

THE TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011



PREPARED BY: FINANCE DEPARTMENT

TOWN OF SOUTH KINGSTOWN

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

YEAR ENDED JUNE 30, 2011

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Town of South Kingstown, Rhode Island

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

FINANCE DEPARTMENT

December 28, 2011

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, 2011, 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, 2011, 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, 2011, 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 2010-2011 fiscal year budget was the fourth 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.

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.

PROFILE OF THE GOVERNMENT (Continued)

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 or 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 16,500 and employs more than 2,350 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 2010 calendar year, as reported by the RI Department of Labor and Training, the Town experienced an increase in private sector employment between 2002 and 2010 amounting to 1,129 new jobs. Total annual employment in the private sector increased from 8,414 to 9,543.

In the fall of 2010, the University of Rhode Island (URI) began construction of a new College of Pharmacy building. The estimated cost of the new pharmacy facility is \$75,000,000. University officials hope the facility is part of URI's goal to become a leading center of biomedical research and have an ambitious plan to develop the north district of the campus into a health and life sciences center. In November 2010 voters approved a referendum of \$65,100,000 for a new Chemistry building. The University's 2011 capital improvement program notes that more than \$450,000,000 in investment is pending to support some 20 various on-going and new projects.

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 2010 Census, the Town's population grew by 2,718 people from 27,921 to 30,639, an increase of 10 percent from 2000 to 2010. Growth in the number of students living in group quarters at the University of Rhode Island accounted for 50% of the increase in population. The increased student population is the result of several new dormitories being constructed on campus during the last ten years.
- The median sale price of a single-family home in South Kingstown decreased to \$290,000 in the first half of 2011, compared to the mid-year 2010 median sale price of \$300,000. This represents a ten year increase of \$100,000 from the year 2001, when a median priced house was selling for \$190,000.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

- The 2010 U.S. census reports a total of 13,218 housing units in the Town of South Kingstown, of which 78.0 percent (10,316) were occupied, 17.5 percent were seasonal, recreational, or occasional use, and the remainder were vacant. Of the 10,316 occupied housing units, 72.6 percent were owner occupied and 27.4 percent were renter occupied. The average household size of an owner occupied unit was 2.60 persons, while the average household size of a rented unit was 1.99 persons.
- The estimated median income of South Kingstown's households during the time period of 2005-2009, was \$74,501.
- On an annualized basis, private sector jobs totaled 9,543 in 2010, of which 2,565 were in Health Care and Social Assistance, 1,290 were in Retail Trade, 1,407 were in Accommodations and Food Service and 604 were in manufacturing jobs. The private sector job total was a reduction of 90 jobs in comparison to the 2009 total of 9,633.
- The size of the resident workforce increased from 14,794 to 15,776 between June 2001 and June 2011. The number of employed residents increased slightly from 14,243 to 14,403. The June 2011 unemployment rate for South Kingstown was reported at 8.7 percent, compared to the statewide average of 10.3 percent.
- Fifty percent (50%) of South Kingstown residents, older than age 25, had a bachelor's degree or higher during the time period of 2005-2009, another 43% had completed high school and 7% 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 2011-2012 fiscal year capital improvement plan projects needs through fiscal year 2017. 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.

This plan estimates total project cost over the six-year period of approximately \$20,935,260. Financing, net of third party funding sources for these projects by debt issuance, approximates \$11,250,000. In addition, \$12,076,000 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 \$33,011,260.

Major projects to be bonded in the plan include: Recreation and open space programs for \$7,685,000; general municipal improvements for \$10,650,260; and school improvements for \$2,600,000.

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. 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.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

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 47-48 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, 2010, the Town of South Kingstown has funded 76.4 percent of the present value of the projected benefits earned by general municipal and non-certified school employees; 76.0 percent of the present value of the projected benefits earned by police employees; and 109.3 percent of the present value of the projected benefits earned by emergency medical personnel. The June 30, 2010 funded ratios represent a significant reduction from the prior year. The main reasons for the reduction in the funded ratios were changes in the actuarial assumptions adopted in April, 2011. The rate of investment return was reduced from 8.25% to 7.5% and there were also changes made to the mortality tables. Subsequent to the end of the fiscal year (in November, 2011) the State of Rhode Island passed legislation on pension reform. The changes made as a result of the legislation will have a positive impact on the actuarial valuation results for June 30, 2010. The new funded ratios are 91.9% for general municipal and non-certified school employees, 94.1 percent for police employees and 159.6 percent for emergency medical personnel.

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 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 Statement No. 50.

FACTORS AFFECTING FINANCIAL CONDITION (Continued)

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 approximately 110 retired employees receiving these benefits. The Town has completed an actuarial valuation of the OPEB obligations with a valuation date of July 1, 2011. The Town has established an irrevocable trust fund for the funding of Other Post Employment Benefits and as such the financial statements 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 64-72 and Note 17 on pages 75 -78 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 2007. The RIDEM solicited bids during the spring of 2007 for the second phase of the project, which includes construction of a gas collection system and multi-layer cap. Construction of the second phase began in November 2006 and was completed in December 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.

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 \$3,643,564, of which South Kingstown is responsible for \$1,821,782. During the 2011 year the Town paid \$66,514 towards this liability. The balance of the estimated liability of \$1,755,268 has been included in the government-wide financial statements at June 30, 2011 (rounded to \$1,755,270).

In addition to the Rose Hill Regional Landfill site, the West Kingston/URI Disposal Area Landfills, located on Plains Road, were 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 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, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

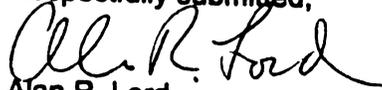
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal 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 twenty-one consecutive fiscal years (fiscal years ended June 30, 1990-2010). 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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

TOWN OF SOUTH KINGSTOWN

ELECTORATE

TOWN COUNCIL

**LEGAL SERVICES
TOWN BOARDS**

TOWN MANAGER

**GENERAL
ADMIN.
SERVICES**

FINANCE
**INSPECTION
AND ZONING**
PLANNING
**TAX
ASSESSMENT**
TOWN CLERK

PUBLIC SERVICES

ENGINEERING
**INSPECTIONS AND
SURVEYING**
**STREETS &
HIGHWAYS**
WATER
WASTEWATER
SOLID WASTE

PUBLIC SAFETY

POLICE
**EMERGENCY
MEDICAL
SERVICES**
ANIMAL CONTROL
**HARBOR
MANAGEMENT**
RADIO SERVICES

**LEISURE &
HEALTH
SERVICES**

LIBRARIES
**PARKS AND
RECREATION**
**ADULT DAY
SERVICES**
**SENIOR
TRANSPORT**
**SENIOR
CENTER**

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
TOWN OFFICIALS
June 30, 2011

TOWN COUNCIL

Ella M. Whaley, President

Carol Hagan McEntee, Vice President
Mary S. Eddy

Kathleen A. Fogarty
James W. O'Neill

TOWN MANAGER

Stephen A. Alfred

TOWN ATTORNEYS

Michael Ursillo
Andrew Teitz
Terrence G. Simpson
Nancy Letendre

PROBATE JUDGE

Stephen R. White

DEPARTMENT HEADS

Tax Assessor
Town Clerk
Library Director
Finance Director
Leisure Services Director
Planning Director
Director of Administrative Services
Building Inspection Official
Public Services Director
Police Chief

Jean-Paul Bouchard
Dale S. Holberton
Shirley D. Long
Alan R. Lord
Theresa L. Murphy
L. Vincent Murray
Andrew E. Nota
Jeffrey T. O'Hara
Jon R. Schock
Vincent Vespia, Jr.

TOWN OF SOUTH KINGSTOWN

FINANCIAL SECTION

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

REPORT OF INDEPENDENT AUDITORS

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, 2011, 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, 2011, 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, 2011, 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 28, 2011 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.

Needham
Boston
Concord
Taunton

Accounting principles generally accepted in the United States of America require that 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 79 and 80, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Providence, Rhode Island
December 28, 2011

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, 2011. 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 \$136,306,218 (net assets). Of this amount, \$34,661,688 (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 \$6,783,700. The major factors in this increase were significant capital improvements completed or in progress during the year.
- As of the close of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$44,096,494. Approximately 21.1% of this total amount, \$9,323,111 is available for use at the government's discretion (unassigned fund balance).
- The remaining fund balance of \$34,773,383 includes \$14,165,610 in non-spendable funds, \$9,574,187 in restricted fund and \$11,033, 586 in committed funds.
- The Town's total bonded debt declined by \$3,730,547 (12.4 percent) during the current fiscal year. The key factor in this decline was the retirement of \$3,730,547 in bonds. The Town did not issue any new debt 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 cash flows. 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 forty-eight 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 forty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 internal service funds to account for the health care management fund and the compensated absences fund. The health care management fund is used for 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. The compensated absences fund accounts for accrued sick and vacation time for the various governmental funds. 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 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 33-78 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 79 and 80 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 81-93.

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 \$136,306,218 at the close of the most recent fiscal year.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND NET ASSETS

For the Fiscal Year ending June 30, 2011 (in 000's)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 58,878	\$ 57,912	\$ 7,330	\$ 6,629	\$ 66,208	\$ 64,541
Capital Assets	87,837	86,600	24,231	24,680	112,068	111,280
Total Assets	146,715	144,512	31,561	31,309	178,276	175,821
Long-Term Liabilities	24,984	28,157	2,551	2,840	27,535	30,997
Other Liabilities	12,661	13,623	1,775	1,678	14,436	15,301
Total Liabilities	37,645	41,780	4,326	4,518	41,971	46,298
Net Assets:						
Invested in capital assets net of related debt	64,187	59,515	21,530	21,683	85,717	81,198
Unrestricted	28,957	28,760	5,705	5,107	34,662	33,867
Restricted	15,928	14,457	-	-	15,928	14,457
Total Net Assets	\$ 109,072	\$ 102,732	\$ 27,235	\$ 26,790	\$ 136,307	\$ 129,522

By far the largest portion of the Town's net assets (63%) 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 (11.7 percent or \$15,927,670) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$34,661,688) 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 \$60,978 in net assets.

The Town's net assets increased by \$6,783,700 during the current fiscal year. Of this amount, governmental activities accounted for \$6,339,745 of the increase while business-type activities accounted for an increase of \$443,955.

Governmental activities. Governmental activities increased the Town of South Kingstown's net assets by \$6,339,745 thereby accounting for 93.5 percent of the total growth in the net assets of the Town.

Major revenue factors included:

- Property taxes are the largest revenue source for governmental activities accounting for approximately 71 percent of total revenues. Operating grants and contributions and charges for services, fees, and licenses provide approximately 16 percent and 6.8 percent of total revenues respectively.
- Based on state law, a statistical revaluation of all property assessments was required for the 2011 fiscal year. Property tax revenues for the 2011 fiscal year increased by \$995,258 or 1.54%. Based on the revaluation total taxable property declined by \$855,496,092 from \$5,182,620,321 to \$4,327,124,229 due to the current real estate market conditions. Based on the change in values, the property tax rate increased from \$12.09 to \$14.19 per thousand dollars of assessed value. Motor vehicle values increased from \$99,344,256 to \$219,696,414 based on the State reducing the excise tax reimbursement program exemption from \$6,000 to \$500. The motor vehicle excise tax rate remained frozen at \$18.71 per thousand dollars of assessed value.
- Charges for services increased by \$1,723. Although the overall increase was only minor there were several large increases and decreases by fund. The General fund had several increases which totaled \$161,032. The increase in rental of town properties account of \$101,623 was directly related to several new cell antenna leases on town property. Real estate conveyance and non-business licenses and fees were also up by \$59,238. Offsetting the General Fund were declines in the School Unrestricted Fund of \$154,289. There were several other changes amongst a multiple of funds which offset each other.
- Operating grants and contributions increased by \$26,718 from the previous fiscal year. The increase was mainly attributable to additional funds received for school restricted grants of \$286,801 and the initial contribution of \$194,098 in assets associated with the Irving Knowles Fund. Offsetting the increase to some degree was the reduction in funding of unrestricted state aid (\$254,027) for the School Department, a scheduled reduction in debt service reimbursements from the State for libraries (\$22,595) and school improvements (\$46,759) and a reduction of \$93,250 from a state grant for a portion of the cost of the statistical property revaluation program, which had been completed in the previous year. Annual variances in several other state and federal grants accounted for the majority of the remaining difference.

Government-wide Financial Analysis (Continued)

- Investment earnings increased from a gain of \$1,822,022 in the prior fiscal year to a gain of \$2,733,097 in the fiscal year ended June 30, 2011. The increase of \$911,075 was attributable to a significant increase of \$1,025,195 in the School Trust Funds' investment income. The increase was the result of favorable equity market conditions, which produced significant gains in the fund's portfolio. Offsetting the increase in equity gains was a reduction in General Fund investment earnings of \$129,368, as compared to the previous year, due to lower interest rates. The remaining balance of \$15,248 of the increase was distributed amongst the balance of governmental funds.

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

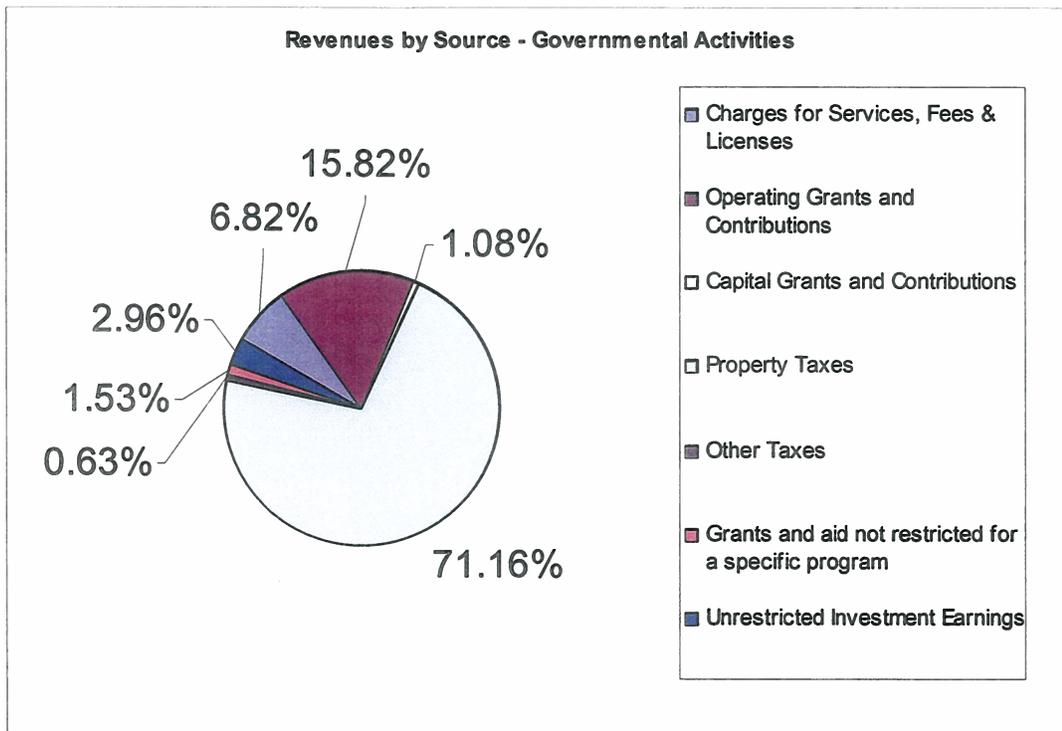
For the Fiscal Years ending June 30, 2011 and 2010 in 000's

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,310	\$ 6,309	\$ 5,224	\$ 5,121	\$ 11,534	\$ 11,430
Operating Grants and Contributions	14,825	14,598	321	275	14,946	14,873
Capital Grants and Contributions	1,003	678	155	0	1,158	678
General Revenues:						
Property taxes	65,798	64,729			65,798	64,729
Other taxes						
Motor vehicle phase-out taxes	168	1,876			168	1,876
Telephone and hotel taxes	415	373			415	373
Grants and aid not restricted for a specific program	1,414	1,441			1,414	1,441
Unrestricted investment earnings	2,733	1,822	42	45	2,775	1,867
Miscellaneous	0	0			0	0
Total Revenues	\$ 92,466	\$ 91,826	\$ 5,742	\$ 5,441	\$ 98,208	\$ 97,267
Expenses:						
General Government	8,762	9,182			\$ 8,762	\$ 9,182
Public Safety	6,842	6,587			6,842	6,587
Public Works	3,268	3,123			3,268	3,123
Human Service Agencies	146	167			146	167
Public Libraries	1,050	1,015			1,050	1,015
Education	62,708	62,584			62,708	62,584
Recreation	2,274	2,238			2,274	2,238
Interest on long-term debt	1,067	1,237			1,067	1,237
Wastewater			2,942	3,085	2,942	3,085
Solid Waste			511	472	511	472
Water			832	806	832	806
School Cafeteria			1,022	957	1,022	957
Total Expenses	\$ 86,117	\$ 86,133	\$ 5,307	\$ 5,320	\$ 91,424	\$ 91,453
Increase in net assets before transfers	6,349	5,693	435	121	6,784	5,814
Transfers	(9)	(16)	9	16	0	0
Increase in net assets	\$ 6,340	\$ 5,677	\$ 444	\$ 137	\$ 6,784	\$ 5,814
Net assets 7/1/10	102,732	97,055	26,790	26,653	129,522	123,708
Net assets 6/30/11	\$ 109,072	\$ 102,732	\$ 27,234	\$ 26,790	\$ 136,306	\$ 129,522

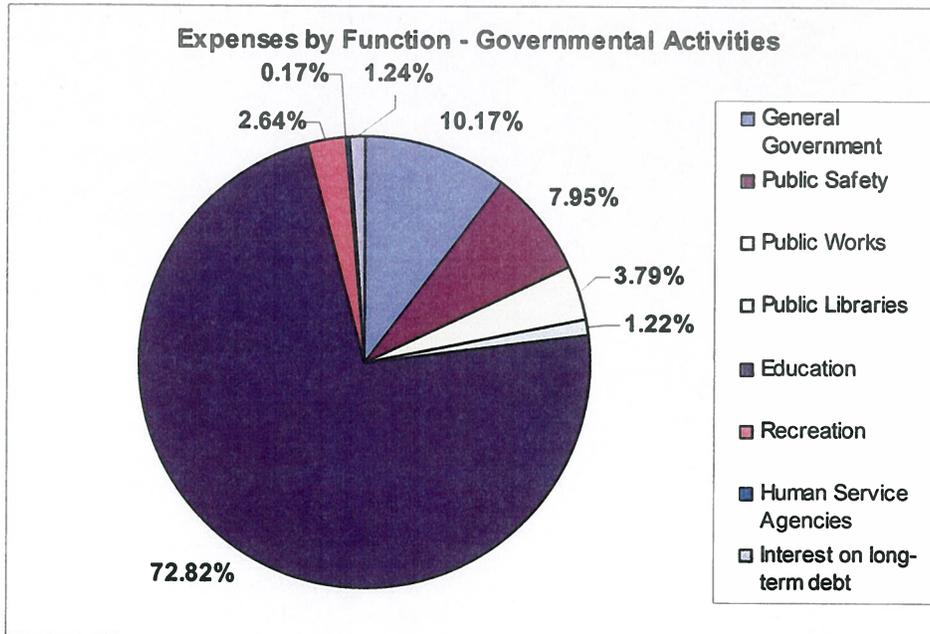
Changes in Net Assets (Continued)

Education expenses account for approximately 72.8 percent of the total expenses within the governmental funds of the Town of South Kingstown. Public safety and general government expenses account for approximately 7.9 percent and 10.2 percent respectively of the total expenses for the 2011 fiscal year. Major expense factors included:

- Governmental activities declined slightly by \$15,327 from \$86,132,693 to \$86,117,366. The decline was the result of the prolonged downturn in the economy and reflected a conservative approach to spending.
- Overall expenses related to the general governmental category declined by \$419,291 based on several variances within the different programs.
- Interest on long term debt declined by \$169,036 based on a declining debt schedule.
- Contributions to human service agencies declined by \$21,350.
- An increase of \$124,121 for education related expenditures. There were several large variances, both positive and negative, which accounted for the increase.
- The following operating programs of the General Fund saw an increase in the amount of overall expenses. The Public Safety program had the largest increase in expenditures of \$255,672. Public Works expenses increased by \$143,973, while Recreation was up by \$36,153 and Libraries increased by \$34,431.
- All labor contracts for Town employees had a 2.25 percent cost of living increase.



Changes in Net Assets (Continued)



Business-type activities. Net assets in business-type activities increased by \$443,955 resulting in a 1.6% increase in business-type net assets.

Charges for services for business-type activities accounted for 91% of the total revenue sources. The balance of revenues for business-type activities was from operating grants and contributions (5.6%), investment earnings (.7%) and from capital grants and contributions of 2.7%.

