										
Number of complaints	1,149	1,590	1,537	1,303	1,403	1,386	1,288	1,447	1,408	1,334
Number of impoundments	1,015	828	695	738	755	673	614	588	601	401
Communications:										
Fire alarm activations					204	193	186	261	240	227
Streets & Highways:										
Street Sweeping (miles)	145	149	149	149	150	150	150	150	150	150
Road regrading (miles)	45	45	45	45	45	45	45	45	45	45
Street plowing/deicing (OT hours)	949	2,043	598	2,147	2,657	4,574	2,314	931	1,836	2,500
Culture & Recreation:										
Programs/Classes (enroll/attend)	47,192	57,925	58,664	54,924	64,222	61,584	66,846	60,707	46,528	35,716 (3)
Grounds maintained (acres)	399	379	379	401	451	451	451	451	451	451
Libraries:										
Volumes in Collection	67,103	66,416	68,873	68,673	68,550	65,542	66,469	66,865	67,700	66,769
Volumes borrowed	255,640	272,064	296,165	318,959	316,232	306,506	295,807	306,722	302,654	313,716
Reference requests filled	23,432	27,616	29,072	30,168	30,502	28,840	29,139	28,052	29,088	28,221
Water:										
New connections (net)	29	0	76	30	15	11	15	0	60	35
Average daily consumption (1) (thousands of gallons)	397	358	376	380	340	400	340	313	376	364
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,765	2,901	2,446	2,819	2,715	2,992	2,985	2,967	2,473	2,733
Senior Services:										
Adult Day Care services (client days)	4,043	3,829	3,667	3,956	4,125	3,573	4,017	3,834	3,210	2,304
Senior transportation (trips)	8,887	9,117	7,940	8,897	8,953	8,935	9,124	8,293	6,706	9,269
Congregate meals served	11,083	12,897	17,161	15,840	15,011	14,645	15,136	15,379	13,587	12,765

Sources: Various Town departments

Notes:

Indicators are not available for the general government function.

(1) Consumption is calculated from billed usage

(2) Effective July 1, 2001, the Town expanded EMS staffing to a satellite station at the Public Services building on Route 1.

(3) A significant reduction is reflected in program attendance in the special event category due to untimely weather activity associated with several major community programs that impacted both fiscal year 2008 and fiscal year 2009.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 15
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>Fiscal Year 2000</u>	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2003</u>	<u>Fiscal Year 2004</u>	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	13	14	15	15	16	16	16	16	16
Public works:										
Streets (miles)				145 *	145	145	147	147	148	148
Culture and recreation:										
Park acreage	320	320	320	410	440	440	440	440	440	440
Tennis courts	12	12	12	19	25	25	25	25	25	25
Community centers	1	1	1	1	1	1	1	1	1	1
Libraries	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	44	45	45	45	45	48	48	48	49	49
Fire hydrants	253	253	253	253	253	253	253	253	253	253
Storage capacity (thousands of gallons-treated)	800	800	800	800	800	800	800	800	800	800
Wastewater:										
Sanitary sewers (miles)	45	45	50	52	53	53	53	53	53	53
Storm drains (miles)						46 *	46	47	47	53
WWTF avg. daily design flow (thous. of gallons)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

Sources: Various town departments

Note: No capital asset indicators are available for the general government function.

* first year this information was available

TOWN OF SOUTH KINGSTOWN

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2009, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor Pass-Through Grantor Program title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Governor's Office of Housing & Energy & Intergovernmental Relations		
Community Development Block Grants - Small Cities Program	14.219	\$ 135,145
U.S. Department of Transportation		
Seat-Belt Enforcement	20.604	27,955
U.S. Department of Health		
Rhode Island Department of Health		
Underage Drinking and Alcohol Grant	93.XXX	8,218
Block Grants for Community Mental Health - Drug Free Communities	93.958	106,609
Tobacco Compliance Investigation Grant	93.XXX	819
Total U.S. Department of Health		115,646
U.S. Environmental Protection Agency		
Onsite Wastewater Plan Implementation	66.XXX	317
Total U.S. Department of Environmental Protection Agency		317
U.S. Department of Justice		
State of Rhode Island Governors Justice Commission		
Governor Justice Commission Grant	16.XXX	30,357
U.S. Department of Homeland Security		
Rhode Island Emergency Management Agency		
Homeland Security Grant Program	97.067	78,753
Total U.S. Department of Homeland Security		78,753
U.S. Department of Education		
RI Department of Education		
Title I	84.010	157,260
Title II	84.367	226,462
Title III	84.365A	8,519
Title IV	84.186	11,800
Title V	84.298	3,935
Project IDEA - Part B	84.027A	717,010
State Fiscal Stabilization Fund	84.394	656,514
Perkins	84.048	28,621
Early learning (89-313) - preschool	84.173	24,644
Total U.S. Department Education		1,834,765
U.S. Department of Agriculture		
State of RI Department of Education		
Food Commodities	10.555	32,441
National Lunch Program	10.555	265,866
Total U.S. Department of Agriculture		298,307
Total Federal Expenditures		\$ 2,521,245

* - Denotes program cluster which is considered to be one program for testing purposes.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of South Kingstown, Rhode Island. All federal awards received from federal agencies are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$32,441 for the value of food commodities which is reported as a component of the Federal School Lunch Program. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of South Kingstown, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2009, the following programs were considered major programs:

State Fiscal Stabilization Fund	CFDA #84.394
Special Education – IDEA Part B	CFDA #84.027 *
Special Education – IDEA Preschool	CFDA #84.173 *

* - Denotes program cluster which is considered to be one program for compliance testing purposes.

**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 Honorable Town Council
South Kingstown, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the statement of revenues, expenditures and changes in fund balances – budget and actual – budgetary basis, and the aggregate remaining fund information as of and for the year ended June 30, 2009, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements and have issued our report thereon dated December 22, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of South Kingstown, Rhode Island's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of South Kingstown, Rhode Island's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of South Kingstown, Rhode Island's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of South Kingstown, Rhode Island's financial statements are free of 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*.

This report is intended solely for the information and use of management, members of the Town Council, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Braver PC
Providence, Rhode Island
December 22, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Town Council
South Kingstown, Rhode Island

Compliance

We have audited the compliance of the Town of South Kingstown, Rhode Island, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Town of South Kingstown, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of South Kingstown, Rhode Island's management. Our responsibility is to express an opinion on the Town of South Kingstown, Rhode Island's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of South Kingstown, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of South Kingstown, Rhode Island's compliance with those requirements.

In our opinion, the Town of South Kingstown, Rhode Island, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Town of South Kingstown, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of South Kingstown, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of South Kingstown, Rhode Island's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of the Town Council, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Braver PC
Providence, Rhode Island
December 22, 2009

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the basic financial statements of the Town of South Kingstown, Rhode Island.
2. No significant deficiencies relating to the audit of the financial statement were reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of the Town of South Kingstown, Rhode Island were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported.
5. The auditor's report on compliance for the major federal award programs for the Town of South Kingstown, Rhode Island expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award program for the Town of South Kingstown, Rhode Island.
7. The programs tested as major programs were:

State Fiscal Stabilization Fund CFDA #84.394
Special Education – IDEA Part B CFDA #84.027 *
Special Education – IDEA Preschool CFDA #84.173 *

* - Denotes program cluster which is considered to be one program for compliance testing purposes.

8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The Town of South Kingstown, Rhode Island was determined to be a low-risk auditee.

B. FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

None noted.

Prior Year Findings:

None noted.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None noted.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

There are no known but uncorrected findings and recommendations from prior audits that affect the current audit objective.