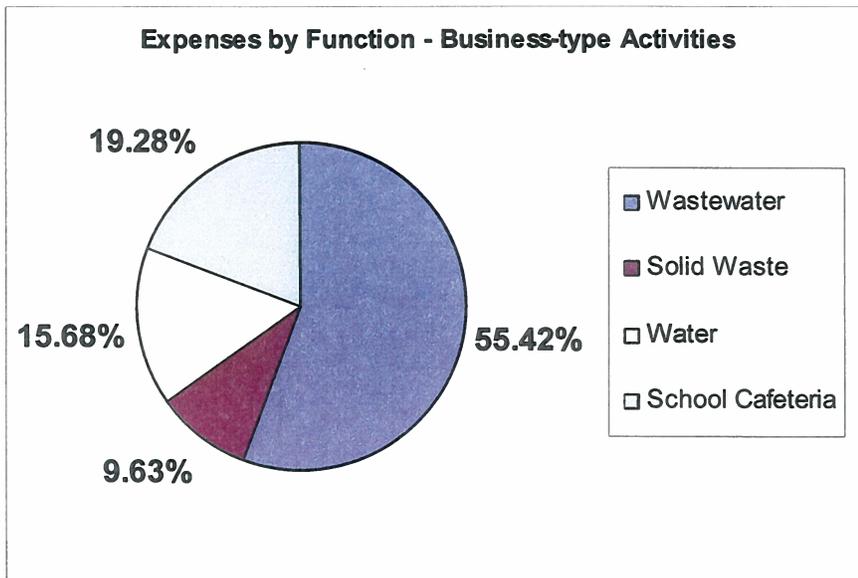
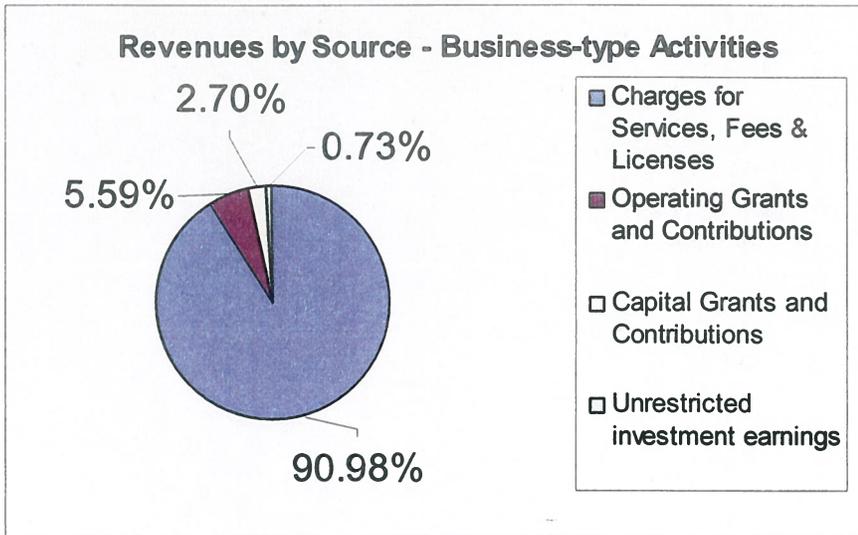
Wastewater treatment expenses account for approximately 55.4% of the total expenditures within the business-type activities of the Town. Solid waste, school cafeteria operations and water fund expenses account for approximately 9.6%, 19.3% and 15.7% respectively of the total business-type activities expenditures for the 2010 fiscal year.

Charges for services for business-type activities increased slightly from \$5,120,850 to \$5,223,540. The wastewater fund had a decline of \$37,668. Several variances to prior year fees resulted in the slight decline. Charges for services for the water fund increased by \$32,651, while the solid waste fund experienced an increase of \$58,633 in these program revenues. The increase in the water fund charges was the result of variances to prior year fees including user fee revenues from residents and cell antenna lease receipts. Solid waste fees declined based mainly on a reduction in commercial tipping fees paid by the third party contractor operating the transfer station. Charges for services for the cafeteria fund increased by \$49,074. Operating grants and contributions increased by \$21,683 in the cafeteria fund while grants in the Water Fund increased by \$25,000. Unrestricted investment earnings declined from \$45,386 to \$42,184 for all business-type activities. Reductions in interest rates earned on investments were responsible for generating the decline in this revenue source.

Expenses in the wastewater fund declined by \$143,397 due to a reduction in costs as a result of employee attrition and a reduction in maintenance type expenditures. The \$25,625 increase in water fund expenses was due to the power washing of the two water tanks.

Changes in Net Assets The \$39,236 increase in expenses for the solid waste fund was attributable to and increase in landfill maintenance costs offset somewhat by a decline in tipping fees paid for waste hauled to the Johnston Central Landfill. Costs to operate the cafeteria fund increased by \$65,542 or 7%, based on the food service contract entered in to by the school department.

Changes in Net Assets (Continued)



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.

As of the end of the current fiscal year, the Town of South Kingstown's governmental funds reported combined ending fund balances of \$44,096,494. Of this amount, \$9,323,111 is available for spending at the government's discretion (unassigned) within the Town's General Fund. The remaining fund balance of \$34,773,383 includes \$1,592,066 committed to help finance the 2011-2012 fiscal year budgets, \$1,000,000 committed to help pay for Superfund remediation costs. The remaining amounts of

Financial Analysis of the Government's Funds (Continued)

\$32,181,317 consist of non-spendable fund balance of \$14,165,610, restricted fund balance of \$9,574,187 and committed fund balance of \$ 8,441,520.

The General Fund is the chief operating fund of the Town of South Kingstown. At the end of the current fiscal year the total fund balance reached \$11,664,133, which represents an increase of \$156,518. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund budgeted expenditures. Unreserved fund balance represents 12.7 percent of the 2012 FY Adopted General Fund Expenditure Budget, while total fund balance represents 15.9 percent of that same amount.

The fund balance of the Town of South Kingstown's General Fund increased by \$156,518 as compared to the June 30, 2010 fund balance as originally reported. This increase is the result of a restatement of the opening fund balance for inclusion of the Municipal Planning Fund (\$132,293) as part of the General Fund due to GASB 54 implementation, and the net results from operations (\$24,225) for fiscal 2011. Key factors in this increase are as follows:

- The Town committed \$1,200,000 of fund balance to help finance the 2010-2011 general fund budget. The planned drawdown of fund balance was consistent with prior year use of fund balance.
- The difference between the GAAP basis of accounting and the budgetary basis of accounting is the result of recognizing the fund balance commitment of \$1,200,000, as a revenue under the budgetary basis but not the GAAP basis. In addition, accounting for encumbrances resulted in another \$4,611 in budgetary basis expenditures being more than the GAAP basis. Based on the implementation of GASB Statement 54, the Town recognized \$16,600 in additional expenses on a GAAP basis which were transferred from the Municipal Planning Special Revenue Fund. A prior year purchase order balance of \$266 was cancelled which was recognized on a budgetary basis but not in the GAAP basis revenues.
- A budgetary basis operating surplus in the general fund of \$1,236,540. Expenditures under budget contributed \$397,243 to the surplus, while revenues finished the fiscal year with a \$788,595 surplus. Other financing sources (uses) under budget increased the surplus by \$50,702.
- Conservative spending patterns which included a hiring freeze of non-essential positions, allowed the Town to achieve savings of \$397,243 on the expenditure side. Favorable expenditure variances of significance included savings in the general government accounts (\$125,684), public safety (\$68,707), public works (\$64,556), insurance (\$48,084), employee benefits (\$37,371) debt service (\$20,385) recreation (\$20,173) and libraries (\$12,283). The employee benefit savings were the result of the enacted hiring freeze, which resulted in reduced employer costs associated with Social Security and retirement contributions.
- Positive budget variances in the revenue accounts such as property taxes (\$432,544), state aid revenues (\$257,708) licenses and fees (\$81,246), departmental revenues (\$72,243), and miscellaneous revenues (\$44,083) all contributed to the budgetary surplus. Offsetting these positive variances was a shortfall in investment income (\$99,229).

The school fund has a total fund balance of \$2,725,758 of which \$167,769 is committed to liquidate contracts and purchase orders of the prior period, \$15,231 is recognized as non-spendable for prepaid expenditures and \$392,066 is committed to help finance the 2011-2012 fiscal year budget. The remaining balance of \$2,150,692 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 \$1,343,765, an increase of \$128,747. Unrestricted net assets in the wastewater fund increased by \$556,851 to a total of \$3,229,784. The school cafeteria operations improved by \$4,308 to a deficit position of \$68,562, while the solid waste fund finished the year with unrestricted net assets of \$1,200,056, which was a decline in value of \$92,192.

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 2010-2011 fiscal year with a \$1,236,540 budgetary surplus. Differences between the original budget and the final amended budget involved transferring funds from departments with expenditure surpluses to departments with expenditure deficits and transferring various department surpluses to different reserve funds to ensure adequate funds for future anticipated expenditures.

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, 2011 amounts to \$112,068,479 (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 increase in the Town of South Kingstown's investment in capital assets for the current fiscal year was .7 percent (a 1.4 percent increase for governmental activities and a 1.8 percent decline for business-type activities).

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

- The purchase of an EMS ambulance and utility vehicle and various medical equipment amounted to \$204,250.
- A variety of road construction projects were completed and capitalized. Projects capitalized as infrastructure totaled \$761,018, which included work completed on Moonstone Beach Road and Liberty Lane.
- Various capital improvement projects to town recreational facilities accounted for an additional \$193,965 in acquisitions. Improvement at the police station, library and public services building accounted for another \$ 109,138 in new capital assets.
- Upgrades to the Town's IT network totaled \$72,980.
- Construction in progress of the Governmental Funds at June 30, 2011 totaled \$2,962,951 based on several ongoing projects.

Capital Asset and Debt Administration (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 13,669	\$ 13,669	\$ 1,587	\$ 1,587	\$ 15,256	\$ 15,256
Land Improvements	7,967	7,871	2,182	2,236	10,149	10,107
Buildings	16,953	17,554	4,053	4,258	21,006	21,812
Building Improvements	22,766	23,849	1,828	1,913	24,594	25,762
Equipment	3,746	3,628	2,502	2,665	6,248	6,293
Vehicles	1,957	2,074	97	98	2,054	2,172
Infrastructure	17,816	17,451	11,832	11,914	29,648	29,365
Construction in Progress	2,963	503	150	9	3,113	503
Total	\$ 87,837	\$ 86,599	\$ 24,231	\$ 24,680	\$ 112,068	\$ 111,270

Additional information on the Town of South Kingstown's capital assets can be found in note 6 on pages 52-53 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 \$26,351,619, entirely backed by the full faith and credit of the Town. Bonds authorized but unissued totaled an additional \$12,715,000.

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, 2011, the Town had a debt limit of \$136,404,619. Of the Town's \$26,351,619 in debt outstanding, \$5,338,372 is subject to the Town's legal debt limit. A balance of \$131,066,247 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	
	2011	2010	2011	2009	2010	2010
General Obligation Bonds	\$23,650	\$27,085	\$2,702	\$2,997	\$26,352	\$30,082

The Town's total bonded debt declined by the amount of principal payments made of \$3,730,547 (12.4 percent) during the 2011 fiscal year. The Town did not issue any new debt during the fiscal year.

Capital Asset and Debt Administration (Continued)

On April 30, 2010 Moody's Investors Services recalibrated the Town's bond rating as part of their new, uniform, single global rating scale, which rates municipal and corporate securities in the same manner to better serve all market participants. This resulted in an upward shift of the Town's long-term municipal rating from Aa2 to Aa1. South Kingstown is one of only four Rhode Island communities that have a bond rating of Aa1. The Town had previously received upgrades from A to A-1 in 1991, from A-1 to Aa3 in 2002, and from Aa3 to Aa2 in 2006. The Moody's credit report cited the following factors for the upgrade in 2006:

- 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 55-58 of this report.

Economic Factors and Next Year's Budgets and Rates

- Based on the difficult economic environment in which the Town was operating, the 2012 fiscal year budget increased by \$558,124 in comparison to the 2011 fiscal year budget.
- Property tax revenues for the fiscal year 2012 reflect an increase in the Town's tax levy of .95 percent or \$621,399 greater than the previous fiscal year. The property tax rate increased from \$14.19 to \$14.51 per thousand dollars of assessed value. Total taxable property declined by \$39,747,698 from \$4,546,820,643 to \$4,507,072,945. The .87% decline in values and the increase in the tax rate were generally associated with the increase in the motor vehicle exemption from \$500 to \$3,000. The change in exemption value resulted in a reduction of \$39,747,698 in assessed values for motor vehicles.
- Based on a declining debt service schedule debt service costs were reduced by \$293,735. The pay-as-you-go portion of the 2011-12 FY Capital Budget was increased by \$18,000.

During the current fiscal year, the fund balance in the General Fund increased to \$11,664,133. The Town of South Kingstown has committed \$1,200,000 of this amount for spending in the 2012 fiscal year budget and \$1,000,000 to pay for future Superfund debt service costs, \$115,633 is committed for future municipal planning projects and \$22,810 is committed for outstanding purchase orders at June 30, 2011. The Town also has an unassigned fund balance of \$9,323,111 to use at its discretion.

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 ISLAND**Statement of Net Assets
June 30, 2011**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 39,228,249	\$ 6,497,450	\$ 45,725,699
Investments	15,555,199		15,555,199
Accounts receivable	1,044,855	912,299	1,957,154
Internal balances	120,939	(120,939)	-
Due from federal and state governments	692,020	27,905	719,925
Net OPEB Obligation, prepaid	284,081		284,081
Prepays	1,030,328	-	1,030,328
Total Current Assets	57,955,671	7,316,715	65,272,386
Noncurrent Assets:			
Deferred charges - refunding	313,008		313,008
Deposits	364,200		364,200
Deferred charges - bond issuance	245,388	13,098	258,486
Capital assets not being depreciated	16,632,325	1,736,316	18,368,641
Capital assets, net of accumulated depreciation	71,205,049	22,494,789	93,699,838
Total Noncurrent Assets	88,759,970	24,244,203	113,004,173
TOTAL ASSETS	146,715,641	31,560,918	178,276,559
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,000,345	334,430	2,334,775
Accrued liabilities	4,658,933	57,262	4,716,195
Due to federal and state governments	37,235	342,548	379,783
Unearned revenue	715,362	619,589	1,334,951
Deposits held in custody of others	172,040	-	172,040
Current portion of compensated absences	1,750,000	118,600	1,868,600
Current portion of claims and judgements	66,630	-	66,630
Current portion of bonds	3,260,000	303,006	3,563,006
Total Current Liabilities	12,660,545	1,775,435	14,435,980
Noncurrent Liabilities:			
Compensated absences	2,904,767	152,341	3,057,108
Accrued claims and judgements	1,688,640	-	1,688,640
General obligation bonds, net	20,390,000	2,398,613	22,788,613
Total Noncurrent Liabilities	24,983,407	2,550,954	27,534,361
TOTAL LIABILITIES	37,643,952	4,326,389	41,970,341
NET ASSETS:			
Invested in capital assets net of related debt	64,187,374	21,529,486	85,716,860
Restricted for:			
Endowments:			
Expendable	1,789,430		1,789,430
Nonexpendable	14,138,240		14,138,240
Unrestricted	28,956,645	5,705,043	34,661,688
TOTAL NET ASSETS	\$ 109,071,689	\$ 27,234,529	\$ 136,306,218

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, 2011

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for	Operating	Capital	Governmental Activities	Business-type Activities	Total
		Services, Fees & Licenses	Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 8,762,355	\$ 3,568,036	\$ 996,438	\$ 782,050	\$ (3,415,831)		\$ (3,415,831)
Public safety	6,842,338	920,046	4,000	74,430	(5,843,862)		(5,843,862)
Public works	3,267,543	114,780	29,739	-	(3,123,024)		(3,123,024)
Human service agency contributions	145,400	-	-	-	(145,400)		(145,400)
Public libraries	1,049,444	27,877	220,363	-	(801,204)		(801,204)
Education	62,708,323	758,360	13,129,695	2,756	(48,817,512)		(48,817,512)
Recreation	2,274,394	921,171	13,670	143,686	(1,195,867)		(1,195,867)
Interest on long-term debt	1,067,569	-	230,742	-	(836,827)		(836,827)
Total governmental activities	86,117,366	6,310,270	14,624,647	1,002,922	(64,179,527)		(64,179,527)
Business-type activities:							
Wastewater	2,941,505	3,055,955	-	154,650		\$ 269,100	269,100
Solid Waste	511,132	483,873	-	-		(27,259)	(27,259)
Water	831,549	954,815	25,000	-		148,266	148,266
School Cafeteria	1,022,540	728,897	296,307	-		2,664	2,664
Total business-type activities	5,306,726	5,223,540	321,307	154,650		392,771	392,771
Total	\$ 91,424,092	\$ 11,533,810	\$ 14,945,954	\$ 1,157,572	\$ (64,179,527)	392,771	(63,786,756)
General revenues:							
Property taxes					65,797,804		65,797,804
Motor vehicle phase-out taxes					168,739		168,739
Telephone and hotel taxes					414,890		414,890
Grants and aid not restricted for a specific program					1,413,742		1,413,742
Unrestricted investment earnings					2,733,097	42,184	2,775,281
Transfers					(9,000)	9,000	-
Total general revenues and transfers					70,519,272	51,184	70,570,456
Change in Net assets					6,339,745	443,955	6,783,700
Net assets - beginning of year					102,731,944	26,790,574	129,522,518
Net assets - ending of year					\$ 109,071,689	\$ 27,234,529	\$ 136,306,218

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, 2011**

	General Fund	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 28,632,822	\$ 22,243	\$ 440,061	\$ 7,102,429	\$ 36,197,555
Investments	-		14,385,426	1,169,773	15,555,199
Accounts and other receivable	1,003,783	2,618	9,741	28,713	1,044,855
Due from federal and state governments	-	145,415		546,605	692,020
Prepaid expenditures	2,579	15,231		9,560	27,370
Due from other funds	208,641	6,793,334		7,788,213	14,790,188
TOTAL ASSETS	\$ 29,847,825	\$ 6,978,841	\$ 14,835,228	\$ 16,645,293	\$ 68,307,187
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 164,466	\$ 820,118		\$ 687,593	\$ 1,672,177
Retainage payable	-			328,168	328,168
Accrued liabilities	641,981	3,395,577		112,675	4,150,233
Due to federal & state governments	37,235			-	37,235
Due to other funds	16,298,821	30,163	\$ 99,741	225,121	16,653,846
Deferred revenues	869,149	7,225	-	320,620	1,196,994
Deposits held in custody for others	172,040				172,040
TOTAL LIABILITIES	18,183,692	4,253,083	99,741	1,674,177	24,210,693
FUND BALANCES:					
Non-Spendable	2,579	15,231	14,138,240	9,560	14,165,610
Restricted	-		597,247	8,976,940	9,574,187
Committed	2,338,443	2,710,527		5,984,616	11,033,586
Assigned	-				
Unassigned	9,323,111				9,323,111
TOTAL FUND BALANCES	11,664,133	2,725,758	14,735,487	14,971,116	44,096,494
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,847,825	\$ 6,978,841	\$ 14,835,228	\$ 16,645,293	\$ 68,307,187

(CONTINUED)

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, 2011*

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	\$ 44,096,494
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund balance sheet	87,837,374
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.	558,396
Net OPEB Obligation is reported on the Statement of Net Assets as an Asset at June 30, 2011 while this OPEB Obligation/Asset is not reflected in the Gov't Fund balance sheet.	284,081
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.	(30,060,037)
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.	675,164
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.	5,873,749
Net premium on refunding has been recorded as deferred revenue on the Statement of Net Assets	<u>(193,532)</u>
Total Net Assets reported in Exhibit A-1	<u>\$ 109,071,689</u>

(CONCLUDED)

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
Governmental Funds
For the Year the Ended June 30, 2011**

	General Fund	School Unrestricted Fund	School Trust Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	\$ 65,767,357				\$ 65,767,357
Intergovernmental	2,448,476	\$ 8,710,452		\$ 3,222,030	14,380,958
State Federal Stabilization Fund	-	244,944			244,944
Licenses and fees	1,301,246			735,950	2,037,196
Investment income (loss)	225,771		\$ 2,315,500	175,216	2,716,487
Fines and charges	-			1,178,269	1,178,269
Departmental	1,064,987				1,064,987
Contributions	-			374,373	374,373
State on behalf pension contribution	-	2,098,130			2,098,130
Other	392,318	758,360		66,054	1,216,732
TOTAL REVENUES	71,200,155	11,811,886	2,315,500	5,751,892	91,079,433
EXPENDITURES:					
Current:					
General government	2,578,103				2,578,103
Public safety	6,563,358				6,563,358
Public works	2,081,960				2,081,960
Human service agency contributions	145,400				145,400
Public libraries	928,496				928,496
Education	-	59,894,638		1,925,752	61,820,390
Recreation	1,296,915			746,176	2,043,091
Other	4,826,044		59,156	1,496,823	6,382,023
Debt Service:					
Principal	3,385,000			50,000	3,435,000
Interest and other costs	992,907			27,320	1,020,227
Capital:					
Capital expenditures	5,000			4,314,515	4,319,515
TOTAL EXPENDITURES	22,803,183	59,894,638	59,156	8,560,586	91,317,563
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	48,396,972	(48,082,752)	2,256,344	(2,808,694)	(238,130)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,156,581	47,931,098	-	3,104,704	52,192,383
Transfers out	(49,529,328)	(20,000)	(453,834)	(2,198,221)	(52,201,383)
TOTAL OTHER FINANCING SOURCES (USES)	(48,372,747)	47,911,098	(453,834)	906,483	(9,000)
NET CHANGE IN FUND BALANCES	24,225	(171,654)	1,802,510	(1,902,211)	(247,130)
FUND BALANCE BEGINNING OF YEAR, AS RESTATED	11,639,908	2,897,412	12,932,977	16,873,327	44,343,624
FUND BALANCE AT END OF YEAR	\$ 11,664,133	\$ 2,725,758	\$ 14,735,487	\$ 14,971,116	\$ 44,096,494

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, 2011**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ (247,130)
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 capital exceeded depreciation in the current period.	903,920
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 2011.	(192,718)
Governmental funds do not report donation revenue when infrastructure assets are donated to the Town. These assets are capitalized on the statement of net assets and therefore reported as donation income in the statement of activities. This represents the value of donated assets capitalized during 2011.	526,535
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	3,435,000
Governmental funds report contributions to the OPEB Trust as an expenditure when the contribution occurs. However, amounts overfunded as determined by the actuary are considered assets on the Statement of Net Assets. This represents the increase in the Net OPEB Obligation asset/prepaid for fiscal 2011.	284,081
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 decrease in the estimate from the amount reported at June 30, 2011.	215,513
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.	(76,418)
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 2010.	30,447
Excess of internal service funds' revenues over expenses, reported as governmental fund activity in the statement of activities and changes in net assets.	1,760,458
Increase 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>(299,943)</u>
Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 6,339,745</u>

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues and Designated Fund Balance:				
Property taxes:				
Current taxes	\$ 64,240,096	\$ 64,240,096	\$ 64,486,671	\$ 246,575
Prior taxes	515,000	515,000	662,004	147,004
Total taxes current and prior	64,755,096	64,755,096	65,148,675	393,579
Pilot - Federal Aid	22,000	22,000	16,423	
Interest on taxes	330,000	330,000	372,785	42,785
Payment in lieu of taxes	227,717	227,717	229,474	1,757
Total property taxes	65,334,813	65,334,813	65,767,357	432,544
State aid - Town:				
General state aid	124,067	124,067	124,230	163
Telephone tax	271,518	271,518	302,307	30,789
Meals and Beverage tax	515,000	515,000	574,603	59,603
Chapter 26 - School housing	948,806	948,806	942,636	(6,170)
State library construction	17,378	17,378	17,378	-
State library general aid	182,354	182,354	184,634	2,280
State library endowment aid	23,645	23,645	21,366	(2,279)
State motor vehicle phase-out	-	-	168,739	168,739
Hotel tax	108,000	108,000	112,583	4,583
Total state aid - Town	2,190,768	2,190,768	2,448,476	257,708
Licenses, fees and rents:				
Business licenses and fees	340,000	340,000	380,063	40,063
Nonbusiness licenses and fees	375,000	375,000	396,700	21,700
Real Estate conveyance fees	65,000	65,000	84,531	19,531
Rental of Town properties	440,000	440,000	439,952	(48)
Total licenses, fees and rents	1,220,000	1,220,000	1,301,246	81,246
Investment income - short term	325,000	325,000	225,771	(99,229)
Departmental revenues:				
Police department revenues	146,000	146,000	194,718	48,718
Park rental revenue	18,500	18,500	17,047	(1,453)
Town beach parking	94,425	94,425	109,469	15,044
Boat and mooring	23,000	23,000	25,488	2,488
Animal control fees	4,000	4,000	3,300	(700)
Libraries	30,000	30,000	27,877	(2,123)
Dog/cat licenses and fines	5,000	5,000	4,460	(540)
Planning department	200	200	255	55
Recreation department	188,625	188,625	222,320	33,695
Recreation self-support program	144,700	144,700	125,052	(19,648)
Wastewater department	35,200	35,200	35,200	-
Water department	19,200	19,200	19,200	-
Solid waste department	14,400	14,400	14,400	-
Guild	5,100	5,100	5,150	50
Fire alarm	4,000	4,000	2,324	(1,676)
Interfund computer	106,190	106,190	106,190	-
Peace Dale office	2,856	2,856	2,800	(56)
Stepping stone - creative	62,848	62,848	56,612	(6,236)
Stepping stone - self supported	4,500	4,500	2,378	(2,122)
Recreation Dept - Outside Sponsors	17,100	17,100	24,882	7,782
Narragansett - Dog Pound	60,000	60,000	60,000	-
Senior Service Adult Day Care billing fee	5,400	5,400	5,400	-
Geographic information systems program	1,500	1,500	465	(1,035)
Total departmental revenues	992,744	992,744	1,064,987	72,243

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

(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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Miscellaneous revenues:				
School crossing guards	82,000	82,000	75,115	(6,885)
Payroll and accounting	6,600	6,600	6,600	-
School field maintenance reimbursement	52,597	52,597	60,517	7,920
Energy savings	51,804	51,804	51,804	-
Heat detector	3,500	3,500	3,500	-
Miscellaneous - Town	125,000	125,000	167,176	42,176
Copy charges	27,000	27,000	27,872	872
Total miscellaneous	348,501	348,501	392,584	44,083
Use of June 30, 2010 designated fund balance	1,200,000	1,200,000	1,200,000	-
Total revenues and designated fund balance	71,611,826	71,611,826	72,400,421	788,595
Expenditures:				
General government:				
Town council	12,850	13,220	13,220	-
Financial town meeting	9,317	9,317	132	9,185
Legal staff	163,216	163,216	155,176	8,040
Probate judge	4,000	4,000	4,000	-
Town clerk	256,437	256,437	250,734	5,703
Public information	4,607	4,607	2,657	1,950
Canvassing authority	73,902	73,902	66,888	7,014
Town manager's office	318,034	317,664	316,804	860
Personnel administration	77,674	77,674	74,462	3,212
League of cities and towns	11,115	11,115	11,115	-
Town hall operations	168,434	168,434	162,133	6,301
Finance department	463,884	453,884	444,741	9,143
Tax assessor's office	245,917	245,917	242,341	3,576
Assessment board of review	1,900	1,900	300	1,600
Data processing division	241,065	241,065	230,477	10,588
Geographic information systems	86,020	86,020	82,139	3,881
Post year audit	22,275	22,275	6,440	15,835
Planning board	4,680	4,680	2,920	1,760
Planning department	287,640	287,640	272,874	14,766
Zoning board of review	11,850	11,850	9,162	2,688
Zoning/building inspection	221,668	221,668	202,086	19,582
Miscellaneous boards and agencies	17,850	17,850	17,850	-
Total general government	2,704,335	2,694,335	2,568,651	125,684
Public safety:				
Police department	5,086,314	5,057,835	5,010,804	47,031
Animal control - RD/shelter	203,416	203,416	189,857	13,559
Radio/communication	181,830	181,830	179,296	2,534
Harbor patrol	29,945	29,945	24,362	5,583
Fire company donation	3,600	3,600	3,600	-
Emergency medical services	1,121,105	1,149,584	1,149,584	-
Total public safety	6,626,210	6,626,210	6,557,503	68,707
Public works:				
Public works administration	253,272	253,272	239,565	13,707
Streets and highway	1,738,861	1,682,820	1,637,846	44,974
Tree warden	22,641	38,682	38,682	-
Street lighting	170,000	170,000	164,125	5,875
Total public works	2,184,774	2,144,774	2,080,218	64,556

(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, 2011

	<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	15,000	15,000	15,000	-
Visiting Nurses Association	25,000	25,000	25,000	-
Thundermist Health Center	25,000	25,000	25,000	-
Phoenix Marathon House	12,000	12,000	12,000	-
South County Community Action	25,000	25,000	25,000	-
Washington County Coalition for Children	400	400	400	-
Cane Day Care Center	9,000	9,000	9,000	-
Hospice of Washington County	1,500	1,500	1,500	-
Domestic Violence Resource Center	5,000	5,000	5,000	-
Jonnycake Center	20,000	20,000	20,000	-
Welcome House of South County	5,000	5,000	5,000	-
Education Exchange	2,500	2,500	2,500	-
Total human service agency contributions	145,400	145,400	145,400	-
Recreation:				
Recreation department	1,310,088	1,310,088	1,290,116	19,972
Celebrations	7,000	7,000	6,799	201
Total recreation	1,317,088	1,317,088	1,296,915	20,173
Public libraries	940,779	940,779	928,496	12,283
Capital improvements/projects	100,000	10,000	10,000	-
Miscellaneous:				
Insurance	197,400	197,400	158,386	39,014
Unemployment insurance	40,000	40,000	30,930	9,070
Life insurance	12,600	12,600	10,922	1,678
Contingency	65,000	-	-	-
FICA	790,691	790,691	759,847	30,844
Contribution to Town retirement	748,635	748,635	745,150	3,485
Health insurance	2,972,173	2,972,173	2,972,173	-
Workers' compensation	150,000	150,000	148,636	1,364
Total miscellaneous	4,976,499	4,911,499	4,826,044	85,455
Debt Service	4,398,292	4,398,292	4,377,907	20,385
Total expenditures	23,393,377	23,188,377	22,791,134	397,243
Excess of revenues and designated fund balance over expenditures	48,218,449	48,423,449	49,609,287	1,185,838

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, 2011

	<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	558,485	558,485	558,485	-
From School Trust Funds	10,000	10,000	18,027	8,027
From Permanent Trust Funds	25,000	25,000	19,316	(5,684)
From Special Revenue Funds	577,942	577,942	560,753	(17,189)
To Wastewater Fund	(9,000)	(9,000)	(9,000)	-
To Elderly Services Fund	(349,948)	(349,948)	(349,948)	-
Tax transfer to School Fund	(47,909,928)	(47,909,928)	(47,909,928)	-
To Other Special Revenue Funds	(120,000)	(70,000)	(4,452)	65,548
To Capital Project Funds	(1,001,000)	(1,256,000)	(1,256,000)	-
Total other financing uses	(48,218,449)	(48,423,449)	(48,372,747)	50,702
Excess of revenues, other sources and uses of designated fund balance over expenditures and other financing uses	\$ -	\$ -	\$ 1,236,540	\$ 1,236,540

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State aid	\$ 9,255,564	\$ 9,255,564	\$ 9,198,692	\$ (56,872)
Tuition	131,059	131,059	95,842	(35,217)
Miscellaneous	847,000	847,000	659,068	(187,932)
Total revenues	10,233,623	10,233,623	9,953,602	(280,021)
Expenditures:				
Salaries	34,372,106	34,372,106	34,077,445	294,661
Employee benefits	14,525,150	14,525,150	14,282,375	242,775
Purchased services	7,867,527	7,867,527	7,849,141	18,386
Supplies and materials	1,520,319	1,520,319	1,533,706	(13,387)
Capital outlay	342,771	342,771	410,311	(67,540)
Total expenditures	58,627,873	58,627,873	58,152,978	474,895
Excess of revenues over (under) expenditures before other financing sources (uses)	(48,394,250)	(48,394,250)	(48,199,376)	194,874
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	21,170	1,170
Transfer to School Improvement Capital Project Fund	(20,000)	(20,000)	(20,000)	0
Use of June 30, 2010 designated fund balance	484,322	484,322	484,322	0
Total other financing sources (uses)	48,394,250	48,394,250	48,395,420	1,170
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 196,044	\$ 196,044

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, 2011

	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)	Activities Internal Service Funds
ASSETS:										
Current Assets:										
Cash and cash equivalents	\$ 3,897,136	\$ 3,353,592	\$ 1,141,886	\$ 1,212,031	\$ 1,370,396	\$ 1,192,383	\$ 88,032	\$ 26,030	\$ 6,497,450	\$ 3,030,694
Accounts and other receivables, net	671,118	565,410	40,419	41,298	175,422	155,760	25,340	15,218	912,299	1,002,958
Due from federal and state governments							27,905	24,050	27,905	
Due from other funds			40,625	64,692				5,596	40,625	1,984,597
Prepaid expenses										
Total Current Assets	4,568,254	3,919,002	1,222,930	1,318,021	1,545,818	1,348,143	141,277	70,894	7,478,279	6,018,249
Noncurrent Assets:										
Deposits										364,200
Capital assets not being depreciated	190,903	178,931	1,005,003	1,005,003	540,410	411,875			1,736,316	
Capital assets, net of accumulated depreciation	16,497,328	16,842,144	2,148,934	2,211,992	3,840,943	4,021,480	7,584	8,986	22,494,789	
Total Noncurrent Assets	16,688,231	17,021,075	3,153,937	3,216,995	4,381,353	4,433,355	7,584	8,986	24,231,105	364,200
TOTAL ASSETS	21,256,485	20,940,077	4,376,867	4,535,016	5,927,171	5,781,498	148,861	79,880	31,709,384	6,382,449
LIABILITIES:										
Current Liabilities:										
Accounts payable	83,000	230,920	22,844	30,198	18,747	61,448	209,839	143,764	334,430	
Accrued liabilities	49,188	80,589			8,074	6,772			57,262	508,700
Due to federal and state governments	342,548	207,292							342,548	
Due to other funds	38,493	21,634			123,071	21,089			161,564	
Deferred revenue	619,589	516,417							619,589	
Current portion of compensated absences	95,400	80,000	2,700	3,700	20,500	21,300			118,600	
Current portion of bonds	83,260	80,378	137,746	135,169	82,000	80,000			303,006	
Total Current Liabilities	1,311,478	1,217,230	163,290	169,067	252,392	190,609	209,839	143,764	1,936,999	508,700
Noncurrent Liabilities:										
General obligation bonds, net of current portion	380,205	463,465	1,934,408	2,072,154	84,000	166,000			2,398,613	
Deferred bond issuance costs, net	(2,803)	(4,204)	(10,295)	(11,005)					(13,098)	
Compensated absences	113,055	113,421	7,625	2,880	31,661	22,516			152,341	
Total Noncurrent Liabilities	490,457	572,682	1,931,738	2,064,029	115,661	188,516	-	-	2,537,856	-
TOTAL LIABILITIES	1,801,935	1,789,912	2,095,028	2,233,096	368,053	379,125	209,839	143,764	4,474,855	508,700
NET ASSETS:										
Invested in capital assets, net of related debt	16,224,766	16,477,232	1,081,783	1,009,672	4,215,353	4,187,355	7,584	8,986	21,529,486	
Unrestricted	3,229,784	2,672,933	1,200,056	1,292,248	1,343,765	1,215,018	(68,562)	(72,870)	5,705,043	5,873,749
TOTAL NET ASSETS	\$ 19,454,550	\$ 19,150,165	\$ 2,281,839	\$ 2,301,920	\$ 5,559,118	\$ 5,402,373	\$ (60,978)	\$ (63,884)	\$ 27,234,529	\$ 5,873,749

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, 2011

	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)	Internal Service Funds
OPERATING REVENUES:										
Charges for usage and service	\$ 2,544,533	\$ 2,571,850	\$ 346,345	\$ 361,739	\$ 944,819	\$ 877,296	\$ 728,897	\$ 679,823	\$ 4,564,594	\$ 12,163,276
Other revenues	511,422	521,773	137,528	63,501	9,996	44,868			658,946	
Total Operating Revenues	3,055,955	3,093,623	483,873	425,240	954,815	922,164	728,897	679,823	5,223,540	12,163,276
OPERATING EXPENSES:										
Wells					139,980	134,715			139,980	
Pumping	368,871	387,250			9,907	9,677			378,778	
Distribution					52,396	18,493			52,396	
Treating and sludge	1,268,045	1,331,869							1,268,045	
Transportation and disposal			256,126	292,879					256,126	
Other operating	124,507	136,424	78,595	6,367					203,102	
Administrative and general	589,286	579,068	75,566	69,596	418,322	407,795			1,083,174	
Health care management									-	10,419,428
Depreciation and amortization	571,612	578,178	63,768	63,768	183,364	182,227	1,402	1,421	820,146	
School cafeteria operations							1,021,138	955,577	1,021,138	
Repairs and maintenance	8,000	58,528			21,511	44,452			29,511	
Total Operating Expenses	2,930,321	3,071,317	474,055	432,610	825,480	797,359	1,022,540	956,998	5,252,396	10,419,428
OPERATING INCOME (LOSS)	125,634	22,306	9,818	(7,370)	129,335	124,805	(293,643)	(277,175)	(28,856)	1,743,848
NONOPERATING REVENUES (EXPENSES):										
Investment income	26,285	24,742	7,178	11,490	8,479	9,154	242		42,184	16,610
Loss on disposal of capital assets	(282)	(467)	-	-	(138)	(752)			(420)	
Value of donated assets	154,650								154,650	
State and federal grants	-				25,000		296,307	274,624	321,307	
Interest expense	(10,902)	(13,118)	(37,077)	(39,286)	(5,931)	(7,813)			(53,910)	
Net Nonoperating Revenues	169,751	11,157	(29,899)	(27,796)	27,410	589	296,549	274,624	463,811	16,610
INCOME (LOSS) BEFORE CONTRIBUTIONS	295,385	33,463	(20,081)	(35,166)	156,745	125,394	2,906	(2,551)	434,955	1,760,458
Transfers in	9,000	16,155	-	-	-	-	-	-	9,000	-
Transfers (Out)	-	-	-	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	304,385	49,618	(20,081)	(35,166)	156,745	125,394	2,906	(2,551)	443,955	1,760,458
TOTAL NET ASSETS - BEGINNING (RESTATED)	19,150,165	19,100,547	2,301,920	2,337,086	5,402,373	5,276,979	(63,884)	(61,333)	26,790,574	4,113,291
TOTAL NET ASSETS - ENDING	\$ 19,454,550	\$ 19,150,165	\$ 2,281,839	\$ 2,301,920	\$ 5,559,118	\$ 5,402,373	\$ (60,978)	\$ (63,884)	\$ 27,234,529	\$ 5,873,749

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, 2011**

	Business-type Activities- Enterprise Funds					Governmental
	Wastewater	Solid Waste	Water	School Cafeteria	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 3,053,419	\$ 484,752	\$ 935,153	\$ 718,775	\$ 5,192,099	\$ 11,781,849
Cash received from providing services	(1,765,228)	(342,075)	(266,495)	(955,063)	(3,328,861)	
Cash paid to suppliers for goods and services and other operating payments	(605,653)	(71,821)	(306,693)		(984,167)	
Cash paid to employees						(10,913,580)
Cash paid for claims						
Cash paid for other operating expenses						
Net cash provided (used) by operating activities	682,538	70,856	361,965	(236,288)	879,071	868,269
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers to (from) other funds	9,000	-	-		9,000	-
Nonoperating grants received			25,000	292,452	317,452	
Decrease (Increase) in due to (from) other funds		24,067		5,596	29,663	
Net cash provided (used) by noncapital financing activities	9,000	24,067	25,000	298,048	356,115	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	(82,999)	-	(131,500)	-	(214,499)	
Principal paid on bonds	(80,378)	(135,169)	(80,000)		(295,547)	
Interest paid on bonds	(10,902)	(37,077)	(5,931)		(53,910)	
Net cash provided (used) for capital and related financing activities	(174,279)	(172,246)	(217,431)	-	(563,956)	0
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	26,285	7,178	8,479	242	42,184	16,610
Net cash provided (used) by investing activities	26,285	7,178	8,479	242	42,184	16,610

(CONTINUED)

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, 2011**

	Business-type Activities- Enterprise Funds					Governmental Activities
	Wastewater	Solid Waste	Water	School Cafeteria	Totals	Internal Service Funds
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	543,544	(70,145)	178,013	62,002	713,414	884,879
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,353,592	1,212,031	1,192,383	26,030	5,784,036	2,145,815
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,897,136	\$ 1,141,886	\$ 1,370,396	\$ 88,032	\$ 6,497,450	\$ 3,030,694
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 125,634	\$ 9,818	\$ 129,335	\$ (293,643)	\$ (28,856)	\$ 1,743,848
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	571,612	63,768	183,364	1,402	820,146	
Increase in compensated absences	15,034	3,745	8,345		27,124	
(Increase) decrease in accounts/miscellaneous receivable	(105,708)	879	(19,662)	(10,122)	(134,613)	(793,250)
(Increase) decrease in due from other funds	-				-	411,823
(Increase) decrease in deposits	-				-	(188,900)
Increase (decrease) in accounts payable	(147,920)	(7,354)	(42,701)	66,075	(131,900)	(320,936)
Increase (decrease) in accrued liabilities	(31,401)	-	1,302		(30,099)	15,684
Increase (decrease) in due to other funds	16,859	-	101,982		118,841	-
Increase (decrease) in due to federal and state governments	135,256				135,256	
Increase (decrease) in deferred revenue	103,172				103,172	
Net cash provided (used) by operating activities	\$ 682,538	\$ 70,856	\$ 361,965	\$ (236,288)	\$ 879,071	\$ 868,269

Non-cash transactions:

During the fiscal year ended June 30, 2011 the Wastewater Fund received donated infrastructure assets with a fair market value of approximately \$154,650. The donation of these assets came from property developers. The donation constitutes a non cash transaction and accordingly, the value has been omitted from the statement of cash flows. Value is excluded from non-operating revenue and from capital asset acquisition.

(CONCLUDED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	Cemetery Care Private - Purpose Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 176,891	\$ 134,563	\$ 292,047
Investments	-	1,510,037	12,448
Other receivables		5,032	
TOTAL ASSETS	176,891	1,649,632	304,495
LIABILITIES			
Accounts payable and accrued expenses	200		
Deposits held in custody for others			304,495
TOTAL LIABILITIES	200	-	304,495
NET ASSETS			
Funds held in trust	\$ 176,691	\$ 1,649,632	\$ -

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, 2011**

	Cemetery Care Private -Purpose Trust Fund	OPEB Trust Fund
ADDITIONS:		
Charges for services	\$ 2,250	
Employer contributions		\$ 466,000
Investment income	1,532	173,146
TOTAL ADDITIONS	<u>3,782</u>	<u>639,146</u>
DEDUCTIONS:		
Operating expenses in accordance with agreement	8,638	11,189
TOTAL DEDUCTIONS	<u>8,638</u>	<u>11,189</u>
CHANGE IN NET ASSETS	(4,856)	627,957
NET ASSETS - BEGINNING OF YEAR	181,547	1,021,675
NET ASSETS - END OF YEAR	<u>\$ 176,691</u>	<u>\$ 1,649,632</u>

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 2011.

- 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, 2011.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 committed or restricted to expenditures for specific purposes other than debt service or capital projects.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 two Internal Service Funds which are used to pay medical and dental costs incurred by persons covered by the health benefit plan of the Town and for payment of accrued compensated absences which arise and are not included in the annual budget.

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, 2011. 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, 2011**

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, 2011**

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, Byrne Memorial Justice Assistance Grant, Community Development Block Grants, Drug Free Communities Grant, Elderly Services, EMS Billing Services Fund, Governor's Justice Commission Grants, Historical and Vital Recording Fees, Narragansett Library Association, Neighborhood Guild, Peacedale Office Building, Property Revaluation Reserve Fund, RI Resource 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 Fund, Bridge Improvement Fund, Capital Equipment & Replacement Fund, Data Processing Improvement Fund, Downtown Intermodal Enhancement Project Fund, Impact Fee Reserve Fund, Library Building Construction, Open Space Reserve Fund, Police Building Construction Fund, Public Services Office Building Improvement, Public Works Improvement Fund, Recreation Development & Restoration Fund, Recreation Improvement Fund, School Improvement Fund, Senior Services Center Construction Fund, Town Hall Improvement Fund, and Wastewater Construction Fund.
Permanent Funds:	Hazard Memorial Trust, Irving Knowles 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, 2011**

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 (for expenditure reimbursement grants) 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, 2011**

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 \$517,021 at June 30, 2011. The allowance for uncollectible accounts includes \$498,521 for property taxes and \$18,500 for enterprise fund service fees. Major receivable balances for the governmental activities include property taxes (95% 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 collected within 60 days of year-end and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned/measurable 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, 2011**

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, as such is reported as nonspendable fund balance.

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 \$500 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.

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, 2011**

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, 2009 and prior and are not collected within 60 days of June 30, 2011. Net deferred taxes included in the fund financial statements were \$675,164 at June 30, 2011.

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, 2011**

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. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. These categories are defined below:

- **Nonspendable Fund Balance** – includes the amount of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash.
- **Restricted Fund Balance** – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town Council is the highest level of decision-making authority and utilizes Town Ordinances as a formal procedure to commit fund balance. The majority of committed fund balance is established through passage of the annual Town budget warrant.
- **Assigned Fund Balance** – includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. In June 2011 the Town Council gave assigning authority to the Town Manager.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Statements (Continued)

- **Unassigned Fund Balance** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed or assigned for specific purposes.

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 \$30,060,037 are as follows:

Bonds payable	\$23,650,000
Accrued claims and judgments.....	1,755,270
Compensated absences	<u>4,654,767</u>
Total	<u>\$30,060,037</u>

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 \$903,920 difference are as follows:

Capital outlays	\$ 4,759,982
Depreciation expense	<u>(3,856,062)</u>
Net adjustment.....	<u>\$ 903,920</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 (Continued)

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 (\$299,943) are as follows:

Compensated absences at beginning of year	\$4,354,824
Compensated absences at end of year... ..	<u>(4,654,767)</u>
Net adjustment	<u>(\$ 299,943)</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 \$30,447 difference are as follows:

Net deferred tax revenue - ending	\$675,164
Net deferred tax revenue – beginning	<u>(644,717)</u>
Net adjustment (increase net asset).....	<u>\$ 30,447</u>

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2011 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. Implementation of this Statement required a restatement of fund balance at the beginning of the year due to reclassification of some of the Funds.
- GASB Statement No. 59 – Financial Instruments Omnibus. Adoption of this Statement did not have a significant impact on the Town's fiscal 2011 financial statements.

The following are recently issued governmental accounting standards which will be applicable in future years:

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the fiscal year ending June 30, 2013.
- GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53, effective for the fiscal year ending June 30, 2012.

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

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011**

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 2011 and 2010 were \$22,810 and \$18,199 (exclude \$266 canceled encumbrance from 2010), respectively, resulting in a net difference of \$4,611 (GAAP expenditures were less of budgetary expenditures). In addition, for GAAP purposes the Municipal Planning Services Reserve Fund is included in with the General Fund however it is not part of the General Fund for budget purposes. The expenditures of this Fund totaled \$16,660 for fiscal 2011. Therefore total expenditures on a budgetary basis (\$22,791,134) were less than GAAP basis expenditures (\$22,803,183) by \$12,049.

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, 2011 was \$1,200,000. In addition, miscellaneous budget revenue includes \$266 for a 2010 encumbrance which was cancelled. Therefore budget basis revenue of \$72,400,421 exceeds GAAP basis revenue (\$71,200,155) by \$1,200,266.

(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, on-behalf pension contributions by the State of Rhode Island are reported as both revenue and expenditures in the funds statements, and Summer School Fund is included in the School Unrestricted Fund for GAAP purposes but not for budget purposes.

Encumbrances for fiscal year 2011 and 2010 were \$167,769 and \$51,145, respectively, while unbudgeted Summer School Fund expenditures totaled \$3,450 resulting in a net difference of \$113,174 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	\$11,811,886
Adjustments:	
Literacy Fund revenue budgeted in School Unrestricted Fund.....	243,296
Summer School tuition not budgeted in School Unrestricted Fund	(3,450)
State on behalf pension contribution not budgeted	<u>(2,098,130)</u>
Total budgetary basis revenues, from Exhibit C-2	<u>\$9,953,602</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2. BUDGETARY PROCESS (Continued)

(c) Special Revenue Funds (Continued)

EXPENDITURES

Total School Unrestricted expenditures, from Exhibit B-2.....	\$59,894,638
Adjustments:	
Increase in encumbrances	116,624
State on behalf pension contribution not budgeted.....	(2,098,130)
Summer School expenditures paid with unbudgeted tuition.....	(3,450)
Literacy Fund expenditures reported in separate Special Revenue Fund.....	<u>243,296</u>
 Total budgetary basis expenditures from Exhibit C-2.....	 <u>\$58,152,978</u>

OTHER FINANCING SOURCES (USES)

Total other financing sources (uses), from Exhibit B-2.....	\$47,911,098
Adjustments:	
Add use of June 30, 2010 designated fund balance as another financing source for budgetary purposes	<u>484,322</u>
 Total budgetary basis other financing sources (uses) from Exhibit C-2	 <u>\$48,395,420</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, 2011, 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.

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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

3. RISK MANAGEMENT (Continued)

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, 2011 was \$46,329,200 (including Fiduciary Funds) while the bank balance was \$48,436,326. Of the bank balance, \$30,509,384 was covered by federal depository insurance and \$17,926,942 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$17,926,402 of the uninsured balance at June 30, 2011 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, 2011 the Town's investments totaled \$17,077,684 (including those held in Fiduciary Funds) and consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Domestic Common Stock	\$6,255,600	n/a	n/a	not rated
Foreign Common Stock.....	381,271	n/a	n/a	not rated
Mutual Funds	3,694,800	n/a	n/a	not rated
Asset Backed Securities.....	102,147	.526-5.36%	3/2013-7/2034	AAA
Corporate Mortgage Backed Securities	347,448	4.13-6.0%	11/2032-6/2047	AAA
Foreign Bonds	127,801	3-5.125%	7/2018-6/2019	AAA
Foreign Bonds	74,073	4.2%	2/2015	AA
Foreign Bonds	118,774	4.63-5.65%	5/2013-5/2018	A+
Foreign Bonds	91,343	3.99-6.22%	2/2016-3/2036	A-
Foreign Bonds	105,361	5.45%	9/2012	AA-
Foreign Bonds	57,595	5.7-9.62%	5/2017-3/2019	BBB
Foreign Bonds	64,268	5.25%	8/2020	BBB-
Corporate Bonds	30,431	2.25%	3/2012	AAA
Corporate Bonds	77,482	2.1-5.5%	1/2014-1/2020	AA+
Corporate Bonds	105,560	4.95-6.2%	2/2014-4/2038	AA

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

4. CASH AND INVESTMENTS (Continued)

Investments (Continued)

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Corporate Bonds	130,530	4.5-10.38%	10/2013-7/2020	A+
Corporate Bonds	700,376	3.9-7.38%	10/2012-1/2034	A
Corporate Bonds	343,037	3-8.75%	5/2012-2/2039	A-
Corporate Bonds	162,235	4.5-5.5%	8/2011-8/2013	AA-
Corporate Bonds	490,820	2.0-8.38%	5/2013-8/2036	BBB+
Corporate Bonds	393,850	5.0-8.13%	7/2011-2/2019	BBB
Corporate Bonds	270,727	2.63-7.5%	5/2013-2/2020	BBB-
Corporate Bonds	25,630	6.125%	9/15/2029	Baa2
Corporate Bonds	25,746	4.7%	3/15/2012	A2
Corporate Bonds	50,053	2.0%	04/2016	Aaa
Corporate Bonds	27,343	5.63.0%	05/2018	Aa2
Corporate Bonds	26,466	5.63.0%	01/2017	A2
Corporate Bonds	27,001	5.15%	10/2015	A1
Corporate Bonds	26,495	5.3%	09/2015	A2
Corporate Bonds	25,046	4.0%	07/2013-07/2020	A2
Corporate Bonds	25,725	3.1%	03/2013	A2
Corporate Bonds	27,663	5.88%	12/2017	Aa3
Corporate Bonds	99,255	n/a	n/a	not rated
Corporate Bonds	26,988	5.0%	11/2014	A2
Corporate Bonds	28,921	6.25%	09/2017	A1
Corporate Bonds	28,868	6.50%	10/2017	A3
Corporate Bonds	106,670	n/a	n/a	not rated
Corporate Bonds	36,747	6.25%	06/2012	Baa2
Corporate Bonds	21,196	5.3%	09/2015	A2
Corporate Bonds	24,788	5.0%	09/2013/9/2025	A2
Corporate Bonds	50,941	n/a	n/a	not rated
Corporate Bonds	21,590	5.0%	11/2014	A2
Federal National Mortgage Assoc.	330,462	5.0-6.5%	6/2017-3/2038	AAA
Federal Home Loan Mtge Corp.	159,320	4.5-6.5%	9/2020-4/2038	AAA
United States Treasury Notes	840,855	.38-3.00%	7/2012-11/2020	AAA
United States Treasury Bonds	363,577	0-4.5%	5/2030-5/2040	AAA
United States Agency Guaranteed	53,149	0-4.5%	1/2021	AAA
Municipal Bonds	25,522	5.10%	6/2033	A+
Municipal Bonds	52,013	5.12%	11/2019	A
Municipal Bonds	111,317	3.4-6.47%	12/2015-6/2040	AA-
Municipal Bonds	22,904	5.06%	12/2024	Aa3
Municipal Bonds	26,236	5.63%	12/2029	Aa2
Municipal Bonds	26,860	5.05%	4/2019-4/2021	not rated
Municipal Bonds	27,215	5.27%	6/2020	Aa2
Municipal Bonds	20,995	5.65%	6/2027	Aa2
Municipal Bonds	24,539	4.19%	6/2024	Aaa
Municipal Bonds	25,171	4.19%	6/2024	Aaa
Municipal Bonds	21,772	5.27%	06/2020	Aa2
Municipal Bonds	21,407	6.32%	03/2020-03/2030	not rated
Municipal Bonds	26,391	4.11%	06/2017	Aa2
Municipal Bonds	26,870	5.43%	04/2023	Aa3
GNMA	12,448	5.5%	11/2032	AAA
Total investments	<u>\$ 17,077,684</u>			

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

4. CASH AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk

As noted above, approximately 40% of the Town's investments are in long-term Foreign and 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.

The Town's idle cash and cash equivalents are maintained in short-term certificate of deposits and money market accounts. The Town mitigates its exposure to fair value losses arising from increasing interest rates by investing in short-term obligations (no longer than 1 year maturity). The Town's policy is to ensure that FDIC coverage is maintained on all deposits or that amounts in excess of the FDIC coverage are collateralized.

Concentration of Credit Risk

At June 30, 2011 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.

The Town has adopted a "statement of investment objectives, goals and policy guidelines" for investments held in the School Trust Fund, which is the Fund where approximately 84% of the Town's investments are maintained. The remaining investments of the Town are not covered by a specific investment policy but follow the same principles of the policy adopted for the School Trust Fund.

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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011, the Town received \$168,739 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. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$18.71.

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 2011 were based on a net assessed value of approximately \$4,546,821,000 at December 31, 2009 and amounted to approximately \$65,499,000. Collections through June 30, 2011 amounted to approximately \$64,185,500, which represents approximately 98.0% of the total tax levy.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011 (\$1,245,099) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$260,621. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2011 are recorded as deferred revenue and amounted to \$675,164 at June 30, 2011. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2011 (due to their collection within the 60 days immediately following June 30, 2011) amounted to \$309,313.

On June 30, 2011, the Town levied property taxes for its next fiscal year based on the December 31, 2010 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.....	\$4,125,382,590	\$9,954,001	\$4,115,428,589	\$14.5123	\$59,724,330
Motor vehicle.....	170,642,925	825,725	169,817,200	18.71	3,177,280
Tangible property.....	<u>221,827,156</u>	<u>0</u>	<u>221,827,156</u>	<u>14.5123</u>	<u>3,219,222</u>
Total.....	<u>\$4,517,852,671</u>	<u>\$10,779,726</u>	<u>\$4,507,072,945</u>		<u>\$66,120,832</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, 2011 was as follows:

	<u>Balances 7/1/10</u>	<u>Additions</u>	<u>Retirements & Disposals</u>	<u>Balances 6/30/11</u>
Governmental Activity:				
Nondepreciable Assets:				
Land.....	\$ 13,669,374			\$13,669,374
Construction in progress.....	503,158	\$ 4,141,152	\$1,681,359	2,962,951
Depreciable Assets:				
Buildings.....	30,322,129			30,322,129
Building improvements.....	38,697,304	17,527		38,714,831
Equipment.....	11,563,264	893,427	228,843	12,227,848
Vehicles.....	4,819,617	412,135	345,426	4,886,326
Infrastructure.....	33,398,233	1,354,764	39,644	34,713,353
Land improvements.....	9,275,670	148,871	6,965	9,417,576
Total cost.....	<u>142,248,749</u>	<u>6,967,876</u>	<u>2,302,237</u>	<u>146,914,388</u>
Accumulated Depreciation:				
Land improvements.....	(1,405,192)	(52,747)	(6,965)	(1,450,974)
Buildings.....	(12,768,349)	(600,293)	0	(13,368,642)
Building improvements.....	(14,848,215)	(1,100,762)	0	(15,948,977)
Equipment.....	(7,935,186)	(738,967)	(192,658)	(8,481,495)
Vehicles.....	(2,744,677)	(413,069)	(228,537)	(2,929,209)
Infrastructure.....	<u>(15,947,493)</u>	<u>(950,224)</u>	<u>0</u>	<u>(16,897,717)</u>
Total accumulated depreciation.....	<u>(55,649,112)</u>	<u>(3,856,062)</u>	<u>(428,160)</u>	<u>(59,077,014)</u>
Net capital assets.....	<u>\$ 86,599,637</u>	<u>\$ 3,111,814</u>	<u>\$1,874,077</u>	<u>\$87,837,374</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

6. CAPITAL ASSETS (Continued)

	Balances <u>7/1/10</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balances <u>6/30/11</u>
Business-type Activities:				
Nondepreciable Assets:				
Land.....	\$ 1,586,529	\$ 0	\$ 0	\$ 1,586,529
Construction in progress.....	9,280	140,507	0	149,787
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.....	6,684,467	51,379	6,027	6,729,819
Vehicles	471,063	20,975	23,936	468,102
Infrastructure.....	19,329,490	156,288	0	19,485,778
Total cost	<u>43,934,621</u>	<u>369,149</u>	<u>29,963</u>	<u>44,273,807</u>
 Accumulated Depreciation:				
Land improvements	(446,267)	(54,179)	0	(500,446)
Buildings	(6,250,194)	(204,657)	0	(6,454,851)
Building improvements	(750,709)	(85,158)	0	(835,867)
Equipment.....	(4,019,005)	(213,951)	(5,607)	(4,227,349)
Vehicles	(372,435)	(22,460)	(23,936)	(370,959)
Infrastructure.....	(7,415,600)	(237,630)	0	(7,653,230)
Total accumulated depreciation	<u>(19,254,210)</u>	<u>(818,035)</u>	<u>(29,543)</u>	<u>(20,042,702)</u>
 Net capital assets	 <u>\$24,680,411</u>	 <u>\$(448,886)</u>	 <u>\$ 420</u>	 <u>\$24,231,105</u>

Depreciation expense for the year ended June 30, 2011 was charged to the following functions/programs of the Town:

Governmental Activities:	
General government.....	\$ 93,035
Education	1,761,931
Public safety	445,473
Public works.....	1,167,749
Recreation	219,624
Public libraries	110,242
Elderly services.....	58,008
Total	<u>\$3,856,062</u>
 Business-type Activities:	
Wastewater Fund.....	\$ 570,211
Solid Waste Fund	63,058
Water Fund	183,364
School Cafeteria Fund	1,402
Total	<u>\$ 818,035</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

6. CAPITAL ASSETS (Continued)

The following is a summary of Construction in Progress for the Governmental Activities at June 30, 2011:

Animal Shelter Addition	\$ 1,148,301
Bridge Improvement	537,471
Recreation Improvements	197,046
Downtown Intermodal Enhancement Project	13,741
Senior Services Center.....	20,081
Public Works Improvement.....	1,026,311
Saugatucket Walkway	<u>20,000</u>
Total	<u>\$ 2,962,951</u>

At June 30, 2011 the following Business-type Activities reported construction in progress:

Wastewater Fund	\$ 21,252
Water Fund.....	<u>128,535</u>
Total	<u>\$ 149,787</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, 2011:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
State of Rhode Island	\$ 0	\$ 37,235
School Unrestricted Fund:		
State of Rhode Island – Department of Education		0
State of Rhode Island – EDS – Medicaid Funding	139,248	0
Various local school districts – tuition	6,167	0
Other Governmental Funds:		
State of Rhode Island – Department of Education	249,788	0
State of Rhode Island – various departments	296,817	0
Wastewater Fund:		
University of Rhode Island.....	0	206,410
Town of Narragansett	0	122,224
State of Rhode Island - DEM.....	0	13,914
School Cafeteria Fund:		
State of Rhode Island	<u>27,905</u>	<u>0</u>
Total all fund types	<u>\$ 719,925</u>	<u>\$ 379,783</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM DEBT

(a) At June 30, 2011, 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, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
Governmental Activities:									
General obligation bonds:									
Refunding	06/15/98	\$ 8,240,000	12/15/11	4.15% - 5.75%	\$ 975,000		\$ 570,000	\$ 405,000	(a) 405,000
School public improvement.....	06/15/02	3,925,000	06/15/22	3.0% - 4.9%	2,290,000		195,000	2,095,000	(b) 195,000
Advance refunding.....	10/01/02	6,740,000	06/01/14	2.5% - 5.0%	1,975,000		555,000	1,420,000	(c) 540,000
School/Open Space.....	06/15/03	1,400,000	06/15/23	3.0% - 5.0%	910,000		70,000	840,000	(d) 70,000
Advance refunding.....	06/15/03	6,560,000	11/15/15	2.0% - 2.25%	1,845,000		335,000	1,510,000	(e) 270,000
School/Open Space/Public Improv.	06/15/04	2,875,000	06/15/24	3.75% - 5.0%	2,005,000		145,000	1,860,000	(f) 145,000
School improvements	06/15/05	1,000,000	06/15/25	3.25% - 5.5%	750,000		50,000	700,000	(g) 50,000
Advance refunding	06/15/05	9,440,000	06/15/20	3.25% - 5.5%	7,520,000		950,000	6,570,000	(h) 940,000
Advance refunding	06/15/06	5,000,000	06/15/26	4.0% - 5.0%	4,000,000		250,000	3,750,000	(i) 250,000
School/Open Space/Public Imp.	06/15/07	2,200,000	06/15/27	4.0% - 5.5%	1,870,000		110,000	1,760,000	(j) 110,000
School Improvement Series 2009 A ...	05/01/10	1,200,000	11/01/30	2.55%-5.00%	1,200,000		60,000	1,140,000	(k) 60,000
School Improv. Refunding Series 2009 B	11/04/10	<u>2,010,000</u>	06/15/19	2.0% - 4.5%	<u>1,745,000</u>		<u>145,000</u>	<u>1,600,000</u>	(l) 225,000
Total general obligations bonds....		<u>\$50,590,000</u>			27,085,000	\$ 0	3,435,000	23,650,000	3,260,000
Compensated absences					4,354,824	2,068,943	1,769,000	4,654,767	1,750,000
Claims and judgments					<u>1,970,783</u>	<u>0</u>	<u>215,513</u>	<u>1,755,270</u>	<u>66,630</u>
Governmental activities long-term Liabilities					<u>\$33,410,607</u>	<u>\$2,068,943</u>	<u>\$5,419,513</u>	<u>\$30,060,037</u>	<u>\$5,076,630</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2011</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%	\$ 177,843		\$ 57,378	\$ 120,465	\$ 59,260
Wastewater fund – GO bond	11/13/02	500,000	09/01/23	1.2%	366,000		23,000	343,000	24,000
Solid waste fund – GO bond	09/03/02	2,000,000	09/01/22	1.64%	1,421,323		92,169	1,329,154	94,746
Solid waste fund – GO bond	11/22/05	950,000	09/01/25	1.34%	786,000		43,000	743,000	43,000
Water fund – revenue bond	06/05/08	400,000	09/01/12	1.68%-2.55%	246,000		80,000	166,000	82,000
Total bonds		<u>\$4,770,000</u>			2,997,166	\$ 0	295,547	2,701,619	303,006
Compensated absences					243,817	145,656	118,532	270,941	118,600
Business-type activities, long-term liabilities					<u>\$3,240,983</u>	<u>\$145,656</u>	<u>\$414,079</u>	<u>\$2,972,560</u>	<u>\$421,606</u>

- a) The bonds are not subject to redemption prior to maturity.
- b) 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.
- c) The bonds are not subject to redemption prior to maturity.
- d) 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.
- e) 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.
- f) 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.
- g) 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.
- h) 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.
- i) 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.
- j) 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.
- k) The Series A bonds are subject to optional and mandatory sinking fund redemption prior to maturity.
- l) The bonds are not subject to redemption prior to maturity.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

8. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

Of the Town's \$26,351,619 total bonds payable (including bonds payable of the wastewater, water and solid-waste enterprise funds), approximately \$5,338,372 is subject to its legal debt limits. The \$5,338,372 outstanding does not exceed the Town's legal debt limit of approximately \$136,405,000, which is 3% of the assessed value (\$4,546,821,000) of taxable property of the Town as of December 31, 2009. The total long-term debt bond obligations of the Town (\$26,351,619) represent approximately .58% of the assessed value of the taxable property of the Town at June 30, 2011 (assessment date December 31, 2009).

The Town has remaining authorized but unissued bond authority totaling \$12,715,000. 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, \$1,125,000 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>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 3,260,000	\$ 896,845	\$303,006	\$ 47,898	\$ 4,507,749
2013.....	2,855,000	786,824	310,600	40,734	3,993,158
2014.....	2,675,000	684,973	169,118	35,615	3,564,706
2015.....	2,285,000	590,023	173,917	32,679	3,081,619
2016.....	2,260,000	509,083	177,795	29,645	2,976,523
2017 - 2021.....	6,915,000	1,520,509	954,032	99,610	9,489,151
2022 - 2026.....	3,050,000	419,123	613,151	20,787	4,103,061
2027 - 2030.....	350,000	26,551	0	0	376,551
Total.....	<u>\$23,650,000</u>	<u>\$5,433,931</u>	<u>\$2,701,619</u>	<u>\$306,968</u>	<u>\$32,092,518</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011 the Town had no defeased debt.

(e) Schedule of long-term debt by purpose at June 30, 2011 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvements.....	\$23,650,000	71.6%
Superfund remediation project.....	2,072,154	6.3%
Sewer wastewater projects.....	463,465	1.4%
Water meter replacement project.....	166,000	.5%
Claims and judgments.....	1,755,270	5.3%
Compensated absences.....	4,925,708	14.9%
Total.....	<u>\$33,032,597</u>	<u>100.0%</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.

(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 \$1,052,200 during 2011.

The Town recognizes revenue for excess usage occurring during the fiscal year although the corresponding billings take place after the fiscal year end (September, 2011). At June 30, 2011, the Town recorded a receivable totaling approximately \$237,500. The receivable reflects amounts billed for excess usage as of June 30, 2011.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

(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, 2011). At June 30, 2011, unbilled service charges amounted to approximately \$160,400.

(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, 2011 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	\$483,873	\$3,055,955	\$954,815	\$728,897	\$5,223,540
Nonoperating grants	0	0	25,000	296,307	321,307
Depreciation and amortization expense	63,768	571,612	183,364	1,402	820,146
Operating income (loss).....	9,818	125,634	129,335	(293,643)	(28,856)
Change in net assets	(20,081)	304,385	156,745	2,906	443,955
Transfer-in (out)	0	9,000	0	0	9,000
Capital asset additions.....	0	237,649	131,500	0	369,149
Net working capital	1,059,640	3,256,776	1,293,426	(68,562)	5,541,280
Total assets.....	4,376,867	21,256,485	5,927,171	148,861	31,709,384
Bonds payable	2,072,154	463,465	166,000	0	2,701,619
Total net assets	2,281,839	19,454,550	5,559,118	(60,978)	27,234,529

10. FUND EQUITY BALANCES

(a) Fund Balances

As stated in Note 1, Fund Balance may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned. See Note 1 of these financial statements for definitions of these five Fund Balance categories. The detail of the composition of Nonspendable, Restricted, and Committed Fund Balance follows.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. FUND EQUITY BALANCES (Continued)

(a) Fund Balances (Continued)

At June 30, 2011 **Nonspendable Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Prepaid expenditures..... \$ 2,579

School Unrestricted Fund:

Prepaid expenditures..... \$ 15,231

School Trust Fund:

Endowment for recreation and educational purposes ... \$14,138,240

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Prepaid expenditures \$ 9,560

At June 30, 2011 **Restricted Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

School Trust Fund:

Recreation and educational purposes \$ 597,247

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Maintenance of historical records \$ 159,952
Library operations..... 40,895
Recreational programs..... 100,088
Recycling program 64,976
Education 3,126

Capital Project Funds:

Animal shelter renovations..... 7,386
School and recreational capital improvements 1,486,304
Open space acquisition 443,042
Wastewater facility improvements..... 4,881,741

Permanent Funds:

Peace Dale library operations 589,963
Education – arts, music and dance 10,323
Human services..... 425,987
Kingston Free Library operations 763,157

Total Nonmajor Governmental Funds..... \$8,976,940

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. FUND EQUITY BALANCES (Continued)

(a) Fund Balances (Continued)

At June 30, 2011 **Committed Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Capital expenditures – encumbrances	\$ 10,000
Finance department – encumbrances	9,255
Public works – encumbrances	3,555
Municipal planning	115,633
To supplement fiscal 2012 budget.....	1,200,000
Superfund site cleanup	<u>1,000,000</u>
Total General Fund	<u>\$ 2,338,443</u>

School Unrestricted Fund:

To supplement fiscal 2012 budget.....	\$ 392,066
Education encumbrances	167,769
Education	<u>2,150,692</u>
Total School Unrestricted Fund	<u>\$ 2,710,527</u>

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Affordable housing	\$ 10,000
Animal shelter operations	236,595
Elderly services programs	299,488
Public safety support	789,748
Operation of Peacedale Office Building	238,456
Property revaluation	752,260
Maintenance of South Road School.....	281,713

Capital Project Funds:

Maintenance of bridges	76,585
Capital equipment acquisitions	779,532
Data processing improvements.....	37,831
Mini park construction	26,429
Library improvements.....	256,422
Public safety building improvements.....	196,682
Public service office building improvements	31,086
Infrastructure improvements	1,407,526
Recreation facility improvements	219,372
Senior center construction.....	165,632
Town hall improvements	<u>179,259</u>
Total Nonmajor Governmental Funds.....	<u>\$5,984,616</u>

In June 2011 the Town Council voted to implement GASB Statement No. 54 and adopted a spending policy as part of the approval. The Town's spending policy specifies the use of restricted resources first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit it. Additionally, the Town uses committed fund balance followed by assigned and then unassigned when expenditures are incurred for purposes for which amounts are available in each category.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

10. FUND EQUITY BALANCES (Continued)

(b) Net Assets

Unrestricted net assets at June 30, 2011 include the following designations:

Enterprise funds:

Wastewater Fund

Designated for Superfund site cleanup \$280,000

Solid Waste Fund

Designated for Superfund site cleanup 115,000

Total designations of unrestricted net assets \$395,000

(c) Fund Deficits:

The following funds had deficit fund equity balances at June 30, 2011:

Business-Type Activities:

School Cafeteria \$ 60,978

The deficit fund equity of the School Cafeteria Fund will be eliminated through future profits of the fund and transfers from the School Unrestricted Fund.

The following individual funds had deficits for the year ending June 30, 2011:

Major Governmental Funds:

School Unrestricted Fund \$ 171,654

Business-Type Activities:

Solid Waste Fund \$ 20,081

Non-major Governmental Funds:

Special Revenue Funds:

Animal Shelter Benefit \$ 1,016,671

RI Resources Recovery Grant 4,550

South Road School Reserve 26,942

Capital Project Funds:

Bridge Improvement Fund 298,489

Data Processing Improvement Fund 63,982

Open Space Reserve Fund 62,149

Police Building Construction Fund 11,622

Public Works Improvement Fund 1,100,824

Recreation Development & Restoration Fund 143,486

School Improvement Fund 16,682

Senior Services Center Construction Fund 19,224

Permanent Funds:

Oliver Watson Home Fund 3,967

Total deficits non-major governmental activities \$2,768,588

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 208,641	\$16,298,821
School Unrestricted Fund	6,793,334	30,163
School Trust Funds	0	99,741
Non-major Governmental Funds:		
Affordable Housing	10,000	0
Alcohol Grant	0	2,263
Animal Shelter Benefit Fund	252,451	0
Asset Forfeiture Fund	13,620	0
Community Development Block Grants	0	35,154
Drug Free Communities Grant	0	398
Elderly Services	88,639	0
Governor Justice Commission Grants	0	1,800
Historical & Vital Recording Fees	159,952	0
Narragansett Library Association	0	0
Neighborhood Guild	100,870	0
Peacedale Office Building	240	0
Property Revaluation Reserve Fund	752,260	0
RI Resource Recovery Grant	66,253	0
Seat Belt Enforcement Grant	0	2,292
South Road School Reserve	281,713	0
Substance Abuse	1,414	0
Tobacco Compliance Investigation	0	0
School Restricted Fund	30,163	183,214
Animal Shelter Addition Fund	179,236	0
Bike Path Maintenance Fund	0	0
Bridge Improvement Fund	98,156	0
Capital Equipment & Replacement Fund	932,634	0
Data Processing Improvement Fund	37,831	0
Downtown Intermodal Enhancement Project	26,429	0
Impact Fee Reserve Fund	1,486,304	0
Land Use Reserve Fund	0	0
Library Building Construction	62,047	0
Open Space Reserve Fund	443,042	0
Police Building Construction Fund	196,682	0
Public Services Office Building Improvement	31,086	0
Public Works Improvement Fund	1,888,449	0
Recreation Development & Restoration Fund	331,256	0
Recreation Improvement Fund	47,335	0
School Improvement Fund	0	0
Senior Services Center Construction Fund	90,892	0
Town Hall Improvement Fund	179,259	0
Total governmental funds	14,790,188	16,653,846

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

11. INTERFUND BALANCES AND TRANSFERS (Continued)

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Proprietary Funds:		
Solid Waste.....	40,625	0
Wastewater Fund.....	0	38,493
Internal Service Fund.....	1,984,597	0
Water Fund.....	0	123,071
School Cafeteria.....	0	0
Total proprietary funds	<u>2,025,222</u>	<u>161,564</u>
TOTAL ALL FUNDS	<u>\$16,815,410</u>	<u>\$16,815,410</u>

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, 2011 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	\$1,610,400	\$ 9,000	\$49,529,328
School Trust Fund.....	\$ 18,027	21,170	414,637		453,834
School Unrestricted Fund.....			20,000		20,000
Nonmajor Governmental Funds	<u>1,138,554</u>		<u>1,059,667</u>		<u>2,198,221</u>
Total transfer in	<u>\$1,156,581</u>	<u>\$47,931,098</u>	<u>\$3,104,704</u>	<u>\$9,000</u>	<u>\$52,201,383</u>

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, 2011 was approximately \$11,963,000 and the Town wide payroll was approximately \$47,008,000.

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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2008.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2011 was approximately \$732,200 for general employees. This contribution represents 6.20% of covered payroll. General municipal employees were required to contribute approximately \$826,700. This contribution represents 7% of covered payroll for the period July 1, 2010 to June 30, 2011.

The most recent actuarial assumptions reduced the investment rate of return from 8.25% to 7.5% and made adjustments to the mortality tables. There were no other 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.

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$937,000	100%	\$0
2010	\$829,500	100%	\$0
2011	\$732,200	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, 2010 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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2010 which is the most recent report available from the State who administers this plan.

- | | |
|--|--|
| - Actuarial value of assets - \$43,514,017 | - Actuarial accrued liability - \$56,931,248 |
| - Unfunded actuarial accrued liability (UAAL) - \$13,417,232 | |
| - Funded Ratio – 76.4% | - Annual covered payroll - \$11,816,781 |
| - UAAL as percentage of payroll – 113.5% | |

Subsequent to June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results presented above. The changes will be reflected in future financial statements.

(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, 2011 was approximately \$3,541,000 (\$2,759,000 for police officers and \$782,000 for EMT's), and the Town wide payroll was approximately \$47,008,000.

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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2008.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2011 was approximately \$373,300, which consisted of the Town's contribution for police of \$347,700 and EMTs of \$25,600. These contributions represent 12.6% and 3.28% of covered payroll respectively. Employees were required to contribute approximately \$318,700 (\$248,300 for police employees and \$70,400 for EMTs). This employee contribution represents 9% of covered payroll.

The most recent actuarial assumptions reduced the investment rate of return from 8.25% to 7.5% and made adjustments to the mortality tables. There were no other 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.

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>
2009	\$386,200	100%	\$0
2010	\$324,600	100%	\$0
2011	\$347,700	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>
2009	\$45,100	100%	\$0
2010	\$43,400	100%	\$0
2011	\$25,600	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, 2010 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.

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TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2010, which is the most recent report available from the State who administers this plan.

Municipal Police Pension Plan

- Actuarial value of assets - \$20,539,351
- Actuarial accrued liability - \$27,031,306
- Unfunded actuarial accrued liability (UAAL) - \$6,491,955
- Funded Ratio – 76.0%
- Annual covered payroll - \$2,750,448
- UAAL as percentage of payroll – 236.0%

EMT Pension Plan:

- Actuarial value of assets - \$2,456,506
- Actuarial accrued liability - \$2,247,141
- Unfunded actuarial accrued liability (UAAL) – (\$209,365) –assets exceed UAAL
- Funded Ratio – 109.3%
- Annual covered payroll - \$742,205
- UAAL as percentage of payroll – (28.2%)

Subsequent to June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results presented above. The changes will be reflected in future financial statements.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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:

	<u>General Municipal Employees Pension Plan</u>	<u>Municipal Police and EMT Pension Plan</u>
Valuation Date	6/30/10	6/30/10
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	19 years	19 years
Asset Valuation Method	5-year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return	7.50%, compounded annually	7.50%, compounded annually
Projected Salary Increases	4.0% to 8.0%, compounded annually	4.25% to 14.25%, compounded annually
Inflation Adjustment	2.75%	2.75%
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, 2010).	Active Employees 344	Active Employees 76
	Retirees and beneficiaries <u>143</u>	Retirees and beneficiaries <u>42</u>
	<u>487</u>	<u>118</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, 2011

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, 2011 was approximately \$27,038,000, which consisted of approximately \$569,000 for employees charged to federal programs and \$26,490,000 for all other certified employees. The School Department's total payroll was approximately \$32,905,000. The Town wide payroll for the year ended June 30, 2011 was approximately \$47,008,000.

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, 2011**

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, 2010 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 11.25%, 11.25%, and 11.886% for all full-time certified employees for fiscal years 2011, 2010, and 2009, 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 2011, actuarial required contributions were 19.01% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 7.76% of non-federally reimbursable payrolls totaling \$2,098,130 for the fiscal year ended June 30, 2011. The School Department contributed the remaining 11.25% of the required 19.01%.

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, 2010 represented approximately 1.2% percent of total contributions required of all participating entities for the fiscal year ended June 30, 2010 (latest available information).

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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>
2011	\$2,622,622	\$3,041,747	100%
2010	\$2,513,031	\$3,008,018	100%
2009	\$2,623,201	\$3,317,000	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, 2010 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 nineteen 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 (used by the Town since July 1, 2008)

For the 2010-2011 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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 2011 were approximately \$11,042,000 (\$11,354,000 in fiscal 2010). At June 30, 2011 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, 2011 as follows.

	<u>2011</u>	<u>2010</u>
IBNR at beginning of year.....	\$ 493,016	\$ 543,000
Claims incurred during the year.....	10,419,428	10,945,300
Claims paid during the year.....	<u>(10,403,744)</u>	<u>(10,995,284)</u>
IBNR at June 30	<u>\$ 508,700</u>	<u>\$ 493,016</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 \$3,941,566 will also be shared equally between the two towns. The remaining balance of 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 \$1,755,270. Accordingly, \$1,755,270 has been reported as accrued claims and judgments in the government-wide financial statements at June 30, 2011.

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.

At June 30, 2011, 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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

15. COMMITMENTS AND CONTINGENCIES (Continued)

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.

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, 2011, 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, 2011, there are \$915,305 in outstanding loans and an available line-of-credit balance of \$84,695 on the final increment of \$100,000.

In August 2010 the Board of Directors of the Rhode Island Clean Water Finance Agency pursuant to policies and procedures adopted in accordance with Title VI of the Federal Clean Water Act and Chapter 12.2 of the Rhode Island General Laws notified the Town that it has been approved for an additional \$1,000,000 of funding for the Community Septic System Loan Program. The loan total will be funded in three increments of \$300,000 and a final increment of \$100,000. As of June 30, 2011 the there are no outstanding loans and as such the available line-of-credit balance of \$1,000,000.

At June 30, 2011 the Town had outstanding encumbrances on capital projects totaling approximately \$910,000. These encumbrances are recorded as a component of the committed fund balance for the respective Capital Project Funds.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

16. OPERATING LEASES

In June 2009 the South Kingstown School Department entered into a five year lease agreement for the rental of real estate located in Kingston Rhode Island. The annual lease amount is \$46,605 plus a proportionate share of operating costs and property taxes. The lease has an option for an additional five year term at the expiration of the initial term. Total lease expense paid during fiscal 2011 was approximately \$46,605.

Estimated future minimum lease payments under this agreement are as follows:

2012	\$ 46,605
2013	46,605
2014	46,605
2015	<u>7,800</u>
Total.....	<u>\$147,615</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.

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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

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, 2011 was calculated as follows:

Past service cost.....	\$ 1,034,000
Normal cost.....	746,000
Interest.....	<u>142,000</u>
ARC for fiscal year ended June 30, 2011	1,922,000
Expected benefit payouts during fiscal 2011	<u>(1,626,000)</u>
Net budget impact for fiscal 2011	<u>\$ 296,000</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, 2011, expenditures of approximately \$1,435,318 were recognized for postretirement benefits. Of this amount, \$6,895 was paid for life insurance premiums, \$943,178 was paid for health and dental insurance for 72 school retirees, \$314,054 was paid for health insurance for 24 police retirees, \$6,691 was paid for dental insurance for 8 police retirees, \$161,000 was paid for health insurance premiums for 14 public works retirees, and \$3,500 was paid for health insurance premiums for 1 Town retiree.

In addition to the current year payouts noted above, the Town contributed \$466,000 to the Trust Fund as part of the annual required contribution for fiscal 2011. As noted above, the net budget impact of the ARC for fiscal 2011 was calculated to be \$296,000. The Town contributed \$170,000 more than the required contribution in an attempt to begin reducing the unfunded actuarial accrued liability.

Trend Information:

<u>Fiscal year</u>	<u>Annual OPEB Cost</u>	<u>% of OPEB Contributed</u>	<u>Net OPEB Obligation</u>	<u>Actual Contribution</u>
2009	\$1,694,400	100.00%	\$ 0	\$1,694,400
2010	\$1,780,100	100.22%	(\$ 4,000)	\$1,784,100
2011	\$1,921,919	114.57%	(\$ 284,081)	\$2,202,000

A negative Net OPEB Obligation reflects contributions made to the Trust Fund in excess of the annual required contribution amounts. At June 30, 2011 the Town has a Net OPEB Obligation Asset reported in the Government-Wide Statement of Net Assets of \$284,081 as determined by the Town's actuary.

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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, 2011
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.....	6/30/2008	\$ 42,087,185	\$ 42,973,921	\$ (886,736)	97.9%	\$ 11,911,417	-7.4%
	6/30/2009	\$ 43,192,087	\$ 47,009,273	\$ (3,817,186)	91.9%	\$ 11,974,048	-31.9%
A	6/30/2010	\$ 43,514,017	\$ 56,931,248	\$ (13,417,231)	76.4%	\$ 11,816,781	-113.5%
Municipal police							
pension plan.....	6/30/2008	\$ 21,285,185	\$ 21,490,986	\$ (205,801)	99.0%	\$ 2,780,711	-7.4%
	6/30/2009	\$ 21,236,264	\$ 22,560,153	\$ (1,323,889)	94.1%	\$ 2,734,277	-48.4%
A	6/30/2010	\$ 20,539,351	\$ 27,031,306	\$ (6,491,955)	76.0%	\$ 2,750,448	-236.0%
EMT pension plan.....							
	6/30/2008	\$ 2,153,528	\$ 1,235,410	\$ 918,118	174.3%	\$ 656,978	139.7%
	6/30/2009	\$ 2,241,231	\$ 1,404,279	\$ 836,952	159.6%	\$ 707,353	118.3%
A	6/30/2010	\$ 2,456,506	\$ 2,247,141	\$ 209,365	109.3%	\$ 742,205	28.2%

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, 2010 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, 2011 report.

A - Subsequent to the year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress OPEB Plan
June 30, 2011
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
Town of South Kingstown - Other Post-Employment Benefit Program	7/1/2007	\$ -	\$ 15,988,000	\$ (15,988,000)	0%	\$ 40,978,967	39.0%
	7/1/2008	\$ -	\$ 16,484,000	\$ (16,484,000)	0%	\$ 42,961,106	38.4%
	7/1/2009	\$ -	\$ 18,700,000	\$ (18,700,000)	0%	\$ 41,868,678	44.7%
	7/1/2011	\$ 1,650,000	\$ 19,260,000	\$ (17,610,000)	9%	\$ 43,016,000	40.9%

The following represents the Annual Required Contributions by Department as determined by the actuarial valuations noted above:

	General Fund Employees	Water Department	Wastewater Department	Neighborhood Guild	Elderly Service	School Department	Total ARC
Fiscal year ended June 30, 2009	\$ 696,200	\$ 1,100	\$ 66,400	\$ 900	\$ 200	\$ 929,600	\$ 1,694,400
Fiscal year ended June 30, 2010	\$ 732,100	\$ 1,100	\$ 69,900	\$ 1,000	\$ 200	\$ 975,800	\$ 1,780,100
Fiscal year ended June 30, 2011	\$ 796,000	\$ 2,000	\$ 68,000	\$ 2,000	\$ -	\$ 1,054,000	\$ 1,922,000

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated December 6, 2011 prepared by Milliman. This July 1, 2011 valuation is the most recent report available as of the date of the audited financial statements.

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 restricted or committed 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.

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.

(CONTINUED)

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

Governor's Justice Commission Grants

Alcohol Grant

Historical and Vital Recording Fees

Animal Shelter Benefit Fund

Seat Belt Enforcement Grants

Asset Forfeiture Fund

South Road School Reserve Fund

Byrne Memorial Justice Assistance Grant

Substance Abuse

Drug Free Communities Grant

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.

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.

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

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.

(CONTINUED)

TOWN OF SOUTH KINGSTOWN

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS (Continued)

Public Services 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.

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 - To account for funds available for the operations of the Peace Dale Library.

Irving Knowles Trust - To account for funds available for the operations of the Peace Dale Library.

Gertrude S. Parker Trust – 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 Trust – 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, 2011**

	SPECIAL REVENUE FUNDS								
	<u>Affordable Housing</u>	<u>Alcohol Grant</u>	<u>Animal Shelter Benefit Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Byrne Memorial Justice Assistance Grant</u>	<u>Community Development Block Grants</u>	<u>Drug Free Communities Grant</u>	<u>Elderly Services</u>	<u>EMS Billing Services Fund</u>
ASSETS									
Cash and cash equivalents				\$ 315				\$ 181,793	\$ 791,542
Investments								22,648	
Accounts and other receivable								33,960	
Due from federal & state governments		\$ 2,263		8,752		\$ 178,645	\$ 32,166		
Prepays									
Due from other funds	\$ 10,000		\$ 252,451	13,620				88,639	
TOTAL ASSETS	\$ 10,000	\$ 2,263	\$ 252,451	\$ 22,687	\$ -	\$ 178,645	\$ 32,166	\$ 327,040	\$ 791,542
LIABILITIES									
Accounts payable			\$ 130	\$ 1,570			\$ 2,658	\$ 9,855	\$ 1,794
Retainage payable									
Accrued liabilities			15,726					17,071	
Due to federal & state governments									
Due to other funds		\$ 2,263				\$ 35,154	398		
Deferred revenue				\$ 21,117		143,491	29,110	626	
TOTAL LIABILITIES	\$ -	2,263	15,856	22,687	\$ -	178,645	32,166	27,552	1,794
FUND BALANCES									
Nonspendable									
Restricted									
Committed	10,000		236,595					299,488	789,748
TOTAL FUND BALANCES	10,000	-	236,595	-	-	-	-	299,488	789,748
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,000	\$ 2,263	\$ 252,451	\$ 22,687	\$ -	\$ 178,645	\$ 32,166	\$ 327,040	\$ 791,542

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

	SPECIAL REVENUE FUNDS					
	<u>Governor's Justice Commission Grants</u>	<u>Historical & Vital Recording Fees</u>	<u>Narragansett Library Association</u>	<u>Neighborhood Guild</u>	<u>Peacedale Office Building</u>	<u>Property Revaluation Reserve Fund</u>
ASSETS						
Cash and cash equivalents			\$ 21,200	\$ 67,692	\$ 246,364	
Investments			19,695			
Accounts and other receivable				6,063		
Due from federal & state governments	\$ 23,490					
Prepays				9,560		
Due from other funds		\$ 159,952		100,870	240	\$ 752,260
TOTAL ASSETS	\$ 23,490	\$ 159,952	\$ 40,895	\$ 184,185	\$ 246,604	\$ 752,260
LIABILITIES						
Accounts payable				\$ 7,976	\$ 1,831	
Retainage payable						
Accrued liabilities				12,233	3,970	
Due to federal & state governments						
Due to other funds	\$ 1,800					
Deferred revenue	21,690			54,328	2,347	
TOTAL LIABILITIES	23,490	\$ -	\$ -	74,537	8,148	\$ -
FUND BALANCES						
Nonspendable	-	-	-	9,560	-	-
Restricted	-	159,952	40,895	100,088		
Committed					238,456	752,260
TOTAL FUND BALANCES	-	159,952	40,895	109,648	238,456	752,260
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,490	\$ 159,952	\$ 40,895	\$ 184,185	\$ 246,604	\$ 752,260

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

	SPECIAL REVENUE FUNDS							
	RI Resource 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
ASSETS								
Cash and cash equivalents						\$ 3,126		\$ 1,312,032
Investments								19,695
Accounts and other receivable								28,711
Due from federal & state governments		\$ 16,270		\$ 1,271			\$ 249,788	546,605
Prepays							30,163	9,560
Due from other funds	\$ 66,253		\$ 281,713	1,414				1,757,575
TOTAL ASSETS	\$ 66,253	\$ 16,270	\$ 281,713	\$ 2,685	\$ -	\$ 3,126	\$ 279,951	\$ 3,674,178
LIABILITIES								
Accounts payable	\$ 281			\$ 2,685			\$ 125	\$ 28,905
Retainage payable								-
Accrued liabilities	996	\$ 192					62,487	112,675
Due to federal & state governments							183,214	225,121
Due to other funds		2,292						320,620
Deferred revenue		13,786					34,125	
TOTAL LIABILITIES	1,277	16,270	\$ -	2,685	\$ -	\$ -	279,951	687,321
FUND BALANCES								
Nonspendable	-	-						9,560
Restricted	64,976	-				3,126		369,037
Committed			281,713					2,608,260
TOTAL FUND BALANCES	64,976	-	281,713	-	-	3,126	-	2,986,857
TOTAL LIABILITIES AND FUND BALANCES	\$ 66,253	\$ 16,270	\$ 281,713	\$ 2,685	\$ -	\$ 3,126	\$ 279,951	\$ 3,674,178

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2011**

	CAPITAL PROJECT FUNDS							
	<u>Animal Shelter Addition 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>Library Building Construction</u>	<u>Open Space Reserve Fund</u>
ASSETS								
Cash and cash equivalents							\$ 194,375	
Investments								
Accounts and other receivable								
Due from federal & state governments								
Prepays								
Due from other funds	\$ 179,236	\$ 98,156	\$ 932,634	\$ 37,831	\$ 26,429	\$ 1,486,304	62,047	\$ 443,042
TOTAL ASSETS	\$ 179,236	\$ 98,156	\$ 932,634	\$ 37,831	\$ 26,429	\$ 1,486,304	\$ 256,422	\$ 443,042
LIABILITIES								
Accounts payable	\$ 67,263							
Retainage payable	104,587	\$ 21,571	\$ 153,102					
Accrued liabilities								
Due to federal & state governments								
Due to other funds								
Deferred revenue								
TOTAL LIABILITIES	171,850	21,571	\$ 153,102	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	7,386					1,486,304		443,042
Committed		76,585	779,532	37,831	26,429		256,422	
TOTAL FUND BALANCES	7,386	76,585	779,532	37,831	26,429	1,486,304	256,422	443,042
TOTAL LIABILITIES AND FUND BALANCES	\$ 179,236	\$ 98,156	\$ 932,634	\$ 37,831	\$ 26,429	\$ 1,486,304	\$ 256,422	\$ 443,042

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2011**

	CAPITAL PROJECT FUNDS							
	Police Building Construction Fund	Public Services Office Building Improvement	Public Works Improvement Fund	Recreation Development & Restoration Fund	Recreation Improvement Fund	School Improvement Fund	Senior Services Center Construction Fund	Town Hall Improvement Fund
ASSETS								
Cash and cash equivalents							\$ 74,740	
Investments								
Accounts and other receivable								
Due from federal & state governments								
Prepays							90,892	\$ 179,259
Due from other funds	\$ 196,682	\$ 31,086	\$ 1,888,449	\$ 331,256	\$ 47,335			
TOTAL ASSETS	\$ 196,682	\$ 31,086	\$ 1,888,449	\$ 331,256	\$ 47,335	\$ -	\$ 165,632	\$ 179,259
LIABILITIES								
Accounts payable			\$ 432,015	\$ 159,219				
Retainage payable			48,908					
Accrued liabilities								
Due to federal & state governments								
Due to other funds								
Deferred revenue								
TOTAL LIABILITIES	\$ -	\$ -	480,923	159,219	\$ -	\$ -	\$ -	\$ -
FUND BALANCES								
Nonspendable								
Restricted								
Committed	196,682	31,086	1,407,526	172,037	47,335	-	165,632	179,259
TOTAL FUND BALANCES	196,682	31,086	1,407,526	172,037	47,335	-	165,632	179,259
TOTAL LIABILITIES AND FUND BALANCES	\$ 196,682	\$ 31,086	\$ 1,888,449	\$ 331,256	\$ 47,335	\$ -	\$ 165,632	\$ 179,259

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

	CAPITAL PROJECT FUNDS		PERMANENT FUNDS						Total Permanent Funds	Total Nonmajor Governmental Funds
	Wastewater Construction Fund	Total Capital Project Funds	Hazard Memorial Trust	Irving Knowles Trust	Gertrude S. Parker Trust	Oliver Watson Home Fund	Walter W. Watson Trust	Kingston Free Library Trust		
ASSETS										
Cash and cash equivalents	\$ 4,881,741	\$ 5,150,856	\$ 190,150	\$ 126	\$ 10,323	\$ 227,716	\$ 198,462	\$ 12,764	\$ 639,541	\$ 7,102,429
Investments	-	-	247,070	152,615	-	-	-	750,393	1,150,078	1,169,773
Accounts and other receivable	-	-	2	-	-	-	-	-	2	28,713
Due from federal & state governments	-	-	-	-	-	-	-	-	-	546,605
Prepays	-	-	-	-	-	-	-	-	-	9,560
Due from other funds	-	6,030,638	-	-	-	-	-	-	-	7,788,213
TOTAL ASSETS	\$ 4,881,741	\$ 11,181,494	\$ 437,222	\$ 152,741	\$ 10,323	\$ 227,716	\$ 198,462	\$ 763,157	\$ 1,789,621	\$ 16,645,293
LIABILITIES										
Accounts payable	-	\$ 658,497	-	-	-	\$ 51	\$ 140	-	\$ 191	\$ 687,593
Retainage payable	-	328,168	-	-	-	-	-	-	-	328,168
Accrued liabilities	-	-	-	-	-	-	-	-	-	112,675
Due to federal & state governments	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	225,121
Deferred revenue	-	-	-	-	-	51	140	-	191	320,620
TOTAL LIABILITIES	\$ -	\$ 986,665	\$ -	\$ -	\$ -	\$ 51	\$ 140	\$ -	\$ 191	\$ 1,674,177
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	-	-	-	9,560
Restricted	4,881,741	6,818,473	437,222	152,741	10,323	227,665	198,322	763,157	1,789,430	8,976,940
Committed	-	3,376,356	-	-	-	-	-	-	-	5,984,616
TOTAL FUND BALANCES	4,881,741	10,194,829	437,222	152,741	10,323	227,665	198,322	763,157	1,789,430	14,971,116
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,881,741	\$ 11,181,494	\$ 437,222	\$ 152,741	\$ 10,323	\$ 227,716	\$ 198,462	\$ 763,157	\$ 1,789,621	\$ 16,645,293

(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, 2011

	SPECIAL REVENUE FUNDS								
	Affordable Housing	Alcohol Grant	Animal Shelter Benefit Fund	Asset Forfeiture Fund	Byrne Memorial Justice Assistance Grant	Community Development Block Grants	Drug Free Communities Grant	Elderly Services	EMS Billing Services Fund
REVENUES:									
Interest and investment income			\$ 980					\$ 480	\$ 3,026
Fines and charges			14,715					96,782	718,465
Fees and assessments								311,467	
Intergovernmental		\$ 6,097		\$ 19,236	\$ 74,430	\$ 190,273	\$ 104,232		
Contributions			18,637	1,239		6,617			
Other									
Total revenues	\$ -	6,097	34,332	20,475	\$ 74,430	196,890	104,232	408,729	721,491
EXPENDITURES:									
Current:									
Recreation									
Education									
Other expenses		6,097	1,805	20,475		196,890	104,232	703,839	179,183
Debt Service:									
Debt service principal									
Bond issuance cost									
Interest expense					74,430				
Capital improvements									
Total expenditures	-	6,097	1,805	20,475	74,430	196,890	104,232	703,839	179,183
Excess (deficiency) of revenues over (under) expenditures	-	-	32,527	-	-	-	-	(295,110)	542,308
OTHER FINANCING SOURCES (USES)									
Transfers in								349,948	
Transfers out			(1,049,198)					-	(500,000)
Total other financing sources (uses)	-	-	(1,049,198)	-	-	-	-	349,948	(500,000)
Net change in fund balances	-	-	(1,016,671)	-	-	-	-	54,838	42,308
Fund balances, beginning of year (restated)	10,000	-	1,253,266	-	-	-	-	244,650	747,440
Fund balances, end of year	\$ 10,000	\$ -	\$ 236,595	\$ -	\$ -	\$ -	\$ -	\$ 299,488	\$ 789,748

(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, 2011**

	SPECIAL REVENUE FUNDS					
	Governor's Justice Commission Grants	Historical & Vital Recording Fees	Narragansett Library Association	Neighborhood Guild	Peacedale Office Building	Property Revaluation Reserve Fund
REVENUES:						
Interest and investment income			\$ 3,368	\$ 177	\$ 1,580	
Fines and charges				386,363	73,441	
Fees and assessments		\$ 39,554				
Intergovernmental	\$ 34,386					
Contributions			33,744	13,670	20,590	
Other						
Total revenues	34,386	39,554	37,112	400,210	95,611	\$ -
EXPENDITURES:						
Current:						
Recreation				746,176		
Education						
Other expenses	34,386	28,040	20	-	71,305	
Debt Service:						
Debt service principal				50,000		
Bond issuance cost						
Interest expense				10,638		
Capital improvements						
Total expenditures	34,386	28,040	20	806,814	71,305	-
Excess (deficiency) of revenues over (under) expenditures	-	11,514	37,092	(406,604)	24,306	-
OTHER FINANCING SOURCES (USES)						
Transfers in				414,637		4,451
Transfers out			(33,810)			
Total other financing sources (uses)	-	-	(33,810)	414,637	-	4,451
Net change in fund balances	-	11,514	3,282	8,033	24,306	4,451
Fund balances, beginning of year(restated)	-	148,438	37,613	101,615	214,150	747,809
Fund balances, end of year	\$ -	\$ 159,952	\$ 40,895	\$ 109,648	\$ 238,456	\$ 752,260

(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, 2011**

	SPECIAL REVENUE FUND							
	RI Resource 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						\$ 3		\$ 9,614
Fines and charges								1,178,269
Fees and assessments								151,051
Intergovernmental	\$ 29,739	\$ 44,405		\$ 37,473	\$ 437		\$ 2,076,169	2,928,344
Contributions				4,000			2,756	74,760
Other	116							26,609
Total revenues	<u>29,855</u>	<u>44,405</u>	<u>\$ -</u>	<u>41,473</u>	<u>437</u>	<u>3</u>	<u>2,078,925</u>	<u>4,368,647</u>
EXPENDITURES:								
Current:								746,176
Recreation								1,925,752
Education							1,925,752	1,466,992
Other expenses	34,405	44,405		41,473	437			1,466,992
Debt Service:								50,000
Debt service principal								-
Bond issuance cost								10,638
Interest expense							153,173	227,603
Capital improvements								
Total expenditures	<u>34,405</u>	<u>44,405</u>	<u>-</u>	<u>41,473</u>	<u>437</u>	<u>-</u>	<u>2,078,925</u>	<u>4,427,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>(58,514)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in								769,036
Transfers out			(26,942)					(1,609,950)
Total other financing sources (uses)			<u>(26,942)</u>					<u>(840,914)</u>
Net change in fund balances	<u>(4,550)</u>	<u>-</u>	<u>(26,942)</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>(899,428)</u>
Fund balances, beginning of year(restated)	69,526		308,655			3,123		3,886,285
Fund balances, end of year	<u>\$ 64,976</u>	<u>\$ -</u>	<u>\$ 281,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,126</u>	<u>\$ -</u>	<u>\$ 2,986,857</u>

(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, 2011

	CAPITAL PROJECT FUNDS							
	Animal Shelter Addition Fund	Bridge Improvement Fund	Capital Equipment & Replacement Fund	Data Processing Improvement Fund	Downtown Intermodal Enhancement Project Fund	Impact Fee Reserve Fund	Library Building Construction	Open Space Reserve Fund
REVENUES:								
Interest and investment income		\$ 455					\$ 987	
Fines and charges								
Fees and assessments						\$ 235,304		\$ 287,851
Intergovernmental Contributions		150,000					105,515	
Other								
Total revenues	\$ -	150,455	\$ -	\$ -	\$ -	235,304	106,502	287,851
EXPENDITURES:								
Current:								
Recreation								
Education								
Other expenses								
Debt Service:								
Debt service principal								
Bond issuance cost								
Interest expense							27,900	-
Capital improvements	927,929	448,944	312,478	73,982	-	-	27,900	-
Total expenditures	927,929	448,944	312,478	73,982	-	-	27,900	-
Excess (deficiency) of revenues over (under) expenditures	(927,929)	(298,489)	(312,478)	(73,982)	-	235,304	78,602	287,851
OTHER FINANCING SOURCES (USES)								
Transfers in	1,049,198	-	381,000	10,000	-	-	30,000	(350,000)
Transfers out						(208,485)		(350,000)
Total other financing sources (uses)	1,049,198	-	381,000	10,000	-	(208,485)	30,000	(350,000)
Net change in fund balances	121,269	(298,489)	68,522	(63,982)	-	26,819	108,602	(62,149)
Fund balances, beginning of year (restated)	(113,883)	375,074	711,010	101,813	26,429	1,459,485	147,820	505,191
Fund balances, end of year	\$ 7,386	\$ 76,585	\$ 779,532	\$ 37,831	\$ 26,429	\$ 1,486,304	\$ 256,422	\$ 443,042

(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, 2011**

	CAPITAL PROJECT FUNDS							
	Police Building Construction Fund	Public Services Office Building Improvement	Public Works Improvement Fund	Recreation Development & Restoration Fund	Recreation Improvement Fund	School Improvement Fund	Senior Services Center Construction Fund	Town Hall Improvement Fund
REVENUES:							\$ 857	
Interest and investment income								
Fines and charges								
Fees and assessments			\$ 6,544					
Intergovernmental Contributions				\$ 143,686				
Other			39,436					
Total revenues	\$ -	\$ -	45,980	143,686	\$ -	\$ -	857	\$ -
EXPENDITURES:								
Current:								
Recreation								
Education								
Other expenses								
Debt Service:								
Debt service principal								
Bond issuance cost						16,682		
Interest expense						20,000	20,081	
Capital Improvements	56,622	10,470	1,841,334	347,172	-	36,682	20,081	-
Total expenditures	56,622	10,470	1,841,334	347,172	-	36,682	20,081	-
Excess (deficiency) of revenues over (under) expenditures	(56,622)	(10,470)	(1,795,354)	(203,486)	-	(36,682)	(19,224)	-
OTHER FINANCING SOURCES (USES)								
Transfers in	45,000	20,470	705,000	60,000	-	20,000	-	15,000
Transfers out	-	-	(10,470)	-	-	-	-	-
Total other financing sources (uses)	45,000	20,470	694,530	60,000	-	20,000	-	15,000
Net change in fund balances	(11,622)	10,000	(1,100,824)	(143,486)	-	(16,682)	(19,224)	15,000
Fund balances, beginning of year (restated)	208,304	21,086	2,508,350	315,523	47,335	16,682	184,856	164,259
Fund balances, end of year	\$ 196,682	\$ 31,086	\$ 1,407,526	\$ 172,037	\$ 47,335	\$ -	\$ 165,632	\$ 179,259

(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, 2011**

	CAPITAL PROJECT FUNDS		PERMANENT FUNDS						Total Permanent Funds	Total Nonmajor Governmental Funds
	Wastewater Construction Fund	Total Capital Project Funds	Hazard Memorial Trust	Irving Knowles Trust	Gertrude S. Parker Trust	Oliver Watson Home Fund	Walter W. Watson Trust	Kingston Free Library Trust Fund		
REVENUES:										
Interest and investment income	\$ 43,147	\$ 45,446	\$ 49,405	\$ (40,691)	\$ 30	\$ 1,917	\$ 1,658	\$ 107,837	\$ 120,156	\$ 175,216
Fines and charges		-							-	1,178,269
Fees and assessments	55,200	584,899							-	735,950
Intergovernmental		293,686							-	3,222,030
Contributions		105,515		194,098					194,098	374,373
Other		39,436	9						9	66,054
Total revenues	98,347	1,068,982	49,414	153,407	30	1,917	1,658	107,837	314,263	5,751,892
EXPENDITURES:										
Current:										
Recreation		-							-	746,176
Education		-							-	1,925,752
Other expenses		-	16,145	666		5,884	560	6,576	29,831	1,496,823
Debt Service:										
Debt service principal		-							-	50,000
Bond issuance cost		-							-	-
Interest expense		16,682							-	4,314,515
Capital improvements		4,086,912								
Total expenditures	-	4,103,594	16,145	666	-	5,884	560	6,576	29,831	8,560,586
Excess (deficiency) of revenues over (under) expenditures	98,347	(3,034,612)	33,269	152,741	30	(3,967)	1,098	101,261	284,432	(2,808,694)
OTHER FINANCING SOURCES (USES)										
Transfers in		2,335,668								3,104,704
Transfers out		(568,955)						(19,316)	(19,316)	(2,198,221)
Total other financing sources (uses)	-	1,766,713	-	-	-	-	-	(19,316)	(19,316)	906,483
Net change in fund balances	98,347	(1,267,899)	33,269	152,741	30	(3,967)	1,098	81,945	265,116	(1,902,211)
Fund balances, beginning of year(restated)	4,783,394	11,462,728	403,953	-	10,293	231,632	197,224	681,212	1,524,314	16,873,327
Fund balances, end of year	\$ 4,881,741	\$ 10,194,829	\$ 437,222	\$ 152,741	\$ 10,323	\$ 227,665	\$ 198,322	\$ 763,157	\$ 1,789,430	\$ 14,971,116

(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, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Unclaimed Estates</u>				
ASSETS:				
Cash	\$ 43,794	\$ 32	\$ -	\$ 43,826
TOTAL ASSETS	<u>\$ 43,794</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ 43,826</u>
LIABILITIES:				
Deposits held in custody for others	\$ 43,794	\$ 32	\$ -	\$ 43,826
TOTAL LIABILITIES	<u>\$ 43,794</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ 43,826</u>
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 243,443	\$ 548,589	\$ 543,811	\$ 248,221
Investments	12,034	414		12,448
TOTAL ASSETS	<u>\$ 255,477</u>	<u>\$ 549,003</u>	<u>\$ 543,811</u>	<u>\$ 260,669</u>
LIABILITIES:				
Deposits held in custody for others	\$ 255,477	\$ 549,003	\$ 543,811	\$ 260,669
TOTAL LIABILITIES	<u>\$ 255,477</u>	<u>\$ 549,003</u>	<u>\$ 543,811</u>	<u>\$ 260,669</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 287,237	\$ 548,621	\$ 543,811	\$ 292,047
Investments	12,034	414	-	12,448
TOTAL ASSETS	<u>\$ 299,271</u>	<u>\$ 549,035</u>	<u>\$ 543,811</u>	<u>\$ 304,495</u>
LIABILITIES:				
Deposits held in custody for others	299,271	549,035	543,811	304,495
TOTAL LIABILITIES	<u>\$ 299,271</u>	<u>\$ 549,035</u>	<u>\$ 543,811</u>	<u>\$ 304,495</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, 2011
 (WITH COMPARATIVE TOTALS FOR 2010)**

	<u>2011</u>	<u>2010</u>
Governmental funds capital assets:		
Land	\$ 13,669,374	\$ 13,669,374
Buildings	30,322,129	30,322,129
Improvements	48,132,407	47,972,974
Machinery and equipment	17,114,174	16,382,881
Infrastructure	34,713,353	33,398,233
Construction in progress	<u>2,962,951</u>	<u>503,158</u>
Total governmental funds capital assets	<u>\$ 146,914,388</u>	<u>\$ 142,248,749</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 10,181,256	\$ 9,716,920
Special revenue funds	7,193,757	6,945,197
Capital project funds	<u>129,539,375</u>	<u>125,586,632</u>
Total governmental funds capital assets	<u>\$ 146,914,388</u>	<u>\$ 142,248,749</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2011**

<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				\$ 59,278			\$ 59,278
Clerk			\$ 99,977	114,461			214,438
Manager				78,408			78,408
Building and grounds	\$ 54,298	\$ 200,361	1,658,867	41,847			1,955,373
Finance and administration				272,525			272,525
Planning				119,842			119,842
Inspector				63,993			63,993
Other - unclassified	46,500	21,442		32,653			100,595
Total general government	100,798	221,803	1,758,844	783,007	-		2,864,452
Schools	337,705	20,334,627	37,403,226	6,832,779			64,908,337
Public Safety:							
Police	542,982	5,096,175		2,316,296			7,955,453
Fire and alarms	48,000	105,677	6,646	622,136	387,260		1,169,719
Emergency management				766,196			766,196
Total public safety	590,982	5,201,852	6,646	3,704,628	387,260		9,891,368
Streets and highways	10,250	777,822	505,168	3,110,062	34,244,414		38,647,716
Recreation and parks	12,499,639	1,952,292	5,307,162	1,794,492	81,679		21,635,264
Public libraries	75,000	129,000	2,837,097	614,224			3,655,321
Elderly services	55,000	1,704,733	314,264	274,982			2,348,979
Construction in progress						\$ 2,962,951	2,962,951
Total general capital assets	\$ 13,669,374	\$ 30,322,129	\$ 48,132,407	\$ 17,114,174	\$ 34,713,353	\$ 2,962,951	\$ 146,914,388

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, 2011**

<u>Function and Activity</u>	<u>Balance July 1, 2010</u>	<u>Additions & Transfers In</u>	<u>Deductions & Transfers Out</u>	<u>Balance June 30, 2011</u>
General government:				
Council	\$ 52,563	\$ 6,715	\$	\$ 59,278
Clerk	215,272	1,224	2,058	214,438
Manager	78,702	2,113	2,407	78,408
Buildings and grounds	1,940,691	15,277	595	1,955,373
Finance and administration	218,938	65,119	11,532	272,525
Planning	137,359	-	17,517	119,842
Inspector	62,642	1,351	-	63,993
Other - unclassified	102,639	-	2,044	100,595
Total general government	2,808,806	91,799	36,153	2,864,452
Schools	64,644,110	348,066	83,839	64,908,337
Public safety:				
Police	7,767,089	320,414	132,050	7,955,453
Fire and alarms	1,162,929	6,790	-	1,169,719
Emergency management	668,078	278,312	180,194	766,196
Total public safety	9,598,096	605,516	312,244	9,891,368
Streets and highways	37,340,951	1,345,522	38,757	38,647,716
Recreation and parks	21,397,602	334,304	96,642	21,635,264
Public libraries	3,607,840	113,748	66,267	3,655,321
Elderly services	2,348,186	3,582	2,789	2,348,979
Construction in progress	503,158	2,459,793	-	2,962,951
Total general capital assets	\$ 142,248,749	\$ 5,302,330	\$ 636,691	\$ 146,914,388

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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, 2011**

<u>Year</u>	<u>Mill Rate</u>	<u>Property Taxes Receivable July 1, 2010</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, 2011</u>
2010	\$14.19		\$ 65,499,433	\$ 98,226	\$ 408,577	\$ 65,189,082	\$ 64,185,524	\$ 1,003,558
2009	12.09	\$ 979,569		32	4,584	975,017	921,840	53,177
2008	11.97	81,731			1,737	79,994	45,833	34,161
2007	11.51	27,555			446	27,109	4,146	22,963
2006	13.65	22,383			1,102	21,281	4,432	16,849
2005	13.13	25,309			508	24,801	2,958	21,843
2004	12.58	23,097			487	22,610	3,534	19,076
2003	19.91	25,461			241	25,220	1,542	23,678
2002	19.02	23,198			181	23,017	1,311	21,706
2001	17.90	28,292			170	28,122	1,297	26,825
2000	20.75	18,665			16,039	2,626	2,294	332
1999	20.12	1,905			14	1,891	1,569	322
1998	19.38	316			6	310		310
1997	18.71	299				299		299
Subtotal		<u>1,257,780</u>	<u>\$ 65,499,433</u>	<u>\$ 98,258</u>	<u>\$ 434,092</u>	<u>\$ 66,421,379</u>	<u>\$ 65,176,280</u>	<u>1,245,099</u>
Less: estimated allowance for uncollectable accounts		<u>276,145</u>						<u>260,621</u>
Net property taxes receivable		<u>\$ 981,635</u>						<u>\$ 984,478</u>

(CONTINUED)

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<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, 2009</u>			
	<u>Valuations</u>	<u>Levy</u>		
Real property	\$ 4,101,268,914	\$ 58,184,703	Current year collections	\$ 65,176,280
Motor vehicles	220,747,096	4,130,179	Revenue received 60 days subsequent to fiscal year ending June 30, 2011	<u>309,313</u>
Tangible property	236,046,336	3,348,790	Subtotal	<u>65,485,593</u>
Wholesale and retail inventory	-	-	Prior year revenue received in current year (2010 60 day rule)	<u>(336,918)</u>
Total	4,558,062,346	65,663,672	Current year property tax revenue	<u><u>\$ 65,148,675</u></u>
Exemptions and adjustments	11,241,703	164,240		
Net assessed value	<u><u>\$ 4,546,820,643</u></u>	<u><u>\$ 65,499,432</u></u>		

(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 EIGHT FISCAL YEARS**

	Fiscal Year ended June 30							
	2004	2005	2006	Restated 2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 35,095,122	\$ 37,770,093	\$ 57,027,194	\$ 53,793,454	\$ 55,954,948	\$ 58,268,229	\$ 59,514,637	\$ 64,187,374
Restricted	14,820,823	15,107,822	15,430,240	17,131,006	15,981,878	13,627,269	14,457,291	15,927,670
Unrestricted	11,658,131	14,219,435	19,337,021	22,077,926	23,644,356	25,159,357	28,760,016	28,956,645
Total governmental activities net assets	61,574,076	67,097,350	91,794,455	93,002,386	95,581,182	97,054,855	102,731,944	109,071,689
Business-type activities								
Invested in capital assets, net of related debt	20,150,773	20,470,817	21,673,567	21,425,967	22,481,289	21,953,466	21,683,245	21,529,486
Restricted	-	-	-	-	-	-	-	-
Unrestricted	4,270,116	3,754,258	3,630,933	3,732,628	4,065,992	4,699,813	5,107,329	5,705,043
Total business-type activities net assets	24,420,889	24,225,075	25,304,500	25,158,595	26,547,281	26,653,279	26,790,574	27,234,529
Primary government								
Invested in capital assets, net of related debt	55,245,895	58,240,910	78,700,761	75,219,421	78,436,237	80,221,695	81,197,882	85,716,860
Restricted	14,820,823	15,107,822	15,430,240	17,131,006	15,981,878	13,627,269	14,457,291	15,927,670
Unrestricted	15,928,247	17,973,693	22,967,954	25,810,554	27,710,348	29,859,170	33,867,345	34,661,688
Total primary government net assets	\$ 85,994,965	\$ 91,322,425	\$ 117,098,955	\$ 118,160,981	\$ 122,128,463	\$ 123,708,134	\$ 129,522,518	\$ 136,306,218

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses								
Governmental activities:								
General government	\$ 6,478,353	\$ 7,164,843	\$ 7,794,143	\$ 8,559,664	\$ 8,806,804	\$ 8,773,435	\$ 9,181,646	\$ 8,762,355
Public safety	5,812,407	5,975,342	6,163,017	6,701,924	6,784,029	6,809,682	6,586,666	6,842,338
Public works	1,989,518	2,437,890	2,726,315	3,221,185	2,905,202	3,381,225	3,123,570	3,267,543
Human service agency contributions	193,082	197,073	183,015	178,356	183,987	188,927	166,750	145,400
Public libraries	885,097	916,825	953,482	988,273	1,039,669	1,039,152	1,015,013	1,049,444
Education	51,922,916	52,654,614	55,630,802	60,131,860	62,853,934	63,199,438	62,584,202	62,708,323
Recreation	2,108,450	2,138,627	2,281,584	2,319,532	2,322,764	2,301,367	2,238,241	2,274,394
Interest on long-term debt	1,746,861	1,658,708	1,499,745	1,560,963	1,520,722	1,369,147	1,236,605	1,067,569
Total governmental activities	<u>71,136,684</u>	<u>73,143,922</u>	<u>77,232,103</u>	<u>83,661,757</u>	<u>86,417,111</u>	<u>87,062,373</u>	<u>86,132,693</u>	<u>86,117,366</u>
Business-type activities:								
Wastewater	2,682,339	2,747,416	2,792,376	2,972,625	3,144,544	3,152,653	3,084,902	2,941,505
Solid Waste	965,564	891,292	893,562	948,464	945,596	477,435	471,896	511,132
Water	665,256	658,923	679,376	713,784	835,913	784,999	805,924	831,549
School Cafeteria	1,004,783	970,996	1,056,629	1,095,906	1,041,418	992,566	956,998	1,022,540
Total business-type activities	<u>5,317,942</u>	<u>5,268,627</u>	<u>5,421,943</u>	<u>5,730,779</u>	<u>5,967,471</u>	<u>5,407,653</u>	<u>5,319,720</u>	<u>5,306,726</u>
Total primary government expense	<u>\$ 76,454,626</u>	<u>\$ 78,412,549</u>	<u>\$ 82,654,046</u>	<u>\$ 89,392,536</u>	<u>\$ 92,384,582</u>	<u>\$ 92,470,026</u>	<u>\$ 91,452,413</u>	<u>\$ 91,424,092</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 3,741,721	\$ 3,734,779	\$ 4,534,120	\$ 3,794,768	\$ 3,617,841	\$ 3,170,376	\$ 3,544,928	\$ 3,568,036
Public safety	783,362	784,245	806,200	1,001,582	989,173	888,425	878,852	920,046
Public works	56,300	58,050	59,500	61,100	62,935	65,465	77,269	114,780
Public libraries	48,856	29,117	28,106	28,478	28,348	30,186	28,448	27,877
Education	1,218,151	1,010,984	1,203,376	1,141,449	1,003,973	988,731	915,874	758,360
Recreation	818,419	847,241	885,410	820,278	800,684	821,301	863,176	921,171
Operating grants and contributions	14,260,623	14,490,072	15,030,606	16,188,793	16,321,642	14,971,735	14,597,929	14,624,647
Capital grants and contributions	882,697	729,799	4,186,452	292,834	272,145	105,831	678,310	1,002,922
Total governmental activities program revenues	<u>21,810,129</u>	<u>21,684,287</u>	<u>26,733,770</u>	<u>23,329,282</u>	<u>23,096,741</u>	<u>21,042,050</u>	<u>21,584,786</u>	<u>21,937,839</u>
Business-type activities:								
Charges for services:								
Wastewater	2,279,726	2,354,188	2,474,993	2,660,233	3,065,229	3,080,743	3,093,623	3,055,955
Solid Waste	991,645	928,736	956,613	950,248	789,355	478,540	425,240	483,873
Water	721,987	765,853	814,374	749,067	866,797	940,327	922,164	954,815
School Cafeteria	802,956	747,852	795,794	787,352	760,830	721,789	679,823	728,897
Operating grants and contributions	221,205	210,425	202,997	234,927	504,696	265,866	274,624	321,307
Capital grants and contributions	-	-	404,100	-	307,075	-	-	154,650
Total business-type activities	<u>5,017,519</u>	<u>5,007,054</u>	<u>5,648,871</u>	<u>5,381,827</u>	<u>6,293,982</u>	<u>5,487,265</u>	<u>5,395,474</u>	<u>5,699,497</u>
Total primary government program revenues	<u>\$ 26,827,648</u>	<u>\$ 26,691,341</u>	<u>\$ 32,382,641</u>	<u>\$ 28,711,109</u>	<u>\$ 29,390,723</u>	<u>\$ 26,529,315</u>	<u>\$ 26,980,260</u>	<u>\$ 27,637,336</u>

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue								
Governmental activities	\$ (49,326,555)	\$ (51,459,635)	\$ (50,498,333)	\$ (60,332,475)	\$ (63,320,370)	\$ (66,020,323)	\$ (64,547,907)	\$ (64,179,527)
Business-type activities	(300,423)	(261,573)	226,928	(348,952)	326,511	79,612	75,754	392,771
Total primary government net expense	<u>\$ (49,626,978)</u>	<u>\$ (51,721,208)</u>	<u>\$ (50,271,405)</u>	<u>\$ (60,681,427)</u>	<u>\$ (62,993,859)</u>	<u>\$ (65,940,711)</u>	<u>\$ (64,472,153)</u>	<u>\$ (63,786,756)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes	\$ 50,181,817	\$ 51,441,569	\$ 54,828,438	\$ 58,032,552	\$ 60,903,094	\$ 63,974,336	\$ 64,729,407	\$ 65,797,804
Motor vehicle phase-out taxes	1,578,608	1,578,608	1,828,726	2,165,338	2,167,848	2,178,075	1,876,190	168,739
Telephone and hotel taxes	472,963	425,192	389,466	337,594	339,967	357,171	372,981	414,890
Grants and aid not restricted for a specific program	2,030,561	2,131,825	2,400,435	2,396,341	2,295,069	1,737,177	1,440,551	1,413,742
Unrestricted investment earnings	1,439,078	1,373,108	2,084,407	4,000,792	1,073,334	(834,736)	1,822,022	2,733,097
Miscellaneous	79,826		7,385	-	-	-	-	-
Transfers	9,040	32,607	1,087,993	25,197	(880,146)	81,973	(16,155)	(9,000)
Total governmental activities	<u>55,791,893</u>	<u>56,982,909</u>	<u>62,626,850</u>	<u>66,957,814</u>	<u>65,899,166</u>	<u>67,493,996</u>	<u>70,224,996</u>	<u>70,519,272</u>
Business-type activities:								
Unrestricted investment earnings	69,906	98,366	155,843	228,244	182,029	108,359	45,386	42,184
Capital contributions								
Transfers	(9,040)	(32,607)	(1,087,993)	(25,197)	880,146	(81,973)	16,155	9,000
Total business type activities	<u>60,866</u>	<u>65,759</u>	<u>(932,150)</u>	<u>203,047</u>	<u>1,062,175</u>	<u>26,386</u>	<u>61,541</u>	<u>51,184</u>
Total primary government	<u>\$ 55,852,759</u>	<u>\$ 57,048,668</u>	<u>\$ 61,694,700</u>	<u>\$ 67,160,861</u>	<u>\$ 66,961,341</u>	<u>\$ 67,520,382</u>	<u>\$ 70,286,537</u>	<u>\$ 70,570,456</u>
Change in Net Assets								
Governmental activities	\$ 6,465,338	\$ 5,523,274	\$ 12,128,517	\$ 6,625,339	\$ 2,578,796	\$ 1,473,673	\$ 5,677,089	\$ 6,339,745
Business-type activities	(239,557)	(195,814)	(705,222)	(145,905)	1,388,686	105,998	137,295	443,955
Total primary government	<u>\$ 6,225,781</u>	<u>\$ 5,327,460</u>	<u>\$ 11,423,295</u>	<u>\$ 6,479,434</u>	<u>\$ 3,967,482</u>	<u>\$ 1,579,671</u>	<u>\$ 5,814,384</u>	<u>\$ 6,783,700</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 **
General Fund										
Reserved	\$ 162,147	\$ 88,958	\$ 258,879	\$ 366,988	\$ 286,935	\$ 55,127	\$ 211,673	\$ 45,788	\$ 22,133	\$ 2,579
Unreserved	7,360,947	7,795,115	8,641,616	9,587,047	10,875,912	12,145,834	12,151,623	11,535,780	11,485,482	11,661,554
Total general fund	<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>	<u>\$ 11,507,615</u>	<u>\$ 11,664,133</u>
All Other Governmental Funds										
Reserved	\$ 16,168,151	\$ 15,149,953	\$ 15,536,672	\$ 15,131,361	\$ 16,183,103	\$ 16,419,082	\$ 15,431,321	\$ 12,524,961	\$ 15,179,653	\$ 23,737,218
Unreserved, reported in:										
Special revenue funds	1,465,978	1,880,251	2,106,195	2,257,829	2,974,177	3,957,611	5,025,971	6,132,249	7,708,064	5,318,787
Capital project funds	3,281,197	3,640,449	4,238,921	5,207,698	6,481,448	8,629,412	9,022,455	9,966,576	9,576,489	3,376,356
Permanent funds	1,618,618	1,427,198	1,377,532	1,341,590	1,363,510	1,390,975	1,390,717	1,447,322	1,415,680	-
Total all other governmental funds	<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>	<u>\$ 33,879,886</u>	<u>\$ 32,432,361</u>

Notes:

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

** The Town adopted GASB 54 fund balance definitions @ 6/30/11. Nonspendable and Restricted fund balance are compared to Reserved fund balance and Committed, Assigned and Unassigned fund balance are compared to Unreserved fund balance for purposes of this table.

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Property Taxes and Interest	\$43,288,150	\$46,800,191	\$50,233,102	\$51,575,179	\$54,798,227	\$57,995,337	\$60,825,348	\$63,897,316	\$ 64,686,811	\$ 65,767,357
Intergovernmental revenues	16,056,626	16,541,331	17,862,153	17,736,296	22,294,882	19,128,068	18,853,974	16,796,121	16,477,182	14,625,902
Licenses, Fees and Rents	968,096	2,469,755	2,880,916	2,783,009	3,171,720	2,350,971	2,235,837	1,789,384	2,024,285	2,037,196
Interest on Investments	533,019	949,062	1,425,040	1,359,435	2,076,026	3,978,764	1,059,327	(853,653)	1,808,819	2,716,487
Fines and Charges	-	909,323	877,648	930,264	1,135,148	1,229,691	1,163,767	1,114,872	1,135,127	1,178,269
Department Revenue	1,063,885	1,068,252	1,066,283	1,084,946	1,047,988	1,115,818	1,146,290	1,028,183	1,002,911	1,064,987
Other Revenue	2,401,353	2,984,787	1,808,323	1,594,264	1,712,282	1,679,028	1,450,458	1,507,728	1,670,698	1,591,105
State On-behalf Pension	880,401	1,101,980	1,273,501	1,420,597	1,393,981	2,091,234	2,406,682	2,439,868	2,008,361	2,098,130
Total revenues	65,191,530	72,824,681	77,426,966	78,483,990	87,630,254	89,568,911	89,141,683	87,719,819	90,814,194	91,079,433
Expenditures:										
Current:										
General Government	\$ 2,156,132	\$ 2,276,905	\$ 2,334,443	\$ 2,402,451	\$ 2,392,210	\$ 2,562,378	\$ 2,643,256	\$ 2,732,722	\$ 2,486,301	\$ 2,578,103
Public Safety	5,001,159	5,099,458	5,562,051	5,562,270	5,894,514	6,105,953	6,343,310	6,383,435	6,036,189	6,563,358
Public Services	1,739,524	1,969,076	1,707,808	2,110,290	1,789,493	2,140,379	1,794,767	2,219,582	1,951,422	2,081,960
Public Health Contributions	178,375	189,848	193,082	197,073	183,015	178,356	183,987	188,927	166,750	145,400
Recreation	1,638,812	1,741,754	1,878,405	1,900,685	2,023,334	2,056,094	2,044,667	2,032,015	1,995,969	2,043,091
Public Libraries	698,361	740,319	771,119	835,864	840,886	873,701	909,506	936,811	918,449	928,496
Educational	42,978,657	46,184,080	49,194,399	49,817,652	53,788,014	58,544,022	60,874,616	61,776,284	61,519,957	61,820,390
Capital Improvements	349,840	7,320,140	5,254,478	3,322,808	11,582,846	3,418,724	1,833,299	1,445,008	2,091,968	4,319,515
Miscellaneous	4,755,840	5,721,328	6,093,843	6,527,815	5,838,673	6,269,940	6,739,952	6,786,000	6,386,655	6,382,023
Debt Service: (3)	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	3,523,093	3,435,000
Interest		1,922,446	1,730,728	1,813,748	1,422,690	1,506,605	1,443,667	1,292,092	1,270,377	1,020,227
Total expenditures	64,597,865	76,455,354	78,150,356	77,975,656	89,445,675	87,361,152	88,526,027	89,382,876	88,347,130	91,317,563
Excess of revenues over (under) expenditures	593,665	(3,630,673)	(723,390)	508,334	(1,815,421)	2,207,759	615,656	(1,663,057)	2,467,064	(238,130)
Other Financing Sources (Uses):										
Proceeds from borrowing	3,925,000	3,400,000	2,875,000	1,191,757	5,000,000	2,200,000	-	-	1,283,916	-
Sale of property	-	-	-	-	-	-	-	-	-	-
Operating transfers in	1,144,990	37,164,994	39,548,069	40,612,725	44,856,027	47,029,050	49,870,629	52,080,623	52,425,977	52,192,383
Operating transfers out	1,293,406	(36,819,578)	(39,539,029)	(40,580,118)	(43,768,034)	(47,003,853)	(49,850,566)	(51,998,650)	(52,442,132)	(52,201,383)
Total other financing sources (uses)	6,363,396	3,745,416	2,884,040	1,224,364	6,087,993	2,225,197	20,063	81,973	1,267,761	(9,000)
Net change in fund balances	\$ 6,957,061	\$ 114,743	\$ 2,160,650	\$ 1,732,698	\$ 4,272,572	\$ 4,432,956	\$ 635,719	\$ (1,581,084)	\$ 3,734,825	\$ (247,130)
Debt service as a percentage of noncapital expenditures (2)	7.94%	7.54%	7.08%	7.10%	6.57%	6.29%	6.05%	5.63%	5.61%	5.18%

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 principal and interest and other costs beginning with fiscal year 2003. Bond issuance costs and bank fees are further broken out from interest beginning fiscal year 2011.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

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			
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
2010	5,229,586,265	494,226,005	46,754,260	257,930,859	0	99,835,185	846,367,997	5,281,964,577	12.21
2011	4,423,285,263	440,530,005	40,110,400	236,046,336	0	220,747,096	813,898,457	4,546,820,643	14.41

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 4.50% for fiscal year 2011.

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 2011, the property tax rate, exclusive of motor vehicles, was \$14.187

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**SCHEDULE 5A
ASSESSED VALUES AND ACTUAL VALUES OF TAXABLE PROPERTY
CALCULATION OF TOTAL DIRECT TAX RATE FOR FISCAL YEAR ENDED JUNE 30, 2011**

Note: Exclude Exempt Property

Category	Assessed Value	Direct Rate Per \$1000	Total Tax Levy
Real Estate	4,101,268,914		
Less Exemptions	10,191,021		
Net Real Estate	4,091,077,893	14.1870	58,040,122
Tangible/Personal Inventory	236,046,336	14.1870	3,348,789
	0		0
Motor Vehicle	220,747,096		
Less Exemptions	1,050,682		
Net Motor Vehicle	219,696,414	18.71	4,110,520
	<u>4,546,820,643</u>		<u>65,499,431</u>
Total Assessed Value:	4,546,820,643		
Divided by Total Levy: (Times 1000)	65,499,433		
	<u>14.41</u>	Weighted Avg/Total Direct Rate	

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

	2011			2002		
	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	\$ 64,328,648	1	1.41%	\$ 37,247,070	1	1.55%
Grandville At The Commons LP	34,714,600	2	0.76%			
Narragansett Electric	23,022,734	3	0.51%	11,802,043	2	0.49%
APC America Inc	17,240,700	4	0.38%			
SHP III South Kingstown LLC	16,858,875	5	0.37%			
HCP HB2 South Bay Manor LLC	14,017,600	6	0.31%	5,334,185	6	0.22%
Jerry Brown Farm Association	13,634,300	7	0.30%	5,066,000	8	0.21%
SCC Investments II, LLC	13,124,800	8	0.29%			
Wakefield Mall Associates	12,823,700	9	0.28%	9,303,170	3	0.39%
SCC Investments, LLC	9,944,900	10	0.22%			
United Water Company				5,830,095	4	0.24%
Belmar Housing Associates LP				5,509,720	5	0.23%
AKG Inc				5,234,230	7	0.22%
Peace Dale United Housing				4,991,120	9	0.21%
South Farm Limited Partnership				4,407,120	10	0.18%
Total	\$ 219,710,857		4.16%	\$ 94,724,753		3.95%

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 & ADJUSTMENTS	ABATEMENTS & ADJUSTMENTS	NET LEVY	UNCOLLECTED(2)			
						END OF YEAR LEVY (1)	% OF NET LEVY	AS OF 8/30/11	% OF NET LEVY
2010-11	\$14.19	\$65,499,433	\$99,806	\$408,580	\$65,190,659	\$702,456	1.08%	\$702,456	1.08%
2009-10	12.09	64,504,174	122,736	395,283	64,231,627	647,960	1.01%	46,643	0.07%
2008-09	11.97	63,726,992	103,533	441,143	63,389,382	616,114	0.97%	33,463	0.05%
2007-08	11.51	60,692,561	115,434	528,160	60,279,835	529,770	0.88%	22,116	0.04%
2006-07	13.65	57,665,644	254,220	393,292	57,526,572	400,959	0.70%	16,631	0.03%
2005-06	13.13	54,722,908	138,292	487,838	54,373,362	358,734	0.66%	21,573	0.04%
2004-05	12.58	51,148,277	225,887	402,320	50,971,844	318,634	0.63%	19,045	0.04%
2003-04	19.91	49,568,970	236,967	255,014	49,550,923	412,527	0.83%	23,678	0.05%
2002-03	19.02	46,304,107	274,347	219,072	46,359,382	507,464	1.09%	21,706	0.05%
2001-02	17.90	43,002,755	188,310	358,553	42,832,512	545,782	1.27%	26,825	0.06%

Source: Town of South Kingstown Tax Collector

Notes:

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

(2) Uncollected @ 6/30/10 is net of the following adjustments: write off of uncollectible real estate, tangible and motor vehicle taxes for tax years 1994, 1995, 1998 and 1999 in the amount of \$70,258; and a reclassification of Town-held tax liens in the amount of \$5,704.

Uncollected @ 6/30/11 is net of the following adjustments: write off of uncollectible real estate, tangible and motor vehicle taxes for tax years 1998-2009 in the amount of \$21,898; and a reclassification of Town-held tax liens in the amount of \$750.

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	(2010 is actual)	Per Capita
				U.S. Census Estimated Population	
2002	40,620,000	2,400,977,084	1.69%	28,565	1,422
2003	41,230,000	2,441,476,667	1.69%	28,949	1,424
2004	40,599,011	2,502,990,838	1.62%	29,246	1,388
2005	36,905,000	4,019,949,234	0.92%	29,235	1,262
2006	38,215,000	4,123,048,580	0.93%	29,374	1,301
2007	36,710,000	4,193,188,291	0.88%	29,238	1,256
2008	32,995,000	5,215,698,720	0.63%	29,188	1,130
2009	29,405,000	5,255,505,490	0.56%	29,195	1,007
2010	27,085,000	5,281,964,577	0.51%	30,639	884
2011	23,650,000	4,546,820,643	0.52%	30,639	772

Business-Type Activities

Fiscal Year June 30,	Wastewater	Solid Waste	Water	Total Primary Government	Total Personal Income	Percent of Personal Income *	Per Capita
	Bonds	Bonds	Bonds				
2002	575,892			41,195,892	998,003,970	4.13%	1,442
2003	531,573			41,761,573	1,051,225,037	3.97%	1,443
2004	985,800			41,584,811	1,143,781,814	3.64%	1,422
2005	916,525	1,845,898		39,667,423	1,187,788,815	3.34%	1,357
2006	845,699	2,715,600		41,776,299	1,238,760,328	3.37%	1,422
2007	773,271	2,593,058		40,076,329	1,299,132,054	3.08%	1,371
2008	699,189	2,467,208	400,000	36,561,397	1,355,928,540	2.70%	1,253
2009	622,398	2,338,985	324,000	32,690,383	1,342,386,100	2.44%	1,120
2010	543,843	2,207,323	246,000	30,082,166	Not Available	Not Available	982
2011	463,465	2,072,154	166,000	26,351,619	Not Available	Not Available	860

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
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
2010	12.21	0.44	0.70	0.65
2011	14.41	0.52	0.80	0.81

Notes:

For the 2011-2012 fiscal year, the Town's basic tax rate increase cannot exceed 4.25% 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**

	2002	2003	2004	Fiscal Year ended June 30		2007	2008	2009	2010	2011
				2005	2006					
Total assessed value	\$ 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	\$ 5,281,964,577	\$ 4,546,820,643
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	<u>72,029,313</u>	<u>73,244,300</u>	<u>75,089,725</u>	<u>120,598,477</u>	<u>123,691,457</u>	<u>125,795,649</u>	<u>156,470,962</u>	<u>157,665,165</u>	<u>158,458,937</u>	<u>136,404,619</u>
Total net debt applicable to the limit	4,922,142	6,269,607	7,319,813	6,686,300	7,755,901	8,013,858	7,240,508	6,564,785	5,911,770	5,338,372
Legal debt margin	<u>\$ 67,107,171</u>	<u>\$ 66,974,693</u>	<u>\$ 67,769,912</u>	<u>\$ 113,912,177</u>	<u>\$ 115,935,556</u>	<u>\$ 117,781,791</u>	<u>\$ 149,230,454</u>	<u>\$ 151,100,380</u>	<u>\$ 152,547,167</u>	<u>\$ 131,066,247</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>6.83%</u>	<u>8.56%</u>	<u>9.75%</u>	<u>5.54%</u>	<u>6.27%</u>	<u>6.37%</u>	<u>4.63%</u>	<u>4.16%</u>	<u>3.73%</u>	<u>3.91%</u>

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)
2002	28,565	34,938	998,004	4,321	3.6%
2003	28,949	36,313	1,051,225	4,214	4.1%
2004	29,246	39,109	1,143,782	4,190	4.5%
2005	29,235	40,629	1,187,789	4,056	4.3%
2006	29,374	42,172	1,238,760	3,875	4.3%
2007	29,238	44,433	1,299,132	3,803	4.4%
2008	29,188	46,455	1,355,929	3,658	4.3%
2009	29,195	45,980	1,342,386	3,599	6.6%
2010	30,639	Not Available	Not Available	3,548	9.2%
2011	30,639	Not Available	Not Available	3,523	10.3%

(1) Per Bureau of Economic Analysis - Washington County. The income data released in April 2011 represents 2009 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 2009. The 2010 fiscal year census statistic is actual US census figure available at RI Dept of Labor & Training website

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

2011 (2)				2002			
Employer	Employees	Rank	Percentage of Total Town Employment	Employees	Employees	Rank	Percentage of Total Town Employment
University of Rhode Island	2,486	1	17.5%	University of Rhode Island	2,614	1	18.4%
American Power Conversion	1,039	2	7.3%	American Power Conversion	1,300	2	9.2%
South County Hospital	930	3	6.5%	South County Hospital	900	3	6.3%
Town of South Kingstown (1)	800	4	5.6%	Town of South Kingstown (1)	866	4	6.1%
Shaw's Supermarket	160	5	1.1%	Shaw's Supermarket	160	5	1.1%
Arnold Lumber Co., Inc.	140	6	1.0%	HealthTouch, Inc.	110	6	0.8%
HealthTouch	110	7	0.8%	Ro-Jacks Food Stores Inc	100	7	0.7%
South Kingstown Nursing & Rehab Center	110	8	0.8%	Chelo's	100	8	0.7%
Modine Manufacturing	100	9	0.7%				
Total	5,875		41.2%	Total	6,150		43.4%

NOTES

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

(2) The most recent figures available are as of February, 2010.

As of the 2011 CAFR publication, a new source of this data has not been located.

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,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government:	38	37	37	37	37	38	38	36	33	33
Public Safety:										
Police - Officers	53	54	54	56	54	54	54	54	53	51
Police - Civilians	22	22	22	22	22	22	22	22	22	22
Emer. Medical Services	17	17	17	17	17	17	17	17	17	17
Communications	1	1	1	3	3	3	3	3	2	2
	<u>93</u>	<u>94</u>	<u>94</u>	<u>97</u>	<u>96</u>	<u>96</u>	<u>96</u>	<u>96</u>	<u>94</u>	<u>92</u>
Public Works:										
Streets & Highways	20	20	20	20	20	19	19	19	18	17
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>23</u>	<u>23</u>	<u>23</u>	<u>22</u>	<u>21</u>
Parks & Recreation	10	10	10	11	11	12	12	12	11	11
Libraries	12	12	12	12	12	12	11	12	12	11
TOTAL GENERAL FUND	176	177	177	181	180	181	180	179	172	168
Water	4	4	4	4	4	4	4	4	4	4
Wastewater	19	19	19	19	19	18	18	18	18	17
Neighborhood Guild	5	6	6	5	5	5	5	5	5	5
Senior Services	9	9	9	9	9	9	9	8	8	7
Other	1	1	1	1	1	1	1	1	1	1
Public education:										
Certified	371	374	383	379	371	381	373	367	348	347
Non-certified	194	199	212	205	195	207	208	203	195	180
Administrative	25	23	23	22	21	21	21	22	21	21
	<u>590</u>	<u>596</u>	<u>618</u>	<u>606</u>	<u>587</u>	<u>608</u>	<u>601</u>	<u>592</u>	<u>564</u>	<u>549</u>
Total	804	812	834	825	805	827	819	807	772	751

Source: Town Budgets and School Department Budgets

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police:										
Physical arrests	1,048	1,178	1,258	1,179	856	738	667	714 (3)	718	661
Traffic violations	9,257	9,020	9,739	6,814	6,755	7,621	8,197	4,650 (3)	3,147	2,354
Parking violations	585	845	1,140	1,263	716	715	1,046	1,145 (3)	1,239	1,032
Emergency Medical Services:										
Number of calls answered	1,943	2,075	2,221	2,191	2,531	2,487	2,584	2,637	2,703	2,707
Animal Control:										
Number of complaints	1,537	1,303	1,403	1,386	1,288	1,447	1,408	1,334	1,324	1,332
Number of impoundments	695	738	755	673	614	588	601	401	418	390
Communications:										
Fire alarm activations			204 *	193	186	261	240	227	254	241
Streets & Highways:										
Street Sweeping (miles)	149	149	150	150	150	150	150	150	150	150
Road regrading (miles)	45	45	45	45	45	45	45	45	45	45
Street plowing/deicing (OT hours)	598	2,147	2,657	4,574	2,314	931	1,836	2,500	1,666	2,394
Culture & Recreation:										
Programs/Classes (enroll/attend)	58,664	54,924	64,222	61,584	66,846	60,707	46,528	35,716 (2)	33,345	35,652
Libraries:										
Volumes in Collection	68,873	68,673	68,550	65,542	66,469	66,865	67,700	66,769	68,721	69,223
Volumes borrowed	296,165	318,959	316,232	306,506	295,807	306,722	302,654	313,716	301,834	287,607
Reference requests filled	29,072	30,168	30,502	28,840	29,139	28,052	29,088	28,221	26,865	26,362
Water:										
New connections (net)	76	30	15	11	15	0	60	35	9	16
Average daily consumption (1) (thousands of gallons)	376	380	340	400	340	313	376	364	317	325
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,446	2,819	2,715	2,992	2,985	2,967	2,473	2,733	3,052	2,517
Senior Services:										
Adult Day Care services (client days)	3,667	3,956	4,125	3,573	4,017	3,834	3,210	2,304	4,109	3,783
Senior transportation (trips)	7,940	8,897	8,953	8,935	9,124	8,293	6,706	9,269	7,631	6,244
Congregate meals served	17,161	15,840	15,011	14,645	15,136	15,379	13,587	12,765	11,512	11,422

Sources: Various Town departments

Notes:

Indicators are not available for the general government function.

(1) Consumption is calculated from billed usage

(2) 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.

(3) The 2009 Police statistics have been revised based on corrected information provided by the Police Department subsequent to the publishing of the 2009 CAFR.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

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

<u>Function/Program</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>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	15	15	16	16	16	16	16	16	16
Public works:										
Streets (miles)		145 *	145	145	147	147	148	148	149	149
Culture and recreation:										
Park acreage	320	410	440	440	440	440	440	440	453	453
Tennis courts	12	19	25	25	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)	45	45	45	48	48	48	49	49	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)	50	52	53	53	53	53	53	53	53	53
Storm drains (miles)				46 *	46	47	47	53	53	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

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TOWN OF SOUTH KINGSTOWN

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2011, 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, 2011**

Federal Grantor Pass-Through Grantor Program title	Federal CFDA Number		Expenditures
U.S. Department of Housing and Urban Development			
Rhode Island Governor's Office of Housing & Intergovernmental Relations Community Development Block Grants - Small Cities Program	14.219		\$ 196,890
U.S. Department of Transportation			
Rhode Island Department of Health Seat-Belt Enforcement	20.604		44,405
U.S. Department of Health			
Rhode Island Department of Health Underage Drinking and Alcohol Grant	93.XXX		6,097
Block Grants for Community Mental Health - Drug Free Communities	93.958		104,232
Tobacco Compliance Investigation Grant	93.XXX		437
Total U.S. Department of Health			<u>110,766</u>
U.S. Department of Justice			
State of Rhode Island Governors Justice Commission			
Governor Justice Commission Grant	16.XXX		34,386
Justice Assistance Grants - JAG	16.804		74,430
Governor Justice Commission Grant	16.XXX		539
Total U.S. Department of Justice			<u>109,355</u>
U.S. Department of Education			
RI Department of Education			
Title I	84.010	*	285,206
Title I - ARRA Funding	84.389	*	67,909
Title II	84.367	**	166,561
Title II D - E2T2	84.318	**	23,655
Title II - E2T2 - ARRA Funding	84.386	**	10,631
Title III	84.365A		6,380
Title IV	84.186		7,337
Project IDEA - Part B	84.027A	***	775,181
IDEA Part B - ARRA Funding	84.391	***	414,957
Early learning (89-313) - preschool	84.173	***	24,763
Preschool - ARRA Funding	84.392	***	13,456
State Fiscal Stabilization Fund	84.394		244,944
Total U.S. Department Education			<u>2,040,980</u>
U.S. Department of Agriculture			
State of RI Department of Education			
National Lunch Program (including Food Commodities)	10.555		321,092
Total U.S. Department of Agriculture			<u>321,092</u>
Total Federal Expenditures			<u>\$ 2,823,488</u>

* , ** , & *** - Denotes program clusters which are considered to be one program for testing purposes.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011**

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 \$24,785 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, 2011, the following programs were considered major programs:

Federal School Lunch Program	CFDA #10.555
Title I.....	CFDA #84.010 *
Title I—ARRA Funding	CFDA #84.389 *
Project IDEA Part B	CFDA #84.027 **
Project IDEA Part B – ARRA Funding	CFDA #84.391 **
Early Learning (89-313) Preschool	CFDA #84.173 **
Preschool—ARRA Funding.....	CFDA #84.392 **

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

** - 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, the aggregate discretely presented component units, 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, 2011, which collectively comprise the Town of South Kingstown, Rhode Island's basic financial statements and have issued our report thereon dated December 28, 2011. 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

Management of the Town of South Kingstown, Rhode Island is responsible for establishing and maintaining effective 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.

Needham

Boston

Concord

Taunton

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.



Providence, Rhode Island
December 28, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 Town of South Kingstown, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of South Kingstown, Rhode Island's major federal programs for the year ended June 30, 2011. 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.

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the Town of South Kingstown, Rhode Island, did not comply with requirements regarding allowable costs/cost principles that are applicable to its Title I, Project IDEA Part B, and Project IDEA Part B – ARRA Funding programs. Compliance with such requirements is necessary, in our opinion, for the Town of South Kingstown, Rhode Island, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of South Kingstown, Rhode Island, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Needham

Boston

Concord

Taunton

Internal Control Over Compliance

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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance 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 described above.

The Town of South Kingstown, Rhode Island's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of South Kingstown, Rhode Island's responses and, accordingly, we express no opinion on the responses.

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.



Providence, Rhode Island
December 28, 2011

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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 a qualified opinion.
6. Audit findings relative to the major federal award programs for the Town of South Kingstown, Rhode Island are reported in Part C of this schedule.
7. The programs tested as major programs were:

Federal School Lunch Program	CFDA #10.555
Title I	CFDA #84.010 *
Title I—ARRA Funding.....	CFDA #84.389 *
Project IDEA Part B.....	CFDA #84.027 **
Project IDEA Part B—ARRA Funding	CFDA #84.391 **
Early Learning (89-313) Preschool.....	CFDA #84.173 **
Preschool—ARRA Funding	CFDA #84.392 **

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

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

2011-1: Title I – CFDA #84.010; Project IDEA Part B – CFDA #84.027; and Project IDEA Part B – ARRA Funding – CFDA#84.391

Criteria: The South Kingstown School Department, may receive direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records supporting cost allocations to federal programs were not being maintained in accordance with requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Condition: The South Kingstown School Department did not maintain time records in accordance with the requirements of OMB Circular A-87. The School Department was maintaining semi-annual certifications for employees allocated to multiple federal programs. However, in accordance with federal regulations these time and effort reports must be maintained, at a minimum, on a monthly basis.

Recommendation: We recommend that management of the School Department develop a procedure to ensure compliance with the policy requiring detailed time and effort reports to be completed and maintained in accordance with the requirements of OMB Circular A-87. Also, this procedure should include an internal audit function requiring someone independent of the federal programs to review time records and salary reimbursements on a periodic basis for compliance.

Corrective Action – Management response: School Department management will review the current policies and procedures to ensure the use of weekly timesheets or monthly certifications for all personnel whose time is charged to federally funded programs. In the event that department personnel fail to comply with time reporting requirements, management will prohibit the department from submitting requisitions for drawdowns of federal funds.

TOWN OF SOUTH KINGSTOWN, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

Prior Year Findings:

None noted.

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